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Policy Design in the European Union

An Empire of Shopkeepers in the Making?

Edited by

Risto Heiskala and Jari Aro

Palgrave Studies in European Political Sociology

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Editors

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June 2017 *Editors and Authors*

Contents

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List of Figures

List of Tables

1

The EU: A Deepening, Enlarging or Collapsing Union?

Risto Heiskala and Jari Aro

Brexit, the immigration crisis, Europe-wide economic stagnation, rising geopolitical tension in the eastern and southern border areas, populist, EU-critical political mobilisation in all member states, and increasing difficulties in striking a deal about anything in the union. These are some of the well-known current problems of the European Union. The sheer number of problems, not to mention the difficulty of solving even one of them, is a good reason for asking whether there is any point in publishing yet another book about a union which may well fall apart in the near future.

We think there is.

First, we believe that the union is probably emerging from its current problems. How exactly this will happen and what kind of union it will be in the future is unknown at the moment, but we can study the facts, pay attention to trends and make educated guesses. This is what the contributions to this compilation are all about.

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Second, even if the union collapses or becomes marginalised so that it loses most of its power to shape the future of Europe, as has been predicted by some scholars and a vast number of populist politicians, its heritage and its member states will still be here, and within the ruins of the union they will provide the building blocks of a future Europe. This too is discussed in the contributions that follow.

There are some background assumptions upon which the book is built. First, the union originally emerged as a customs union, and this has left an imprint on its political and administrative footing in the world. It has made the understanding of politics curiously economistic in the union, so that it approaches all political issues from the perspective of markets. Second, the more the union has enlarged from a customs treaty of six Western European countries towards an economic and political union of the current 28 members from all regions of Europe, the more serious the problems of co-ordination have become between the abundance of member states and different interest groups. Third, taken together, these two characteristics make policy design in the EU an extraordinary case of confederation polity in its own right, demanding considerable devotion, negotiating skills, time and patience on the part of politicians and administrators engaged either in the EU system or one of the member states—and sometimes the citizens also want to have a say. Fourth, the constant expansion from a post-Second World War peace plan between six countries to a union of 27 or 28 member states (depending on whether the UK, which now is somewhere in between, is counted in or out) with some 0.5 billion inhabitants is such an extraordinary process that it provides good reason to ask whether we are dealing with an empire in the making (see also Zielonka 2006; Foster 2015; Behr and Stivachtis 2016). All the chapters in the book deal with one or more of these questions, and the opening and closing Chaps. 2 and 13 aim to cover most of the discussion by dealing with all four.

Chapter 2, *The Emergence of the European Union as a Very Incoherent Empire*, by Risto Heiskala, has two functions. First, it offers a concise description of the EU so that even a previously uninformed reader can follow the arguments in the other contributions and appreciate the points made. The chapter begins by showing that the union began as a peace plan to pacify the troublesome and violent continent of Europe after the collapse of all European empires in the Second World War. Today, the union is a political community originating from a succession of international treaties and waves of enlargement, which have turned the original coal and steel union of six countries in the early 1950s into a political union of the current 28 member states. The analysis reveals that the EU is 'an economic giant, a political dwarf, and a military worm', as Mark Eyskens, the former Belgian Minister of Foreign Affairs, famously said in 1991. The second function of the chapter is to introduce the question of what kind of political entity the EU is, and to open a discussion on the future of the union and its alternative scenarios. The chapter maintains that, even if the EU does not possess all the qualities of a federal state, it can nevertheless be described as an empire in the making, which in future could be the third contemporary empire with global reach, alongside the USA and China. At the same time, it is obvious that the EU still lacks some features necessary to be a genuine imperial power, such as a co-ordinated army and foreign policy. Whether it is in the process of developing such capacities, and is thus an empire in the making, is an issue left open here, but it is recalled in the closing chapter of the book (Chap. 13) by the same author.

Chapter 3, *An Extending Empire of Governance: The EU in Comparison to Empires Past and Present*, by Robert Imre, continues the discussion about whether the EU is an empire, and if so, what kind of empire it is. The chapter takes as its point of departure a fundamental political question about types of empire in terms of discussing the development of multinational territorial co-operation. This discussion is sometimes simplified to involve a choice between a federal state and a collection of sovereign 'power-containers', meant to represent modern nation-states, while in reality it is much more complex. The chapter analyses the historical development of the concept of empire, and compares the development of the EU to recent developments elsewhere. European empires wax and wane, as shown by the dismantling of the Austro-Hungarian and German empires, the receding British and French empires in the face of decolonisation, and the rise of the USA and the Soviet Union as empires in the post-Second World War period. Dismantling the Soviet empire still leaves us with Russia and China as 'regional hegemons' with claims on empire status. The USA can be seen as an 'accidental' empire with little or no claim on areas outside its modern territorial divisions, solidifying its place in the global order through proxy wars and financial dominance. China and Russia have both claimed extra-border territories, while providing irredentist historical arguments for expansion and at the same time employing soft and hard power strategies around the world. In comparison, what does the new pan-European construct look like? Following careful analysis of the eastern enlargement of the union, the chapter concludes that, even if the EU cannot be understood as a military empire, it is an empire of governance in the sense that the huge collection of regulations it has transferred to the legislatures of its member states, particularly in the phase of membership negotiations but also subsequently, homogenises its various member states.

Chapter 4, *A Promoter of Values or a Shopkeepers' Empire? Economy and Society in the Europe 2020 Strategy and Trade Policy of the EU*, by Jari Aro and Risto Heiskala, explores what is specific about the EU by shedding light on the curiously economic understanding of all politics and policies in the union. The chapter analyses the Europe 2020 strategy, which can be understood as a kind of ten-year plan for the union, and related EU policy documents. The analysis of the 'symbolic universe' implied by the documents shows that the EU operates in every field and sector of politics, with a cultural model in which the most fundamental categories are economic ones. However, it also promotes values and does not hesitate to expand the public sector. In a critical discussion of the three previous interpretations—the Normative Power Europe model (Manners 2002), the Market Power Europe model (Damro 2012) and Foucault's account of liberalism and neoliberalism (Foucault 2008; Dardot and Laval 2013), the chapter concludes by maintaining that the EU is a peculiar empire in that it justifies its actions in economic terms. Yet it is more appropriate to call it an 'ordoliberal' empire than a 'neoliberal' one, because it does not represent the optimistic market fundamentalism characteristic of neoliberalism, which believes that markets left alone can solve all problems of co-ordination. Rather, the political wisdom of the EU emerges from more sociologically realist ordoliberal thinking, according to which markets are the most just mechanism for resource allocation but are also vulnerable, and therefore in constant need of support from public authorities.

Two chapters follow on knowledge production in the EU, and the power of this knowledge production in terms of constructing reality. They show, with reference to one administrative sector (knowledge production), how difficult it is to build shared definitions of reality. At the same time, they also show how influential such definitions are. Once established, they pass as existing reality, and thus take the creation of an 'empire of governance', discussed in Chap. 3, to the most fundamental level on which the allegedly neutral knowledge base of policy design is formulated.

Chapter 5, *Eurostat: Making Europe Commensurate and Comparable*, by Marja Alastalo, is based on the suggestion that numerical knowledge is crucial to modern systems of government because it makes objects of government commensurate and reduces complexity. Numbers also make objects of government mobile, and enable government at a distance. Statistical institutions are key actors in the production of figures, yet their formation and statistical work have so far been theorised and explored mainly in relation to nation-states. This chapter argues that they are equally important for multinational or international actors such as the EU, the United Nations (UN), the Organisation for Economic Co-operation and Development (OECD) and the World Bank. All of these have invested considerable effort in standardising statistical classifications and providing statistical databases for a variety of users. Essentially, this work of commensuration has focused on standardising classifications and data collection. The cross-national dimension of statistical work has often gone unnoticed. Departing from this pattern, the chapter argues that the model adopted in the Europe 2020 strategy, which involves monitoring social development with a few key performance indicators, is possible only because there are commensurate datasets on which to build the indicators. These datasets (such as EU-SILC and EU-LFS), stabilised by legislation, are an outcome of the work done for decades on standardisation by the EU and its predecessors. The chapter focuses on the work on standardisation conducted by Eurostat, which is situated in Luxembourg and is the statistical office of the European Commission.

Chapter 6, *The Power of Indicators in Making European States Governable in the Europe 2020 Strategy*, by Maria Åkerman, Otto Auranen and Laura Valkeasuo, continues the analysis of how data is made comparable and commensurable. It takes this a step further and analyses an important case in which a set of vital indicators based on these data became the Europe 2020 strategy, the guiding force that polices the EU. The strategy was drafted as a Commission-led communicative device in 2010, thus creating a narrative on the existing status of the European economy and policy options, as well as anticipated and desired futures. In addition, it is a tool for creating an ethos among the member states for a common Europe, for synchronising national policies, and for convincing national governments to accept the suggested policy measures. The chapter explores the role of monitoring and calculative practices in achieving these goals, with particular focus on how the eight target indicators of the Europe 2020 strategy are used as governing tools in the implementation of the strategy, i.e. in enabling the comparison of different member states and in justifying the intervention of EU policy bodies in national policy-making. It first directs its analytical gaze towards the role of target indicators in epistemic governance, through which the European economy is understood and the desired policy targets are formulated. Second, it discusses how calculative practices shape negotiations between the EU and its member states, and identifies three different functions performed by the indicators in the epistemic governance of the EU: organisational, procedural and heuristic. The authors argue that these functions are essential in terms of achieving coherence between the 28 heterogeneous member states. Furthermore, the fact that EU officials and the member states disagree on the interpretation of indicator data shows that the indicators are far from neutral. As a result, the chapter claims that the monitoring practices of the EU not only produce information for policy processes but are also an essential part of the making of the union.

Four chapters follow on policy design in four different administrative sectors. The sectors covered are economic policy, social innovation policy, education and youth policy, and energy policy. The sectors are different, and some of the problems they face vary accordingly. Many problems, however, are similar across the board. The problem of co-ordination between the 28 member states and different interest groups, for example, which send an army of lobbyists to Brussels and the national capitals, is present in each case, and this would not have changed even if we had decided to include chapters on other policy sectors. We believe that the following four chapters already give a good overview of the nature of the problems involved and, equally importantly, illustrate the contingent sector-specific progress possible in policy formation and policy implementation if all the pieces fall into the right positions.

Chapter 7, *Contradictory Fiscal Governance in the European Union: Towards a Consolidation Empire?*, by Olli Herranen, studies a policy sector at the core of the EU's identity: economic governance. The chapter opens by pointing out that the primary guideline for the Maastricht Treaty, the Delors Report, aimed for an 'innovative and unique approach' to economic design in the EU. Its uniqueness is embodied in the Economic and Monetary Union (EMU), with its aims of price stability (a common currency and an independent central bank) and a combination of market forces and tight fiscal rules, which were considered necessary and sufficient mechanisms for economic co-ordination. This rationale followed the contemporary trend in economic theory, which ruled out the possibility of a positive economic contribution by the public sector. Therefore, centralised fiscal policy was seen as redundant. The design resulted in three intertwined contradictions that define the EU's economic development. These contradictions are interpreted through Wolfgang Streeck's 'consolidation state' framework. A consolidation state aims to de-politicise the economy and restrict public debt, resulting in austerity among its citizens. This chapter analyses the development and consequences of these contradictions, and the possibility of the EU becoming an economic empire. Prospects for this seem meagre unless the three contradictions of the 'consolidation union' can be resolved. This, in turn, is a difficult problem of co-ordination between the member states and different interest groups.

Chapter 8, *Social Innovation Policy in the European Union,* by Alex Nicholls and Daniel Edmiston, starts from the discovery that, in recent years, social innovation has become an increasingly prominent term employed by political leaders and administrations across the European Union. It has been posited as a solution to both old and new social risks at a time of heightened uncertainty and pressure on public administrations and finances. There is broad recognition that the growing interest in social innovation is intimately linked to the 2008 economic crisis, and to related issues around structural unemployment and other social, environmental and demographic challenges. Moreover, budgetary constraints and an ever-growing demand for public services has fuelled the desire to capitalise on social innovation so that public and private institutions are able to do and achieve 'more with less'. Not only is social innovation understood as a means to an end in this regard, it is also increasingly recognised as an end in itself. The Bureau of European Policy Advisers (BEPA) suggested that social innovation aims to address: (1) social demands aimed at vulnerable groups in society, which are not traditionally addressed by the market or existing institutions; (2) societal challenges in which the boundary between the 'social' and the 'economic' is blurred, and which are directed towards society as a whole; and (3) the need to reform society in the direction of a more participatory arena where empowerment and learning are sources and outcomes of well-being. However, the institutionalisation of social innovation has proved to be extremely context-specific, as the term and its expression in policy have proved to be highly adaptable. The chapter explores how social innovation policy has developed within the European Union, and outlines the main contradictions and problems involved.

Chapter 9, *Reproducing or Remaking the Social Contract with Young People in the Europe 2020 Strategy?*, by Eriikka Oinonen and Leena Tervonen-Gonçalves, analyses the Europe 2020 strategy from the point of view of young people. The strategy was intended to indicate a way out of the crisis and into a path of growth. While the strategy explicitly sets numerical targets for education, employment and poverty reduction for the member states and the EU, it also outlines a better life model for Europeans, and for European youth in particular. The strategy sees (young) people as learners, workers and consumers. It serves the needs of the economy and limits the lives of Europeans to a world of work, leaving other aspects of life out of the picture. In a spirit of neoliberalism, the strategy emphasises entrepreneurial discourse and the idea of the entrepreneurial self, which accentuates individual self-reliance and self-responsibility, and mitigates the responsibilities of society. At the same time, the strategy participates in a reproduction of the long-standing social contract: investing in higher education ensures a secure labour market position, and upward career and income development will follow. However, even though higher education improves an individual's labour market position compared to those with lower educational attainment, it no longer guarantees anything. The fact is that the most educated European generation ever is suffering unprecedented difficulties integrating into the labour market and making the transition to an independent life. There are signs indicating that young people feel unequally and unfairly treated by society, as evidenced by the recent protest movements in Europe, initiated by middle-class youth.

Chapter 10, *Is the EU a Great Power? The Case of Natural Gas*, by Dicle Korkmaz, examines the potential and limitations of the EU's internal and external integration in the sphere of natural gas. Drawing on the English School theory, and particularly Barry Buzan's approach in terms of international society, this chapter applies Buzan's criteria for being a 'great power' to the field of natural gas. Accordingly, the first section examines material capabilities, consisting of natural gas reserves, and natural gas infrastructure and technologies. The second section questions the extent to which the Energy Union can be considered to have self-declared status, and analyses acceptance of this status by others. The third section examines the extent to which the EU's internal market rules are calculated by others and therefore count outside the union. Finally, the concluding section sets out the EU's limitations and potential based on the analysis, and discusses the implications of the findings. The result is that, even if the EU already manifests some of the qualities of a great power, it cannot currently be counted as one, and its internal difficulties with co-ordination point to the suggestion that it may have serious problems attempting to change the situation. This attempt will nevertheless need to be made in order to resolve the union's heavy dependency on imported Russian gas.

In addition to being a sectorial inquiry, Chap. 10 shifts the attention to geopolitical issues, discussing the relationship of the union with Russia. Geopolitics is also the focus of the next two chapters. The first of these broadens the scope from energy policy to analyse the union's relationship with its eastern neighbourhood in general, and Russia in particular. The second compares the union to the other two geopolitical powers in the same global league, the USA and China.

Chapter 11, *An Empire Without an Emperor? The EU and Its Eastern Neighbourhood*, by Tuomas Forsberg and Hiski Haukkala, focuses on the fact that EU policy in the East, which has aimed to strengthen co-operation between the EU and the countries in its eastern neighbourhood, has been highly contested, as the Ukraine crisis testifies. The authors look at the EU and its eastern neighbourhood from the perspective of the territorial expansion of the EU's sphere of influence, which has led to claims that the EU can be analysed as an empire. The article first looks at the background and evolution of EU policies in the East, and asks to what extent the policy can be understood through imperial metaphors. The Eastern Enlargement and Eastern Partnerships were policies that could be seen as imperial if the criteria involved a tendency towards territorial expansion, but this policy was not coercive or led by the core. Instead, it was advocated and pushed forward by the partner countries, as well as some members of the union. Eastern policy and enlargement was never a key to the union's overall policy or its self-identity. While the idea of having a 'ring of friends' in its neighbourhood was deemed desirable and something worth aspiring to, it was not a major policy goal but manifested itself rather as a bureaucratic process that proceeded in its own way. Even if it was not geopolitically motivated in the first place, it had geopolitical side-effects. By contrast, geopolitical thinking has limited EU efforts in terms of exercising influence beyond its borders, as opposed to leading to influence.

Chapter 12, *Imperial Worldmaking: Innovation and Security in the EU Compared to the USA and China*, by Risto Heiskala and Jari Aro, is based on the premise that, in their policy documents, political actors construct the world partly on the basis of what they believe to be the facts and partly on how they wish to frame these facts. The chapter continues the analysis begun in Chap. 4 by the same authors, and explores the specific nature of the European Union as an empire in the making by comparing its policy documents on economic growth, innovation and security to those of two other current empires, the USA and China. The analysis shows that, in their policy design, all three current powers speak in terms of economy and protection. However, their symbolic universes diverge in the sense that the USA is capitalist, the EU is ordoliberal, and China is a party imperium. Moreover, the USA claims the position of global leader in the field of security, China is an independent power that is nevertheless ready to co-operate with others, and the EU emphasises an international multilateral institutional system in general, and in particular the UN and the North Atlantic Treaty Organization (NATO). The documents of the USA and China present a position where the identity of the nation and the subject of development are unified and firm, while the documents of the EU are characterised by internal negotiation between the member states and interest groups.

Chapter 13, *Future Challenges for the EU: Five Scenarios from Collapse and Marginalisation to the Emergence of a Federal Empire*, by Risto Heiskala, gathers together some of the results of previous chapters that contribute to the construction of realistic future scenarios for the union. The chapter first presents the current situation of the union in a concise way, and then outlines five possible future scenarios, ranging from marginalisation and collapse of the union to a full-blown federal empire. These scenarios are then discussed by exploring some of the greatest challenges facing the union in the near future such as Brexit, immigration, problems with economic co-ordination, defence and foreign policy, democratisation versus the interests of the united capitalists of Europe, and the articulation of EU-critical political interest, which often takes the form of populist movements. The closing section discusses the issue of whether the EU is an emerging empire, and if so, what kind of empire it is. It reiterates from the previous chapters the three different ways of defining an empire, and concludes that the EU can claim the status of empire in two of the three senses—that is, as an empire of governance; and as an expanding, economically and politically powerful set of overlapping networks of co-ordination. However, it is not a military empire and it is an open question as to whether it ever will be.

Taken together, the chapters outlined above aim to give the reader a holistic picture of the state of the European Union at the present time. However, the book is a compilation of contributions written by several authors, and not a monograph. Therefore, even if there is a plan, and the first and last chapters wrap much of it together, readers can choose either to read the book from cover to cover or to select the chapters in which they are interested and skip the others. One way or another, we hope the book inspires readers and serves as a guide to further interpretations of forthcoming contingent developments in the union and its member states. Such interpretations are constantly needed because, we are sure, much of the direction of Europe, and indeed the whole world, in the future depends on the development of the EU.

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2

The Emergence of the European Union as a Very Incoherent Empire

Risto Heiskala

In the mid-1980s, the then President of the European Commission, Jacques Delors, described the European Community (EC), the predecessor of the European Union (EU), as a UPO or 'unidentified political object'. He was emphasising its unique nature as a political institution that was neither a federal state nor simply a set of international treaties (Delors 1985: 8). The purpose of this chapter is, first, to provide the reader with the necessary basic information on the 'UPO' that will be required when reading the other chapters of this book. Some readers may already be well acquainted with this material, but they too will, I hope, welcome the chapter's second purpose, which is to start a theoretically organised discussion on the realistic alternative future scenarios of the EU. This discussion is the topic of Chap. 13 of this book, when all the material from the other chapters will be available, but the description of the history and current nature of the EU provided in the present chapter, organised with the help of the conceptual toolbox of Michael Mann's

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historical sociology (Mann 1986, 1993a, 2012, 2013; Heiskala 2016), paves the way for Chap. 13 and opens the discussion about the union's future scenarios.

This chapter begins with a section giving the reader the briefest possible history and prehistory of the EU and its institutional predecessors (the European Coal and Steel Community [ECSC] and the European Economic Community [EEC]). This is followed by four sections organised according to Mann's theoretical toolbox mentioned above, focusing on the union's ideological, economic, military and political power resources, and the lack thereof. The sections are intended to provide a relatively comprehensive description of the qualities of the union, as well as sufficient material for our first theoretically-oriented discussion regarding the union as a political entity. The opening chapter concludes with a section devoted to this initial theoretical discussion, which is continued in Chap. 13. The section involves two contradictory characterisations of the EU. According to Michael Mann, we are currently witnessing the existence of only one empire with a global reach, i.e. the USA, and even this, Mann suggests, is an 'incoherent empire' when compared to the European empires preceding the Second World War (Mann 2003). Mann has not written extensively on the EU, but characterises it, in the course of describing other phenomena, as a narrowly economic entity (Mann 1993b) and a relatively marginal set of international agreements (Mann 2013). In contrast, Jan Zielonka (2006) describes the EU as an influential political entity, which takes the form of a 'neomedieval empire', and which has a significant impact both internationally and on its member states. As I find Zielonka's description of the EU illuminating in many ways, but also consider several of Mann's viewpoints noteworthy, I have sought a middle course between them in describing the union as a 'very incoherent empire'.

A Very Brief History of the EU

The collapse of the Western Roman Empire (in 476 AD) left Europe in a fragmented state. Thereafter, because there was no empire to act as a peace-keeping force, Europe became the most violent continent in the world, where countless small- and medium-sized states, or warlords and their entourages, waged endless wars against each other (Howard 2009; Mann 2012). Apart from the period of the Crusades, this martial European culture did not affect people of other continents until the fifteenth century onwards, when the Islamic blockade of the Silk Road in the Levant and the development of navigation and shipbuilding technologies made it possible and attractive for the Atlantic European states to begin a search for a sea route to India (Friedman 2015). This was the beginning of what Western historians used to call the Age of Discovery, during which intrepid sea captains from Portugal, Spain, the Low Countries, Britain and France discovered new sea routes between old and new continents. Today, of course, we also have other names for this process, and know that it was a time when the violent European states turned their attention from Europe to the rest of the globe and initiated an era of European imperialism, which followed the same martial pattern as the battles these states waged in Europe. For a short time during this period, European powers conquered the whole globe and divided it among themselves. This is how European colonialism gave birth to an age of sectorial globalisation, which the colonial European empires advanced from a distance. However, it was different from the current process of globalisation, because transcontextual flows did not cross the borders of the empires (Mann 1993a, 2012). It is therefore possible to speak of Portuguese, Spanish, Dutch, French, British, Belgian, etc. globalisation during this era, but not globalisation as such.

At the end of the period of European sectorial globalisation, when the whole globe was divided between the European powers, they once again turned on each other in Europe in competition for capital, resources and market share, exactly as Lenin had predicted in his theory of imperialism as the highest stage of capitalism (Lenin 1963). This is how the Great European War came about, involving the First and Second World Wars during the period 1914–45.[1] The end of the Great European War brought down all the European empires. Europe was in ruins, and the party that had won the war, the United States of America (a former colony of Europe), organised the construction of the new post-war world order. This new order included the system of international and potentially global institutions surrounding the United Nations (UN; charter signed in 1945) and the North Atlantic Treaty Organization (NATO; founding treaty signed in 1949). It also involved institutional links between the North American and European states, and a diplomatic initiative where France would be active in establishing a European treaty binding together coal and steel resources, and possibly other vital resources of previously rival European countries, so that it would not be possible to mobilise an army without the potential enemy knowing. This is how the predecessors of the European Union (first the ECSC and then the EEC) began to emerge as part of a peace plan to pacify martial Europe, which had caused so much suffering to its own population as well as the populations of other continents. And it worked! No wars have been waged between the member states of the EU since that time, which is why the EU was awarded the Nobel Peace Prize in 2012.

The first treaties, which led some decades later (in 1992) to the Maastricht Treaty establishing the European Union, were oriented towards the pacification of the 'turbulent and mighty continent', even if establishing a 'kind of United States of Europe' (both quotations from Winston Churchill's famous speech in Zurich in 1946; see Churchill 1946) was never far from the minds of founding fathers such as Robert Schuman (1886–1963) and Jean Monnet (1888–1979). The joint efforts of these two, French and German, diplomats led to the 'Schuman declaration' between France, West Germany, Italy and the Benelux countries (i.e. Belgium, the Netherlands and Luxembourg) in 1950. However, the first treaty to establish actual institutions in the history of the EU, known as the Paris Treaty, founded the European Coal and Steel Community (ECSC) between the same six countries in 1951. The treaty made it impossible for any of the parties to mobilise an army without the knowledge of all the other parties, and this reduced considerably the risk of war between the former enemies. The two treaties of Rome, again between the six above-mentioned countries, i.e. the treaties on the European Atomic Energy Community (EURATOM) and the European Economic Community (EEC), followed six years later, in 1957. The former continued to focus largely on making information transparent to all parties in terms of mobilising resources vital to modern warfare, but the latter went much further in aiming to integrate the economies of the parties. It too can be viewed from the perspective of the peace plan, in the sense that the more integrated the economies, the more improbable a war is between the parties.

The vital EU treaties succeeding those mentioned above are listed in Box 2.1, along with their contents. It therefore suffices to skip a detailed description of them here, and to concentrate instead on the basic features of the enlargement of the union and the deepening co-operation between its member states. Let us start with the nature and strengthening of the union. In addition to ensuring shared access to the resources of war in the Rome treaties, and knowledge about the use of them, which is implied but not explicitly mentioned in the text of the treaties, there is sporadic mention of shared values. However, the focus in these treaties is on economic co-operation. The Rome treaties were inspired by German ordoliberal thinking, according to which the best guarantee of democracy, freedom and quality of life is a well-functioning capitalist economy with price stability and low inflation, as well as fair rules for the economic game, the prevention of monopolies and a guarantee of access to the economic field by all interested and competent parties (Dardot and Laval 2013). This statement itself is common knowledge today but it needs to be qualified in two ways. First, contrary to Foucault's (2008) otherwise perceptive early account of French, Austrian, German and North American neoliberalism, German ordoliberalism is different from Austrian economic liberalism, which later developed to become North American neoliberalist market fundamentalism (see Chap. 4 below). North American neoliberalism, inspired by Hayek (1944) and other Austrians, is genuine market fundamentalism: the 'Chicago boys' genuinely believe that the problem of social order can be solved by leaving the markets to work unaffected by any intervention by public authorities (Harvey 2005). The German ordoliberals were different in this sense. While the German ordoliberals shared with Austrians and the more recent North American neoliberalists the idea that the market is the best mechanism for establishing and guaranteeing a free society, they also considered the market to be vulnerable. They did not trust market structures to emerge unattended, and they considered established markets to be in constant danger of being driven towards a monopolistic or oligopolistic state. This, in turn, would jeopardise the fairness of the market game. Therefore, they recognised the need for a strong public authority, capable of protecting the markets and establishing new markets in sectors where they previously did not exist. This perceived need for a strong public authority has been part of the legacy of the EU since the Rome treaties.

Box 2.1: The Most Important EU Treaties

Treaty establishing the European Coal and Steel Community (ECSC Treaty, Paris, 1951): A treaty between France, West Germany, Italy and the Benelux countries to create interdependence in coal and steel, so that one country could no longer mobilise its armed forces without others knowing (expired in 2002, but its content is covered by other treaties).

Treaties of Rome (EURATOM and EEC treaties, 1957): The former added the establishment of the European Atomic Energy Community (EURATOM) to the ECSC to supplement its purpose of preventing war between the parties. The latter set up the European Economic Community (EEC), and thus added general economic co-operation to the other treaties. It was reformulated in the Maastricht Treaty in 1992 to form the **Treaty establishing the European Community (TEC),** and again in the Treaty of Lisbon in 2007 to form the **Treaty of the Functioning of the European Union (TFEU)**.

Merger treaty (Brussels, 1965): This reformed the European institutions to create a single Commission and a single Council to serve the then three European Communities (EEC, EURATOM and ECSC). Replaced by the Treaty of Amsterdam.

Single European Act (Luxembourg and The Hague, 1986): This treaty aimed to enhance institutional capacities to prepare for the single market and the entry of new member states. It included the extension of qualified majority voting in the Council and the creation of procedures for co-operation and assent. It also gave the European Parliament (EP) more influence.

Schengen Agreement (1985): This treaty established a common visa policy and abolished internal border control between the parties. The treaty was originally initiated by five European states and was independent of EU legislation. However, the Amsterdam Treaty in 1997 incorporated it into European Union law, making joining the agreement mandatory for existing and future member states (with opt-outs granted for the United Kingdom and Ireland).

Treaty on the European Union (TEU, Maastricht, 1992): This treaty established the European Union, preparing for European Monetary Union (EMU) and introducing elements of political union such as citizenship, and common foreign and internal affairs policy. The treaty gave Parliament more say and introduced new forms of co-operation, including the co-decision procedure, according to which neither the EP nor the European Council could adopt legislation without the other's assent.

Treaty of Amsterdam (1997): This treaty defined EU citizenship and individuals' rights in terms of justice, freedom and security; also reformulated previous treaties and EU institutions in preparation for the increase in the number of member states. One important aim was to increase transparency in decision-making.

Treaty of Nice (2001): This treaty defined the methods for changing the composition of the Commission, and redefined the Council's voting system to prepare the union for the increase in the number of member states.

Treaty of Lisbon (2007): This treaty was a response to a situation where French and Dutch referendums had voted down the draft European Constitution. It reintegrated the existing treaties into a working constitution, and tried to make the union more democratic and better able to address global problems with one voice. The reforms included more power for Parliament, a change of voting procedures in the Council, the introduction of the Citizens' Initiative mechanism, a permanent president of the Council, a new High Representative for Foreign Affairs and a new EU diplomatic service. The treaty also clarified which powers belonged to the EU, which to the member states, and which were shared.

The tradition of the EU, then, is based on ordoliberal thinking. However, a qualification must be made, involving the fact that the Germans did not draft the text of the founding treaties alone, but jointly with the representatives of five other nations. Of these, in particular, the French and Italians had a very different tradition. They too were reluctant to emphasise military, ideological or even political factors in the aftermath of the Great European War. These factors had led to the final catastrophe by focusing on these three alternatives rather than co-ordinating joint actions on the basis of the economy. This reluctance, and the way it led political thinkers towards a strong economic emphasis in post-war Germany, has been very well described by Foucault (2008). However, their way of thinking about the economy was based on a quite different tradition from German ordoliberalism. They saw much more room for public actors in promoting equality, not only indirectly by means of market structures, but also directly. This emphasis on the role of public actors in the direct promotion of well-being in the population also left its mark on the legacy of the union. This legacy was therefore characterised from the start by a tension between social inclusion and promoting market structures (Tuori and Tuori 2014).

The founding treaties had thus already labelled the basic nature of the union as a curious political entity, which expressed its political nature by means of promoting the market. They had also already codified the basic tension between market promotion and social inclusion by means of direct action by public authorities. When considering the first of these, the Single European Act in the mid-1980s was a great leap forward and established the ongoing process of opening more and more economic sectors to Europe-wide competition. The Maastricht Treaty in 1992 established political union, which was then supplemented by the treaties of Amsterdam, Nice and Lisbon in the years 1997, 2001 and 2007, respectively. All three have been steps towards an 'ever closer union of the peoples of Europe', which was the phrase that first appeared in the treaties of Rome. It has since been repeated in many EU documents, until 2014, when the British prime minister at the time, David Cameron, dissociated first Britain and then the whole EU from it. This brought the union to its current state of hesitation, characterised among other things by the shadow of Brexit, problems in immigration policy, inability in the face of an ongoing economic crisis, problems with legitimacy in terms of populist mobilisation in almost all member countries, and serious problems with the general political co-ordination of joint action.

The waves of enlarging the union geographically from the six member states in 1951 to the current 28 reached in 2013 are described in Box 2.2. Here, the seven successive waves of enlargement can be condensed into four greater changes in the identity of the union. In the 1970s, the UK gave up its attempt to build EFTA as an Atlantic alternative to the EEC, and instead joined the European Community after a long period of difficult negotiations. Ireland and Denmark joined in its wake. In the 1980s, the Mediterranean states of Greece, Spain and Portugal joined the union. This was preceded by long negotiations within the union, where all member states were not completely convinced of the strength of the Mediterranean economies, though Germany pushed the case to create markets for export and finally got its way. In the mid-1990s, the three states of Austria, Finland and Sweden, which had all been leaning westward but called themselves 'non-allied states' during the Cold War, saw their opportunity to deepen their Western engagement after the collapse of the Soviet Union, and joined the EU, which had been established officially by that name in the Maastricht Treaty in 1992. The final large wave of extension covered the years 2004–13, when 13 new member states, the mightiest of which was Poland, joined the EU. This wave too can be seen as a result of the collapse of the Soviet Union, since eight of the 13 new member states were in the area of the former Warsaw Pact, which can be considered the peripheral European area of the collapsed Soviet empire.

Box 2.2: Expansion and Contraction of the EU (the Year of Founding Treaties and the Number of Member States) in Relation to Other European Countries and Organisations

1951: **European Coal and Steel Community (ECSC), and since 1956 also the European Atomic Energy Community (EURATOM) and the European Economic Community (EEC)**: France, Germany, Italy and the Benelux countries, i.e. Belgium, the Netherlands and Luxembourg; 6

1973: United Kingdom, Ireland and Denmark; 9

1981: Greece; 10

1986: Spain and Portugal; 12

1995, and since then, the European Union (EU; established 1992): Austria, Finland and Sweden; 15

2004: Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia; 25

2007: Bulgaria, Romania; 27

2013: Croatia; 28

Candidate countries: Turkey, Macedonia, Montenegro, Albania and Iceland.

Countries negotiating exit from the EU: United Kingdom (based on a referendum in 2016).

European Monetary Union (EMU): Established 1999. The 19 EU states which are members of the Eurozone are as follows: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain. The seven EU states which are, according to existing treaties, obliged to join the Eurozone are Sweden, Poland, Czech Republic, Hungary, Croatia, Romania and Bulgaria. The remaining two EU states with opt-outs are the United Kingdom and Denmark. The two non-EU states that have adopted the euro unilaterally are Montenegro and Kosovo. The four non-EU states with monetary agreements with the Euro area are Andorra, Monaco, San Marino and the Vatican.

European Free Trade Association (EFTA): Originally established by the United Kingdom as a reaction against the EEC in 1961. Founding members, in addition to the United Kingdom, were Austria, Denmark, Norway, Portugal, Sweden and Switzerland. Subsequent members were Finland (associate member 1961; full member 1986), Iceland (1970) and Lichtenstein (1991; previously represented by Switzerland). EEC/EU membership terminates EFTA membership, and therefore the current EFTA has only four member states, all with an agreement on free trade with the EU: Iceland, Lichtenstein, Norway and Switzerland.

Organisation for Economic Co-operation and Development (OECD): An expert organisation promoting policies that improve economic and social well-being. Originally founded by the USA as the Organization for European Economic Co-operation (OEEC) in 1948, to supervise the distribution of aid through the Marshall Plan. It became the OECD in 1961, with 20 member states: Austria, Belgium, Canada, Denmark, France, West Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom and USA. The current 35 member states also include (in the order they joined the organisation) Japan, Finland, Australia, New Zealand, Mexico, Czech Republic, Hungary, South Korea, Poland, Slovakia, Chile, Estonia, Israel, Slovenia and Latvia. The list includes 22 of the 28 European Union member states. The EU states not in the OECD are Bulgaria, Croatia, Cyprus, Lithuania, Malta and Romania.

North American Treaty Organization (NATO): Established in 1949 by the USA. Of the 28 current member states, 22 also belong to the EU: Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and United Kingdom. The four European members that are not members of the EU are Albania, Iceland, Norway and Turkey. The two North American members are Canada and the USA. The five EU states that are not NATO members but have a Partnership for Peace (PfP) agreement with NATO are Austria, Finland, Ireland, Malta and Sweden. The one EU state with no PfP agreement is Cyprus.

Warsaw Pact: Established in 1955 by the Soviet Union as a counterweight to NATO and dissolved in 1991. In addition to the Soviet Union, the members were Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Romania.

Council of Europe (CoE): Established in 1949 to protect human rights, democracy and the rule of law, as well as to promote European culture. The Council has 47 member states and is independent of the EU. All EU member states are members of the Council. In addition, the following countries belong to the Council, but are not members of the EU (in the order of joining): Norway, Turkey, Iceland, Switzerland, Liechtenstein, San Marino, Andorra, Albania, Moldova, Macedonia, Ukraine, Russia, Georgia, Armenia, Azerbaijan, Bosnia and Herzegovina, Serbia, Monaco and Montenegro.

European countries which belong neither to the EU nor the Council of Europe: Belarus, Kazakhstan and the Vatican.

Eurasian Economic Union (EEA): An organisation established by Russia in 2015 to regain some of the geopolitical power it had had during the Soviet era. In addition to Russia, the states involved are Armenia, Belarus, Kazakhstan and Kyrgyzstan.

In the following sections, I shall describe the nature and power resources of the EU as they are now. The description is organised into four consecutive sections following Michael Mann's neo-Weberian historical sociology. The four sections are followed by a further one closing the chapter with a brief discussion on the topic of whether the EU is an empire in the making. This discussion will be continued in Chap. 13.

Ideological Power and the EU

Power, according to Mann, is the ability to pursue and attain goals through the mastery of one's environment (for his theory, see Mann 1986, 1993a, 2012, 2013; for a concise introduction, see Heiskala 2016: 11–15, and for a more versatile theoretical contextualisation, Heiskala 2001). Social power is power exercised over other people, and it has two aspects. In its distributive aspect, power is the probability that one actor within a social relationship will be in a position to carry out his/her own will despite resistance (as Weber put it in his definition of *Macht*). This is actor A's power over actor B. It is a zero-sum game: all A's gains are losses for B, and vice versa. However, in addition to the distributive aspect, there is also the collective aspect of power. This refers to cases in which A and B, acting together, can enhance their joint power over third parties or over nature. Related to Steven Lukes' famous distinction between power over somebody and power to achieve something (Lukes 2005), distributive power is 'power over', and collective power is 'power to'. In almost all social processes, both aspects of power are present and intertwined.

The forms of people's purposeful actions are versatile and, according to Mann, it is impossible to cover them all in a single theoretical model. What suffices for the historical sociologist, however, is a rough model with four distinct forms of power, i.e. ideological, economic, military and political. This is what Mann calls the IEMP model. Even such a simple model is more sensitive than Marxist dualism between the economic base, which is always ultimately the determining factor, and the ideological, legal and political superstructure. The Weberian tri-partition in terms of economy, culture and politics comes closer to the IEMP model, with its suggestion that the direction of causation between these three powers is a contingent historical question, which sometimes follows and sometimes does not follow the Marxist concept. In addition to this agreement with Weber, however, the IEMP model still elaborates the scheme in several ways, the most important of which is by splitting the political power source into two and considering military and political power as separate power sources. The usefulness of this distinction is a contingent historical question and will be tested on the basis of the fruitfulness of the Weberian and Mannian historical narrations on different subjects. In the current context of post-war Europe, however, the benefit of the distinction is clear beyond doubt, as we shall see shortly.

Let us begin by using the model to describe the ideological power of the EU. The EU is not generally considered an ideological power. However, the treaties of Rome included references to shared European values, and this aspect was developed much more systematically in the treaties of Maastricht, Amsterdam, Nice and Lisbon. The Treaty of Nice, for example, has it that the EU is founded on the values of respect for human dignity, liberty, democracy, equality, the rule of law and respect for human rights, including the rights of individuals belonging to minorities. It also maintains that the societies of the member states are characterised by pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men. The values of the EU are thus the typical modern Western values that can also be found in the constitutions of many of the member states, and the policy documents of the UN and the USA. Some scholars have concluded from this that values are irrelevant to the EU (e.g. Damro 2012). Such a claim, however, may be jumping to conclusions because the EU actually enforces its values in international co-operation. Here it departs from the more cynical geopolitical strategy of the USA, for example, which lives according to its values mainly at home and in Europe, but often 'makes alliances with the devil' elsewhere if it is geopolitically profitable, as it has done in cases such as dictatorships in Latin America and Asia in previous years, and now in Saudi Arabia. If this is not possible, it supports paramilitaries and coups around the world outside the OECD (Manners 2002; Mann 2016: 293–302).

To be more specific, the union enforces its values in at least three ways. First, any European state wishing to become a member of the union must respect the values outlined in the EU treaties to be considered eligible for admission. Second, failure by a member state to respect the values may lead to the suspension of the rights this member state derives from its membership of the union. Third, the union enhances the values in its trade-political treaties with other states.

The above concerns ideology as a socio-spatially transcendent power, which can cross the boundaries of economic, military and political organisations. This happens, for example, in the union's international trade negotiations, and in the harmonisation of the whole legislation of new member states with the values and principles codified in the treaties of the union. There is also another form of diffusion of ideological power in Mann's model. This involves ideology as the ruling group's immanent morale, which helps to maintain and solidify existing power organisations. This meaning of ideological power is also relevant in the context of the EU, because as an emerging and gigantic international organisation, in the 60 or so years of its existence it has created a completely new European field of politics and policy. To pick up on, and slightly adjust, a term developed by Pierre Bourdieu in his analysis of the French state, the European state nobility can be said to consist of Eurocrats, MEPs and other Euro-politicians, lobbyists in Brussels and national administrators with close relations to the Eurocracy (Bourdieu 1996; Kauppi and Madsen 2013). This army of administrators and politicians, whose faith and careers are partly or completely tied to the union, has developed an internal code of conduct, making it easy to tell the insiders and outsiders apart, as is customary in a code of conduct in every field. Much of the immanent morale of the field of the European state nobility is tied to the development of the EU towards a more extensive and ever-closer union, which provides significant career opportunities, especially for politicians and bureaucrats from the smaller member countries.[2]

The ideological power of the EU in terms of both the above meanings, as modern Western values and as the ethos of the European state nobility, has gone more or less undisputed most of the time. Recently, however, both have met with serious challenges. The values of the EU have always been challenged by a small minority of populist nationalists with racist tendencies, and more recently by small numbers of Muslim and Christian fundamentalists. Today, however, such resistance is increasing. The governments of the new member states of Hungary and Poland openly challenge European values, and populist nationalism is increasing in every other member state. Moreover, real and alleged problems with immigration tend to make it more openly racist. Fundamentalist terrorism, which seems to have arrived in Europe to stay, does not help the situation. At the same time, the immanent morale of the European state nobility is a source of irritation to many citizens, who feel that Europeanisation and globalisation have left them on the wrong side of the fence. So far, much of this protest has been articulated politically as EU-critical nationalism and populism. This political current again adversely affects the ability of pro-EU groups to act, as politicians in particular must address EU-critical populists within their electorate in both national and EP elections, and the populist political groups therefore hold the pro-EU politicians hostage. In immigration politics this has led to some divergence from codified EU values, such as in cases where leading Euro politicians ask whether we can afford to take the human rights of immigrants seriously. Agreements made between the EU and Turkey to block the flow of immigrants from Turkey to Greece are also a step away from value-based European international politics towards more cynically geopolitical and tactically-oriented international politics, resembling that of the USA.

The EU therefore has significant ideological power, both in the sense of transcendent ideology and immanent morale. However, this ideological power in both senses faces serious challenges today.

Economic Power and the EU

'Europe is an economic giant, a political dwarf and a military worm,' snapped Mark Eyskens to a crowd of reporters in 1991 when he was Foreign Minister of Belgium and had tried in vain to co-ordinate the military involvement of the EU countries in Operation Desert Storm in the Persian Gulf (The New York Times, 25 January 1991). The economy, then, should be the dayside of the EU, and indeed, in many ways it is. A continent where economic co-operation had been meagre during the time of sectorial globalisation, and which was in ruins after the Second World War, has in the 60 or 70 years of European co-operation since then become a significant economic power with strongly intertwined economies.

As can be seen from Table 2.1, with its gross domestic product (GDP) of US$16.3 trillion, the EU is the second-biggest economy in the world and only slightly behind the USA. The union's share of world exports is almost one-seventh, which puts it in front of both the USA and China.

Table 2.1 Some vital statistics on the EU, the USA and the BRIC countries

	EU28	USA	China	Russia	India	Brazil
Inhabitants, millions (1)	**514**[a]	324	**1374**	142	**1267**	206
Area, m.sq./km (1)	4.3	**9.8**	**9.6**	**17.1**	3.3	8.5
GDP, trillion US$ (1)	**16.3**	**18.6**	**11.4**[b]	1.3	2.3	1.8
GDP, trillion US$ PPP (1)	**19.2**	**18.6**	**21.3**	3.7	8.7	3.1
GDP US$ per capita PPP (1)	**37,800**	**57,300**	15,400	**26,100**	6700	15,200
Gini coeff. (1, 2 for EU)	**30.5**	45.0	46.9	**42.0**	**33.6**	51.9
Export, billions US$,	**1985**	**1505**	**2275**	340	267	191
% (3)	**15.2%**	**11.5%**	**17.4%**	2.6%	2.0%	1.5%
Military expenditure, billions US$ (4)	**241**	**596**	**215**	66	51	25

Sources:

(1) *The World Factbook* 2013–14. Washington, DC: Central Intelligence Agency (2013) [cited 24 March 2017]. Retrieved from https://www.cia.gov/library/publications/the-world-factbook/index.html.

(2) Gini coefficient of equivalised disposable income. Source: SILC except in the case of EU28: Eurostat (14 March 2017) [cited 24 March 2017]. Retrieved from http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di12.

(3) World trade statistical review 2016. World Trade Organization (2016) [cited 24 March 2017]. Retrieved from https://www.wto.org/english/res_e/statis_e/wts2016_e/wts16_chap9_e.htm.

(4) Military Expenditure Database, expenditure in 2015. SIPRI (Stockholm International Peace Research Institute) (2016) [cited 24 March 2017]. Retrieved from www.sipri.org/databases/milex/.

[a] The three most impressive entries in each row (i.e. the highest figures, except in the case of the Gini coefficient, where the society is more equal the lower the figure) are shown in bold to facilitate comparison. In terms of most factors, the EU, the USA and China form the top three group, and Russia, India and Brazil form the remaining group of three.

[b] GDP at the official exchange rate substantially understates China's actual level because its exchange rate is determined by fiat rather than by market forces. The PPP-corrected GNP figures in the two following rows therefore give a more realistic picture.

The population of 514 million in the EU is bigger than that of the USA, and the GDP per capita PPP (i.e. corrected with purchasing power parity) of US$37,800 is therefore lower than in the USA. However, the Gini coefficient of 30.5, which measures inequality within populations (the lower the digit, the more equality there is) is much lower than in the USA, indicating that economic resources are spread more equally among the population in the EU than in the USA.[3] So can we assume that everything is going magnificently in the European economy? Well, yes and no.

Yes, in the sense that there have been great achievements in building the single internal market. The task itself had, of course, already been included in the Treaty of Rome with reference to the EEC, but it rose to a new qualitative level in terms of implementation when the Single European Act was signed in 1986. The process begun at this point was described in the White Paper[4] 'Completing the Internal Market', prepared under the guidance of the President of the Commission, Jacques Delors, as follows: 'the objective of completing the internal market has three aspects: … the welding together of the … markets of the member states into one single market; … ensuring that this single market is also an expanding market; [and] … ensuring that the market is flexible' (Commission of the European Communities 1985). Because this is still ongoing process, internal trade between EU member states is highly integrated today, and the Commission has announced that roughly one half of trade in the union is now covered by legislation harmonised by the EU.

The economy is also going well in the sense that the Maastricht Treaty in 1992 established the Euro as the joint currency of the union, and the European Central Bank (ECB) was tasked with maintaining the Euro and price stability in the Euro area. Today, 19 of the 28 member states have the Euro as a joint currency, and internationally it is the second most important reserve currency in today's world after the US dollar, which shows that economic actors around the world trust the ECB's ability to maintain the Euro.

Then again, the answer to the above question is 'no' in the sense that the deep recession, which began in 2007, has shown that the EU is incapable of taking all the actions required in an economic crisis, especially compared to the USA. The EU is not a federal state, and the Maastricht

Treaty is based on the idea that each member state is responsible for its own economy, including both state finances and the actions public authorities take to support the economy. Alongside other factors, this means that the union does not support member states in crisis, and the ECB is different from normal central banks in the sense that it cannot act as a 'lender of last resort' and lend money to the member states. This has led to a curious situation in which other EU institutions have largely been paralysed and have recommended austerity policies to member states in crisis. The ECB has taken a more active role than the designers of the Treaty on European Union (TEU) ever imagined, and it is unclear whether some of its actions have already gone beyond the constitutional definition of its role (Tuori and Tuori 2014). Some critics even claim that the ECB has actually adopted the role of the de facto government of the union today, because its economic policy is so active and so clearly oversteps the role drafted for it in the Maastricht Treaty (Fischer 2016: 51–52).

The answer is also 'no' in the sense that the Commission has not been capable of promoting economic growth in Europe. This is embarrassing in itself, but especially so because the most important strategic documents of the EU, the Lisbon Strategy and the Europe 2020 Strategy, describe the task of the union by saying that it aims 'to become the most dynamic and competitive knowledge-based economy in the world by 2010, capable of sustainable economic growth with more and better jobs and greater social cohesion and respect for the environment' (European Council 2000). It also aims to promote 'smart growth, inclusive growth, and sustainable growth' (European Commission 2010) (for a more detailed analysis, see Chap. 4 of this book). The Commission has been incapable of implementing an efficient growth policy because, as will be described in more detail in the section on political power, its budgetary resources are limited. The Council has been incapable of leading growth policy because the TEU is based on the idea that member states do not support each other, and some important member states, most notably Germany, have been pushing through austerity policies. Member states have been incapable of promoting growth with Keynesian investment programmes because, in the context of the Amsterdam Treaty of 1997, the member states agreed on a resolution in the Stability and Growth

Pact. The purpose of this is to maintain fiscal discipline by requiring each member state to implement a fiscal policy that will keep the country within limits in terms of government deficit (3 % of GDP) and debt (60 % of GDP). Where a country has a debt level above 60 %, it should decrease this each year at a satisfactory pace towards a level below the limit. Deviants could face sanctions, including economic penalties. Big member states, especially Germany and France, exceeded the limits of the pact before the 2007 recession without being penalised, but as a result of the recession the pact has been enforced, which has tied the hands of those member states that would otherwise have been inclined towards a Keynesian policy. Then again, a Keynesian policy in Europe would be more efficient if it were based on the efforts of the whole union rather than only some of the member states. The lack of a union-wide policy means that the joint currency has made the situation more serious, especially in the countries in crisis. This is because, from the perspective of any single member state, the Euro is a foreign currency in the sense that its ability to improve competitiveness in export markets by devaluing the currency is now missing from the toolbox of national economic policy. Attempts to improve the competitiveness of national export industries must therefore take the form of 'internal devaluation', i.e. cutting expenses, and this is a much more painful route politically. The result has been that the EU institutions have been 'putting out fires' in the field of regulating and supporting financial institutions, and providing first aid to the states in crisis (with terrifyingly embarrassing conditions: see Fischer 2016, for example), but otherwise they have done very little.

The conclusion in terms of the state of the art of the EU's economic power is therefore Janus-faced. An optimist might say that the economic power of the union is huge, on a global scale too, and that both economic integration and the increase of resources have been developing, and are still developing, very fast. Then again, a pessimist would probably say that the union has lost almost all its control over the economy, that it has needlessly driven some of its Mediterranean member states, most notably Greece, to the level of a developing country, and that its austerity policy has failed to take an obvious opportunity to turn the recession into a new period of growth. Both views have a level of truth about them, and which of the views becomes the prevailing one in the future will depend on the subsequent acts of the union. In the meantime, it is notable that the EU is now once again in an awkward situation: it is an institution that has, from the outset, tried to achieve political aims by economic means, but it is now precisely in this field where it is in big trouble—the field that has usually been considered its strength!

Military Power and the EU

As noted above, 'Military worm' were the exact words used by Mark Eyskens, which is somewhat curious considering the fact that the joint military expenditure of the EU28 is the second-largest in the world, topped only by that of the USA. As Table 2.1 shows, the total military expenditure of all EU countries is US$241 billion, which is 40 % of US, 112 % of Chinese and 365 % of Russian military expenditure. There is nothing wormlike there, especially because two of the member countries, i.e. France and the UK, also have nuclear capability.[5] Yet Eyskens' comment is perfectly understandable considering the fact that the EU army comes in 28 packages involving the national armies of the member states, and the union has not been able to solve the problem of co-ordinating these separate military forces.

In fact, the union has a very bad history of failing in almost all such diplomatic crises close to its borders that have involved a military aspect. In addition to the nightmare of Eyskens' Operation Desert Storm, with the UK in, Germany definitely out and other EU member states somewhere in between, consider other similar failures of the union to find an effective policy line in the field of international relations. These include, among other things, the embarrassing failure to prevent or even moderate the civil war in the EU's front yard of the former Yugoslavia, the inability to do anything constructive in Libya, the lack of intervention in the civil war in Syria (which has brought increased immigration to the union in terms of refugees), hesitation in the Ukraine crisis and, finally, first flirting with and then neglecting the policies of Recep Erdoğan's regime in Turkey even after it turned into a violent dictatorship waging war against the citizens of its own country after a failed coup in July 2016.

The usefulness of Mann's reinterpretation of Weber's political power, by splitting it into the two distinct power sources of political and military power, is demonstrated by the fact that, at least in the case of post-war Europe, political and military power have indeed been distinct. As a winner of the war and the source of Marshall Aid, the USA has of course had, and still has, a say in political matters in Europe, but most of these are taken care of by the European states themselves. This is not so in the case of geopolitical and military issues, in which Western European states have been relying on the US military umbrella via NATO throughout the post-war period. The EU, 22 of the member states of which are NATO members (see Box 2.2), still clearly follows the pattern. This has been particularly obvious in the crisis in the former Yugoslavia, in the case of Libya, and more recently in the increased tension with Russia around Ukraine and other countries that were formerly part of the Soviet Union or the Warsaw Pact. It is debatable, however, whether the interests of the USA and the EU are always the same in international politics.[6]

The problem has been recognised in the EU. The union has what is officially called the Common Security and Foreign Policy (CSDP). To run the CSDP, the post of the High Representative of the Union for Foreign Affairs and Security (HR) was established in the Amsterdam Treaty in 1997 (with a slightly different name and powers), and in the Lisbon Treaty of 2007 the HR was made the Vice-President of the Commission and Chair of the Council of European Union Foreign Ministers. This is how the EU got its 'foreign minister'. The Lisbon Treaty also includes a clause that requires the member states to come to each other's aid in a crisis situation. Yet the problems are still far from over. Nobody really counts on the mutual aid clause of the EU, which makes it different from the fifth article of NATO, saying the same about NATO members. The HR does not have a permanent mandate and is not, therefore, a genuine foreign minister. Instead, the powers of the HR are defined separately in each case, which makes him/her merely an interested tourist at most international meetings. Even if there is some co-operation on border control and plenty of wishful thinking in the field of genuine military co-operation, the EU does not have sufficient institutions to take serious military action, and the same is true of its ability to co-ordinate military co-operation between its member states on a large scale.

The lack of continuity in foreign politics and the fragmented army of the EU may have served the economically-oriented union well in the past, but the collapse of the Soviet Union definitely changed the situation. This is demonstrated by the fact that its inability to react to crises such as that of the former Yugoslavia is embarrassing and dangerous in itself. However, there is also a more compelling reason why the EU should develop its capacity for taking a political line in foreign affairs and back it with a co-ordinated EU army. The reason is that, if the enlargement of the union after the collapse of the Soviet Union is considered from a geopolitical perspective, it seems that enlargement in and since 1995 can be interpreted as a grand invasion of the peripheral area, and in some cases also into the area of the former Soviet Union (Friedman 2009, 2015). Enlargement in 1995 incorporated the formerly 'non-allied' Austria, Finland and Sweden into the union, and thus confirmed them as Western countries. Anyone looking at this movement from the Kremlin might have regretted the change in the balance of power, but would have considered it fine-tuning. However, this was no longer the case where the events following it were concerned. In the succeeding years between 2004 and 2013, the union incorporated the five EU states that had been part of the Warsaw Pact area, and three states that had been part of the Soviet Union (see Box 2.2). Vladimir Putin and his administration can hardly be regarded as mad dogs for interpreting this as a hostile move. Actually, anybody in the Kremlin would have drawn the same conclusion. This is especially so because, geopolitically, the border between East and West has now been moved more than a thousand kilometres east, from the border of the Federal Republic of Germany to the western border of Belarus and Ukraine. It is no wonder, then, that Russia reacted when Ukraine too became more deeply involved in negotiations regarding co-operating with and even joining the EU![7] It is also important to remember that, once again from a geopolitical perspective, the three Baltic States are in the path an invading Western army would have to take to reach St Petersburg, the second most important city in Russia, and Ukraine and Belarus are located on the steppe through which both Napoleon and Hitler attacked Moscow.

On the whole, if all the above is taken into account, the big picture shows that, when the EU extended explosively into the East, it invaded the peripheral areas of the local empire of Russia without even having an army of its own. 'Careless' is the least one can say about this policy, even if one suspects some kind of concealed agreement between the USA and the most important political actors of the EU before the decision to begin the wave of expansion in 2004. Yet it is no wonder that the President of the European Commission, Claude Juncker, has strongly defended the need for the EU to have an army of its own, to ram home to the Russians that Europeans are serious about their value statements (The Guardian, 8 March 2015).

Political Power and the EU

'Political dwarf,' said Eyskens, and once again he was right, because the union experiences difficulties in its ability to co-ordinate joint actions between the member states. Yet some dwarfs are rather powerful, and we shall soon see that this is so in the case of the EU. This should become obvious below, where I briefly discuss the political decision-making mechanism of the union, the legitimacy of the union, and its ability to implement decisions.

To start with the decision-making mechanism, it should be noted that, contrary to the common uninformed belief, it works relatively well today. The most important EU institutions and their tasks are described in Box 2.3, but here is a telegraphic description of how they work together. The European Council draws the broad political lines and gives its advice to the Commission, which draws up proposals for European legislation. These are passed jointly by the Council of the European Union and the European Parliament, both of which can make changes to the proposals. Once the laws have been passed by the Council and the EP, it is the task of national parliaments to transfer the directives into national legislation, and the duty of the Commission to ensure that this process actually takes place. The European Court of Justice interprets EU law to make sure it is applied in the same way in all EU countries, and the European Central Bank manages the Euro and implements the union's economic and monetary policy, with price stability as its main task.

Box 2.3: The Most Important EU Institutions

The European Council is the meeting place of the heads of the member states, the European Commission President, the High Representative for Foreign Affairs and Security Policy, and the President of the Council. During its four meetings each year it defines the general political direction and priorities of the union. In addition, it nominates and appoints candidates to certain high-level posts such as the European Central Bank (ECB) and the Commission, but does not pass laws. The Council is the most important strategic institutional body of the union, and its role is especially enhanced in times of crisis.

The Council of the European Union (sometimes also called the **Council of Ministers)** is the meeting of government ministers from each member state, according to the policy area to be discussed (agriculture, finance, education, etc.). Each member state holds the presidency on a six-month rotating basis. The Council of Ministers negotiates and adopts EU laws together with the European Parliament, based on proposals from the Commission. It coordinates the member states' policies, develops the union's foreign and security policy based on the guidelines of the Council, concludes agreements between the union and other countries or international organisations, and adopts the annual EU budget jointly with the Parliament. Most decisions are made in unanimity or on the basis of qualified majority voting (55 % or more, i.e. 16 or more of the 28 member states, representing at least 65 % of the total EU population, must support the proposal for it to pass, provided a minority of at least four member states, representing more than 35 % of the EU population, does not block it). Preparatory work for meetings is done by the Permanent Representatives Committee or **COREPER**. It consists of representatives from the EU countries with the rank of ambassador to the EU. COREPER occupies a pivotal position in the EU's decision-making system. It is both a forum for dialogue (among the Permanent Representatives, and between them and their respective national capitals) and a means of political control (guidance and supervision of the work of the expert groups).

The European Commission (EC) is the union's executive arm. It alone is responsible for drawing up proposals for new European legislation, implementing the decisions of the Parliament and the Council, and representing the union internationally. Each member state has one commissioner in the Commission, and the President as well as the Commission as a whole needs to be accepted by the Parliament. Historically, the Commission has claimed to work mainly as an expert organisation rather than a political body, such as the governments of nation-states. However, the Juncker Commission has admitted the political nature of its work slightly more openly than did its predecessors. The High Representative for Foreign Affairs and Security Policy, appointed by the European Council, is the Vice-President of the Commission.

The European Parliament (EP) is the union's law-making body, with 751 members (MEPs) elected directly by voters of the member states every five years. In its legislative role, the Parliament passes EU laws, together with the Council of the EU on the basis of the Commission's proposals. It also reviews the Commission's programme of work and decides on international agreements and enlargements. In its supervisory role it is responsible for the democratic scrutiny of all the EU institutions, including the election of the President of the Commission and approving the Commission as a body. In its budgetary role, it approves the union's long-term budget, establishes the budget together with the Council, and grants a discharge to the Commission in terms of how it manages the budget. In principle, the EP is the seat of the democratic control and legitimacy of EU policies. Yet because of the lack of a European public sphere, parliamentary campaigns are national, and few Europeans could name the officially established political groups in the EP. The turnout rate in its elections is generally less than half of those eligible to vote.

European Central Bank (ECB) The European Central Bank (ECB) manages the Euro and frames and implements the union's economic and monetary policy. Its main aim is to keep prices stable, thereby supporting economic growth and job creation. The main decision-making body of the ECB is the Governing Council. It consists of the six members of the Executive Board, plus the governors of the national central banks of the 19 Euro-area countries.

The Court of Justice of the European Union (CJEU, or the European Court of Justice, ECJ) interprets EU law to make sure it is applied in the same way in all EU countries, and settles legal disputes between national governments and EU institutions. It can also, in certain circumstances, be used by individuals, companies or organisations to take action against an EU institution if they feel it has somehow infringed their rights. It is divided into three bodies: the Court of Justice (one judge from each EU country and 11 Advocates General), the General Court (one judge from each EU country) and the Civil Service Tribunal (seven judges). Each judge and Advocate General is appointed jointly by national governments for a renewable six-year term.

National Parliaments are not official EU institutions, yet they are relevant to the union in two main ways. First, once the EP has passed an EU law, it is the responsibility of national parliaments to implement it by transferring the directives into national legislation. Second, the EU-level institutions do all they can to play down the political aspect of the political and administrative process, and treat all legislation as a technical process in which compromises between different policy lines are made on technical grounds. This is why the national parliaments are made to bear the whole burden of political responsibility for EU-level policies, even if the role of implementing EU law at national level does not leave the national parliaments much room to move once the laws have been passed at EU level.

As such, this political structure may be somewhat more complex than most of its national counterparts in the member states, but for anybody who has learned to negotiate their way through it, it works flawlessly and makes it possible to make decisions on all issues that gather sufficient support. The reality of decision-making is, as always, a little different from the official organisational chart. In the past, when all decisions were made unanimously, each member state had an option in principle to veto any of the decisions. Today, when most decisions are made based on the so-called co-decision method, which includes the pattern of qualified majority voting (see Box 2.3), in reality only the big member states can veto decisions. These states are also instrumental in preparing the most important strategic decisions made at European Council meetings. This has most often been a game of four, so that the most important contact in negotiations has been between Germany and France, with the UK and Italy then being in a position to adjust the deals to some extent to suit their interests. The difference between the four big member states in regard to decision-making in the EU, according to Vivien A. Schmidt's quite plausible description, has been that Germany, which is itself a federation, has been quite comfortable with the fragmented and compromise-ridden nature of decision-making in the EU (Schmidt 2006: 102–113). Schmidt calls this a compound polity. France, in contrast, is a simple polity directed unquestionably from Paris. The compound decision-making system of the union has therefore been unfamiliar to France. However, it has usually been confident, with actual and alleged victories in terms of policy decisions and appointing high officials. This has been marketed at home as increasing French influence and spreading French culture throughout Europe. The UK too is a simple polity. In contrast to France, however, it originally found it very difficult to join the EU, and has always guarded its national independence, negotiating restrictions and national opt-outs in terms of EU deals. The extreme expression of this attitude was, of course, the victory of the 'leave' campaign in the Brexit referendum of 2016. Finally, Italy is not a simple but a compound polity, though it differs from Germany, as it is not a federal state. It is a regionally fragmented state with serious problems in terms of reaching a national compromise or maintaining policy lines on any political question. It has therefore usually welcomed the co-ordination and increase in bureaucratic efficiency brought by policy decisions based on EU deals (Schmidt 2006). Recently, because of the increasingly separatist politics of the UK, the economic and internal political problems of France and the relatively good economic development of Germany, the balance of power has been pushed towards a situation sometimes called 'Merkiavellianism', in which Germany leads, other central member states simply react to its initiatives, and all that remains for the other member states is to seal the deals at official meetings (Beck 2013; Giddens 2014; Fischer 2016)

In this sense, the official decision-making system of the union works smoothly, even if in practice some member states have more influence on the content of decisions than others, as is customary in international relations. On the other hand, what happens when it comes to implementing decisions? In Schmidt's terms, the EU is a compound polity, but it differs from federal states such as the USA or Germany in that the resources of its central bureaucracy are quite modest. The budget of the union is roughly 1 % of the joint GDP of the member states, while government spending in the OECD countries is usually somewhere between 30 % (Korea) and 60 % (Greece) of their GDP. The EU staff is also small, i.e. 33,000 Eurocrats, 22,000 of whom are in Brussels and the rest elsewhere. To give a fair comparison, the number of Eurocrats in Brussels and elsewhere is roughly the same as the personnel of the French Ministry of Agriculture or the United Nations system in New York and elsewhere. To run a political community of more than 514 million inhabitants would be impossible if this were all the administrative resources there were. In practice, however, this is not the case, because the EU mobilises the central bureaucracies of its member states to a great extent. Most of the administrative work in terms of implementing EU decisions is in fact done by the bureaucracies of the member states.

The implementation system of the EU works well as long as national parliaments actually transfer EU legislation into national legislation, and national bureaucracies actually implement the decisions. There are national differences in both, but the system has usually worked relatively smoothly. Recently, however, there have been backlashes, especially in the field of immigration policy, because member states have been reluctant to make real the decisions agreed at EU level. This leads us straight to the topic of legitimacy, because the reasons for poor results in immigration policy have less to do with administrative incompetence and more with a lack of political will. This, in turn, has a good deal to do with problems involving the legitimacy of the EU in general.

Writing in 2008, Neil Fligstein predicted that the divide between Euro-winners (linguistically capable, educated people in international or export-oriented corporations, cultural industries, universities and other educational institutions, etc.) and Euro-losers (less educated people with little or no command of foreign languages, often working in economic sectors that suffer from Europeanisation and globalisation) will be the new political divide throughout Europe (Fligstein 2008). He was right. The European Parliamentary elections in 2014 saw total turnout as low as 42.5 % of those eligible to vote, and almost a third of the MEPs elected to the EP were Eurosceptics. At the same time, populist nationalist political movements, which are often either openly racist or have a racist wing, have made progress in national elections in almost every member state. Much of this protest draws its power from economic problems and related insecurity, and most of it is articulated against immigrants and the EU in the form of nationalist movements. The protest is largely misplaced, but this does not help in a situation where EU-critical movements have also taken pro-EU politicians hostage, so they do not dare push ambitious EU-level policies or pro-EU politics at a national level for fear of losing too much ground to the populists. Pro-EU forces are currently still in the majority in the EP as well as in most national parliaments, but they do not have the courage for ambitious politics. The problems therefore continue to accumulate, and everything in the union is halted. This in turn provides yet another reason for criticising the EU.

How did this situation come about? How did people come to believe that problems which would be difficult to solve by joint European efforts would be easier to solve separately at national level? It seems that there are at least two partly interrelated answers to this question. First, some problems *are* actually caused by European integration, and at least some of these would go away if integration could be halted or reversed. If you are a Euro-loser who hates ethnic food and people of a different colour, and who is unemployed because somebody somewhere makes the job you previously did much cheaper than when you did it, maybe you would be better off if borders were closed. This would make the cultural atmosphere more intolerant, but if you do not mind that, what is the problem?

This kind of dissatisfaction is increasing, because up to now populist movements have been the sole channel for protest and the only hope of change. This is because pro-EU forces have rarely been listening to the critical voices, let alone making a genuine attempt to compensate the Euro-losers or provide a viable alternative to nationalist populism.

Second, even if much of the criticism of the EU is groundless, it has been influential because people find the EU distant and undemocratic. This is largely a misconception, but because it is a widely-shared one, misplaced or otherwise, it has causal power in the form of EU-sceptic behaviour during elections. The claim that the EU is 'distant' is, of course, true in the sense that any political administration responsible for the living conditions of more than half a billion people is somewhat distant. Unlike many other administrations, however, the EU has tried to solve this problem by allowing different national specifications for EU legislation in terms of national laws, and in general it promotes the 'subsidiarity' principle, according to which all administrative matters should be regulated at the lowest possible administrative level to avoid needless subordination of local issues to the central authority. In this sense, the EU is less guilty of being a distant administration than the US federal administration, for example. This comparison also demonstrates that some of this kind of criticism is unavoidable, because it still exists in such an established federal state as the USA, as anyone will know if they are familiar with American crime fiction involving clashes of authority between the Federal Bureau of Investigation (FBI) and the local police, or the use of the flag of the confederate states as a symbol of political protest.

If it is not distance, is it then the fact that the EU is an 'undemocratic' institution? In fact, this is not true; the EU is not undemocratic. All EU legislation must be passed by the EP, which recruits its members via democratic elections. The EP can change the proposals, and the proposals are based on the work of the Commission. The latter follows the guidelines given to it by the European Council, in which each member state has its representative. The EP passes laws jointly with the Council of the European Union, in which all member states have a representative. This institutional arrangement bears comparison with any of the constitutions of the member states, and in most cases it emerges from the comparison as a more democratic structure. Yet the concept that the EU is an undemocratic polity is a widely shared belief. Why?

The answer seems to be that even if the EU is not institutionally undemocratic, its decision-making structure is not supplemented by sufficient institutions to make it a real democracy. This involves at least three factors: the nature of the European public sphere; the articulation of political interest in the EP, and in the EU more widely; and the relationship of national parliaments to the EU decision-making structure. First, it is widely understood that European media and a public sphere do not exist, and therefore it is not possible to speak about European civil society (Habermas 2009, 2012). Given the lack of a European civil society, it is not possible to have genuine political struggles in which the interests of all relevant parties are articulated politically. This leads to the second weakness, which is that EP election campaigns are fought separately in each member state, and usually involve local and national campaigns run by national parties. Therefore the parties in the EP remain unknown to EU citizens, and the democratic link between the EP parties and their constituencies in the electorate remains weak, working only through the members of parliament (MPs) of the citizens' own nation. It is therefore no wonder that the EP feels distant. The third reason why the EU feels undemocratic is that, in most countries, citizens feel they have no control over their leaders' activities in the European Council and the Council of the European Union, and therefore no control over the activities of the Commission. However, the fact is that these citizens do not have any more control over the activities of their leaders in terms of other international treaties, yet they are not concerned about the activities of their national delegation in the UN, for example. Moreover, a cure for this problem could easily be developed at the level of national parliaments. In Finland, for example, this tension has been resolved by establishing a parliamentary committee to which the Finnish European Council and Council of European Union representatives must report before each meeting in order to obtain a mandate. The arrangement gives the national parliament almost complete control over Finnish representation in the EU.

The conclusion from all this is that, even if it is not the fault of the decision-making institutions of the EU but rather European society/societies, the voice of citizens does not sound as loud in the EU as it should if it is to make the union legitimate and keep it legitimate where its citizens are concerned. What can be done? The Commission has attempted to activate different interest groups when preparing its proposals for EU laws. This may be a good idea, but Euro lobbying alone is clearly not a solution to the dissatisfaction of citizens. Instead, or even in addition, showing initiative where the following problems are concerned might be a step towards a solution.

First, even if the EU had been established as a political union in the Maastricht Treaty in 1992, its policy processes are still tuned quite economically. As can be seen from several of the chapters of this book (especially Chaps. 4, 7, 8, 9, 12 and 13), this understanding marginalises some of the interests of European citizens and biases policy solutions towards market models, even in cases where other solutions would work better. To resolve this economic bias, the union should take a brave look at all the power sources considered in this chapter, and start to develop versatile policy solutions, only some of which are based on markets.

Second, in the EU in general and in the Commission in particular, there is a tendency to try to sell policy solutions to other parties as technical solutions to problems that everybody allegedly sees in the same way. This technocratic strategy might have worked well in the past, but in the current situation with loud EU-critical voices it is time to admit that strategic and tactical solutions in EU legislation include political choices, which should be dealt with as political issues in a political process. In fact, Juncker's Commission has already taken some modest steps in this direction.

Third, developing European civil society is, of course, in no way the responsibility of the EU, but because it is a condition for opening the union to a legitimate political process, and because this in turn is a condition for increasing the union's legitimacy for its citizens, it is in the interests of the EU and should be high on its list of priorities. The EU has actually already done something to this effect by creating different kinds of European networks, and by supporting cultural exchange in the university sector in the form of the Socrates and Erasmus schemes, for example. However, much more could be done to develop English-speaking European media, and to open the decision-making process of the union to citizens in all the national languages used in the union.[8]

The three initiatives described here would be just the start of a development towards a more legitimate union, which European citizens could feel was their own. It is, of course, an open question as to whether the EU will take this path or a different one. While we wait to see what happens, a temporary summary of the union's political power can be seen, as follows. In Mann's conception, the two forms of political power a state should have are infrastructural control of its own area and geopolitical influence over its own environment, with potential control over the global environment. The EU passes this test, but only partially. It has infrastructural control of its area but much of this control is dependent on the administrative bureaucracies of its member states, which can also withdraw their support, as has happened partially in the case of immigration. It has geopolitical influence through being an economic actor and promoter of European values on the international scene, where it has also been a leader on issues such as climate change, and has set the standard for others in this respect. Then again, the union is a military worm, incapable of co-ordinated and continuous foreign policy, and this significantly reduces its power on the international stage. The answer to the question of whether the EU is a politically powerful organisation or not therefore seems to be a solid 'yes' and 'no'.

A Very Incoherent Empire?

So what is the EU? Very little, if you ask Michael Mann, whose conceptual framework I have used above to describe the union. In 1993 he wrote of the European Community (EC): 'The EC … remains fundamentally an economic planning agency. It has expanded with the broadening of Europe's product-market range, its complex web of consumer regulations, its diversified occupational structure, and its intricate set of financial instruments. All of this regulation is highly technical and capitalistic … The state as a whole is not, as Marx asserted, an organization for managing the collective affairs of the bourgeoisie; the state does far more than this. The EC, however, is.' (Mann 1993b: 125.) In 2013, he still saw the EU as a marginal institution compared to the organisations of its member states. He justified this mainly in terms of the weakness of European civil society, the lightness of the EU bureaucracy and the small degree of foreign political co-ordination with no joint army to back it up, or even national armies co-ordinated by the EU (Mann 2013: 419–420).

There is an obvious point in statements such as Mann's. However, I think they are also to some extent based on the traditional British aversion to projects emerging mainly in continental Europe. Let us therefore take an alternative look at the current EU. In 2006, Jan Zielonka published a book entitled *Europe as Empire* (Zielonka 2006). The book was published at a turning point when the EU had adopted a policy of expansion towards the peripheral area of the former Soviet Union, but the consequences of this policy were not yet evident. In addition to the increase in foreign political tension (which was not the focus of Zielonka's work), it was Zielonka's view that the rise in the number of member states from 15 in 1995 to almost double that figure, with an obvious increase in variation among the member states, would change the nature of the union from a tight discussion group making unanimous decisions binding all members in the same way, to a complex network of overlapping agreements without exact symmetry. He considered that each member state would, in many cases, have the option to choose the agreements in which it would participate and those in which it would not. Examples of this today include the Euro area, with 19 of the 28 member states participating, and the Schengen visa and passport control area, with 23 union member states. According to Zielonka, this type of union, involving varying degrees of involvement and overlapping arrangements about rights and duties, should not be understood as a uniform federal state or a set of agreements between self-sufficient and sovereign Westphalian states, because the former characterisation implied too much— and the latter too little—interconnectedness, co-ordination and political dependence. Instead, he maintained that the future EU would be a 'neomedieval empire'. By an 'empire' he meant that there would be a political centre in Brussels and a core of EU treaties binding all members. In calling it 'neomedieval' he was referring to the fact that the nature and degree of control of the areas of the empire varied according to a complex set of overlapping, historically-sedimented and sometimes contested agreements about the rights and duties of different parties.

Especially now that the EU is moving towards tighter co-ordination in terms of the public finances of its member states in the aftermath of the financial crisis, and extending its co-ordination in many ways from traditional economic regulation, it may be the case that Mann's description of the union as simply an organisation for maintaining the collective affairs of the bourgeoisie is too narrow. Describing the union as a full-blown federal state would be an exaggeration, as becomes immediately apparent if it is compared to the USA. In this situation, Zielonka's concept of the EU as an empire resembling versatile and fluctuating European medieval empires gives us reasonable co-ordinates for grasping the nature of the 'unidentified political object' known as the EU. Bearing in mind, however, that Mann very convincingly justifies his description of even today's USA as an 'incoherent' empire (Mann 2003), my suggestion is that we should call the EU a 'very incoherent empire' in the making. I shall return to this topic in Chap. 13.

Notes

1. It is worth noting that the claim that Lenin's explanation for the reasons leading to the two world wars is correct needs at least two qualifications. First, it is accurate where the relationship between economic and political power is concerned, but it does not pay enough attention to the many-faceted and contingent nature of such processes, very well described in the closing chapter of Mann (1993a). Second, the validity of Lenin's theory is limited to the era of sectorial globalisation. Since transnational economic flows today actually cross the borders of nation-states and imperial sectors, the influential groups of capitalists, who according to Lenin made the states their representatives and forced states go to war, have lost interest in almost all wars between nation-states (e.g. Robinson 2011).
2. To mention just one example, in 2014 the sitting prime minister of Finland at the time, Jyrki Katainen, decided to leave his government mid-term and opt for a post in the Juncker Commission. Such career moves naturally lead to a level of bad press, but they are understandable because

an opportunity to trade the leadership of the government of a nation of less than 6 million inhabitants for membership of a commission responsible for a union of more than 500 million is naturally tempting for any ambitious political animal.

3. As will be evident to the reader, there is much more information in Table 2.1 than is used here and later in this chapter. This material will be discussed in Chaps. 12 and 13.
4. A 'White Paper' is a report through which the Commission prepares decisions of the Council and the EP. They are already relatively definitive in their formulations and are often preceded by 'Green Papers', which are more versatile and attempt to codify the opinions of all relevant interest groups.
5. Brexit, if it actually takes place, will reduce the number of nuclear powers to one, and military expenditure by US$55 billion per year, thus reducing the union's joint military expenditure to US$186 billion, which is 31 % of US, 87 % of Chinese and 282 % of Russian military expenditure. This may raise the profile of France within the union a little, and obviously takes away some of the joint military power of the union. However, even a small increase in military co-ordination, the odds of which Brexit increases, would outmatch the losses.
6. An extreme case here was the Reagan era, in which the Pentagon openly speculated with war games where the whole of Europe would be destroyed in combat between the two superpowers, the US and the Soviet Union. In fact, this type of speculation, and the reaction by European politicians, was an important impulse for steps towards European integration, leading to the Maastricht Treaty and the establishment the EU as a political union.
7. Actually, the situation was more complicated before the annexation of Crimea to Russia. Former President Yanukovych tried to incorporate Ukraine into the Russian geopolitical coalition by making it a member of the Eurasian Economic Union (EEA; see Box 2.2). Yanukovych attempted to accomplish his aim without submitting the plan to parliament or calling a referendum. This was the reason for the revolt that brought Yanukovych's regime down. Russian sources have it that the revolt was assisted by the US Central Intelligence Agency (CIA), but most Western sources say it was not. In any case, simultaneously, a treaty was negotiated that increased co-operation between the EU and Ukraine. Russia interpreted this as hostile geopolitics on the part of the EU, which probably meant nothing of the kind. The result was the current conflict in Ukraine, and this scenario is probably going to last for many years.

8. Televising EP sessions with translations into all 24 official EU languages, for example, would be easy and would cost very little, because the translations are already provided for MEPs.

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3

An Extending Empire of Governance: The EU in Comparison to Empires Past and Present

Robert Imre

In discussing the development of multinational territorial co-operation, a fundamental political question involves types of empire. There is no doubt that the EU is an empire in the sense that it rules over a particular political territory and has expanded that territory rapidly since the 1970s (Waever 1997; Zielonka 2006). This also means that questions of political sovereignty involve much more complex issues than simply having sovereignty or lacking it, as multiple types of political arrangement exist in the modern period. Here, I assume that the EU is an empire of a specific kind, and that this kind of empire, like those before it, reflects the times in which we live.

In my view, this question about the EU and empire tells us something politically important about where the international state system

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is situated. It tells us where nation-states and their co-operative and conflicting relationships stand in terms of how we are organised in a post-Cold War political arrangement, and how this politics manifests itself in an organisational sense (Imre 2013). In these post-neoliberal times, the fundamental mode of national organisation appears to involve the capacity for an empire to expand its bureaucratic control. This bureaucratic type of governance functions as a most effective cross-national control mechanism. To some extent this is not new, as modern political arrangements all have bureaucracies attached to them. However, in this context the new aspect is that a bureaucracy has actually initiated the expansion and consolidation of an empire. This means that the innovation of the EU political arrangement, for better or worse, is driven by a bureaucracy with all the 'modern instruments' of communication technologies, legal constructs and sets of rules governing human behaviour, in a way that is different from empires based on other kinds of institution, such as large military organisations, trading blocs or ideological camps attempting to hold territory together. Thus it becomes an empire of governance.

In this chapter I aim to show how the EU is more than a trade agreement, and how it is on the way to becoming a federal state. This is precisely why there is so much populist objection to the EU itself. This is not to say that the EU is a perfect political formation, but it is surely a situation where populist political leaders see an inability to maintain a power base in the face of a political superstructure that will supersede their capacity to control resources in particular territories. This is a common political phenomenon, where mayors of large cities often run on populist political platforms in opposition to 'elites', and sub-federal-level political constructs take a stance in opposition to central government.

European empires wax and wane. The Austro-Hungarian and German empires were dismantled in the latter periods of modernity, the British and French empires have receded in the face of decolonisation, and the USA and Soviet Union rose as empires in the post-Second World War period. The dismantling of the Soviet empire still leaves us with Russia and China as 'regional hegemons' with claims on empire status, though previous imperial arrangements have not resulted in a similar situation (or may not have done, depending on how we define

Turkey, and how we see post-imperial periods in the 'national imagination' of nation-states such as Hungary). In the case of the EU, it is not only the expansion of empire itself, but also the fact that in each case of expansion, and at each 'stage' of expansion (meaning that the arrangements change, with nation-states grouped into categories and subsequently joining), the majority of people in participant states appear to be willing to become part of an expanded empire. This is different from conquering militarily or economically, and presents us with the task of interpreting how the EU has managed to transform Europe into this co-operative arrangement.

Other Kinds of Empire

Analysing characterisations and typologies of empires can tell us something about current politics and help us to understand possible future developments. Here, however, I am simply seeking to provide a brief overview rather than state a comprehensive position. In this section of the chapter, I am suggesting that there are different forms and kinds of empire in human history, and as such we need to view this question as being relatively flexible and malleable, and even take a 'plastic-imaginative' approach to what we might think about in terms of 'empire'. For example, the USA can be seen as an 'accidental' empire, with few or no claims on territory outside its modern territorial divisions, solidifying its place in the global order through proxy wars and financial dominance. Furthermore, the kind of cultural export that results from the political economy of the USA and North American culture can be viewed in a variety of ways, and seen as anything from cultural imperialism to an economy of cultural dominance, to exporting a cultural world-view backed up by an accidental economic boom. This kind of imperial arrangement also has particular characteristics. These are not shared by earlier empires in the sense that the idea of 'conquest' no longer involves the construct of a 'garrison state', but rather a de facto concept involving a duality where culture dovetails into economy, backed by a large military presence. In other words, the USA is different from the British Raj or the empire of the Netherlands, for example.

China and Russia have both claimed territories beyond their borders, giving irredentist historical arguments for expansion, and at the same time employing soft and hard power strategies around the world. 'Greater' Russia/China is a concept disseminated by both nation-states, irrespective of inter/multinational agreements or arrangements to the contrary. This can be unstable and/or stable in terms of how the international political system operates, and the contingencies of politics cannot predict where it might go in the near future. Suffice to say that these are certainly modern claims to empire, with attempts to subvert any internal dissent to an overarching political order. This is not a universal characteristic of 'empire', and as such classifying the EU as an emerging imperial construct does not necessarily fit the same rhetoric. In fact, in the context of contemporary European politics, the EU acts quite differently from this in terms of irredentism; there may be claims to being more or less 'culturally' European, but these claims are never about 'taking over' territory. It is always about accession to the bureaucracy.

In terms of issues of comparison, what does the new pan-European construct look like, how is it developing, and what type of empire is it becoming? Financial, territorial, ideological, ethno-national and even 'civilisational' arguments have all been used by political actors in the EU to lay claim to the political construct of the EU itself. Shared values within a civilisational framework have often been highlighted in the context of the EU alongside other imperial constructs, but this is probably generally modern, as the Ottoman Empire remained unconcerned about whether Bulgaria, Serbia or Transylvania, for example, had a shared/collective 'value system' so long as taxes were paid and supplicants were sent to the core from the periphery.

Much like China (and somewhat like Russia, though not completely), the EU is also very much concerned with a form of internal (re)colonisation. This new form of post/recolonisation involves the governance of everyday life in Europe. It is certainly the case that any form of imperial construct is an accidental one, since the goals of this construct have moved from regulating the coal and steel industries, to specific security co-operation, to broadening trade agreements and eventually to the internal 'open border' structure with expanding national participation that we see today. These political contestations beg the question of how the current European Union can be characterised, and whether it can be seen as an emerging empire. In terms of larger processes, parts of political systems will always be looking to leave, return, secede, renegotiate terms and so on. Examples of kinds of federations, such as confederation, asymmetric federations and the variety of different historical examples, deliver unique systems (Germany, Switzerland, Canada, Australia, the USA, Malaysia, etc.). Examples of recent attempts at secession include Scotland, the Basque Country, Catalonia, Quebec, the breakup of Yugoslavia, Pakistan (from the 'original' deconstruction of the British Raj to East/West Pakistan, to Bangladesh, and the centripetal forces are not yet over as Pakistan continues to fracture), the Falkland Islands, and Western Australia, as well as requests for non-irredentist arrangements, i.e. a federal union of some kind. Without going into detail on these multiple constructs, this indicates that there is always political contestation over expansion or contraction of territory in constituent political units, and that, in my view, we should be thinking about this in terms of centripetal and centrifugal forces which might drive these units together or apart.

Brexit

For me, the Brexit phenomenon is tantamount to the opposite of the expansion of the Euro-empire. It demonstrates how the UK wants to take 'devolution' to its logical conclusion. The final contraction of the United Kingdom, cleaving off an independent Scotland, as well as a likely 'secession' of Northern Ireland, will leave a temporarily isolated England and Wales. To put it bluntly, the perhaps delusional 'isolationists' voting for Brexit strengthened growing ethno-nationalism in a place where it had waned with the expansion of the British empire. As a kind of imperial backlash, with few options left in terms of centripetal forces, Brexit voters were left complaining about certain ethnic components of their state and specific aspects of global political economies. In short, they focused on too many 'foreigners' and a paucity of employment. Linking these two complaints may well be factually incorrect and politically problematic, but it did drive a fringe part of the EU empire out of the union. This is important in characterising the kind of empire the EU is and is becoming, in that expansion and contraction continue to be based on bureaucratic moves. Secession, unlike other kinds of contestation, appears to become completely possible as governance loosens.

Tom Nairn (1977) discussed this when elaborating a thesis on the breakup of Britain. Nairn's view is similar in that he positions the problem in the hands of the old elites in Great Britain, and suggests that the archaic nature of the political system in the UK will not be compatible with components looking for more progressive politics. If avenues for progressive politics open up at a 'federal' level, then minor elites will choose a different loyalty, with Scotland seceding and choosing Europe rather than remaining in the UK, to give a prime example. Nairn's Marxist approach to nationalism suggested this as far back as 1977, when the EU was first developing into a political union, moving beyond a mere customs and trade organisation. Even then, Nairn suggested what I am suggesting here about the UK. In the near future we will be left with a small nation that looks like many of the other European nation-states characterised by linguistic nationalism, anti-immigrant feeling and anti-multiculturalist leanings. In short, it will be a regressive nineteenth-century version of the understanding of a nation-state. Perhaps, counterintuitively, this will make England and Wales more inclined to rejoin the contiguous conglomeration of an expanding EU and the new Euro-empire. As an example of contraction and expansion, the Brexit phenomenon provides us with an interesting illustration of ways in which the fringes of a contemporary empire might move.

Previous Kinds of Empire in the European World

The Ottoman Empire can be seen as the last of the pre-modern, pre-industrial (and to be provocative, European) empires. The competing European empires all managed to industrialise and introduce versions of Fordist, and then post-Fordist, productive capacities, which effectively destroyed mediaeval and feudal social processes and productive forces. The Ottoman Empire could not do this, and was the last of the pre-industrial European empires. Competition between the developing European empires of the 1800s coincided with the age of nations (and nation-states).

The expansion of the industrial age, and the physical occupation of territory through war and exploitation, has left us with the problem of empire in this (modern) period. Decolonisation and globalisation, along with a century of European wars, has led to a particular system of states with these unique characteristics. As such, the EU has become a kind of 'postmodern' empire and, like the anti-foundationalism of postmodern theory itself, the EU has developed its own 'pre-industrial' characteristics. In other words, I contend that postmodern theory has been criticised for aligning with a kind of conservatism, resulting in something more similar to Austria-Hungary than Napoleonic France, an attempt to bind together contiguous nation-states in a non-federal alliance. Bringing together contiguous nation-states makes it quite difficult to establish 'universal citizen(ship)', both culturally and legal-politically. This is a problem that has always concerned Jürgen Habermas, who has sought a form of 'constitutional patriotism' to combat the centripetal forces of the EU (Habermas 2009, 2012).

Clearly, the characteristics of an empire change depending on the extent to which legal constructs (rather than political and/or military systems) are embedded. There are a number of competing frameworks and it is difficult to judge which is the more likely. Hardt and Negri's (2001) version of empire involves a world order more than a singular political construct such as the EU. If the EU looks like the US version (i.e. Chalmers, Johnson), with military bases backing up multinational corporations, then there would need to be some form of regression at this stage in the 'world order'. This can be viewed as a sort of democratising process and form of continuity, involving the regime changes from the 1970s in Southern Europe through to changes in the 'realised socialist' nation-states in the Eastern bloc.

Transitions from Regime to Empire

Case studies of democratisation usually involve transitions which may or may not lead to consolidation, but are internally driven. This is why the EU offers a special case, since transition is followed by democratic consolidation via entry to the EU, and through adopting EU political and civil standards which, in their basic form, are decided externally in advance and are non-negotiable. We are interested in this for a variety of reasons. The first clearly involves the large number of regimes involved in this process. Second, we wish to explore whether this form of consolidation produces the high-quality democracy we might expect from the European experience. Third, we might wish to know how the process actually works, and whether, for example, the adoption of rules is matched by a willingness on the part of the target electorate to embrace political diversity, and on the part of elites to embrace multiple competitive parties, avoid corruption and accept electoral outcomes.

The ex-communist (or ex-'realised socialist') Central and Eastern European Countries (CEEC) were in the early stages of democratic consolidation in late 1993 when the Treaty of Copenhagen transformed the European Economic Community (EEC) or European Community (EC) into the EU as we know it today. It was at this point that the CEEC and the EU agreed that the five (later eight) former communist states would be considered for EU membership. The candidacy of these recently democratised states was extremely controversial among the 15 existing EU member states at the time. In the final analysis, it seemed that it was better to allow them to apply for membership than to reject them, which could have entailed a risk that some or all of them would revert to a form of non-democracy and thus become a security problem for the rest of Europe. So, again, this appears to be a kind of bureaucratic decision, weighing up what might be a 'sensible' position, but certainly not a decision based on purely economic or security reasons.

However, people in the existing EU member states were well aware that the CEEC transitions were very recent, and that these states had considerable problems to overcome, including economic backwardness (or rather the 'partial development' experienced in what was once referred to as the Second World), political immaturity (rejection of democratic consolidation by elites as well as voters, which can lead to all sorts of structural problems and in more serious cases to oligarchic rule), lack of institutions (not simply a parliament, but also concomitant democratic structures) and a history of authoritarianism (not unlike the Southern European states of Greece, Italy, Portugal and Spain two decades earlier). The EU intervened actively to ensure compliance with EU conditions for eventual full membership, especially in the area of sharing bureaucratic expertise. In fact, this is the crucial point in that the 'empire' was furthered by the bureaucracy, which in turn opened the door to multinational corporations that swallowed up large parts of the economy. Once this was consolidated in the region, the rest of Europe started to look similar, and the 'democratic deficit' set in. However, this was not simply a deficit of Brussels versus the national governments. It was a much larger problem in which national governments themselves were deploying a type of 'new governance' that entrenched a specific kind of neo-liberal empire-building. Finally in 2004 (2007 in the case of Romania and Bulgaria), admission of the CEEC into the EU as member states became a reality, and the EU expanded from 15 to 27 aligned states (Malta and Cyprus also joined in 2004).

It is quite impossible to appreciate the EU road to democratic consolidation without saying something about the EU itself. In its 60-year history, it has grown from being a modest free-trade agreement among six countries (remembering, of course, that the six did not include the UK), to a level of semi-sovereignty over virtually the whole of Europe. In itself, this is most certainly a regime change, and the kind of democratic consolidation necessary for the building of a postmodern empire, but since it is treated as a legal-bureaucratic process, setting rules for a type of global capitalism, the political aspects are lost among the rules. For example, the EU is based on three objectives or 'pillars': the single market, collective security and joint social objectives. It comprises a complex bureaucracy based in Brussels known as the Commission, a Council of ministerial-level politicians representing member states, and finally, an elected European Parliament sitting in Strasbourg, and has recently-evolved powers over both the Commission and the Council. The Commission co-ordinates the work of the EU by developing regulations (Euro regulations) that are to be administered by the bureaucracies of the member states themselves. The aim is to have common standards and common rules across Europe, so that a single market can function that is in everybody's interests, and to raise standards of food purity, the environment, medicine safety and so on. These Euro regulations are slowly and carefully negotiated by experts recruited from the bureaucracies of the member states, in consultation with community groups (i.e. civil society) and industry groups. But it is the set of regulations themselves, the bureaucracy, that currently makes the EU what it is. This empire, which expands and draws in neighbouring states, and ensures growing and expanding levels of co-operation on its borderlands, is a governance empire, or empire by governance.

After 1993, the EU Commission established a Directorate-General for Enlargement. This established democratic requirements which, along with the human rights requirements of the existing European Convention on Human Rights, set out the standards the five candidates (increasing to eight in December 1999) would need to meet. As we saw with the Southern European democratisations, a country must have a consolidated liberal/social democratic type of regime to be a member state of the EU. All the candidates had made transitions, but each then had to overcome a legacy of decades of centralised, single-party rule combined with a fully socialist command economy, and a poor record in the field of human rights. Some aspects of the post-transition experience worked against this. For example, privatisation of large areas of the economy created overnight economic elites with enormous de facto political power, and it was by no means guaranteed that these would support the adoption of Euro regulations. On the other hand, candidacy was popular, and all the candidates had also experienced some form of liberal democracy before the Second World War, so they could look beyond the 'communist past' for inspiration to comply with EU requirements. All could regard themselves as culturally, and even economically, European, and thus embrace the rules that had already been embraced by virtually the whole of the rest of Europe.

The totality of these Euro regulations, known as the *acquis communautaire*, with 35 chapters and tens of thousands of laws, and creates, among other laws, the economic regulations of member states. In return for full membership, each state needs to be aligned with the entire acquis, by harmonising all of its existing regulations and, where these are lacking, by enacting new regulations. In one parliamentary session in Hungary in 1999, 152 items of legislation were passed without a single word of debate because they were part of the acquis. This is the constitutional equivalent of a reality TV show that seeks to deliver an immediate makeover of a person, family home, business establishment, etc., resulting in the total makeover of the regulatory framework and leaving nothing unaffected. Most aspects of harmonisation are economic in one way or another. Standards and monitoring processes have to be applied in food production, processing, packaging and labelling, vehicle emissions, pesticide use, industrial pollution, trademark recognition, radio and television frequency allocation, road and rail safety, and a host of other areas. The vast majority of these have evolved over time to sustain a single European market with high standards of health and safety, as well as in-built accountability. However, by adopting the acquis, the candidate states did not just gain access to a large and affluent market on their own doorstep. They also gained access to investment finance, and their people gained the right to travel and work anywhere in the EU. This helps us to understand why membership was so popular and why, for example, 84 % of Hungarians voted 'yes' in the Hungarian referendum of 2003 on whether to join the EU. One of the many side-effects of enlargement has been the mass migration of Polish workers to Britain since 2004.

In analysing EU enlargement, Schimmelfennig and Sedelmeier (2005: 8) propose three different models to explain the success of adopting rules in terms of consolidating democracy. The first is one that has already been touched upon briefly, involving external incentives or rewards. These take the form of assistance, especially financial assistance, and the benefits of membership itself. Some of these latter benefits were phased in, with limited market access for meeting targets along the way to full compliance. Help was available when necessary, but targets still had to be met, and here the fact that so many countries were in the race to join strengthened the EU's position, allowing compliance to be enforced without the use of sanctions. Incentives worked at government level by outweighing the various costs of compliance, and at the political level by increasing electoral support for actors and parties who endorsed the adoption of EU rules. Even with strong incentives, there were some problems—when, for example, some new Euro regulations were created during the enlargement time-frame, creating confusion and considerable extra work for CEEC administrations. There were also concerns that the CEEC candidates might try to deceive Brussels in terms of the extent of their compliance, and that in practice they might interpret standards loosely. One thing nevertheless worked in favour of the benefits on offer. No other international actor, not even the World Bank or the USA, could offer anything to compare with the EU, which was not only large and very rich, but also just across the border.

The second model in the reading is the social learning model. This explains the success of EU rule adoption by the CEEC candidate states in terms of their common European identity. In examining the collapse of communism, we saw that the Czech and Hungarian populations had previously formed part of the Austro-Hungarian Empire when it was itself at the pinnacle of European culture. The acquis enjoyed strong legitimacy because of the way the EU had evolved, and because much of it dealt with core European concerns such as safe food and agricultural support. This therefore made it almost inevitable that these countries would view it favourably. The rules seemed highly conducive to the expansion of an imperial force, and the bureaucratic expansion that regulated capitalist forces seemed a perfect way to bind together these various nation-states, acting as a kind of centrifugal force in drawing them together. Another reason for this is that the EU had to evolve these rules in simple language, so they could be translated and adopted in many diverse member states with different systems, cultures and actual translations from one legalistic form to another. This also facilitated a voluntary acceptance of the rules, by making the logic clearer and thus reinforcing the underlying 'Europeanness' of them. The candidate states could flatter themselves that by acceding to the acquis they were elevating themselves to an equal status to, say, France or Sweden. Considering that standards in many areas did not even exist in those countries during their socialist period, adopting these standards was another way of badging themselves as 'non-communist' and reformed.

The final explanation offered by Schimmelfennig and Sedelmeier is based on what they call the lesson-drawing model. This is the sense that Euro regulations are 'international best practice', offering the highest standards and best results. In this model, the CEEC policy-makers would adopt the acquis over time, whether it led to EU membership or not. Much of it was attractive at the outset. They were in situations where the regime had just changed, and the old regulations needed to be replaced or upgraded. The makeover analogy again suggests itself, except that here the new owners are organising the makeover specialists themselves to do the required job. The sense of the appropriateness of Euro regulations was further enhanced by the networks and frequent contacts existing among specialist bureaucrats in Europe generally, who were often recruited by Brussels to the special 'comitology' committees that had redrafted and perfected the regulations in the first place. These networks are sometimes known as 'epistemic communities'. Finally, the rules made sense because they had often been created to deal with problems in EU member states that were very similar to those being faced by the CEEC governments, such as environmental issues, or those following from conflicts between industrial growth and cultural heritage.

The only cases where the consolidation of democratic transitions and EU accession might not have worked excellently (apart from the social concerns mentioned below) are the 2007 memberships of Romania and Bulgaria. It was not accepted that these countries, which have lower GDP per capita than the other eight, had met all the criteria, and it may be that they were promised membership as a reward for supporting the EU and NATO during the Kosovo crisis.

In Romania, it was not until the 1996 elections, and in Bulgaria not until the 1997 elections, that the renamed communists were voted out of power. While this may not be a problem politically in itself, in these cases it demonstrates a conflict between the old elite and the incoming aquis supporters. If EU membership is conditional on NATO membership rather than adopting the acquis, then the other eight countries might feel they have agreed too quickly to certain regulations. Some of these, such as the Czech Republic (split from Slovakia in 1993) and Hungary, became NATO members in 1999. Others, such as Estonia and Slovenia, joined both NATO and the EU in 2004. Slovenia was the first part of the former Yugoslavia to be allowed to join the EU. It was more economically developed than the rest, and made a clean separation from Belgrade after a ten-day war in 1991, without the ongoing problems seen in places such as Bosnia. Finally, we need to remember that the pressure on CEEC governments to adopt social measures such as workplace safety and labour-market standards has been disappointing, and this lack of pressure may reflect tensions between Brussels and other interested parties such as the World Bank and its allies in the USA. This lack of pressure on social standards has been most prominent in Poland, Latvia and Lithuania, which are all very involved with the World Bank.

Consolidating Empire

Absorption into the EU is a virtual guarantee that a newly democratic regime will become fully consolidated, though with their relatively high GDP per capita, the CEEC regimes would probably have achieved this in any case. Membership facilitates democracy in a number of ways. Candidates are rewarded for meeting democratic conditions such as multiple parties, fair voting systems and a politically constrained executive government. They also need to meet the high standards of human rights in the EU, and allow the European Court of Human Rights to exercise jurisdiction. Furthermore, a full range of groups is encouraged outside the formal political parties, and may flourish as a result of the existing networks of such groups in Europe. Thus civil society is stimulated alongside freedom of the media and multiple political parties. Elections will be supervised by EU and local bureaucrats, and eventually most of this will be done effectively and fairly by local officials, as it is all over the democratic world. Finally, by adopting the acquis, these countries take much of the heat out of politics, because the decisions in many areas have already been made. Future politics will have at least two dimensions. At the national level, it will be reduced but still important; and at the European level, it will be split between a country having one voice among 27 (following Brexit) on the Council, and having a certain number of elected MEPs of its own. Thus the democratic future looks bright for these countries, at least within the limited scope of liberal/social democracy and EU bureaucracy.

Tom Nairn (1977, 1981) also talked about types of hegemony over space in discussing his Marxist approach to nations and nationalisms, as such empires and bureaucratic-administrative control over territory in the modern period become the primary method of control. In accelerating this form of control, the EU has become a kind of 'hegemon over space'. It may be the case that NATO and the other security arrangements are indeed obsolete, and the post-Soviet Russian manoeuvres in this area are demonstrations of resistance to the new imperial construct, rather than an actual 'show of force'. Nairn also suggested that the importance of the EU would eventually come into conflict with the importance of a post-empire Great Britain.

In the case of various European empires, this kind of control has successfully displaced direct military occupation, so military force could well be undergoing the final throes of a dying form of domination. Obviously, this bureaucracy is very much like a regime. Regimes can be defined as specificities of this type of control, and this is precisely what the EU has managed to do, albeit most probably in an accidental manner, similar to the US imperial construct. Jan Zielonka's notion involving coercive administrative activity in external territory is part of this process. There are various levels, including provinces, states, nations, territories, administrative zones and overseas territories, and the changing nature of political constructs means that these territories will also define and redefine themselves and their relationships. This opens the way for discussion about how expansion and/or contraction of these territories might take place, as they have done so far in the EU and its own governance empire, and we should not be surprised that in the 1990s, with the end of the Cold War, the CEE states were far more prepared to join such an empire (as is Russia, but this is a different question at the moment) because of the legacy of this bureaucratic administration. This at least partly explains the high expectations when the EU began its expansions, as well as where newer expansions could be leading today. Serbia, for example, is apparently unable to reconcile its old version of the idea of political territory with the new idea of EU bureaucratic-administrative control, which does away with border disputes entirely. Whether this will change in the coming years is a fascinating political question, and may have more to do with Russia than Bosnia or Macedonia, for example.

A 'governance empire' of this type has strong centripetal forces. In the CEEC we are all 'East Europeans' now, since increasing expansion of bureaucratic control, along with high levels of surveillance and a strong state sector, mean we live in an empire designed by bureaucrats. Ulrich Beck's idea is similar. The EU feels distant. There are Euro-winners and Euro-losers, but the legitimacy question is complicated by nationalism based on the idea that 'we' are European. This was a successful answer to the nationalism question in the 1990s but it has since changed, and nationalist politicians have taken away this argument about conflating new/old nationalist identity within Europe with a pan-European supranational identity.

Conclusion

In contemporary terms, therefore, we can certainly claim that the European Union is an empire, with the qualifier that it is of a particular kind. If we use the concepts of centripetal and centrifugal force(s), then we can see that fringe political forces may not necessarily pull the empire apart. 'Brexit' offers a very good example of this, as do many other nationalist populist movements in the EU. The fact that specific populations voted against their economic interests is not a new development in democracies, and will continue to be an ongoing problem. Following nationalist political personalities who promise a form of 'nationhood' that may be anti-democratic is a phenomenon currently being experienced around the world. Furthermore, it is not a 'new' phenomenon in the sense that populism is something with which all modern democracies have to deal. Using this kind of categorisation, my own discussion concludes by rejecting the idea that the EU is in 'crisis'. There are certainly significant problems that need to be solved in the EU with the co-operation of most, if not all, of the various constituent nation-states, but given bureaucratic expansion and control, and the way the EU has developed, there is no real crisis brewing, except in the minds of national leaders who see their political powers waning in an increasingly federalised system.

Brexit itself can also be seen as strong confirmation of the EU empire in the sense that a piece of the empire on the fringe, which does not fit with the rest of the parts, has been forced to change its constituent components. As such, this small piece, a post-empire nation-state of its own, needs to accelerate the process of taking itself apart, and then slowly reconstitute the pieces inside the largest, geographically closest empire. First Scotland, then the special cases of the Irish parts, Cyprus with its guarantee of safety given by the UK, Gibraltar, and other special bits and pieces will be brought into the bureaucratic vortex that is the EU.

I believe we are in an interesting period in terms of this empire of governance. The concept of empire has therefore changed into something that resembles the early-Ottoman or late-medieval periods in Europe, rather than the versions of empire that sought to expand 'the nation-state' with colonies, or the accidental nature of the US financial empire. As in empires past, the tools of domination are still used, coupled with some form of coercion (everything from mild coercion and political negotiation to more explicit forms of threat, such as economic and other disruptions). But this appears to be a totality of a bureaucracy, and almost a Foucauldian governance format that forces the responsibility of legal constraints on to individuals. This Foucauldian governance, deploying a bureaucratic elite to bind together the sub-continent in creating this empire of governance (is this Kafka or is it the 'rule of law' of liberalism?) still has some interesting possibilities and developments. For example, can such an empire include Russia? Will there really be a centrifugal political force joining up European states from London to Moscow when the next wave of EU expansion includes Turkey and Ukraine in decades to come? Or is it the case that the centre cannot hold, and the imperial project will need to be abandoned? Right now, despite Brexit and Russian interventions, the EU will remain.

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4

A Promoter of Values or a Shopkeepers' Empire? Economy and Society in the Europe 2020 Strategy and the Trade Policy of the EU

Jari Aro and Risto Heiskala

In this chapter we probe a classical topic for sociologists who, since Max Weber (1978), have asked questions about the relationship between the economy and the rest of society in a world in which the relative significance of markets has increased compared to other means of co-ordinating joint actions. However, we do this in a new context, and ask how the economy/society relationship is set in the political reality emerging in one of the world's most important political organisations, the European Union (EU).

But what exactly is the EU? Following the lead of Chap. 2, we consider it a very incoherent empire in the making. However, if the EU is such a thing, what kind of empire is it? What is its nature as a political entity? Two of the most common answers to these questions involve a harsh contradiction. The more established of these is known as the Normative Power Europe (NPE) model, which says that the EU is a promoter of values (Manners 2002). Recently, there has been a challenger known as

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the Market Power Europe (MPE) model, which considers all talk about values in the EU to be mere smoke and mirrors, and suggests that the real drivers of its policies are economic interests (Damro 2012). In the rest of the chapter we study the merits and shortcomings of these opposing views by means of policy-oriented cultural sociology.

Our methodology for studying the political reality begins with the EU's policy documents and then moves on to the institutional practices by which the union translates into action the 'symbolic universe' (Berger and Luckmann 1966) created by the categorisation and narrative in the policy documents. Our focus in the field of policy documents is on the Europe 2020 strategy (European Commission 2010a), as well as some related documents such as the Lisbon Strategy and documents on trade policy. In the next two sections we explain, first, how we see the EU as a political entity in general; and, second, how we analyse policy documents and why we understand the Europe 2020 strategy to be an absolutely central policy document in defining the EU's identity. We then devote a section to a cultural analysis of the Europe 2020 strategy. After this is a section in which we take a look at the EU's trade policy as an example of the institutional practices through which the EU Commission, and the union more generally, translate into action the political ontology established in their policy documents, thus attempting to make the world more congruent with the worldview contained in them. Finally, the conclusion attempts to define the EU as neither a normative nor a market power. Instead, we bring forward a framework which sees the EU as a peculiar empire that can be termed 'ordoliberal'. In this, we build critically on Michel Foucault's (2008) interpretation of neoliberalism, and make use of it in our study of the EU.

The EU: A Normative Power or a Promoter of Economic Interests?

What kind of empire is the EU? As noted above, there are at least two answers to this question. The more established of these is the Normative Power Europe (NPE) model, considering the EU to be a promoter of values. The approach originated when Ian Manners published an article in 2002 called 'Normative Power Europe', which has since encouraged much debate. His argument was that the EU has a normatively peculiar basis for its external relations and identity, which determines its role in international affairs. The EU's identity involves five core norms: peace, liberty, democracy, rule of law and respect for human rights. It also involves four minor norms: social solidarity, anti-discrimination, sustainable development and good governance. These are expressed in the EU's treaties, declarations and policies. The European Union projects these norms in various ways to states outside the EU, and is able to change their understanding regarding norms in international relations. These mechanisms exercise power in international relations with a relative absence of physical force.

The NPE model was challenged by Chad Damro in 2012, in an article presenting the 'Market Power Europe' (MPE) model. His starting point was recent developments in terms of the EU's way of articulating its identity as a mainly economic power in the international system. The MPE names three sources of power for Europe in international relations—the existence of the single market as the largest advanced industrialised market in the world, the EU's institutional feature as a regulatory state that generates standards with which other actors must comply, and interest contestation, which refers to the fact that EU regulatory policies are usually a result of public consultation and influence by various groups competing for regulation that serves their interests. Damro argues that the EU is a powerful actor that engages actively in international affairs through the externalisation of its economic and social market-related policies and regulatory measures. He declares that the MPE model is a more realistic approach than the NPE, and does not need to depend on the analytical preconception that the EU is a special, different or even unique actor in the international system. The merit of the MPE model is that it focuses on the social processes of the areas in which the EU apparently exercises power in international relations: market-related policies and regulatory measures.

In the rest of this chapter we study the merits and shortcomings of the NPE and MPE models by means of policy-oriented cultural sociology, and attempt to develop a characterisation that preserves the best parts of both interpretations. We focus, first, on Europe 2020 and some related documents such as the Lisbon Strategy; and second, on documents on trade policy.

The EU's Second Ten-Year Plan and Analysis of Policy Documents

The European Union has launched two ambitious policy plans at the most general level of goal setting. The first of these was The Lisbon Strategy in the year 2000, and the second was Europe 2020, in 2010. These documents can be seen as the closest representatives of an EU ten-year plan. In characterising the documents in this way, it is important to remember that this is not how they are officially described, and they are not as extensive or detailed as China's current five-year plans, or the Soviet Union's plans in the past. Yet the function of giving the political whole a general direction and a sense of how to proceed is the same.

There is a slight difference in the political status of the two documents. The Commission prepared the Lisbon Strategy and it was agreed by the Council of Europe representing the member states. This was not the case with the Europe 2020 strategy, however, which was simply given to the Council as a communication from the Commission. Yet the Council too has agreed to act according to the strategy, and it also has a role in the annual negotiations regarding the implementation of the strategy between the Commission and the member states (see Chap. 6). This is not the case as far as the European Parliament is concerned, but it too has an indirect role because it has a veto over the composition of the new Commission every fifth year, and all directives drafted by the Commission must be agreed in the European Parliament (EP). The plans thus bind the actions of all three decisive bodies and the whole of the EU.

The underlying idea behind both of the strategies is that the EU must respond to global challenges and social change in European societies with a common set of policy plans. These plans are something new in the history of EU politics, because they do not operate only at the EU level since many of the reform areas also involve the EU member-state level. Both of these strategies point to a direction in which the EU is becoming a more unified actor in the international system, and at the same time the EU will also become an even more powerful actor that will promote social reform and change at the national level. Therefore, these strategies construct an image of the EU as an actor operating both inside the EU and externally in the international system.

The Lisbon Strategy was written at the time of the rise of the fast-growing information and communication technology (ICT) economies. Therefore, the objective of the strategy for the EU was 'to become the most dynamic and competitive knowledge-based economy in the world by 2010, capable of sustainable economic growth with more and better jobs and greater social cohesion and respect for the environment.' The Lisbon Strategy was soon deemed to be an unsuccessful project (European Commission 2010b) and therefore, was relaunched in 2005, with a focus on growth and jobs. The Europe 2020 strategy was composed amid a global financial crisis, and the mission of the EU in this document was to 'turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion'.

Before beginning a more careful analysis of the document, we shall describe the methodological choices we have made in analysing policy documents.

The study of the construction of political identities necessarily starts from the study of those categories through which reality is described (Heiskala 2014a, b). On a fundamental basis, this can be understood as the study of how the concepts that describe the essential features of reality are articulated (Heiskala 2003). At least three schools have developed a general perspective for a programme of studying political articulation empirically. One is the so-called Essex School, which has developed Antonio Gramsci's analysis of hegemony in the direction of discourse analysis (Smith 1998; Howarth and Torfing 2005; Gramsci 2011). Another is a group often called actor-network theorists, who have a broad concept of action and a number of ideas about how discourses and practices are translated from one realm to another (Law and Hassard 1999; Latour 2005). The third is the so-called Epistemic Governance Group, which focuses its analyses on the implied ontology, identification and ideals of policy documents (Alasuutari and Qadir 2013, 2014).

Our analysis has drawn inspiration from the work of all three schools, but we also find each of them problematic for the purposes of this chapter.

The Essex School takes Marxism for granted and often builds on idiosyncrasies of Lacanian psychoanalysis (Selg and Ventsel 2010). Actor-network theorists' work is interesting, but they do not provide a methodological guideline to follow. Instead of repeating their ideas, they ask the reader to join the chain of interpretations, as we do here. The epistemic governance approach is the closest for us, but its current actualisations have focused mainly on the patterns of how global fashions are adopted and transformed on the level of national policy-making, which is important work but not our focus here. Therefore, while we draw on ideas from all three approaches, especially from actor-network theory in the next section and from epistemic governance studies in the concluding section, our approach cannot be reduced to any of them. Instead, it is yet another framework for the cultural analysis of policy documents.

We are interested in the way the Europe 2020 strategy articulates the fundamental features of reality, and relationships between the entities of that reality. In this way, our focus comes very close to that of the sociology of knowledge in the sense of Berger and Luckmann (1966). We too search for a 'symbolic universe', in our case implied by the documents analysed. In doing this, we apply ideas drawn from theories of 'cultural repertoires' and 'possible world semantics' (see Van Dijk 1980; Swidler 1986).

The Europe 2020 Strategy as a Worldview

An immediate observation on both the Lisbon Strategy and Europe 2020 is that they deal mainly with economic issues. In both, the EU is defined in the most central and important sentences as an 'economy', and the social reality is reflected upon, observed and evaluated in and from the perspective of economy. However, the curious thing is that the meaning of 'economy' is not at all well-defined or clear. It is assumed to be self-evident to all.

On closer reading it becomes clear that the notion of 'economy' has more than one function in these documents. On the one hand it defines the identity of the EU as an institution and social power that deals with 'economy'; while on the other hand, 'economy' in these documents signifies a social system, a social structure and a social process.

To qualify these preliminary findings, we go deeper into the analysis of the Europe 2020 document. In the first sub-section we search for fundamental categories, first through a quantitative content analysis, and then an analysis of the different meanings and possible relationships of 'economy'. In the second sub-section, we use narratology to work out how the entities implied in the policy document in question have developed, or should develop in the future, according to the document.

Content Analysis and Category Analysis of 'Economy'

The basic idea in the Europe 2020 plan is to present a growth model for the European economy. The aim is to improve the EU's competitiveness, maintain Europe's social market economy model and improve its resource efficiency. The priorities expressed in the plan are smart growth, sustainable growth and inclusive growth. A variety of forms of economic growth are needed, according to the strategy, but these three types of growth are expected to provide the solution to improving Europe's competitiveness in the global world, and offer a way to tackle its social weaknesses in the longer term. The strategy sets out five headline targets for the EU to achieve by 2020 in the areas of employment, research and development (R&D), climate change and energy, education, and the fight against poverty and social exclusion.

To identify the main categories in the Europe 2020 strategy, we first conducted a quantitative content analysis of the document. This was done using an internet-based application, Wordle (www.wordle.net). This application counts all the words from a source text and prints an image in which the words that appear more frequently are given greater prominence. It also provides information about the frequency with which the words appear in the source text. In the picture, the common terms in the language in general are not shown.

We conducted a word count of the main body of the Europe 2020 document. The document has 26 text pages and 14,017 words. Figure 4.1 shows the 50 most frequently-used words in the document as a word cloud.

Fig. 4.1 The 50 most frequent words in the document *Europe 2020*

The mass of words can be divided into three classes. The first group contains the names of EU institutions and organisations (EU, European, Union, Europe, Member, States, Commission). The second group contains words that are either common English words not removed by the application (new, also, use, must, etc.) or typical in the genre of strategy texts (targets, strategy, levels, support, promote, ensure, etc.). The third group, and the most interesting one for our analysis, contains words that describe the social ontology depicted in the Europe 2020 document. The words and their frequencies in the document are as follows: market (or markets) 77, growth 72, social 53, national 47, policy 46, economic 43, energy 39, financial 39, crisis 38, innovation 38, economy 38, people 28, education 28, labour 28, global 26, business 25, work 24, employment 24, poverty 23, progress 22, sustainable 21. It is evident that the Europe 2020 document describes a world heavily involved in economic issues and problems.

The category analysis of 'economy' in the Europe 2020 document was carried out by examining all sentences where 'economy' or 'economies' were mentioned. It showed that economy is used in the document in three discursive dimensions: spatial, temporal and practical.

The Europe 2020 document refers to 'economy' as a spatial phenomenon in two classes: 'our economy' and 'other economies' (the global economy, developed and emerging economies). In this use, the economy signifies the 'national economic system'—the economic system of the world is composed of particular national economies, in different phases of development. The EU is considered to be one large, single economic system that competes in the global economic sphere with 'other economies'. 'Our economy' is further divided into two categories: the economy of Europe, and the national economies of the member states. The economic system of the EU is therefore viewed from two separate perspectives: at the union level, and at the national level.

The temporal dimension involves two registers: the present economy and the future new economy. The present economy is in a state of crisis and requires revision. The register of the future describes the desirable state of the economy. It will be 'smart' (based on knowledge and innovation, resource-efficient), 'sustainable' (green, bio-economy, low-carbon, climate-resilient) and 'inclusive' (high-employment economy delivering cohesion).

The third discursive dimension of the economy in the Europe 2020 document defines the qualities of the economy as social practices. It is organised into four discursive repertoires.

'*Economy as a social process*' stresses the dynamic and changing nature of the economy and economic qualities of things. Economic progress, growth and recovery take place in society. Specific social processes also have economic potential, or they create economic cohesion, security or benefits.

'*Economy in crisis*' defines economy as a dysfunctional or broken social system. It operates with notions such as economic crisis, economic meltdown, macroeconomic imbalances, and economic and financial challenges.

The repertoire of '*economy as a social structure*' describes the economic system as a patterned and relatively stable object: the economy is divided into sectors; there are economic patterns, outlooks and situations; there will be a future global economic order.

The fourth repertoire qualifies '*economy as an object of governance*'. The document talks about economic governance, power, transitions, agenda and policy. These construct an image of the economic system as an object of social governance that it is possible to control politically and socially.

By way of a conclusion, according to our content analysis and analysis of categories, it can be said of the nature of 'economy' in the Europe 2020 document that the EU is our economy, and that it is composed of the European economy and member states' national economies. It is an actor in the global economic world, competing with other developed or emerging economies. 'Our' EU economy is now in crisis, but can change into a new and desirable one in the future. The economy is a dynamic system in a constant state of change. At the same time, it is also a patterned structure and can be governed.

In a sense, this image of 'economy' in the Europe 2020 plan is not too surprising. The strategy provides what could be expected in advance on the basis of other EU documents. What is noteworthy, however, is that this is all there is. No link to higher justifications is provided; and the document implies that the economy is the most basic layer of reality. This observation lends support to the MPE model.

Narrative Analysis of the Europe 2020 Document

The narrative structure of the Europe 2020 document helps us to describe the social space and world it expresses. We use the Greimasian 'actantial model' (Greimas 1983) to identify and organise the main structural elements in the narrative of the EU in the document.

At the most general level, the Europe 2020 document tells the story of the crisis in Europe and its way towards a better future. Currently, Europe and its societies are in the middle of their own financial crises (sender actants). The European crisis provides motivation for action in two ways—it is not only a challenge but also provides opportunities for learning something new. The subject of action is Europe, which needs to reform its economic and social structures; and the object of action is Europe and its economy. The receiver of action is the success and prosperity of Europe in the future, and the welfare of citizens and coming generations. There are both internal and external hindrances to action (opponents). Internal hindrance involves returning to old ways and routines of action. External hindrance involves competition with other economies at the global level. The European Commission and its strategy Europe 2020 can help Europe to succeed in its mission by giving instructions and clear goals for action. Other instances of helping Europe in its mission include high levels of education, expertise and know-how, an innovative business environment, and common European values (see Fig. 4.2).

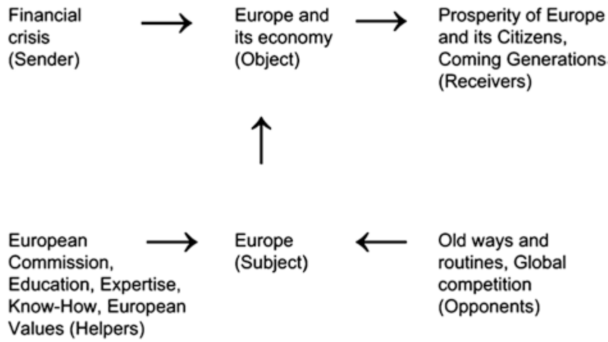

Fig. 4.2 Actantial model of *Europe 2020*

Europe 2020 is addressed to the European community, its member states and citizens. It is the European Commission's speech to Europe, and deals mainly with the internal affairs of the EU. Strategies do not involve a detailed analysis of current problems or an elaborate plan of ways to resolve them. Rather, they lend legitimacy to a policy that has already been decided. This is evident in the Europe 2020 text because it shows only one way out of a difficult situation, and does not discuss or evaluate other possible solutions. The document is not an argumentative text, but rather a political assertion.

Europe 2020 describes the social reality on a very general level. Its principal task is to define the main elements of the new growth model and present general economic goals and initiatives for the coming years. The central function of strategies and political plans is that they construct an agenda for social reforms and set priorities for different actions.

The main message of Europe 2020 is that economic growth is the essential precondition for the future of Europe in the global world. The social reality is described in such a way that there is no room for other possible priorities. The ways in which economic growth will be created are partly identified in the strategy, but mainly appear in other documents regarding specific policy areas. Before we turn to these aspects, let us briefly address the significance of the above findings on a more general level.

The findings signal that, in comparison to other known empires (Burbank and Cooper 2011; Mann 2012), the EU is a curious empire in the making because, exactly as the MPE model predicts, it sees societal totality with the eyes of a shopkeeper, in the sense that, in its political categorisation, economic terms are the most fundamental level at which other actions are justified. We understand this way of world-making in the EU to be a unique characteristic compared to all known empires in history. In the past, rather than making reference to economic utility, it has been much more common to justify the political authority of the powers-that-be with reference to something sacred, more honourable or militarily more powerful than the alternatives. The EU is therefore not an empire of soldiers, priests or politicians, but one of shopkeepers.

The expression 'shopkeeper' is, of course, a figurative one. Literally speaking, the EU is an empire of politicians and administrative staff, as are all modern political organisations, but what is curious in the policy documents produced by these groups for the EU is that they express the mission of the union in the language of a shopkeeper. In this way, the EU can be seen as the first liberal empire in the sense suggested by Michel Foucault (2008), in that it seeks the ultimate truth of politics in the economy (rather than in religion or battlefields), and is a political authority constantly haunted by the question of regulating the economy neither too much nor too little.

This all seems to follow quite closely the description provided by the MPE model. However, we shall see in the next section that the NPE model also has a valid point to make.

Translating the Strategy into Action: Trade Policy

In this section we are interested in how the cultural ontology of the Europe 2020 strategy is translated into political action. This question can be studied on many levels, including that of the interplay between the different decision-making bodies of the EU (the Commission, the Council of the European Union, and the European Parliament), the relationship between the EU and its individual member states, and the practices applied in negotiations with new candidates for membership. Here, however, we concentrate on a fourth level, which is the relationship between the EU and the outside world. This study focuses on documents describing the EU's trade policy with non-member states.

Trade policy is an interesting policy sector to study because it is where the EU influences the global world system significantly. Our aim in the following is to show how the objectives expressed in the Europe 2020 document are translated into specific policy procedures in the trade policy documents. We use the notion of translation because, in the process of defining relevant plans for trade policy, the EU changes the economic targets of the Europe 2020 plan (smart, sustainable and inclusive growth) into political and technical operations. (Our use of the notion of translation is inspired by actor-network theory, see, for example, Law and Hassard 1999.) The effective implementation of trade policy no longer takes place in the markets but is more a question of different technical and regulatory issues. As well as simply seeking economic benefits, the EU also attempts to fulfil other political and value-related aims with its trade policy.

The EU's trade policy and its aims are expressed on the European Commission's web page (http://ec.europa.eu/trade/policy/ 11 August 2014): 'Trade policy sets the direction for trade and investment in and out of the EU …The EU aims to play a key role in keeping markets open worldwide and helping Europe to exit from the economic crisis.'

The general lines of the EU's trade policy are expressed in the Commission's document *Trade, Growth and World Affairs; Trade Policy as a core component of the EU's 2020 strategy* (2010d). The analysis on which the policy is based is presented in the Commission's staff working document *Trade as a Driver of Prosperity* (2010c). It provides economic analysis, statistics and background materials for trade policy documents.

The European Commission names four purposes of the EU's trade policy (http://ec.europa.eu/trade/policy/):

– To create a global system for fair and open trade;
– To open up markets with key partner countries;
– To make sure others play by the rules; and
– To ensure trade is a force for sustainable development.

The above list indicates three principles: the market system should be *open* and *fair,* and it should contribute to *sustainable development*. These are some of the values and interests of the EU in terms of its relations with the rest of the world, as expressed in the Treaty of Lisbon (2007) (Article 3 of The Treaty of European Union).

The foundation of the EU's trade policy doctrine is that open economies grow faster than closed ones. It is argued that dismantling barriers to trade has three kinds of benefit: it increases economic growth, provides a wider variety of goods and services with lower prices for consumers, and generates more and better-paid jobs (European Commission 2010c: 6–12).

Conditions in international trade have changed since the 1990's, and trade policy measures concentrate on new issues. The trade costs of non-tariff barriers to trade are now more important than tariffs. This is especially the case in trade between the EU and its major trading partners: China, the USA, Japan and Russia (European Commission 2010c: 4).

Services are a significant element in world economic output but they represent a minor part of international trade. Global manufacturing supply chains rely on the support of transport, telecoms, financial, business and professional services. The tariffs are usually higher in these areas than in manufacturing sectors. The EU is interested in lowering the trade barriers for services because it will increase business opportunities and decrease the costs of international trade. Part of the process of removing trade barriers is ensuring the regulation of services in third countries.

Another important sector in trade policy for the EU is investments. Global movement of capital and foreign direct investments (FDIs) have increased substantially. The EU seeks even more liberalisation for investments but at the same time it also wants to increase investment protection.

The third sector is public procurement, which represents quite a large share of the gross domestic product (GDP) in industrialised countries, but which at the same time is often closed to foreign companies.

The spread of innovations and new technologies is considered to be an important vehicle of economic growth. Therefore, the regulation of knowledge transfer by means of intellectual property rights is a new area of trade policy negotiations.

The area of regulation of standards and certifications of goods, services and investments is a central mechanism for controlling international trade, and therefore a central area for negotiations and trade policy. Examples of such practices are certifications for electrical appliances, chemical products, food and so on. An example of using technical standards as a mechanism in environmental issues is the EU's emission standards for cars, which foreign manufacturers have to apply if they wish to import their cars into EU markets. Standards and regulation provide a powerful steering mechanism in various fields of politics. The EU wants to negotiate on such regulation because additional costs in international trade can arise if there are differences in regulation between countries. In such cases, manufacturers need to have certification for their products from more than one authority.

All the issues mentioned above are viewed mainly from the point of view of economic efficiency. However, the EU also identifies other concerns in trade policy. These involve inclusive and sustainable growth in the EU and abroad. In many cases, openness in terms of trade also means a loss of jobs in the EU, because resources and production are being shifted elsewhere. Inclusive growth refers to measures which help people to adapt to these changes. The EU is also committed to promoting sustainable development, international labour standards and decent work outside the EU. As part of its trade agreements with developing countries, the EU expects them to adhere to certain standards of labour protection and economic governance. The principle of sustainable growth means that trade policy should continue to support and promote green growth around the globe in other areas, such as energy, resource efficiency and biodiversity protection (European Commission 2010d: 6–8).

The above considerations raise doubts about the MPE model and the conclusion of the previous section, according to which the EU is an empire of shopkeepers, because the EU promotes aims other than purely economic ones in its trade policy. However, our analysis shows that, even in the case of these other aims, the economy is either at the root of the argument (as in the case of promoting a variety of freedoms and good governance, which are both seen to support free exchange of goods and services) or is the framework within which the argument is made (as in the case of the other valuable elements). However, the fact remains that features other than free exchange are promoted, such as environmental sustainability and reduction of inequality.

We interpret the finding to mean that, even if the MPE model helps to illuminate the political nature of the EU, it does not provide a comprehensive description on its own. What is missing is the normative element and values emphasised by the NPE model. However, as our analysis also shows, the NPE model is also a one-sided description if it is not complemented by the MPE model. We interpret this to mean that the policy documents of the EU epitomise the presence of a cultural complex in which ‘elective affinity’ (as Weber put it in *The Protestantic Ethic and the Spirit of Capitalism*; see Weber 2010) prevails with economic virtues and European values. This is an important finding, because we know from other cases, such as the historical experience of Nazi Germany and present-day China, for example, that capitalist virtues do not always necessarily live in a symbiotic relation with the promotion of bourgeois liberties such as freedom and equality. In the current EU, however, they do. In this sense, if the union is seen as a shopkeepers’ empire, it must also be seen as an empire of socially fair and environmentally responsible shopkeepers, at least if the policy documents of the union are taken at face value.

Conclusion and Discussion: The EU as an Ordoliberal Empire

By way of conclusion, we condense our results into the formula presented by Alasuutari and Qadir (2014). According to this, policy documents always give, either explicitly or implicitly, answers to questions concerning (1) the ontology of the environment; (2) actor identification; and (3) norms and ideals. When it comes to point (1), or the question of what the world is, the EU documents suggest that the world is a huge economy and that, in addition, any obstacles to market exchange need to be removed. Moreover, there are citizens whose equality must be cherished and an environment that must not be spoiled. In terms of question (2), on who we are, the EU documents respond that we are market actors who love fair play for the benefit of all parties. Finally, for question (3), concerning what is good or desirable, the suggestion is that free economic competition and fair play is good for all, and that it is desirable to remove obstacles that prevent these. In conclusion, the EU is an empire of fair and, in social and environmental terms, responsible shopkeepers.

In terms of how this relates to Foucault's considerations on liberalism and ordoliberalism (Foucault 2008) it is possible to say, as we noted above in discussing the Europe 2020 strategy as a world-view, that the EU is a liberal empire in the sense that it seeks the ultimate truth of politics in the economy (rather than in religion or honour earned on battlefields), and is a political authority constantly haunted by the question of regulating the economy neither too much nor too little. Yet the EU is not just a liberal, but also an ordoliberal empire in the sense that, where classical liberalism was always haunted by attempts to minimise regulation by the public sector, this is no longer the case with the ordoliberalism that emerged in German-speaking Europe before the Second World War and became influential after it. This intellectual current draws its name from the journal of the so-called Freiburg School *ORDO—Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft* (The Ordo Yearbook of Economic and Social Order) founded by Walter Eucken and Franz Böhm in 1948. In addition to the members of the Freiburg School itself, the journal attracted scholars such as Friedrich Hayek, Wilhelm Röpke and Alfred Müller-Armack. The school built its thinking on the foundation laid by the German school of economic history, and it was politically very influential in post-war West Germany, not least because of the political success of one of its members, the CDU politician Ludwig Erhard, Minister of Economics 1949–63 and Chancellor of the Federal Republic of Germany 1963–66 (Dardot and Laval 2013).

Ordoliberalism was, according to Foucault, a new form of liberal thinking that was no longer frightened of expanding the public sector, as long as the expansion and presence of the public sector was designed to promote the emergence of market relations in new sectors of society and maintain the fairness of existing markets. This is exactly the way the EU describes its identity in its policy documents. Therefore, it can be called an ordoliberal empire.

In his 1978–79 lectures, Foucault does not discuss the EU explicitly. However, he uses the word 'neoliberalism' and analyses French politics of the time in this context. From this analysis, we conclude that, had he discussed the EU, he would have called it a neoliberal political entity. In this we both agree and disagree with him.

We find Foucault's description of German ordoliberalism illuminating and very relevant to the analysis of the EU. Foucault, however, aims to go further, and presents German ordoliberalism and new forms of North American liberalism as two complementary forms of the same intellectual current, known as neoliberalism. This may be true in the broad sense of political theory, because both involve a form of political thinking that seeks the essence of political governance in the economy. On closer scrutiny, however, we disagree with Foucault here, even if we admit that there was intellectual exchange between the European and North American liberalists mediated by such figures as Hayek, who became influential on both continents. Yet we see most current North American (and British) neoliberalism as nothing more than a radicalised version of classical liberalism, in that the worries of governing too much and the idea that market relations are true and natural human relations are both usually present. This is different from ordoliberalism in which, based on the work of the German historical school and social theorists such as Weber and Joseph Schumpeter, monopoly is seen as a normal condition of a market left unregulated, and market relations are thus seen as vulnerable and constantly in need of support from political authorities whose administrative machinery must therefore be expanded. The EU epitomises the latter but not the former version of current liberal thinking. Therefore, its understanding of all politics and policies is curiously economic, and it is an ordoliberal but not a neoliberal empire in the sense of market fundamentalism. Its policies too are different from pure and simple neoliberalism. There is no doubt that they are market-friendly, but they in no sense aim towards any form of night-watchman state.

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5

Eurostat: Making Europe Commensurate and Comparable

Marja Alastalo

Numbers are crucial to modern systems of government, especially large-scale ones, because they make objects of government legible and commensurate, and reduce complexity. Numbers serve different ends. They stabilise and standardise objects of measurement, make them mobile and enable government at a distance, as Rose and Miller (2008) noted in rephrasing Bruno Latour's idea of 'action at a distance', enabled by maps and tables. Numbers are used to determine who holds political power (elections and referendums count votes, and population counts are used to assign the number of seats in parliament). Numbers in opinion polls and social surveys can act as a 'diagnostic instrument within liberal government'. Opinion polls and social surveys aim to quantify the lives and views of individuals so they can be taken into account by public authority. Numbers make modern modes of government both possible and calculable because they forge 'the object domains upon which government is required to operate'. Hence the formulation of and justification for government programmes would not be possible without

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numerical assessments of population, economy and nature (Rose 1991, 1999; Scott 1998).

If we look at the EU 2020 strategy, statistics or indicators are not mentioned as *words* in the texts, but when we start to read the strategy paper, its executive summary already defines the *headline targets* in terms of numbers. By 2020, three-quarters (75 %) of the population aged 20–64 should be employed, 3 % of the EU's GDP should be invested in research and development (R&D), and the "20/20/20" climate/energy targets should be met, including an increase of 30 % in emissions reduction. Furthermore, the proportion of early school leavers should be less than 10 %, at least 40 % of the younger generation should have a tertiary degree, and 20 million fewer people should be at risk of poverty. The strategy paper is thick with numbers: numerical indicators are used to describe the state of affairs in the European Union (EU), to set politically negotiated targets and to monitor the attainment of targets. Thus the numbers depict the EU as a whole.

This example shows the centrality of numerical and statistical knowledge to the governance of the EU. Different kinds of numbers are produced and used for different ends in EU governance. Penissat and Rowell (2015) note that statistical indicators serve various functions, ranging from setting tangible targets to monitoring national policy convergence (the run-up to the Euro, the enforcement of budgetary discipline). The use of statistical information is considered to improve the quality of decisions and to provide an empirical basis for new forms of policy coordination such as benchmarking or the Open Method of Coordination (OMC). Furthermore, they point out that statistical indicators make the activities of the EU institutions more transparent to citizens, and more objective and predictable for stakeholders. In addition, Ulf Sverdrup has noted that statistics are critical not only for policy-making but also for the functioning of the EU. For example, they contribute to ways in which the activities of the European Union are financed, since the financial contributions of the member states are calculated on the aggregated measures of gross national income (GNI). Equally, the distribution of, for example, structural funds is dependent on the availability of statistics not only on the member states but also the regional level. Sverdrup identifies that statistics are also 'linked to some notions of European identities or at least enabling citizens to learn more about their fellow citizens' (Sverdrup 2005: 9–10).

The above examples show that numbers are trusted and acted upon in EU governance. In this chapter, my aim is to trace how numbers attained the level of influence they currently have in the EU. To do this, I take Eurostat (the statistical office of the European Union) as a point of departure for giving an overview of how the statistical apparatus of the EU came into being. I approach the compilation of statistics as a part of union making, not as a resource for the making of the union and its policies. Empirically, I draw on heterogeneous material consisting of the *Memoirs of Eurostat* (a history of Eurostat's first five decades written by two high-ranking Eurostat officials, Alberto de Michelis and Alain Chantraine),[1] online material provided by Eurostat, the European Union statistical legislation, and my own fieldwork conducted during a project on harmonisation of social statistics in the European Union (Alastalo 2011).

Shaping the Statistical Space of Equivalence

Despite the centrality of various kinds of numbers in EU governance, there is still surprisingly little research on how these figures are forged and how they work. The EU has been explored exhaustively from various angles, but unlike other EU institutions and policy areas, Eurostat and statistics compilation have been relatively unnoticed. As for the body of research on statistics, it has focused mainly on the making of tools for knowledge production and the mutual construction of statistics and the nation-state (e.g. Alonso and Starr 1987; Anderson 1988; Desrosières 1998; Curtis 2001; Kertzer and Arel 2002; Saetnan et al. 2011a). Even if international statistical collaboration has a long history, beginning with international statistical congresses in the nineteenth century, there is nevertheless scanty research being done on the transnational logic of statistics compilation, or more specifically on EU statistics (except Sverdrup 2005; Penissat and Rowell 2015; also Shore 2000: 31–32).

To trace statistical integration, I draw on Alain Desrosières' idea that statistics as a knowledge system and set of practices has emerged in interaction with political contingencies, and therefore statistics are not a neutral apolitical device used to describe society (Desrosières 1996, 1998, 2011). A large number of case studies have set out to specify how different forms of numbers enact and recreate the social world (e.g. Espeland and Sauder 2007; Saetnan et al. 2011a).

Statistical language operates with tools such as averages, probabilities, risks, standard deviations and sampling, used by statisticians and researchers to make 'a priori separate things hold together thus lending reality and consistency to larger, more complex objects' (Desrosières 1991). This abstract statistical language, alongside statistical tools drawing on specialist language, allows entities to be discovered. Furthermore, it hides 'a historical gestation punctuated by hesitations, retranslations, and conflicting interpretation' (Desrosières 1998: 2). The stability and permanence of the cognitive forms stand in direct relation to the investments that produced them.

In the slow, historical gestation of statistics, scientific and politico-administrative practices have been inseparable, even though their development has often been addressed separately. Desrosières argues that the development of social and technical forms through costly investments binds scientific and politico-administrative factors together, and enables us to use statistics to 'make things which hold together'. Successful statistical investments create things—durable objects—such as population, employment, inflation, gross domestic product (GDP) or social protection expenditure (Desrosières 1991; Hacking 1991). Statistical objects can be transported to centres of calculation, from the member states to the Commission, for example, and acted on.

Along with the formation of statistical apparatus, national and, in this case, European space can no longer be considered as merely political and judicial space. It has also become statistical space of equivalence and comparability (Desrosières 1998: 208). The making of a statistical system can be considered 'the construction of equivalence spaces that guarantee the consistency and permanence, both political and cognitive of these objects intended to provide a reference for debates'. Furthermore, Desrosières argues that from this point of view public space is not a vague performative idea, but a sphere that is *historically* and *technically* structured, and limited (Desrosières 1998: 324–325). Notably, he also remarks on the importance of the transnational level, discussing differences in national statistical traditions and the difficulties they cause for cross-national comparisons (e.g. Desrosières 1991, 1996: a discussion on professional categories in the UK, France and Germany).

The next section traces, in terms of the emergence of the European Union, the slow and costly making of a statistical apparatus able to create a Europe-wide, commensurate statistical space of equivalence. Statistics compilation has been a powerful political technology by which certain discourses on Europe have become influential and authoritative. My aim is not to provide a teleological progress narrative of how the statistical apparatus was forged, but instead to analyse the EU and its statistical apparatus as a project of social engineering that has drawn on intellectual ideas (similar to Shore 2000). If European integration has not been straightforward, the building of the statistical apparatus cannot be said to have been straightforward either.

Eurostat: An Agency for Making Europe Commensurate

Eurostat has been the key institutional agency in generating a commensurate and comparable statistical space in Europe. Today, Eurostat is one of the Directorates-General of the European Commission, with its key task being to 'supply statistics to other DGs,[2] and supply the Commission and other European Institutions with data to enable them to define, implement and analyse Community policies' (Eurostat's webpage n.d.). Eurostat sees itself as supplying the Commission with the information it requires, but it also lists the decision-makers and businesses from EU to regional level that use its 'high quality statistics' to compare 'apples with apples'. Eurostat speaks to everyone, and effectively to 'you', by promising that its 'statistics are a way of getting to know *your* neighbours in member states and countries outside the EU'.

Since Eurostat does not collect data, it has been dependent on national statistical institutes and international organisations. The European Statistical System, often abbreviated to ESS, was forged gradually and expensively in order to create the European statistical equivalence space. The ESS is the EU's statistical regime, a network consisting of Eurostat, the national statistical institutes, and other relevant national authorities in each member state. The ESS has consolidated the division of roles, so that the national statistical institutes are responsible for providing the data and compiling statistics for both EU and national use, and Eurostat's role is 'to lead the way in the harmonization of statistics in close cooperation with the national statistical authorities', as the carefully worded and oft-quoted phrase states. Ordinary users of statistics may not even be aware of the ESS, because the statistics are released by Eurostat.

The production of numbers on a large scale is labour-intensive and requires a well-trained bureaucracy (Latour 1987; Desrosières 1998; Espeland and Mitchell 2008). Next, I trace how Eurostat came into being and became capable of producing 'statistical information' or 'statistical indicators' to serve the informational needs of Europe. The history of the making of the bureaucratic apparatus for statistical compilation can be divided into two periods. During the first period, from the early 1950s to the start of the 1990s, the focus was on establishing a statistical apparatus to guarantee the availability of commensurate data. During the second period, the focus of the statistical work shifted from the harmonisation of data towards developing indicators and issuing data directly to users. Over the period in question, Eurostat has grown from being an office with only a few officials into an institute with more than 800 staff and an operational budget of almost 60 million Euros in 2017, as well as subdelegated credits from other DGs (11 million Euros in 2016).

Forging a Statistical Apparatus for Data Production

The history of the statistical office dates back to the early years of the European Coal and Steel Community (ECSC). In late 1952, a year after the Paris Treaty was signed, the High Authority[3] decided to found an auxiliary statistical service as one of 12 divisions and services. From the beginning, the statistical office aimed to provide statistical information on 'the general situation in the Community' for the High Authority, and for its economic and industrial divisions. At this point, in line with the idea(l)s of rational social planning that were (becoming) popular in many

European countries, it was expected to base political decisions and plans on statistical as well as other forms of knowledge. As Shore (2000: 35) points out, 'with its commitment to reason, science, prosperity and liberalism and its unshaken belief in progress and rationality and its tacit (and sometimes overt) assumptions about the superiority of European "civilisation", the EU has itself come to embody much of the Enlightenment legacy.'

In the early 1950s, the ECSC and its statistical office lacked a common metric and bureaucracy for data production. In consequence, they were 'partially blind', to quote James C. Scott (1998), as they had scarcely any commensurate and comparable data on the member states. In contrast, each member state had a statistical system of its own drawing on different kinds of statistical tradition. According to Desrosières, the French centralist statistical tradition was characterised by highly-trained statisticians, a wide range of tasks, strong centralisation and strong legitimacy. As such, it was aligned with the centralised French state, where the German statistical tradition was legalist. In Germany, which is a federal state, the Länder (i.e. the constituent states) had autonomy to develop their own statistical offices independently of the federal office, and the relationship between the offices was controlled by law. In the UK, which became a member in 1973, the statistical system is characterised by a less interventionist state, so it is less centralised than in France and less codified by law than in Germany. For example, British statistical empiricism traditionally conducts social surveys to improve society or to stimulate social reform (Desrosières 1996).

A document on 'Statistical tasks stemming from European integration', drawn up by Director-General Wagenführ, illustrates what had to be done to produce statistical information on the European Community. The DG's list, in which many of the items seem to be from the ECSC Treaty, involves the following:

– Set up a common statistical service for the common market, the ECSC and Euratom.
– Create a consultative body.
– Establish clearly defined and demarcated links between the common statistical service and the member states to deal with all the statistical requests made by the countries.

- *Make initial use of the data that were available in the countries, together with methodological notes*.
- With regard to new work, *give priority to the harmonization of concepts and methods and, where possible, of survey methods* in order to arrive at a common analysis of facts.
- Learn from the work of international organisations. (April/May 1957: M13 and M22; italics by author)

At this point, most of the tasks involved building the bureaucracy for compiling statistics, and fewer tasks were directly concerned with producing statistics. The framework involved using available data, and harmonising concepts and methods. Both tasks required a huge investment in terms of effort and money during the early decades of the EC.

The statistical apparatus was not built overnight. For example, the statistical office has been organised and reorganised many times since the early 1950s, in line with the emergence of new policy areas, the enlargement of the Community/Union and a new Commission taking office in Brussels. The first key organisational change took place in 1958, when the ECSC member states signed the Treaty of Rome to found the European Economic Community (EEC). At this point, the statistical division was reorganised to become a statistical office for the Commission, and given its current status as a Directorate-General. The statistical office was renamed Eurostat during the first enlargement of the EEC in 1973, to avoid the emergence of different abbreviations in each national language (M28, M69).[4]

Because Eurostat was—and still is—dependent on the data collected by the national statistical institutes of the member states, it had to co-ordinate its activities with the national statistical institutes to be able to compile statistics on the Community and to harmonise methods and concepts. An obligation for member states to supply data to the High Authority was written into articles 46 and 47 of the ECSC Treaty. Articles were broad and without constraints, but the statistical office was able to draw on them when it began to organise data collection on coal and steel undertakings (M35).

Regular meetings of the Directors-General of each national statistical institute, known as DGINS meetings, were an early form of collaboration between Eurostat and the national statistical institutes. They provided an arena for the mutual exchange of information, and for deciding on future actions (M10, M20, M31). In the 1970s, the Statistical Programme, and later the Statistical Programme Committee, became important tools for planning Community statistics. The first multiannual Statistical Programme was approved in 1974, and since then a new programme has been established for every three or five-year period. The Statistical Programme Committee was only founded in 1989, when it was finally agreed that the DGINS conferences were inadequate for managing statistical planning. In the 1990s, the Statistical Programme went from being a plan with good intentions to becoming a legal instrument whose implementation was monitored. In addition to the high-level meetings, lower-ranking statisticians from Eurostat and the national statistical institutes also met and collaborated on numerous committees and working groups. However, due to the variable language skills of the officials some countries were more able to influence on the agenda and outcomes of this collaboration while some remained in the background.

Eurostat was active in international statistical collaboration from the early stages. International organisations compete in the field of statistics compilation, as they share an interest in standardising methods, or at least statistical classifications, to obtain cross-nationally comparable data. However, during the early decades, Eurostat had only a secondary role in the international statistical community, where the more prominent actors were the United Nations (UN), the UNECE,[5] the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) (M92). The most important branches of international statistical collaboration involved short-term economic statistics (OECD), classifications (UN), the methodology for economic accounts and the balance of payments (UN and IMF), employment statistics (the International Labour Organization—ILO) and agricultural statistics (the Food and Agriculture Organization—FAO). Gradually, and in line with the growing political power of the EC/EU, Eurostat acquired a more important status in terms of statistical co-operation (M146).[6] Since the 1960s, Eurostat has been active in development programmes, and first exported European statistical know-how, along with the European statistical model, to the former French colonies in Africa (M45). This can be understood not merely as assistance but also as a form of statistical colonialism, where the European model (involving methods and concepts) was entrenched first in Africa, then in applicant states, and more recently in Asian states such as Georgia, Kazakhstan and Mongolia.

Standardisation—or harmonisation as it is usually called in the EU context—of classifications and methods has been an important objective for Eurostat, because it is a precondition for describing the Community in commensurate and comparable figures. Despite the peaceful intentions implied by the commonly-used term *harmonisation,* it is unambiguous, both as a concept and as an action. A paradox has arisen in that each member state has agreed on the principle of harmonisation 'provided it is done according to their own methods' (M64). Therefore, as insiders have noted, it has been a more difficult and sensitive issue to harmonise *existing* data series than to collect new data, because it has disrupted national data series and prevented comparisons over time (M175).

Standardisation itself is often a coercive act, since in the context of compiling statistics it means that some ways of seeing the world/society are displaced by others. There are two methods of standardising statistics—input and output harmonisation. The first involves harmonising methods and the latter involves harmonising classifications. Desrosières (2000) describes the difference between the two methods by drawing an analogy to money. Non-harmonised statistics are like a non-convertible currency—they can only be used in one country and cannot be circulated or used elsewhere. If the statistical products, i.e. classifications, are harmonised, they can be circulated and accepted across national borders. Output harmonisation means that each country has control over measurement methods, just as each central bank manages its own currency in the case of convertible currency. In terms of harmonising methods, this means that, *in theory,* identical statistics are in circulation in the same way as the Euro is the only currency in the Euro area (Desrosières 2000).

The European statistical space of equivalence was not forged without clashes between national statistical institutions during its development. Despite the differences between the statistical traditions, the first six member states of the ECSC all had survey-based statistical apparatuses. This was why Denmark's accession in the 1970s caused friction between the member states, because it had a register-based statistical regime system. The established member states feared that methods were about to become too divergent and incommensurate, especially in the important fields of agricultural and social statistics (M81).

The 'staff exchange programme' established by Eurostat (or more precisely by the Commission) was an important way of sharing knowledge and creating understanding in Europe. Following the ideas of Anderson (1983: 55), exchanges between Eurostat and staff at the different national statistical institutes created a system of bureaucratic pilgrimages, and new career trajectories for national statistical officers and Eurostat administrators (Shore 2000). These journeys provided experience in terms of binding together unrelated localities, thereby delineating the outer limits of the statistical communities. In the same way as religious pilgrimages, these journeys were important in developing shared meanings (Shore 2000: 32–33). The programme had a slow start, partly because of problems in financing the secondment of Eurostat officials to the national statistical institutes, partly because of language problems, and finally because not all places were equally popular. Many officials volunteered to go to Paris or London, for example, but Wiesbaden or Copenhagen were not great crowd-pullers. However, insiders consider the scheme to have been successful. On the one hand, the national experts who went to work at Eurostat—often for lengthy periods—became familiar with how Community statistics worked, and brought fresh ideas to Eurostat, as well as experience from the field and scientific knowledge that Eurostat's own officials lacked.

The arduousness of the making of European equivalence space can be demonstrated by taking a closer look at economic statistics, and in particular national accounts. Developing a standardised system for national accounts has been painstakingly slow and laborious because of institutional inertia stemming from investments the member states had made in their own systems. According to insiders, in the latter half of the 1960s the statistical office was preoccupied with harmonising national accounts, an idea that had been presented to the DGINS by Eurostat in 1963. Eurostat was also involved in the UNECE's work on developing a system of national accounts, which came into force in 1968. The European system of integrated accounts, the ESA-69, was approved a year later (M61), but it took six more years before the ESA was implemented in nine member states and data were sent to Eurostat. A major problem was that, even though Eurostat recommended that countries draw only on the harmonised ESA, most of the national statistical institutes continued to use their national accounting methods alongside the harmonised ESA, which was too burdensome. At the end of the 1970s, the ESA was revised for the first time, and the second edition was published in 1979 (M82). Only three years later, in 1982, the DGINS suggested that the ESA be revised a third time. Insiders have noted, with a hint of exasperation, that *they all knew what was going to happen*. This time it took 14 years to approve ESA-95, and three more years to implement it. The core problem was still that most of the member states were using their own national accounting methods, and only three countries—France, Italy and Luxembourg—followed the Community system. This prompted questions about the quality and comparability of national accounting data, which were widely used in both policy-making and allocating social and regional funds (M109).

Juridification and Indicatorisation of Statistics

By the beginning of the 1990s, negotiations on economic and monetary union were afoot. As integration intensified, the role of statistics started to change. From the early 1990s onwards, statistics began to be used in different ways, not only in policy-making but also increasingly in the governance of the Community/Union and in monitoring performance. Even prior to the 1990s, for example, the EU's own resources hinged on gross national product (GNP) calculations and the allocation of regional and social funds on the basis of national accounts, but economic integration—especially internal market and monetary union—put more strain on the statistical apparatus, since the Maastricht convergence criteria were built on statistical indicators.[7] Thus there was a co-constitutive relationship between economic integration and economic statistics, as it would have been impossible to advance a single currency *without* statistics, but at the same time the single currency, in turn, strengthened economic statistics. Eurostat insiders call the mutual relation between the Euro and statistics a 'love affair'. I argue that three changes have taken place in the field of statistics compilation since the early 1990s, along with new ways of using the statistics: first, the statistical apparatus was stabilised by means of legislation; second, indicators were being widely used by the millennium; and third, Eurostat has begun to provide datasets free of charge.

First, a central tendency in the 1990s was the juridification of statistics.[8] Legislation was a means of stabilising the statistical apparatus and guaranteeing the availability of comparable and commensurate figures, which became indispensable for the functioning of the union. Consequently, practically all aspects and dimensions are regulated in terms of compiling statistics. In other words, the statistical regime as a whole is consolidated by regulations (European Union 2009, 2015); statistical programmes are made binding by giving them a legal status (European Union 2013); and most of the EU statistics are also currently regulated (e.g. European Union 2003).

Prior to 1990, most of the statistics were agreed by *gentlemen's agreements,* and statistical regulation only provided a very general framework for compiling them, apart from a few statistical legal acts, mainly in the fields of key Community policies such as agriculture and external trade. The juridification of statistics was not accepted unanimously, as some countries saw no advantage in statistics being controlled by legal experts (M128). However, introducing legislation on statistics was part of the general transformation of the political climate which, according to insiders, meant a change towards 'comitology' and more rigorous regulations (M126). During the enlargement of the EU, statistical legislation required new member states to provide figures to Eurostat (Commission). However, their comparability was suspect. Shore defines 'comitology' as a shorthand term for the system of procedures involving committees, composed of national representatives and chaired by the Commission, whereby member states can exercise some control over implementing powers delegated to the Commission. Shore conceives comitology as a transfer of powers from the nation-states to Brussels. There has been a proliferation of specialised bodies dealing with policy proposals and regulations, and increasingly, many of the details of Community legislation are formulated by these expert committees. One of Shore's interlocutors notes that comitology is a black box, as '[w]ho sits on these committees, when they meet, how they work and what they decide is something of a mystery' (Shore 2000: 220).

Currently, all new statistical projects have to be based on a legal act if they are to receive funding or have any chance of survival. Juridification also changed the role of statistical programmes, which were no longer merely lists of good intentions (M149). Alongside legislation, a more persuasive form of soft power was adopted towards harmonising statistics when Eurostat launched a training programme for European statisticians in the early 1990s. This scheme, which is still in operation, has familiarised a large body of statisticians from national statistical institutes with the EU statistical system. Staff exchange systems that began in the early 1980s are also still in operation.

Second, towards the turn of the millennium, there was such an acceleration in the use of different kinds of indicator in EU governance that it can be termed an avalanche of indicators (cf. Hacking 1991) or indicatorisation. Indicators typically combine numerical rank-ordered data from various sources. Once an indicator is given a name, it implies that it is measuring a phenomenon whose existence is beyond doubt. These indicators often simplify and reduce complexity by labelling phenomena and by rendering data less ambiguous (Davis et al. 2012). Indicators are often expressed in ratios, which allow member states to be compared with each other and ranked according to their performance. In the EU context, indicators are often presented without too much attendant metadata, which could challenge their comparability.

Indicators were a central technology of governance in the establishment of the internal market and monetary union. When Eurostat insiders reminisced about the early 1990s, they noted that substantial improvements had been required in *economic and financial indicators,* as they were used to control entry into the monetary union and to ensure the convergence of economic policies (M127). Statisticians and their indicators were under great pressure, because successful harmonisation was a means of avoiding 'number wars' (M139). The kind of indicatorisation of EU policies we have seen was only possible because the statistical apparatuses of the member states were harmonised sufficiently to produce commensurate and comparable *quantitative data* on European national economies and populations for the indicators (cf. Godin 2003).

Since 2000 there has been a considerable amount of work done on indicators, not only on the gestation of individual indicators but also on sorting, selecting, grouping and naming the most relevant of them from the ocean of possibilities (e.g. Selected Principal European Economic and EU2020 indicators are probably the most widespread sets). These indicator groupings are displayed prominently on the main page of the Eurostat website. The indicator groupings also vary across time, in line with policy changes (e.g. so-called Laeken indicators, which were negotiated as part of the Lisbon Treaty, seem to have been abandoned). Desrosières has noted that employment has begun to replace unemployment as a key indicator in terms of the European Employment Strategy. Unemployment was one of the key Laeken indicators, but it was replaced by employment in the indicators for EU2020. Consequently, this shift has also taken place at the national level; in Finland, for example.

The processes involved in making indicators entail setting goals and targets against which the progress of societies is measured (Davis et al. 2012). Thus indicator development depoliticises goal-setting and moves it from traditional political arenas into the hands of expert groups. One of the Eurostat insiders mentioned an example from the field of EC agricultural policy where it was easier to agree on the indicators first, rather than the political targets. Davis and colleagues note that the people who develop indicators sometimes intentionally attempt to give them scientific authority and objectivity by publishing them in peer-reviewed journals (Davis et al. 2012: 18). Very prominent academics such as British economist Anthony Atkinson have contributed to developing EU social indicators, and Eurostat officials have also actively published on EU indicators (Atkinson et al. 2002).

Overall, the indicators can be seen as a form of 'soft law', linked and intertwined with other forms of soft law such as reports and comparisons. Indicators were also pivotal in the Open Method of Coordination (OMC), in itself a kind of soft law. The OMC is a form of intergovernmental policy-making, designed in the 1990s as part of employment policy and a key instrument in the implementation of the Lisbon strategy. In a similar way to the OMC, uniform indicators also harmonise policies. As Atkinson notes, indicators were part of the aim to engage a variety of actors in the development of the EU, including 'excluded' groups (Atkinson et al. 2004; cf. Shore 2000). Agreement on indicators for social inclusion formed part of harmonisation, and was a major achievement in itself (Atkinson et al. 2004: 58).

Third, the most recent, and ongoing, development—or *investment*—in terms of making the European statistical space, is the datafication of statistics. Faster data transfer and the increasing capacity to calculate and store data have enabled the statistical office to release datasets generated for union statistics to anyone capable of analysing them. Datafication has allowed a variety of actors other than government agencies, such as think tanks and research institutes, to analyse the datasets rather than drawing on ready-made tables or figures in statistical releases.

Balancing Between Professional Independence and Political Relevance

Legitimacy and credibility of statistics are fundamental for their usability. Legitimacy and credibility are maintained by separating the statistical (scientific) and politico-administrative spheres, which are distinct from but indispensable to each other (Saetnan et al. 2011b: 3; Desrosières 1998: 9). The relationship between policy and compiling statistics has been paradoxical. On the one hand, statistics are expected to be relevant for policy-making in the union, but on the other hand, they are presumed to be independent. As already noted, Eurostat, the statistical office of the emerging European Community, has never been fully autonomous institutionally (Sverdrup 2005). It has compiled statistics largely on the policy areas of the prevailing Community. New statistics and statistical areas have emerged in line with enlargements of the Community (and, later, of the European Union) as new policy areas have been introduced and old ones have been transformed (e.g. M50).

Initially, the statistical office of the ECSC had sections for coal and steel, and for general statistics, the latter compiling economic statistics on consumer prices, transport and wages, for example. When the EEC was founded in 1958, new statistical areas began to take shape alongside new policy areas. The reorganised statistical office had directorates for general statistics, trade and transport, energy, industry, agriculture and social statistics. It was no longer sufficient to compile statistics only on the wages of coal and steel workers; it also required statistics on workers and their living conditions in a more general sense.

Historically, the relations between statistics and politico-administrative spheres have been organised in different ways. In the early days of the Community, statistics and politics were separated geographically by concentrating the activities of the statistical office in Luxembourg, away from the political capital, Brussels, where only a small liaison office remained. The Director-General of Eurostat at that time, German professor Rolf Wagenführ, suggested the move to Luxembourg in the mid-1960s, recommending that the statistical office be located there to keep politics and statistics apart (M48). The model for keeping statistics and politics separate came from Germany, where the national statistical institute was located in Wiesbaden and the political capital at the time was Bonn. The Brussels-based staff were unhappy with the decision, as they were worried about their ability to maintain relations with the Commission under the new circumstances, because these relations had been built up gradually.

Excessively close relations between statistical authorities and government have been at the heart of many crises where compiling statistics is concerned, including the misuse of statistical information (e.g. the case of unemployment statistics during Margaret Thatcher's government in the UK: Levitas 1996; and the misuse of micro-level census data in tyrannical governments: Seltzer 1998; Seltzer and Anderson 2001). The relationship between statistics and politics was also behind two crises in European statistical integration. According to insiders, things started to escalate at Eurostat at the start of the 1980s. Eurostat was taking an increasingly marginal role in the Commission, so the national statistical institutes also saw it as being powerless, and they had no interest in the problems of European statistics. In 1981, a rumour went around statisticians that the Commission was thinking of breaking Eurostat up into different departments and incorporating them into the political Directorates-General in Brussels. During the crisis, Eurostat also had difficulties in terms of nominating a Director-General, because none of the member states wanted a position that was considered to be of no political importance (M107). The crisis was at least partly about the distance and separateness of statistics and the politico-administrative decision-making machinery, as the Commission and other DGs did not see the separate and distant statistical office as serving their needs. To settle the situation, the European Parliament appointed one of its members, the British Conservative Newton Dunn, to compile a report on Eurostat, which concluded that Eurostat should remain an administrative unit within the Commission (M103–104).[9]

In addition, a later case explored by Penissat and Rowell (2015), involving the failure to develop a European socio-economic classification, was about the relations between statistical experts and researchers on the one hand and the Commission on the other. To date, they consider the classification to have failed as one of the main indicators of social Europe, because the political impetus for the classification was weak, and those who developed it were not able to connect with the top political levels in the Commission. Other reasons for the failure included the fact that the project of developing a socio-economic classification was largely undertaken by a group of British sociologists around John Goldthorpe, who was suspected of outsourcing data collection of his academic projects to Eurostat. Statisticians from the French national statistical institute opposed the British lead project and succeeded in renationalising the classification scheme that had been used in international comparison for two decades. Thus they succeeded in weakening the foundations of the classification, and its ability to measure accurately and compare member states was called into question.

The crisis that emerged in 2009 over Greek economic statistics stemmed also from excessively close relations between government politics and statistics. The figures first released by the Greek national statistical institute Elstat[10] in 2009 on the budget deficit and public debt were too low, and later on, after the new Director-General Andreas Georgiu had taken office, Elstat corrected the figures to a higher level. The corrected figures lead to a rapid deterioration of the economic situation in Greece, which prompted the first of three bailouts by the EU and the International Monetary Fund. Consequently, Andreas Georgiou was accused of undermining the "national interest" and became a scapegoat in Greece. Georgiou resigned in 2015 and faced a criminal investigation in 2016. In August 2017, Athens appeal court handed him a two-year suspended sentence for violating his duties by deliberately inflating the budget deficit. The international statistical community and the European

Commission have condemned the sentence as a form of political persecution. (Economist, 2011; FT, 2016; FT, 2017.)

The Greek case raised questions about the reliability of statistics and the credibility of comparability between countries. The relationship between government and statistics has been at the heart of these crises. The European Statistics Code of Practice was reformulated in 2011. The Open Code of Practice states that, 'statistical authorities from other policy, regulatory or administrative departments and bodies, as well as from private sector operators, ensure the credibility of European statistics'.

In general, over the years, relations between European Union statistics and the politico-administrative sphere have been configured in many ways. For example, after the intense phase of EU enlargement and political integration in the first decade of the 2000s, Eurostat highlighted how relevant its statistics were to policy by adding tabs on dataset descriptions on its webpage, showing how each dataset linked to EU policies. A few years later, the 'policy tabs' were removed. Currently, to promote professional independence, the Statistical Code of Practice states that statistical releases should be 'clearly distinguished and issued separately from political/policy statements', and in this regard references to Union policies are currently removed from data. There is also tension between the two spheres in the Code of Statistical Practice, which defines professional independence, objectivity and impartiality on the one hand, and relevance on the other, as criteria for statistical quality.[11]

Conclusions

In this chapter, I have outlined the making of a European statistical apparatus and a Europe-wide space of equivalence. I have argued that the present situation, where all member states and even applicant states can be represented by rows, bars and lines in statistical releases, is not self-evident but took decades of costly investment in the statistical regime before it became commensurable and comparable. Thus, over the decades of European integration, we have seen an avalanche of seemingly commensurate numbers and, more specifically, indicators on the EU (cf. Hacking 1991). The integrated European statistical apparatus has succeeded in 'making things which hold together' such as inflation, public deficit, employment and population, to allow the EU to act on them. These have been forged most enthusiastically in areas of political importance. 'Statistical capacity', as Atkinson and others call it (Atkinson et al. 2004: 63), has become indispensable for political processes if they are to achieve their aims. Furthermore, I suggest that statistics have functioned in a similar way in the emergence of the EU to the way they have functioned in the emergence of nation-states. Throughout the existence of the EU, the role of numbers has changed in line with the growing extent to which they have been produced and disseminated. Before it was possible to produce at least apparently commensurate figures, numbers did not have the same political power as they have today.

Statistics have shaped the ways we can imagine and know Europe as a political entity and community. Shore (2000) ponders *Europeanisation* as a process of colonisation from inside. The term Europeanisation is used to describe the expansion of activities at European Union level. It involves the institutionalisation of the EU and the emergence of books, articles, university courses, academic journals and so on. Shore argues that, even though the idea that Europe and the Europeans can be Europeanised sounds like an oxymoron, it can be used to understand internal colonialism. The term 'internal colonialism' was originally coined to depict how the peripheral regions of the British Isles were politically and ideologically incorporated into the UK. Similarly, the term might also be applied to describe the process of European integration. Shore (2000: 27) suggests that Europeanisation works as a strategy for self-representation and a device for power, and fundamentally reorganises territoriality and peoplehood.

The standardisation, or harmonisation as it is known, of statistics and the emergence of a European equivalence space, weak though it may be, has transformed or colonised member states from inside, and had different consequences in different member states and in different statistical areas. For example, in the Nordic countries the Europeanisation of statistics has shrunk the area of social statistics since the 1990s, while in many of the new member states it has broadened the area of statistics compilation. The emergence and institutionalisation of European statistics is also a story of the formation of European statistical professions and European statistical culture (cf. Shore 2000 on Commission bureaucrats), with its interested insiders.

As the EU is now more unstable than ever, it may be necessary to ponder the resilience of the statistical equivalence space. What if statistics fail to compare apples with apples, as Eurostat promises, and instead compare apples with sheep? What if the EU fails to count its population, or miscounts it? What are the social and political consequences if output-harmonised statistics hide the fact that they are not commensurate?

Notes

1. Both de Michelis and Alain Chantraine began their careers in Eurostat in the early 1960s, and ultimately became directors around the start of the 1990s. I refer to them as Eurostat insiders, and mark references to their book with a letter M and a page number to separate these references from the research literature.
2. DGs = Directorates-General.
3. The High Authority was an executive body of the ECSC, being merged into the European Commission in 1967.
4. For clarity, I use the terms Eurostat or 'the statistical office' throughout the text.
5. United Nations' Economic Commission for Europe.
6. Insiders note that member states sometimes used international organisations to hinder, or at least to slow down, initiatives that were adverse to them.
7. The five Euro convergence criteria, known also as the Maastricht criteria and the indicators, are the following: (1) HICP inflation (12-month average of yearly rates); (2) government budget deficit; (3) government debt-to-GDP ratio; (4) exchange rate stability; and (5) long-term interest rates (ECB n.d.).
8. On juridification, see Blichner and Molander (2005).
9. During the period when Eurostat was weak, the European Community was also in difficulties, as Europe was suffering from economic stagnation, and political integration had also stagnated.
10. Officially the Hellenic Statistical Authority.
11. Impartiality and professional independence are carefully inscribed into statistical legislation and the Statistical Code of Practice, but the inevitable dependency and modes of interaction between the Commission and other DGs remain hidden.

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6

The Power of Indicators in Making European States Governable in the Europe 2020 Strategy

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Introduction

The European Union (EU) is fundamentally an economic union. It was formed in 1957 by the Treaty of Rome. The initial target of the six founding members was to begin a process towards a European single market. This project focused mainly on the removal of barriers to free trade between the parties of the treaty.[1] However, from the very beginning there was also an aim towards deeper political co-operation and a broader European project. Today, this has resulted in a union of 28 states with different industrial and public finance structures, political governing systems, social policy targets, national health systems, agricultural production

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structures and changing domestic political settings. During the last decades, the EU has been focusing (more or less) on closer integration in terms of a common constitution, a monetary union, and taking steps towards common foreign and security policy. Simultaneously, voices critical of closer integration and increased power of the union over its member states have become louder, ultimately leading to the decision of the UK to exit the EU as a result of a referendum in 2016. One of the key arguments of those advocating the Brexit decision was the claim that the UK would be economically stronger and better off outside the union, and would have the power to decide its own financial and economic policies.

The building of coherence is thus a constant struggle in European politics. The making of a common Europe is a process that has been ongoing since the establishment of the Treaty of Rome in 1957, and the constitution of common European economic space is at its very heart. The empirical focus of this paper, the Europe 2020 strategy process, is one of the tools involved in this constitution. The 10-year strategy was drafted in 2010, at a time when several European countries, and therefore also the European monetary system and economies, were undergoing a severe financial crisis, and there was a threat that these problems would spread to the member states. The head of the European Commission at that time, José Manuel Barroso, opened the strategy text with the following words:

> 2010 must mark a new beginning. I want Europe to emerge stronger from the economic and financial crisis. Economic realities are moving faster than political realities, as we have seen with the global impact of the financial crisis. We need to accept that the increased economic interdependence demands also a more determined and coherent response at the political level … The crisis is a wake-up call, the moment where we recognise that 'business as usual' would consign us to a gradual decline, to the second rank of the new global order. This is Europe's moment of truth. It is the time to be bold and ambitious. (European Commission 2010b)

With these words, Barroso aimed to motivate European countries to adopt the common measures introduced in the strategy to tackle the economic crisis, and to develop coherent policies with heterogeneous member states. The Europe 2020 strategy functions as a communicative device in fulfilling this task. It creates a narrative on the existing status of the economy, the policy options, and anticipated and desired futures. In addition, it is a tool for creating an ethos among the member states for a common Europe, to synchronise national policies and to convince national governments to accept the suggested policy measures. Furthermore, by introducing an extensive system of monitoring progress of member states towards the goals of the strategy, the strategy process also functions as a steering and controlling tool. Therefore, the implementation of Europe 2020 is a useful case in terms of studying how the idea of a common European economy is constituted as part of the everyday acts of strategic governance of the EU at different levels, from perceptions and conceptualisations to measurements and calculations.

The question of how this common European economy is constituted becomes important if we take seriously the constructionist notion that the European economy as a phenomenon does not sit passively outside the system of European governance, and is not simply observed and managed within this framework. The ability of the governing system to be familiar with, and intervene in, the economy depends on the constitutive work of different *epistemic practices,* including monitoring, calculation and conceptualisation. These practices bring together the heterogeneity and multiplicity of actions understood as economic, both in relation to each other and to the European planning and management system. Thus, as Michel Callon and John Law (2005) put it, heterogeneous factors such as purchasing acts, public spending, currency rates, drop-outs from education, investment decisions and trade balances need to be brought into a single analytical space and made *measurable* using a variety of calculation devices (Callon and Law 2005; Callon and Muniesa 2005). Therefore, different ways of making the economy measurable are an essential part of what we call the *epistemic governance* (Alasuutari and Qadir 2014) of the European Union.

In focusing on the politics of calculability as a form of epistemic governance, the acts through which 'entities are detached from other contexts, reworked, displayed, related, manipulated, transformed, and summed in a single space' (Callon and Law 2005) become critical. Reality can be constituted into a new form in this way by quantitative means such as indicators or measurements, but also by non-quantitative means such as legal documents or strategy outlines, which define and develop a certain understanding of the relations that are essential in the aspect of governance in question (Callon and Law 2005; Hinchliffe et al. 2007; Valve et al. 2013). The following explores the role of statistical measurement as a central epistemic practice in organising how Europe 2020 is implemented. The aim is to develop an understanding of the role of indicators as central devices through which governance is carried out in Europe. For this purpose, we pay particular attention to the organisational, symbolic and heuristic functions of indicators in constituting the European economy as a governable object.

Our analysis focuses on the implementation of the Europe 2020 strategy in Finland. The data consist of the Europe 2020 strategy documents, Finland's yearly National Reform Programme reports, and country-specific recommendations issued for Finland by the European Commission. In addition, we conducted thematic interviews with Finnish officials responsible for the National Reform Programmes from the Ministry of Finance, Ministry of Education, Ministry of Economic Affairs and Employment, Ministry of Social Affairs and Health, and Ministry of the Environment. These ministries are the key actors in the national implementation of the Europe 2020 programme. The interviews focused on the guiding role of the monitoring practices and target indicators involved in preparing National Reform Programmes and related communications between Finland and the EU. In this chapter we focus particularly on the fields of social policy, and education and research policy. During the interviews, these were shown to be areas where the symbolic meaning of calculative practices was more important than in policy fields where the EU has a stronger mandate over national policies. The interviews are quoted without reference to affiliation, to guarantee the anonymity of experts who are working in a relatively narrow field of actors.

To discuss the importance of measurement and calculative politics in the Europe 2020 process, we first take a more detailed look at the Europe 2020 strategy, and then consider more closely the role of indicators in its implementation. Finally, we conclude by elaborating the different functions of indicators in the Europe 2020 process in terms of governance.

The Europe 2020 Strategy and Its Implementation Process

'Europe 2020, a strategy for smart, sustainable and inclusive growth' is the main strategy for the economic and social development of the European Union and its member states for the years 2011 to 2020. The strategy was drafted by the staff of the European Commission without broad political processing. It is thus, according to the Finnish ministry officials interviewed, widely understood to be the Commission's strategy for governing the member states. The first public documents on the preparation of the strategy date to late 2009. In March 2010, the Commission published the strategy, which was to be the successor to the Lisbon Strategy for Growth and Jobs (2000–2010). In June 2010, the European Council formally adopted the strategy.

The Europe 2020 strategy sets out three priority areas for the member states of the EU: smart growth, sustainable growth and inclusive growth. It also includes instruments of economic governance to ensure the co-ordination and implementation of the strategy. The three priority areas include eight operational targets, which are exactly the same as the indicators used to measure the progress of the strategy in member states. The target indicators were developed as an administrative exercise by Eurostat, the statistical office of the European Union, in collaboration with other Commission services. The eight EU-level operational targets (and the indicators for monitoring them) are:

- Employment rate: 75 % of 20–64-year-olds to be employed.
- Expenditure on research and development (R&D): 3 % of the EU's gross domestic product (GDP) to be invested in R&D.
- Greenhouse gas emissions: greenhouse gas emissions 20 % (or even 30 % if the conditions are right) lower than in 1990.
- Renewable energy: 20 % of energy from renewables.
- Primary energy consumption: 20 % increase in energy efficiency.
- Early leavers from education and training: rates of early school-leavers to be reduced below 10 %.

– Tertiary educational attainment: at least 40 % of 30–34-year-olds to complete third-level education.
– People at risk of poverty or social exclusion: at least 20 million fewer people in or at risk of poverty and social exclusion.

Each priority area includes targets from various policy areas common to all the EU countries. The task of the member states in implementing the strategy is to formulate National Reform Programmes (NRP), which include plans to achieve the common strategic goals in each national context. If they wish, the member states can set more stringent targets in their NRPs than the overall EU targets stipulate. Member states also establish stability and convergence programmes, which outline how the governance of national economies and public finances is handled. The European Council has developed integrated guidelines to direct the member states as they draft the programmes. There are ten guidelines, six of which relate to economic policies and four to employment policies. EU policy bodies, particularly the European Commission and the European Council, assess and monitor the progress of the programmes, and give country-specific recommendations (CSRs) to member states for further action. Systematic knowledge production in the form of indicators, reviews and surveys is one of the instruments used to assess and monitor the programmes. This information is also public, and is published on the official strategy website of the EU.

The NRPs (and stability programmes, which are not the focus of this chapter), their assessments and recommendations based on the assessments are laid down and administered in an annual European Semester process. The Semester begins when the European Commission presents its Annual Growth Survey (AGS) at the beginning of the year. The survey sets out the EU's priorities for the coming year regarding economic growth and employment. The AGS involves annexes, which report on the progress made by EU member states with regard to the targets of the Europe 2020 strategy, as well as the macroeconomic and employment situation of the member states. The survey itself is a more normative policy document, where the EU member states are directed towards certain measures in their national programmes.

After the European Parliament and the Council of the European Union have discussed the AGS, in March the European Council issues common guidelines for public financial and macroeconomic policy in the member states. In addition, the member states receive instructions for co-ordination. In April, the member states present their NRPs to the European Commission. The Commission assesses the programmes and proposes CSRs for the following year's programmes. The European Council discusses and endorses the recommendations, and the Council of the European Union formally adopts them during June and July.

The political status of CSRs is somewhat unclear, but in general the Commission can issue policy warnings to the member states that do not respond to the recommendations, or adopt policies that go against them. While the consequences of violating country-specific recommendations are unclear, our interviewees indicated that Finland usually makes an effort not to receive recommendations from the Commission. This is done by administrators drafting the yearly reform programmes in such a way as to minimise the possibility of recommendations. Where an unwanted recommendation has been issued, politicians have lobbied the European Council to vote down the suggestions of the Commission. In these cases, the definition and explanation of measured target indicators are central.

Interplay Between General Target Indicators and Specific Recommendations

The annual, strictly organised monitoring and implementing process originated with the predecessor to the Europe 2020 strategy, the Lisbon Strategy for Growth and Jobs (2000–2010). Unlike the Europe 2020 strategy, the Lisbon strategy did not include measurable policy targets. Instead, it contained 24 integrated guidelines for the member states. It included similar assessments and recommendations, but these relied more on self-reporting. Nevertheless, the open co-ordination method of the Lisbon strategy, which brought peer learning, indicator monitoring and the sharing of best practices to the EU as soft governance tools, is often mentioned as the first attempt to broaden the influence of the union over member states in policy areas outside its regulatory power (e.g. Szyszczak 2006). According to the evaluation report on the Lisbon strategy, published by the European Commission in 2010 (European Commission 2010a), it involved too many targets, and the governance for implementation was too vague. The report called for a 'transparent and robust evaluation framework'. In general, the report and the European strategy documents indicate a desire for more centralised and measurable target setting and monitoring than previously. At the same time they also introduce an aim for more centralised governance of European integration. This demand has strengthened the role of strict target indicators in guiding the new strategy.

The eight chosen target indicators in Europe 2020 are very general and can be interpreted in different ways. Furthermore, the compilation of statistics differs between different member states, which means that measurements are not necessarily commensurable. In addition, the targets are set at the EU level, meaning that member states may address these targets in very different ways in their NRPs. Despite the problems involved in setting, monitoring and implementing the target indicators, our interviewees found the indicator system basically positive. They considered that the indicators nailed down the vision and provided common ground for communication and comparison between different member states. As one informant stated, the figures do it more straightforwardly than words, which can be twisted and turned in many ways:

> If we know that we can achieve a concrete goal, then why not make it a numerical target. It is much more honest than general blaa blaa talk about aiming for and taking actions, or improving.

In addition to general-level indicators, the other important governance tool in the Europe 2020 strategy involves the CSRs. The relationship between these two is ambiguous. Recommendations are expected if member states lag behind the targets of the NRPs, but they may also target other issues. Moreover, the CSRs provide direct guidelines in terms of which policy measures to take, whereas the target indicators only set the goals. The character of CSRs changes from a very general to a relatively detailed one. The Finnish negotiators emphasised that the detailed guidelines in particular were found to be problematic, especially if they conflicted with national government programmes. An example of a CSR that conflicted in this way was a requirement for Finland to raise the retirement age in 2013. This went against the ruling government's decision not to change the retirement age. In this case, Finland managed to obtain a majority in the European Council to vote for the withdrawal of this recommendation, avoiding inevitable conflict between the CSR and national policies.

Several of our informants found the detailed recommendations a problematic governing tool, as the Commission steps into the sovereignty area of member states. While countries can ignore the recommendations, one of our informants emphasised the symbolic importance of this kind of contestation as follows:

> Finland has accepted the EU ideology that when member states face problems they should listen to the instructions of the Commission … so we'll be entering into interesting discussions from now on concerning these overly detailed recommendations.

As indicated in the above quotes, the simultaneous generality, strictness and straightforwardness of indicators which provided predictability for communication between the Commission and the member state, but nevertheless allowed space for member states to enhance their own policies, was considered positive in terms of the implementation of the Europe 2020 strategy. This was particularly true when compared to specific recommendations. In this sense, indicators seem to be a light tool of information governance, allowing the diversity of different member states and their national policies to flourish while simultaneously converging towards shared targets. This is, however, only part of the story. As tools for epistemic governance, the indicators have multiple roles, and are also brought within particular understandings of relations between measured phenomena, economic growth and the prosperity of the EU. Therefore, they combine facts and values, narrowing down the choice of desirable policies. To obtain a better understanding of these multiple roles of indicators in the implementation of the Europe 2020 strategy, the next section will take a more detailed look at the mechanisms through which indicators become powerful in shaping policy processes.

Indicators as Calculative Devices in Shaping the Implementation of EU 2020

As indicated in Chap. 5, the Europe 2020 process is very heavily organised around target measurement, which emphasises the role of calculative practices in defining the national goals of member states. The importance of calculative practices as technologies of government has been addressed in studies drawing on the work of Michel Foucault, and which have explored 'political power beyond the state' (Rose and Miller 1992; Miller and O'Leary 1994; Swyngedouw 2005; Rydin 2007). As part of this framework, indicator systems can be considered resources through which power and control are exercised. This control is mediated and often acts at a distance. Understood in these terms, the monitoring and evaluation systems of the Europe 2020 strategy aim to constitute member states which, in Foucauldian terms, self-govern their policies towards common European goals. This is particularly important in policy fields where the EU does not have regulatory power over member states, including education, science and social policy. The policy officials interviewed at the Ministry of the Environment, for example, considered the role of the Europe 2020 strategy to be much more minor than did their colleagues at the Ministry of Education and Culture, and the Ministry of Social Affairs and Health, because environmental policy is heavily governed by a number of EU-level conventions and direct regulation. Therefore, the role of 'soft governance' is different from its role in the fields of education, science and social policy.

The Europe 2020 strategy is not a special case in terms of the central role of policy indicators as tools for governance. The use of indicators to monitor and evaluate the impacts of public policies has become increasingly popular in recent years. On the other hand, the direct, instrumental use of indicators in policy-making seems to be rare (e.g. Innes and Booher 2000). This does not, however, mean that indicators are meaningless.

They may influence policy-making indirectly by shaping the space within which policy issues are made governable. This is done, for example, by introducing new issue areas into policy contexts. One of our interviewees, for example, considered setting clear targets for social inclusion to be important step forward in EU agenda-setting, despite finding the chosen indicator problematic (the absolute target number for reducing the number of people at risk of poverty and social exclusion). On the other hand, the flexibility to choose the means of reaching the indicators was also appreciated:

> These are important things. We struggled for years to get social issues involved in the EU agenda. But then again, we definitely do not want the EU to intervene in our national social policies.

Indicators are variables selected to represent chosen characteristics of an entity to allow simplified communication about them. These kinds of simplification are considered particularly important in attempts to manage and govern complex systems such as economies or socio-ecological processes. At its best, indicator development enhances social learning, and indicators provide feedback information about the success of policy programmes (Innes and Booher 2000). However, for this sort of new knowledge to emerge, indicators need to be developed in a deliberative process between different parties, and this was not the case for Europe 2020, which was drafted and administered by the Commission administration. Nevertheless, while no deeper learning process could be identified, the interviewees mentioned the role of indicators in building shared communicative space:

> Once we started to think about these indicators together and to prepare reports based on them, it contributed to common awareness building. If you look at the reports from a decade ago and compare them with the current ones, the difference is dramatic.

Moreover, even in cases where indicators are developed jointly, they are often found to be useless or difficult to use in specific decision-making.

First, indicators are often compromises because the data that policymakers need are not available. In addition, aggregate indicators are not sensitive to contextual particularities, which makes them useless for situated decision-making. Furthermore, indicator reports may be too broad to be informative, or expertise may be required to interpret them (see also Gudmundsson 2003; Hezri and Dovers 2006; Rosenstrom 2006; Turnhout et al. 2007). At least the two first points are relevant in terms of the Europe 2020 indicators. Indicators needed to be chosen from the available figures, and produced in a reliable and commensurable way across all EU countries. It is thus clear that the chosen indicators are compromises. In general, indicators are used frequently in ways and contexts that are different from their intended use when they are developed as indicators. This places a great deal of emphasis on their contextual interpretation. Furthermore, it remains an open question as to whether these indicators are able to reflect similar processes in very different national contexts. There is a risk that they may even be misleading. These downsides of target indicators were strongly acknowledged by the interviewees.

The final function of indicators we wish to mention is that they always involve a specific understanding of functional connections between monitored characters and the desired state of the world. The flexibility of interpretation, along with its ability to bring conceptual understanding (often based on scientific expertise) into decision-making, and to compare and collect dispersed information, are at the core of the performative power of indicator systems. As this issue is of significant importance in attempts to understand the calculative power of indicators, i.e. their ability to constitute economic relations, it will be discussed in more detail in Chaps. 7 and 8. We shall take a closer look at a case of conflicting interests during strategy negotiations between the EU and Finland involving a struggle over national R&D investments. We shall then use this example to illustrate the heuristic power of indicators to strengthen the understanding of knowledge as a key factor in economic growth. Following this analysis, we conclude by noting three different ways in which indicators become a focal point of epistemic governance in the European economies.

The Goal of Smart Growth and Its Discursive Roots

The area of smart growth is one of the three core area themes of the Europe 2020 Strategy, including four targets and indicators for monitoring progress towards knowledge-based growth (also listed above among the eight EU-level operational targets):

- Employment rate: 75 % of 20–64-year-olds to be employed.
- Early leavers from education and training: rates of early school-leavers to be reduced below 10 %.
- Tertiary educational attainment: at least 40 % of 30–34-year-olds to complete third-level education.
- Expenditure on R&D: 3 % of the EU's GDP to be invested in R&D.

The chosen indicators in the area of R&D policy relates to input, implying that conducting research and educating people will result in a knowledge-based economy where technological change and innovation provide the main base of economic growth. The discourse of the strategy emphasises the use of information and communications technology (ICT) in knowledge transfer, and the role of private firms in funding research, and converting the results and ideas into products and services for markets.

As can be noted, the strength of discourse in a knowledge-based economy is very central to the Europe 2020 strategy, and is also implied through the chosen indicators. This is nothing new as such. For centuries, knowledge has been considered an important factor in societies producing new technologies for industrial development and warfare, for example, and in the EU it has been an important aspect of economic discourse since the Lisbon strategy. It is therefore an argument that has largely been taken for granted in a variety of policy contexts. Consequently knowledge, including education, information technology, research, development and innovation, is highlighted in strategies and reform programmes not only in the areas of industry and science policy but also in terms of contributing to the competitiveness and economic growth of entire nations.

The idea of knowledge-based growth has its roots and justification in economic theory (Valkeasuo 2017). Conventional economic theory understands economic growth as a result of two factors: labour productivity and labour-supply growth, whereas productivity grows through productive inputs such as labour quality and capital (Solow 1957). Furthermore, the aspect of economic growth that is not explained by these two factors is referred to as multifactor productivity, and results from technical progress and improved efficiency (Powell and Snellman 2004). According to current thinking, knowledge is, instead, productive in its own right. This type of argument was introduced as early as the 1960s (see Machlup 1962), but economists did not change the way they thought until the 1990s, when rapid technological development and information technology were reshaping the world (Vähämäki 2009). As a consequence, a new economic theory, New Growth theory, was generated. The New Growth model, among other amendments to traditional theory, broadens the concept of capital to include both physical and human components, comprising skills and a stock of knowledge (Crafts and Toniolo 1996). This thinking has been made even more convincing in explaining recent economic developments in a number of countries. The strong economic performance of the US economy in the 1990s, for example, has been regarded as evidence of a knowledge-driven New Economy (see, e.g. Pohjola 2002).

By encouraging an emphasis on R&D activities, the Europe 2020 strategy is heavily anchored in the heuristics and rationalities of knowledge-based growth. In the wake of the first debates in the media involving New Growth theory in terms of economics and the New Economy, this knowledge-based growth has been adopted rapidly by international organisations including the G7/G8, the UN, the OECD and the EU. Finland has also served as an example of the power of knowledge in different policy arenas, as a result of the significant role of the ICT industry (Nokia in particular) in converting the severe economic breakdown of the country in the 1990s into rapid economic growth. This national history, which is still very recent and actively maintained in national policy narratives, is one reason why Finland's R&D target unexpectedly became an issue between the EU and Finland during the negotiations concerning Finland's NRP in 2012.

Tensions Between the Symbolic and the Realistic: Finland's Contested R&D Investment Targets

The EU-level headline target for R&D expenditure is 3 % of the EU's GDP. In 2012, Finland set a national target of 4 % of GDP in the 2011 and 2012 NRPs, simply stating that the country would exceed the target set by the strategy. According to our informants, the Commission pressured Finland to raise the national target to 5 % during bilateral negotiations between Finland and representatives of the Commission, as part of the preparation for its NRP. Finland claimed that the suggested target would be unrealistic, and therefore refused to adopt the recommendation of the EU administration. This demand was considered surprising, because Finland's 4 % target already exceeded the general European target of 3 % R&D expenditure. In fact, Finland was ranked one of the best countries in Europe in terms of R&D expenditure, a model example. So why was this negotiation needed?

According to our interviewees, one simple reason for the EU's attempt to raise Finland's R&D target was that some of the member states' investments in R&D were significantly below the average EU target level, and the Commission wanted Finland to compensate for others. In addition, as the Commission insisted on the role of indicators as bearers of policy models, Finland was expected to present an example to the other countries in terms of their belief in the power of R&D investments to address economic downturns:

> The Commission's idea was that, as there is this legend that Finland had previously tackled a recession by investing in education, research and development—and Finland, of course, also liked to repeat this story—then wouldn't it be great if you could now, when times are grim again, give a sign to other countries by setting the target at 5 %?

As indicated in this quote, the target indicator had a clear symbolic role in this case. It was a bearer of the idea and model of knowledge-based growth. However, as indicators are also tools for control, and there is a risk of receiving an unwelcome recommendation from the European

Commission in annual evaluations if the national targets are not reached, Finland refused to raise the target. By doing this, it also refused to accept the idea of a common European R&D area in which Finland would balance overall performance, as described by an interviewee:

> Every politician and civil servant with any responsibility immediately saw that there is no such money available—neither private nor public. It would have been hundreds of millions. And anyway, who can specify what the correct level of research funding should be? It could be eight, or two per cent. The Netherlands has two and they are doing fine.

The idea of a common European economy was also undermined by the fact that, despite the rhetoric of a common Europe and the setting of common EU targets, the actual implementation of the strategy focused on separate countries, and the monitoring developed hierarchies and competitive positions between the member states. This became evident on many occasions when our interviewees compared the performance of different countries:

> I remember when the Portuguese said that, because they were behind us, these targets were great for helping them catch up. But the countries which are performing well—like Finland—we are not looking at the EU. We're looking at Japan, Korea and so on—the ones that are doing better than us.

Hierarchy building was also mentioned in a number of interviews, when informants noted how naming and shaming was used in both monitoring and country-specific recommendations. The interviewees, for example, described how other countries' CSRs were followed systematically.

The Ontological Politics of Indicators in the Implementation of Europe 2020

Based on the above text, we have identified three different functions of indicators in the epistemic governance of the EU: procedural, heuristic and symbolic. These functions are illustrated in Fig. 6.1. First, the

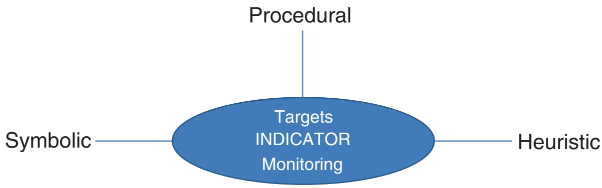

Fig. 6.1 Indicators in the epistemic governance of the European economy

monitoring of indicators serves as a procedural device in terms of implementing the strategy. The annual definition of national targets organises communication and bilateral negotiations between the EU and member states, as indicated in the example of contested R&D targets. The Europe 2020 strategy itself carries multiple meanings, and incorporates or establishes policies that may even be counterproductive. In this context, the joint and carefully guided collection of indicator information, and the annual European Semester, which focuses on these evaluations, act as an organisational measure to bring predictability and coherence to a complex process. At the same time, the figures function as anchoring devices in communications between the member states and the EU bodies. This is the function that was actually intended and anticipated when indicators were chosen as central tools for implementing the Europe 2020 strategy, and it was also appreciated by our interviewees, who found numeric targets a more robust basis for organising the work than mere words.

Its procedural role is not only organisational, however. It also relates to the performative power of existing knowledge practices, discussed in the introductory section of this chapter. Indicators can only be used to organise communication if they are produced in all the member states. This leads to path dependency in understanding socio-economic relations. As indicators sensitive to novel phenomena rarely exist, novelties tend to remain outside indicator-driven policies. This emerged in our interviews—for example, in discussing the lack of clear numerical targets for material efficiency, introduced as a novel policy goal in the Europe 2020 strategy.

The strict data requirements may also create hierarchies between countries and institutions with strong statistical expertise, and ones that do not have the required expertise or infrastructure to produce the data they need. This imbalance was also acknowledged by our interviewees. It also highlights the materiality of knowledge production. Certain calculative resources are needed to fulfil the objectives of governance in a way that resonates with the existing European governance system, whether these involve social inclusion, material efficiency or level of education. Path dependencies in knowledge production also mean that the relations established are not easy to challenge, indicating a need to recognise the ontological politics (see, for example, Mol 2003) of indicator systems and to ask which relations are downplayed while others go ahead.

The second point involves the heuristic role of indicators. As is suggested by the strong presence of discourse on knowledge-based growth in the Europe 2020 process, indicators come with a certain understanding of functional relations between different entities. By choosing particular indicators, the EU creates particular economic relations. In the case of knowledge-based growth, the heuristic basis of New Growth theory is adopted, and different actors and entities are defined through this understanding. Simultaneously, certain rationalities are strengthened, such as the beneficial nature of investment in research funding to promote economic growth. Particular calculative tools, including indicators, policy models and national monitoring reports, further emphasise the calculative agency of the European Commission as a node of information flow and controller of appropriate interpretations. This performative function again highlights the ontological politics of knowledge practices.

It should be noted, however, that indicators do not transfer models from the EU to member states in a straightforward way. The interpretations of different measures are negotiated contextually, and are a result of national historical particularities, national policy objectives and suggestions by the European programme. An example of these negotiations involves the late starting age for school attendance in Finland compared to other EU member countries, meaning that 6-year-olds are outside the school system in Finland, even though the monitoring system expects them to be part of it. As Finland has performed well in other evaluations, including, for example, the Programme for International Student

Assessment (PISA), this has not become an issue in the national implementation of Europe 2020. The fear of this possibility was acknowledged in our interviews, and the informants described how they were constantly emphasising the specific history of Finnish schooling to the representatives of the Commission, to make it clear that not being at school by the age of six does not mean children are neglected.

The third function, the symbolic one, implies the openly political role of indicators. The chosen indicators symbolise the kind of development valued in the European policy context, as in the example noted above, where the R&D investment rate represented the idea and model of knowledge-based growth. This feature of indicators also meant that our interviewees from the Ministry of the Environment, for example, would prefer that the material efficiency goals in Europe 2020 had had clear target indicators so that the role of material efficiency would have been given more importance in the internal politics of Finland. This was seen clearly in an earlier quote, where an informant noted that incorporating social inclusion targets into strategy was a positive sign of the growing weight of these issues in the EU agenda.

Concluding Remarks

The Europe 2020 strategy was introduced as a wake-up call for the EU member states in a period of economic downturn. It presented an ambitious growth programme and growth targets for the union which, according to the strategy text, was rapidly losing its leading position in a global economy to its Asian and American competitors. In addition to goals involving growth, the strategy called for member states to join forces in promoting social inclusiveness and environmental responsibility. The scope of the strategy was thus very wide, and the targets entered partly into policy areas over which the member states had full sovereignty. The eight operational target indicators were used as a tool for governing on the one hand, and on the other to encourage the heterogeneous member states to self-govern themselves towards the listed common goals. According to our interviews, indicators fulfilled these soft governance functions in many ways. At the same time, the negotiations on how the

EU and the member states interpreted the indicators during the implementation of the strategy revealed the underlying tensions, and dented the image of shared endeavour.

Regarding the sense of urgency evident in the Europe 2020 text, it is somewhat surprising how top-down the preparation of the Europe 2020 strategy looked from the perspective of the member states. The goals and indicators were 'Commission figures' which did nothing to strengthen the feeling that member states were aiming towards genuinely shared goals. The regular monitoring and related fear of country-specific recommendations as part of the yearly European Semester even extended to policy areas such as social policy or education, which had been considered national issues. This further emphasised the need for member states to adapt their policies to reach the given targets, rather than using the common strategy process as an arena for learning from each other about the issues. Despite the target indicators providing flexibility in terms of context-specific interpretation, this flexibility diminished when they were used and negotiated as tools to foster the specific European growth programme. This highlights the calculative role of the indicators.

The politics of calculation comes with the fact that, in practice, reality can be constituted and constructed in divergent ways. This holds true both in terms of positioning, identifying and governing the member states from a distance, and in terms of defining the boundaries between the social, the economic and the political. The definition, blurring and redefinition of these boundaries has been at the centre of the originally economic union, which was based from the start on strong political motivation. Therefore, the tensions over the figures through which the common European targets are presented, even the minor ones, highlight the inevitable intertwining of facts, values, histories and anticipated futures which both connect and separate the member states from the common Europe. These tensions are most probably not going to diminish in the near future. Therefore, developing sensitivity to the politics of numbers in building visions and creating common space will be paramount in generating inclusive tools for information governance.

Notes

1. On the history and political economy of the EU, see, for example, McCann (2010).

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7

Contradictory Fiscal Governance in the European Union: Towards a Consolidation Empire?

Olli Herranen

The European Union (EU) is an unprecedented coalition. On the one hand, it consists of sovereign countries with individual histories, cultures, legislation, institutions and languages, with little in common with one another; but on the other hand, it might also become, as the editors of this book suggest, the first economic empire in the history of humankind. After all, historically it has been built on an economic foundation, and the idea of the union is founded on a single internal market with the free movement of people, capital, goods and services. Furthermore, the launch of the Euro was 'the first time in history that a currency common to more than 300 million people living in seventeen different countries was created from scratch, without a unified state behind it' (Kouvelakis 2012: xvi).

Despite the EU admittedly being primarily an economic project, the issue of whether it is an empire calls for reflection on the relationship between the economic and the political union. In fact, in calling the EU

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an 'empire of shopkeepers', Heiskala and Aro in Chap. 4 of this book hit the mark in terms of the core problems: it is managed like a private company or a household, but is at the same time the strangest public economy. This strange public economy is manifested in the EU's treaties and policies which seek to converge the economies of its member states, i.e. in the Economic and Monetary Union (EMU).

In this chapter, I suggest that the EU's co-ordination mechanisms, which aim for economic harmonisation, are in fact contradictory fiscal governance. The analysis is based on Wolfgang Streeck's (2014, 2016) *consolidation state* framework, according to which the EU's economic progression will lead to 'a new fiscal regime with public austerity as a fundamental principle governing the relationship between state and society' (Streeck 2016: 133). In the following sections of this chapter, I use and review the consolidation state (1) as an explanatory framework in understanding the contradictory nature of the EU's economic development; and (2) as complementary to it, by introducing the idea of the EMU rules as powerful indicators co-ordinating economic policies. I see the EMU as a progression driven by three interconnected contradictions: historical factors, fiscal policy and economic-scientific factors.

The reasons for this critical examination are manifold. First, whether the EU can establish itself as an economic empire needs to be assessed from an economic perspective, since the union was founded on the idea of a single market and a common currency, the Euro.

Second, the Euro ties together some of the most pressing problems of integration in the EU. At the same time, there is a constant ambiguity between the Euro and the EMU. Several prominent EU scholars consider them to be the same thing (see, for example. De Grauwe 2009, 2011; Lapavitsas et al. 2012; Streeck 2016). However, according to the European Commission's website, '[w]hilst all 28 EU member states take part in the economic union, some countries have taken integration further and adopted the euro. Together, these countries make up the euro area.' All 28[1] EU countries belong to the EMU, while only 19 of them belong to the Eurozone. This means that the EMU treaties also apply to countries that are not in the Eurozone.

This ambiguity is understandable, since the centrality of the Euro in the EU's economic disturbances is hard to exaggerate. For example, Mark

Blyth (2015: 184) compares it to the gold standard, and states that there is a trade-off between the Euro and democracy, since the gold standard of the Euro creates a straitjacket for economic policy. The Eurozone countries have lost their monetary sovereignty, i.e. the basic functions of their central bank, and therefore the chance to devalue their own currencies, so only internal devaluation measures remain to improve external competitiveness: austerity (ibid.).

Third, this ambiguity blurs more general contradictions that appear at all levels of the EMU. The (lack of a common) fiscal policy in the EU is at the heart of its problems; when the member states signed up to the EMU, they committed to common fiscal rules, and the implications of this commitment were ignored or were not fully recognised at the time. A functioning federation—the United States, for example—requires a common fiscal policy, such as income transfers between regions. These are forbidden by the EMU rules, and they can be politically challenging in a situation where populism and nationalism raise their heads.

Fiscal policy focuses on state revenues and expenditure through budget procedures, and is usually understood as public spending. It complements monetary policy, which focuses on supplying currency and influencing interest rates. However, I suggest that the main contradiction in terms of fiscal policy boils down to the question posed by the fiscal federalism theorist Wallace Oates (2001: 134): 'how one sees the general operation of the public sector'. In other words, it involves the three contradictions that represent the fiscal side (and incoherence) of the EU's economic policies. Next, I shall briefly present the EMU and Streeck's (2014, 2016) consolidation state framework, followed by the three contradictions.

The EMU and the Consolidation State

The literature on the EU typically describes its fiscal system as operating at three levels: (1) within the EU budget; (2) in terms of harmonising member state tax systems; and (3) through fiscal rules such as the Maastricht Treaty and the Stability and Growth Pact (SGP). The Maastricht Treaty and SGP contain the rules that carry out the fiscal discipline function for member states, with a specific focus on inflation rate, annual government deficit and government debt. The best-known of the SGP's targets are the requirements for government deficits and debt to be less than 3 % and 60 % of GDP, respectively. These fiscal rules apply to all EU member states. Along with the Euro, these rules constitute the EMU for which the SGP is considered a 'hard law measure' (Schelkle 2006: 707).

Officially, the EMU is designed to support sustainable economic and monetary policy-making. This involves implementing an effective monetary policy for the Eurozone with the aim of maintaining price stability, ensuring the smooth operation of a single market and co-ordinating economic policies in member states. The co-ordinating role of the EMU was initially seen as being necessary for the consolidation of common fiscal policy and budgetary control, in practice pushing down budget deficits (Nello 2005: 189).

However, in the early stages of the EMU scholars suggested that it could be seen as a 'device for collective fiscal retrenchment' (McKinnon 1997). Fiscal federalism theorist Wallace Oates (2001, 2005) maintains that this occurs through two mechanisms. First, individual member states find themselves with diminished capacity for conducting macroeconomic policy because of rigid budget constraints. Second, there is a process of centralisation inside the EU, involving the creation and evolution of new top-level government in the name of macroeconomic stabilisation (Oates 2005: 349).

What Oates (2005) refers to as 'top-level government' is the fiscal co-ordination that takes place through different EU institutions and rules. The special characteristic of this government is that it is increasingly carried out outside democratic institutions, i.e. it is co-ordinated through institutions such as the European Central Bank (ECB) and the European Commission (Commission), but also through outside EU institutions, as in the case of the International Monetary Fund (IMF) (Streeck 2016). Moreover, though they have no formal power over any official institutions, credit-rating agencies also play a twofold role in the EU economy: first, they have authority in sovereign bond markets; and second, the ratings they sell work as an advocacy tool for buyers (Abdelal and Blyth 2015: 50–51). In other words, the EU has centralised its fiscal co-ordination with no corresponding centralisation of fiscal policy.

Following Oates (2001, 2005), I argue that the desirability of fiscal policy measures depends on how one sees the operation of the public sector at a general level. In the EMU context, the public sector is seen as being inherently over-expansive and inefficient, whereas fiscal rules become a necessary disciplinary mechanism for the desired 'sustainable', money-where-your-mouth-is economic policies (Oates 2001; Buti and Giudice 2002; Nello 2005; Schelkle 2005).

One of the latest frameworks to describe the EU's fiscal governance is Wolfgang Streeck's consolidation state (2014, 2016). A consolidation state is part of Streeck's wider analysis (2014: 24–25; see also Streeck and Elsässer 2016), where he sees it as a symptom of the '*splitting of democracy from capitalism through the splitting of the economy from democracy*—a process of de-democratization of capitalism through the de-economization of democracy' (emphasis in original).

The consolidation state has its origins in the mid-1990s, when the consolidation of public finances had resulted in a gap in demand that was patched up by the financial sector along with cheap public and private credit. Over the years of cheap credit, the low growth, inequality and high levels of debt created a mutually reinforcing and deepening circle (Streeck 2016: 17). As part of a 'financialised' form of advanced capitalism, this led to political institutions being rebuilt with the aim of assuring creditors of the worthiness of different political institutions—such as nation-states and different supranational agencies—as debtors (ibid.: 113). Consolidation is 'a confidence-building measure' that works not by raising revenue, but by cutting expenditure, with a preference for using budget surpluses 'to pay off debt or cut taxes' (ibid.: 123). Thus a consolidation state refers to political reorganisation where state capacity is increasingly used to meet obligations to creditors:

> In short, a consolidation state may be described as one whose *commercial market obligations* take precedence over its *political citizenship obligations*, where citizens lack access to political or ideological resources with which to contest this …This involves tying the hands of the state by redefining its sovereignty into a guarantee of its ability to repay its debt, for example by making balanced budgets an enforceable constitutional requirement. (Streeck 2016: 124–125; emphases in original.)

Essentially, a consolidation state is committed institutionally and politically to never defaulting on its debt. This commitment overrides concerns involving the welfare of citizens through the institutional separation of democracy from the management of the economy. A consolidation state aims to secure the confidence of creditors, in order to maintain its ability to borrow and its attractiveness for financial investment through tight fiscal discipline (Streeck 2016: 123). It is governed increasingly through non-democratic international institutions which 'help potentially insolvent states with loans, on the condition they reform themselves so that they can credibly promise not [*sic*] again to overdraw their accounts' (ibid.: 125) and act 'as an external force in relation to democratic governments' (ibid.: 130). As a fiscal consolidation regime, the EMU consists of 'a mutual surveillance and control arrangement among what are still formally sovereign nation states … It also institutes comprehensive current surveillance of member states' fiscal policies by the European Commission' (ibid.: 129–130).

In sum, surveillance in the EMU is intertwined in different ways around debt, a central concept binding different aspects of the consolidation state together. Debt is the nodal point for the different economic rationales behind the progression that drives the EU.[2] Against this backdrop, I introduce the three contradictions of the EMU, and suggest that the EMU rules are powerful indicators in implementing fiscal governance, which compensates for the lack of a centralised fiscal policy. These rules represent the economic rationale, and entail the co-ordination mechanism for the economic harmonisation of the EU. Therefore, this approach allows the rules to be assessed, regardless of whether they are followed. They indicate the economic objectives of the EU.

The Historical Contradiction: Turning from Centralised Fiscal Policy to Coordination and Consolidation

The history of building the Eurozone has been somewhat problematic. Economic theories ranging from the neoclassical school (De Grauwe 2009) to political economy (Lapavitsas et al. 2012) saw the Euro as a flawed project from the start. The reasons vary to some extent, but the ideas about the non-optimum currency area, for example, were well known to economists (De Grauwe 2009, Lapavitsas et al. 2012.). The history of the fiscal union similarly raises questions, since the problems concerning the incomplete politico-economic union and the need for a centralised fiscal policy were also known, as well as those involving the monetary policy of creating a functioning economic union (Oates 2001, 2005; Wyplosz 2006).

Fiscal policy refers to how governments use revenue collection (such as taxes) and public spending to offset business-cycle fluctuations. It was originally seen as an element in Keynesian economic policies, referring to the 'father' of macroeconomics, John Maynard Keynes (1883–1946), an influential British economist whose thinking is considered to have been pivotal in building the welfare states after the Second World War. Particularly in its classical sense, it involves the active management of demand in the economy, and is used in a situation where private spending is not able to create sufficient demand for the economy. Fiscal policy enables governments to stimulate economic activity in a situation where private spending and investment are decreasing.

As mentioned above, the EU is primarily an economic union. Tuori and Tuori (2014) maintain in their constitutional analysis that the common market has been the motor for integration from the start, and the first decades of the EU in particular were almost exclusively an account of economic integration. The fundamental idea 'is that in an increasingly integrated EU, and particularly in the euro area, the interdependence between member states means that their interests are best served through the coordination of their economic policies' (European Commission 2013a: 15). This has been reflected in the disputes between the social and the economic constitutions, where 'the economic constitution has always defined the space for social constitutionalism' (Tuori and Tuori 2014: 9).

A deeper basis for the economic constitution of the EU was defined by the so-called ordoliberal economic school (for the role of ordoliberalism in the EU, see Chaps. 2 and 4 in this book; also Blyth 2015: 132–143). It elevated individual economic actors, the enforcement of contracts and rules, fundamental market freedoms and competition law to the centre of the integration process. The state's task was to uphold these conditions. Therefore, Tuori and Tuori (2014: 17) use the term 'microeconomic constitution' to describe the 'first layer of the European economic constitution'.

The second layer of the European economic constitution, addressing macroeconomic issues, was added by the Maastricht Treaty (1992) and the inception of the EMU (Tuori and Tuori 2014: 27). The Stability and Growth Pact (SGP) (1997) later set the practical details of the procedures to avoid excessive government deficits, and made tight fiscal discipline a permanent feature of EMU. It also determined the technocratic nature of fiscal policy, on the assumptions that price stability would be the best economic policy, and fiscal stabilising policies would have enough room to manoeuvre if the member states kept their budgets 'close to balance'.[3]

While economists rarely reach consensus on economic issues, most of the SGP's fundamental principles were commonly considered to have been poorly designed because of its tight rules (Schelkle 2006: 707; Wyplosz 2006: 236–238). The biggest revision of the SGP was made in 2005. It has been suggested that this was to soften the SGP, but Schelkle (2006: 730) questions this, arguing that the Commission has gained more steering power over budgetary policies and fiscal planning in the member states, and the fiscal rules have become more precise. This only bolsters the economic rationale of the SGP (ibid.), and corresponds to the Commission's interpretation of the revision, where '[d]espite the significant enhancements to the rules over the years, the underlying principles and rationale of the SGP remain, reflecting their soundness' (European Commission 2013b: 5).

The single most important report in designing the EMU, the 'Delors Report' (European Commission 1989), was a product of the committee headed by Jacques Delors, a French politician and President of the Commission at the time. The report laid the foundations for the Maastricht Treaty and set the three-stage evolutionary programme for the economic integration that would culminate in the introduction of the Euro (ibid.: 27–38). This programme was completed between 1990 and 1999. The main goal of the EMU was to introduce a single currency for the whole of Europe, and to tie it into the 3 % and 60 % convergence criteria later established in law in the SGP.

Whereas the predecessor of the Delors Report, the 'Werner Report' published in 1970, still saw economic and monetary union as a push towards political union for Europe, the Delors Report (European Commission 1989: 13) emphasised the political plurality of the union and saw that European integration could not 'follow the example of existing federal states; it would be necessary to develop an innovative and unique approach'. Paradoxically, the member states were expected to be able to adopt the fiscal rules while maintaining their sovereignty at the same time.

In practice, this would mean detaching monetary policy from budgetary, or fiscal, policy, but also centralising fiscal co-ordination and consolidation within the union because 'uncoordinated and divergent national budgetary policies would undermine monetary stability and generate imbalances in the real and financial sectors of the Community' (European Commission 1989: 19). Market forces were expected to exert the extra disciplinary influence, since the financial markets, consumers and investors would 'penalize deviations from commonly agreed budgetary guidelines or wage settlements, and thus exert pressure for sounder policies' (ibid.: 20). On the other hand, 'the single most important condition for a monetary union [would be to] lock exchange rates irrevocably' (European Commission 1989: 15) in the form of a single currency, which would be enforced by an independent central bank. All this in the name of price stability that would ensure the confidence of businesses, households, labour unions and other economic agents (ibid.).

The member states would have the principal responsibility for fiscal policy. They would be currency users, but not currency issuers. 'The European level oversight would be limited to imposing arbitrary, but binding, fiscal rules, and importantly, prohibiting the newly created central bank from directly supporting member state governments in times of need' (Mitchell 2015: 96). In addition, income transfers between the member states would be forbidden, whereas the single currency and price stability would equalise competitive differences and ensure the confidence of private economic actors, thereby ensuring economic convergence of the regions inside the union.

This was to become the foundation for the historical contradiction and the incomplete politico-economic union. Joining the EMU was and is, in a manner of speaking, a commitment to pursuing the convergence criteria, and hence to achieving the qualification to join the Euro. Furthermore, it means submitting to strict fiscal rules and price stability, where discretionary economic policies are replaced by rules, and decision-making is increasingly entrusted to independent committees (Wyplosz 2006: 229). Whereas the Werner Report that preceded the Delors Report still saw the political union and close integration of monetary and fiscal policy as requirements for a functioning federation, the Delors Report distanced itself from these ideas.

Historical transition in economic theory deeply affected this transformation. Two aspects were particularly consequential when it came to the economic viability of the EMU: (1) mainstream economics moved towards monetarist doctrine and away from Keynesianism; and (2) since the active management of demand was considered to be redundant, structural supply reforms were seen as being essential for improving competitiveness (Hall 2012: 356–357). Different historical circumstances and national interests also played a role in this transition, but at the level of economic ideas and ideologies the new doctrine of monetarism had become established in macroeconomics (Wyplosz 2006; Hall 2012; Tuori and Tuori 2014; Blyth 2015; Mitchell 2015).

Academic rivalry between economic theories manifested itself as a historical transition in the management of state finances, and in organising a new, 'innovative and unique' federal union. Setting economic theory aside at this point, it can be said that the expectations and confidence of individual economic agents were brought to the fore as fundamental macroeconomic factors, as well as the concept that the public economy is equivalent to the private. Moreover, there were more detailed contradictions between practice and ideas in terms of the fiscal rules.

Mitchell (2015: 99) points out that Jacques Delors himself was remarkably ambiguous in the part of the Delors Report where the members of the committee published their individual papers. The actual report ultimately suggests that monetary union will lead to a convergence of the differences in the economic performance of each member state. In his individual paper, Delors (1989: 89) concludes that '[a] common feature, none the less, is that in all federations the different combinations of federal budgetary mechanisms have powerful 'shock-absorber' effects dampening the amplitude either of economic difficulties or of surges in prosperity of individual states. This is both the product of, and source of the sense of national solidarity which all relevant economic and monetary unions share.'

Delors identifies a common feature in all functioning federations, but dampens its significance in the actual report: for a federation, centralised fiscal policy is both a source and a product of shared solidarity.

Mitchell (2015: 124–125) also highlights the paradox in the deficit figure of 3 %. Guy Abeille was a project manager in the French Ministry of Finance when President François Mitterrand came to power in 1981. He gave an interview to *Le Parisien* in 2012, where he explained how Mitterrand had commissioned a group of economists to devise a 'simple, practical deficit rule, which would project an aura of fiscal discipline and would be seen as authoritative by dint of the endorsement by economists' (Mitchell 2015: 124). This would allow Mitterrand to get the government ministers off his back who were demanding funds. Abeille told *La Parisien*:

> We imagined the 3 % figure in less than an hour, it was a 'back of an envelope' calculation, without any theoretical reflection … Mitterrand wanted us to quickly provide him with an easy rule, which sounded economic, with which he could confront the ministers who marched into his office asking for more money … We needed something simple … 3 %? It was a good figure, a figure that has stood the test of time, it was reminiscent of the Trinity … Mitterrand wanted a standard, we gave it to him. We did not think it would endure beyond 1981. (Mitchell 2015: 125)

This is the percentage that France brought to the Intergovernmental Conference in 1990, where changes would be made to the Treaty of Rome in order to implement the last two stages of the Maastricht Treaty (Mitchell 2015: 111, 125). It is also the number that would act as an immediate restriction on EU member states' fiscal policy, since it would determine the limit for the reflationary policies countries could use in times of need.

The Fiscal Policy Contradiction: Restricting Stabilisation and Discretion

When the Eurozone countries gave up their monetary sovereignty—their national currencies and therefore their ability to control monetary policy—they were left with national fiscal policies as their only macroeconomic instrument. This raised questions about whether the SGP was too constraining, and whether its tight rules left too little room for fiscal policy (Wyplosz 2006). From a fiscal policy perspective, this question can be divided into two policy components: automatic stabilisers; and spending on a discretionary basis.

The automatic stabilisers are designed to offset fluctuations in business cycles. They follow the cycles by expanding fiscal deficits during recessions—via unemployment insurance, etc.—and reducing them during boom periods via a progressive tax structure. They are called 'automatic' because they are triggered without discretionary policy intervention. They also 'stabilise', since they equalise the effects of economic shocks by transferring resources between regions and working counter-cyclically; when private spending decreases, the appropriate total spending level is maintained by public spending. When private spending increases, producers and suppliers receive extra income, and taxation income also increases (Mitchell 2015: 183–184). The fiscal shifts that trigger automatic stabilisers are usually a result of the state of the economy, which is beyond government control (Mitchell 2015: 183–184; Wyplosz 2006: 237).

Discretionary spending, on the other hand, is a procedure where the government decides on taxation and spending to achieve its socio-economic goals. Governments may use discretionary fiscal deficits—incurring a debt—as a counter-cyclical policy instrument. The reports that did the groundwork for the Maastricht Treaty saw discretionary fiscal policy as a threat to monetary stability. This resulted in provisions in the Treaty stipulating 'no monetary financing of public deficits … no bailing out; in the case of imbalances, a member state could not benefit from an unconditional guarantee concerning its public debt either from the Community or from another member state' (Mitchell 2015: 116). All kinds of excessive deficits were seen as a threat, and some yardstick was called for to identify excess. The yardstick was the arbitrary 3 % deficit-to-GDP ratio 'written on the back of an envelope'.

Yet, as the basic idea of automatic stabilisers suggests, there is no point in setting the deficit target at any fixed rate, such as the Maastricht rule of 3 % that was seen as sufficient for the stabilisers to function. Business-cycle fluctuations usually trigger the stabilisers, and if the need to stabilise exceeds 3 %, the economy is not producing to full capacity. This would be the situation in any major recession.

A basic macroeconomic rule is that 'total spending must equal total income' (Mitchell 2015: 301). Money therefore creates economic activity, so a government that does not respond to declining private spending will create a discrepancy between employment and production capacity. If discretionary spending is ruled out, persistently high unemployment will result, since there is no spending without income, no output without demand, and demand requires income. If the capacity of the automatic stabilisers is used up and the budget deficit exceeds 3 %, the only stabilising option will be budget cuts and structural reforms that will drive the economy even further into recession and deeper into structural unemployment (Semmler 2013; Mitchell 2015). 'The confidence of the private sector will decline further and cause consumers and firms to make further cuts in their spending' (Mitchell 2015: 188).

The line of thinking which says that cuts bring increased confidence during hard times is termed *procyclical*: 'Cut the budget, reduce the debt, and growth will reappear as "confidence" returns' (Blyth 2015: 3). Blyth (ibid.: 9–10) called this a fallacy of composition when he said, 'What is true about the whole is not true about the parts … We cannot all cut our way to growth, just as we cannot all export without any concern for who is importing.' McMenamin et al. (2015) tested this theory of 'expansionary fiscal consolidation' by investigating the effect of an austere—'sound'—budget on sovereign debtors' credibility. In theory, markets should welcome rigid budgets. The study (ibid.: 62) found that austerity had not boosted confidence in government bonds but, conversely, had led to substantial rises in interest rates. It was nevertheless the official theory of the Eurozone during the crisis (ibid.; Blyth 2015) and is still the official theory of the Commission (2015).

Moreover, one could argue that discretionary spending can be used without fear of inflation as long as there is idle production capacity in the economy. Only beyond the point of full employment, meaning the mobilisation of the full capacity of the economy, does inflation harm growth: 'All spending (private or public) is inflationary if it drives nominal aggregate demand faster than the real capacity of the economy to absorb it' (Mitchell 2015: 322). The 'deficit target' view, on the other hand, suggests that government intervention—especially lax monetary policy—always leads to an ineffective outcome and increasing inflation.

In the context of the EMU, the 'deficit target' view was adopted in the form of strict rules and an independent central bank, epitomising the fear of fiscal deficits, and reflects the so-called 'household' fiscal position that all spending should be funded through current revenues (Mitchell 2015: 121–122; European Commission 2013a: 16). According to Lapavitsas et al. (2012: 36):

> A key function of a central bank is to manage the debt of its state, handling the state's access to financial markets and ensuring the smooth absorption of fresh issues. A central bank is also able to acquire state debt directly, facilitating the financing of fiscal deficits for longer or shorter periods of time. But the ECB has no obligation to manage the debt of Eurozone member states, and is expressly forbidden to buy state debt. On both scores, the ECB does not behave as a normal central bank.

Moreover, despite the fact that each Eurozone country faces particular conditions in bond markets, determining the price at which a country can borrow, the money market is unified, as national central banks face the same interest rates and conditions as set by the ECB (Lapavitsas et al. 2012: 42–44, 56). This, along with the fact that no individual member state has the right to issue banknotes, and the ECB is beyond democratic control while there is no unitary European state, makes it a very unusual central bank. That the ECB has taken such unorthodox measures during the Euro crisis only highlights the contradictions between the fiscal rules and the lack of a common fiscal policy in the EU.

Abandoning national central bank functions in the Eurozone had several important consequences. First, before the 1990s, national central banks worked with governments to ensure sufficient funds for fiscal plans. European governments regularly purchased debt directly from their treasuries if they saw that accessing private bond markets for funds was not in their interests. Maastricht put an end to this. Now, Eurozone governments must fund fiscal deficits with loans from private bond markets. Second, by dictating the price for public borrowing, and with the ability to withdraw funds completely, private bond markets could force Eurozone countries into insolvency. Third, Eurozone countries have lost their ability to adjust the interest and exchange rates, and therefore also their capacity for external devaluation of the currency. (Mitchell 2015: 195–196.)

This places the Eurozone countries in an asymmetrical position in relation to one other and elevates the bond markets in importance. While the Eurozone member states depend on bond market loans, they also suffer from rising yields on sovereign debt. Given the tight fiscal constraints and centralised monetary policy (in the Eurozone), internal devaluations such as labour-market flexibility have been the main adjustment mechanisms to increase external competitiveness. This has affected in particular peripheral Eurozone countries such as Greece and Portugal (Lapavitsas et al. 2012: 22–23; Blyth 2015). Furthermore, the strict rules of the SGP concerning fiscal transfers between member states, the small EU budget, the no-bailout policy, prohibition of the monetary financing of deficits, and the lack of an integrated tax system, all restrict the recycling of resources between regions.

This is how the historical contradiction manifests itself as fiscal contradictions. The fiscal contradictions that limit the EU's ability to function are summarised in the following points.

First, the EU has centralised fiscal co-ordination without a corresponding centralised fiscal policy. This means that the EU has a set of fiscal rules member states must abide by, but no actual common fiscal policy tools. This makes 'structural reform' a central adjusting mechanism, particularly for Eurozone states. Second, the fiscal rules produce a straitjacket *within* the member states, as the 3 % rule restricts the use of automatic stabilisers. Third, because of the no-bailout policy and tight restrictions on the monetary financing of budget deficits and fiscal transfers, there is also no (automatic) stabilising mechanism *between* the member states. Fourth, the most basic functions of the sovereign central bank have been lost to an independent ECB that is beyond democratic control. The Eurozone countries are factually dependent on bond markets to fund their fiscal deficits.

Finally, real economic capacity based on natural resources or the unemployed workforce does not work as an indicator of the state of the economy, sustainability or welfare. Instead, there are abstract deficit and debt indicators aiming for the price stability that should assure businesses, households and other economic agents of the sustainability and soundness of public economic policies. The Commission (2013a: 16) sums up the economic 'housekeeping' idea:

> It should be stressed that the expenditure benchmark does not limit or in any way determine the size of government spending. All that is required is that any expenditure growth is funded by equivalent discretionary revenue measures.

This view relates to a historical change in economic thinking in the 1970s, where policies committed to full employment and growth were replaced by a commitment to price stability and low inflation. Hall (2012), Blyth (2015) and Mitchell (2015) connect these economic ideas behind the EMU to 'monetarism'[4] and 'supply-side economics'. They complement the 'microeconomic constitution' (Tuori and Tuori 2014: 17), which puts forward individual economic agents, competition and market freedoms as the crucial theoretical macroeconomic factors. In monetarist doctrine, 'full employment occurs when the unemployment rate is at the level where inflation is stable, neither accelerating nor decelerating' (Mitchell 2015: 185). Inflation, in turn, is the result of lax government policy:

> The core Monetarist idea was that excessive growth in the money supply associated with excessive government spending and lax monetary discipline by the central banks (interest rates too low) caused inflation. Further, price stability required the imposition of deflationary policies, which involved tighter credit policies and cutbacks in fiscal deficits. The Monetarists introduced the concept of the natural rate of unemployment, to combat the view that the austerity would generate higher unemployment. Put simply, they argued that a free market would deliver a unique unemployment rate that was associated with price stability and that government attempts to manipulate that rate using fiscal and/or monetary policy would only lead to accelerating inflation. The prescription was for policy makers to concentrate on price stability and let unemployment settle at this 'natural' rate, ignoring popular concerns that it might be too high. (Mitchell 2015: 62–63)

The contemporary marker of the 'natural' unemployment rate is the so-called Non-Accelerating Inflation Rate of Unemployment (NAIRU).

The problem with the 'natural rate of unemployment' and the NAIRU is that there is no limit to where unemployment can settle. For example, the NAIRU for Spain in 2016 was 17.4 % (European Commission 2017). This figure raises the question of why the inflation rate and the price stability it implies are so highly valued, and on what grounds.

Implementation of this economic rationale can be traced to the historical transformation in macroeconomics, where aggregate and macro factors were displaced by assumptions of rational economic actors, and the concept that the public economy operated like a household. Since the EMU has adopted the 'household' rationale, understanding the presuppositions underlying the fiscal rules will help us to understand the contradictions in historical factors and fiscal policy. The next section will therefore introduce some monetarist presuppositions in terms of human economic behaviour, in order to understand how these contradictions emerge and interact.

The Economic—Scientific Contradiction: Running the Public Economy as if It Were a Household

Economic analysis is always filtered through economic theories. One of the most famous quotes from Keynes (1936: 383) states that '[p]ractical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist'. Economic ideas about the operation of the public sector at a general level changed radically during the 1960s and 1970s. Popular theories concerning the relation between unemployment and inflation could not predict the appearance of stagflation in the 1970s, which made room for new theories and explanations. According to the new monetarist doctrine, stagflation was expected, because rational agents would eventually adapt to an increasing money supply by expecting a corresponding increase in prices.

This means that individual expectations will always undermine government reflationary policies by considering them in their wage demands and pricing of goods. This in turn means that discretionary policies to fight unemployment will eventually lead only to accelerating inflation, since the natural rate of unemployment will be set automatically at a level that reflects the 'natural' state of economic activity of the individuals. While this still requires the additional assumption that markets are working perfectly, with an efficient general long-run equilibrium, no 'artificial' funding will change the underlying 'natural' order (Fine and Dimakou 2016: 108–124).

The *adaptive expectations* hypothesis was made famous by Milton Friedman as part of his critique of Keynesian economic policies.[5] Despite the problems with Friedman's idea—for example, they are based on a behavioural rule without any kind of actual theory—it had an enormous effect on macroeconomics, because it introduced expectations into macro theory as a determining factor in terms of an individual's estimation of price levels in the future economy. Since these expectations were only being formed by individuals (as opposed to any kind of systemic view of the economy), it pushed macroeconomics heavily towards a micro foundation (Fine and Dimakou 2016: 111). Adaptive expectations later transformed into *rational expectations*, meaning that economic agents use the same self-referring economic model to form their expectations, entailing an assumption that expectations are recursive, dependent on themselves; that 'the model is a part of the model' (ibid.: 115).

In other words, if the government were to increase the money supply, they 'would merely do no more than create a new equilibrium price level increased in proportion to the increase in the money supply … [F]uture (equilibrium) price increases are fully and immediately anticipated by agents as soon as the money supply is increased … In other words, money and monetary policy are neutral in the long run' (Fine and Dimakou 2016: 117). This argument also implies that *government* actions are anticipated, and because the government can abuse discretionary monetary policy for political benefits, an independent central bank is needed to control the money supply (ibid.). This always makes government discretionary intervention through money supply ineffective, and gives rise to the so-called Ricardian equivalence theorem: 'The government debt cannot be viewed as net wealth creation since there will be a corresponding tax liability down the line' (ibid.: 85).

Ricardian equivalence embraces the idea that an increase in the budget deficit will lead to a corresponding increase in private savings, since people are not indifferent to debt financing, but will prepare for future tax increases. Moreover, conversely, deficit cuts are a signal to the private sector about lower future taxes, so spending can begin again (Stanley 1998: 713). In this sense, public spending only crowds out corresponding private spending, with a net worth of zero or even negative, since public economic activity is considered to be inefficient compared to private.

The fear of governments using the money supply for their own political purposes creates a 'credibility' problem. Government action should be consistent so that economic actors can trust there will be no fluctuation in prices, and all decisions can be made based on information that reflects the 'natural' state of the economy. Credible government action therefore involves the government keeping its hands off the money supply over electoral cycles, and leaving the adjustment of inflation to independent central banks. This makes some important assumptions about individual behaviour, such as that all economic agents share an identical model of the economy, seeing governmental action as only boosting inflation and expecting the economy to stabilise to some general equilibrium, and acting accordingly.

These abstract ideas are institutionalised in economic thinking despite scant empirical verification of them. This has been the case with Ricardian equivalence, which reflects the relationship between fiscal policies and economic agents' behaviour. It has also been a subject of discussion since it was formulated by Robert Barro in 1974. Even contemporaries such as James Buchanan (1976), a keen defender of individual rationality, have raised many theoretical and empirical concerns about its validity.[6] In his response to critics, Barro (1989: 52) himself states:

> [T]he empirical analysis [concerning Ricardian equivalence] involves substantial problems about data and identification … [I]t is remarkable how respectable the Ricardian approach has become in the last decade. Most macroeconomists now feel obligated to state the Ricardian position … I predict that this trend will continue and that the Ricardian approach will become the benchmark model for assessing fiscal policy.

In a meta-analysis of 28 empirical studies on Ricardian equivalence, Stanley (1998) concludes that all the empirical evidence is inconsistent with this theorem in a number of independent ways. In addition to the internalised economic model, this theorem would require economic agents to have remarkable foresight, ability and willingness to adapt to governments' economic measures. However, Barro appears to have been right, since the Ricardian approach has attained a powerful position in terms of evaluating economic policies, and von Hagen and Wolff (2006) recognise this as part of the rationale behind the EMU rules. The idea is also incorporated into several models used by treasuries,[7] central banks and economists to run estimations on the effects of (European) fiscal policies (Marglin and Spiegler 2013; Semmler 2013), and features in public comments made by European leaders (Mitchell 2015: 252–253, 258).

Another tricky presupposition involves equating the public sector with households. This is a precondition for seeing money and monetary policy as neutral, but when it is seen from a general equilibrium view, it equates modern capitalism with a barter economy, with agents sharing equal trade positions without any institutional effects on their behaviour.

However, given the above-mentioned discrepancy between abstract ideas on economic behaviour and real economic capacity, one could claim otherwise. The literature concerning debt as a social relation (Graeber 2011; Lazzarato 2011; Davies 2016), the literature concerning money as an institution (Dillard 1988; Bertocco 2013), Modern Money Theory (Wray 2012; Mitchell 2015) and the literature on modern capitalism (Shaikh 2016) also challenge this view. The modern capitalist market is a profit-driven system dependent on institutional rules and the dynamics of money, capital and credit. These have their own mechanisms, which have little to do with the sentiments of isolated individuals. Moreover, fiat money is not a scarce resource, since the creation of debt is not tied to savings, but is created in banks 'out of thin air' (McLeay et al. 2014). This also challenges the Ricardian position, since it depends on the 'household' rationale. It nevertheless continues to find its way into powerful economic models and indicators which manifest themselves in real political practices.

Above, I have presented some theoretical presuppositions which have shaped the historical formation of the EMU's fiscal policies and practical limitations on the EU's economic policy-making. The operation of the public sector at a general level is influenced heavily by the 'household' rationale, implying that individual economic agents who behave rationally can be elevated to represent the whole economy. The shift from full-employment policies to price stability was strongly influenced by these ideas. I call this an economic—scientific contradiction, since it offers both a scientific and ideological basis for the disintegration of the economic union: a very incoherent consolidation empire.

Diverse in Unity: Indications of an Economic and Consolidation Empire?

In this chapter, I have emphasised the interconnected nature of some of the historical, fiscal policy and economic-theoretical factors that intersect in the economic policy-making of the European Union. I have aimed to show how historical transformations can occur together and have lasting consequences. The policy design of the EU has developed historically in parallel with highly abstract theoretical trends and ideologies involving a 'naturalised' and separate economic sphere, and has ultimately disregarded the empirical experiences of the functioning federal states by abandoning necessary fiscal policy functions, such as fiscal transfers and discretionary spending. Instead, the union was built on unified monetary policy and rules enforcing price stability, which have brought high structural unemployment. This has resulted in deep internal contradictions for the union, which aims to consolidate public finances while Europe remains in economic recession, suffers from structural unemployment and is pestered by nationalist and populist political movements in the middle of a refugee crisis.

Wolfgang Streeck's (2014, 2016) consolidation state framework suggests that sovereign political institutions redefine themselves in order to submit to commercial market obligations and to serve debt in its different forms. Initially, this takes place through cutting public expenditure and aiming for balanced—sound—budgets for the sake of the confidence of the creditors. Moreover, sovereign economic control is moved to different non-democratic, supranational institutions, and is exercised through strict rules. These replace democratic discretion to become the constitutional element in nation states, and steer their economic policy-making. It follows that private economic actors such as financial institutions will usurp democratic power by using the rules to separate the economy from the sphere of political decision-making.

Streeck (2016: 113) considers the integrated European consolidation state to be 'a unique configuration of national states, international relations and supranational agencies, with fundamental implications for both domestic democracy and the international order'. This coincides with the EMU rules, which have become increasingly effective inside the EU. Therefore, Europe—as a whole and in terms of its separate parts—should represent the classic example of a consolidation state.

First, as an economic union, the EU is clearly committed to the rules reflecting the primacy of the private economy. It is built on principles that consider 'real' growth to be produced only in the private sector, and the sole purpose of the public sector is to serve private sector growth. This is best done by aiming to balance budgets and keep public debt under control. In Streeck's (2016) interpretation, this has been compulsory, because the sovereign states must satisfy the demands of the creditors, regardless of their status in terms of monetary sovereignty. Streeck also suggests that austerity measures are introduced because creditors follow the same logic by expecting consolidation in terms of cutting debt as a confidence-building measure.

However, Lapavitsas et al. (2012) and Mitchell (2015) suggest that the monetary policy restriction only applies in reality in the Eurozone, and monetary sovereign countries do not have these limitations because they can use their own central banks for discretionary fiscal spending. In practice, consolidation has still taken place, since the whole EMU area has been applying the fiscal rules (Hallerberg et al. 2007). EMU fiscal contracts increase the fiscal discipline of a given member state, since the governing institutions and their operating principles are significant determinants of a member state's fiscal performance. The budgetary processes are now more centralised than they were before the 1990s (ibid.). This means that, regardless of differences between the fiscal positions in the

EU countries, fiscal co-ordination and consolidation has reached the whole union. It also implies that while there could be see-sawing in following the fiscal rules, the long-term tendency is towards fiscal discipline.

On the other hand, research by McMenamin et al. (2015) suggests that financial-market actors do not respond to austerity measures with increased confidence, but place more pressure on sovereign debt. Hence, Streeck's theory adopts similar economic assumptions to EU public servants and politicians, and reports them as *factual* constraints and restrictions despite the conflicting evidence.[8] This is possibly because Streeck makes no distinction between the EMU and the Euro. All differences disappear within the EU, as the Euro is treated as the only significant economic policy instrument in the area.

Second, control over the EU's economic policies was moved to different supranational agencies, such as the Commission, which have designed, implemented and monitored compliance with the policies. This puts the EU member states in a difficult position, since the original idea of the economic union was to retain fiscal sovereignty and simultaneously bring it under control (Delors Report 1989; Wyplosz 2006). The regional discrepancies were expected to disappear because of the unified monetary policy. Some co-ordination of fiscal rules was nevertheless seen to be necessary (ibid.).

I interpreted this progression in terms of seeing the EMU rules as powerful indicators. They function as co-ordinators of an integrated European consolidation state. A number of questions arise in terms of indicators, such as exactly what they measure, and how. There are no universal formulae for measuring inflation or public deficits. Instead, this depends heavily on calculation techniques, and on what has been included and excluded in measures. This raises further questions about steering the union using figures such as 3 % and 60 %, which are represented as objective and neutral. (Mügge 2016.) Even if one supports the idea of tight fiscal discipline, Balassone et al. (2006) illustrate how the deficit and debt figures allow these fiscal targets to be reached without any actual operations. Moreover, the introduction of the SGP has encouraged governments to indulge in 'creative accounting', which only makes it more difficult to monitor the state of economies (von Hagen and Wolff 2006).

In addition, EU economic policies are co-ordinated more broadly through single-number indicators. While the SGP deficit indicator depicts only the current budgetary situation (Balassone et al. 2006: 66), the Commission uses other indicators to assess the long-term sustainability of the EU's public finances (European Commission 2006). The computation of long-term indicators assumes infinite or decades-long horizons, during which the economy is expected to be in a stationary state and eventually reach equilibrium (Andersen 2012). In addition, the indicators assume that deficits must be financed by corresponding tax revenue, which means that the kind of policy practised currently will basically continue infinitely (European Commission 2006; Andersen 2012). Generally, the EU's economic indicators combine the 'household' rationale with expressing a need for consolidation in relation to some level predetermined by a single number. They construct the 'sustainability' of public finances using clear-cut numbers that hide all the assumptions and decisions that have led to these figures, and which aim to de-politicise the economy.

Currently, these governance and surveillance mechanisms are being brought together in the so-called European Semester, launched in 2010 (European Commission 2013a), which offers an ideal vantage point for the EU's economic and fiscal governance (see Chap. 6 of this book). Following the idea of the consolidation state and its relation to debt as a dominant social relation, these indicators shed light on whether Streeck's suggested reconfiguration of political institutions is or is not taking place.

Is the European Union becoming an empire of shopkeepers? The EU's motto is 'United in Diversity'. The concept of empire is derived from the Latin word *imperare*, which means to command and exercise authority (Haug 2011: 4). In Haug's (2011: 14) terms, empire stands for 'the predominance of the moment of hegemony', so it calls for constant acceptance of the hegemonic order by the parties involved. In the case of the EU, the parties are expected to accept centralised economic control indefinitely—condensed in the term 'consolidation'—over their sovereign decision-making, while inner contradictions increasingly place pressure on this incomplete politico-economic union. Thus I propose that the motto should be changed to 'Diverse in Unity', which would be a better depiction of the endogenous incoherence of the union.

Notes

1. At the time of writing, the UK has decided to leave the EU and begun the two-year withdrawal negotiations. Brexit is expected to take place by April 2019. That would make the number of member states 27.
2. There has been a recent broad discussion on debt as a (new) dominant social relation (see e.g. Graeber 2011; Lazzarato 2011; Davies 2016).
3. Later, the SGP underwent some legislative revision, such as the '6-pack' in 2011, and the '2-pack' and 'fiscal compact' in 2013, which have meant further fiscal monitoring and restrictions, as well as further integration of the legislation for the member states (for more details, see European Commission 2013a, b).
4. Before the Delors Committee, there was rivalry between two economic camps debating the subject of European monetary union, curiously labelled 'monetarists' and 'economists'. These are not to be confused with the economic school of thought generally associated with the name of Milton Friedman.
5. The so-called 'vertical Phillips curve'. See Friedman (1977).
6. The term 'Ricardian equivalence' was established by James Buchanan (1976) in his criticism. There is no mention of the name David Ricardo in Barro's (1974) original paper on the subject.
7. One example is the Finnish Ministry of Finance, which uses a computer model to calculate and estimate the economic effects and relations of different sectors of the economy in Finland. The computer programme is called *Kooma*. Before the most recent general election, the Ministry of Finance published an 'Official Address' (VM 2015) that recommended public sector cuts of six billion Euros based on Kooma calculations. In the Ministry of Finance's Kooma-model file (VM 2013), 'Ricardian households' is the first reported transition variable.
8. I thank Lauri Holappa for noting this point.

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8

Social Innovation Policy in the European Union

Alex Nicholls and Daniel Edmiston

Introduction

In recent years, social innovation has become an increasingly prominent concept employed by political leaders and administrations across the world. In 2003, the Organisation for Economic Co-operation and Development (OECD) supported a range of initiatives and research to promote inclusive entrepreneurship and 'improve social cohesion through the identification and dissemination of local innovations'. In 2009, President Barack Obama established the Office of Social Innovation and Civic Participation to support cross-sectoral, bottom-up solutions to social problems and challenges in the USA. In Europe, social innovation has proved to be equally conspicuous in pan-European strategies and domestic policies. Innovation has been of enduring interest and concern for European Union (EU) policy for many years (Borzaga and Bodini 2014), but since the late 1990s social innovation in particular has

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captured the political interest of supranational organisations and domestic actors (Pol and Ville 2009; Grisolia and Ferragina 2015). In the EU, social innovation has been posited as a solution to both old and new social risks at a time of heightened uncertainty and pressure on public administrations and finances (Bonoli 2005; OECD 2011; Sinclair and Baglioni 2014). It seems clear that this considerable interest in social innovation has been intimately linked to the Great Recession, structural unemployment and the social challenges arising as a result (European Commission 2014a). Indeed, a key feature of the Europe 2020 strategy was to facilitate and embed social innovation across Europe to 'deliver the kind of inclusive and sustainable social market economy we all want to live in' (BEPA 2010: 16).

In political and policy rhetoric, the European Union has repeatedly cited social innovation as a solution to the persistence of socio-economic, environmental and demographic challenges. These challenges have placed increasing pressure on Europe's systems of welfare, health, education and care provision. Budgetary constraints and increased demand on public services have fuelled the desire to capitalise on social innovation so that public and private institutions can do and achieve *more* with *less,* stressing both increased efficiency and increased effectiveness (TEPSIE 2014). Not only has social innovation been understood as a means of achieving an end in this regard, it has also been recognised as an end in itself. Social innovation has been cited by the European Commission as 'another way to produce value, with less focus on financial profit and more on real demands or needs … for reconsidering production and redistribution systems' (European Commission 2014a: 8).

As a result of this policy interest, there has been a series of flagship initiatives and process innovations to encourage EU member states to engage with social innovation (see further below). These activities have been informed and supported by the EU's largest public research funding programme, Horizon 2020 (European Commission 2013a), which has had a key research focus of establishing the origins and effects of social innovation as well as the efficacy of related policy instruments. Yet, despite all this interest and activity, social innovation remains a nebulous and contested subject across the EU. A principal objective of this chapter is therefore to establish exactly how the concept of social innovation has been understood, applied and managed in pan-European policy. In spite of its varied and often inconsistent use, 'the current interest in social innovation transcends both national borders and political divisions' (Sinclair and Baglioni 2014: 469). What, then, has stimulated such an applied and conceptual bi-partisan preoccupation? A number of accounts have attempted to rationalise the policy interest in its potential. However, it has been suggested that first among the drivers has been the perceived constraints on public expenditure that have challenged the state's capacity to respond to and address social problems. For example, during his presidency of the European Commission, José Manuel Barroso stated that 'the financial and economic crisis makes creativity and innovation in general and social innovation in particular, even more important … at all levels for the benefit of our citizens and societies'. This, in part, reflected a broader crisis within mature capitalist economies and traditional welfare systems (Taylor-Gooby 2013). Both endogenous and exogenous factors have been propagating old social problems, as well as creating new social risks. Demographic and familial change, socio-economic globalisation and structural underemployment have been bearing down on public finances and challenging the state's capacity to respond to these phenomena (Caulier-Grice et al. 2012). As a consequence, many have suggested that a reconsideration is needed of how welfare is financed and delivered—one aspect of this has been a new focus on the role of the social economy, social investment and social innovation within policy development.

Paradigmatically, rising interest in social innovation across the EU has also reflected the recognition that old or institutionalised policy responses have often inadequately addressed the distinct but integral domestic shifts and international challenges facing member states (Chen et al. 2014). Whether this marked an ideological shift or a continuation in the strategy of pan-European institutions and EU member states is less clear. Some have argued that social innovation, in its various permutations, is symptomatic of a 'neoliberal orthodoxy' that draws on the 'eclectic concept to dissimulate political choices, legitimated by the doctrine of budgetary constraints' (Grisolia and Ferragina 2015: 167).

Others have been less critical of social innovation and have suggested that its privileged position in EU policy-making has demonstrated a profound disaffection with the 'neoliberal' policies implemented since the 1980s across the EU. The liberalisation and deregulation of welfare functions and services have not, in many cases, had the desired or expected effects. This has called into question the capacity of the free market economy to meet both social and economic needs. It has been suggested that this 'crisis of capitalism' has induced political administrations to look for alternative models of production and consumption—not only within the welfare sector but also the private sector (Langergaard 2014; Green and Hay 2015). According to this interpretation, the prominence of social innovation represents an increasing appreciation of the structural causes of inequality and social problems.

This social innovation has been considered a policy priority within an essentially *economic* union, and has been deemed a measure of its success in certain respects. However, there has still been some contestation as to whether the strategy and vision for a *social* Europe has matched the implementation of policy targets and measures. Many have been sceptical of the Europe 2020 strategy and its capacity to tackle poverty, inequality, structural unemployment, health and demographic challenges (Nolan and Whelan 2011). It becomes particularly difficult to discern the origin, role and effect of social innovation within this complex nexus of meanings and applications that have been employed so disparately. In spite of its presence at the forefront of EU policy, there has been very little consensus on the meaning and interpretation of social innovation in this context (Mulgan et al. 2007).

While this chapter pays some attention to definitional issues of social innovation and the potential implications of conceptualising it in a particular way, our principal objective is to identify and review social innovation in the context of European policy-making (Borzaga and Bodini 2014: 412). As such, the range of ways in which social innovation has been conceptualised and translated into European public policy is considered at the pan-European level. Specifically, this chapter examines how various interpretations of social innovation have been translated and realised in the EU policy-making process.

Social Innovation

There are a number of conceptual and empirical challenges in seeking to map differences and commonalities between social innovation policy agendas at the domestic and pan-European level. This chapter serves partly as a data collection exercise to identify how social innovation is understood and supported at the European Union level. This is a necessary step towards identifying the different contextual factors that give rise to marginalisation, social innovation and particular policy responses. However, the diversity of the social, economic and institutional environments considered in this research makes it difficult to track systematically, let alone compare, how social innovation operates, and the conditions under which it flourishes.

This challenge is exacerbated by the fact that social innovation as a concept and phenomenon has been essentially (and perhaps necessarily) emergent and contested. Policy-makers, practitioners and academics have often differed over exactly what they understand social innovation to be (see Nicholls and Murdoch 2012; Nicholls et al. 2015). However, a distinction can be drawn between 'policies for social innovation' and 'policies as social innovation'. 'Policies for social innovation' include those designed to support social institutional entrepreneurship, social service entrepreneurship and social change entrepreneurship. 'Policies as social innovation' denote measures fostering public-sector innovation through social policy entrepreneurship and social entrepreneurship policy-making via regulations, fiscal policy and public procurement.

Some have argued that social innovation is defined by its process, methods and socio-structural functions; others have defined social innovation according to preceding approaches and organisational forms; and others still have believed that social innovation is characterised by its outcomes and objectives. Many of the most influential definitions conflate these different dimensions to describe the essence of social innovation. Very often, however, it is less clear which characteristics (or even outcomes) are necessary and/or sufficient conditions. Indeed, some have suggested that the 'uses and definitions of the concept are so disparate that it is becoming increasingly difficult to assess whether social innovation is in fact a helpful construct or just another fad that will soon be forgotten' (Borzaga and Bodini 2014: 411). In this light, Jenson (2012) argued that social innovation is effectively a 'quasi concept' that has a reputable intellectual basis but is also open to theoretical, analytical and empirical criticism and interpretation. The conceptual malleability of the term and phenomenon make it particularly susceptible to modification and reinterpretation.

This perhaps goes some way to explaining why the popularity of, and interest in, the term have gained such momentum in recent years. Beyond its capacity to effect social change in an innovative manner, there is little agreement as to the nature, role and purpose of social innovation. The conception of social innovation and its potential within the EU was largely shaped by the definition of social innovation employed by the European Commission. At first, the Commission was reluctant to commit to one definition because it was believed that 'social innovation, as a new and emerging concept, cannot be encapsulated within a tight definition with strictly designated objectives and means' (BEPA 2010: 30). The Bureau of European Policy Advisers (BEPA) argued that there were a number of facets to social innovation that needed to be attended to or accommodated within a common working definition employed by the European Union:

> Social Innovation relates to the development of new forms of organisation and interactions to respond to social issues (the process dimension). It aims at addressing (the outcome dimension):
>
> 1. Social demands that are traditionally not addressed by the market or existing institutions and are directed towards vulnerable groups in society.
> 2. Societal challenges in which the boundary between 'social' and 'economic' blurs, and which are directed towards society as a whole.
> 3. The need to reform society in the direction of a more participative arena where empowerment and learning are sources and outcomes of wellbeing. (BEPA 2010)

According to the BEPA, these objectives of social innovation were not mutually exclusive. Meeting social demands and societal challenges, and encouraging empowerment as a source and outcome of well-being were understood as being interdependent and mutually reinforcing objectives of social innovation. Innovations that addressed social needs were able to address societal challenges, and through the development of new forms of organisation and social interaction it was possible to facilitate empowerment and active participation.

Despite its initial resistance, by 2013 the European Commission had developed its own definition of social innovation as:

> The development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human wellbeing. Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also enhance individuals' capacity to act. (European Commission 2013b: 6)

We next consider the different ways in which social innovation appears to be understood and supported. By identifying the differences and similarities in how public policy agendas conceive of and support social innovation, it is hoped it will be possible to establish some of the factors shaping this emergent concept and phenomenon in public policy discourse.

European Union Policy Frameworks

The European Union has supported a range of measures designed to instigate, embed and support social innovation. These measures are generally considered 'rich but scattered' (BEPA 2010: 46), operating across diverse policy domains and different socio-structural levels. None the less, there were three core policy frameworks that underpinned and gave cohesion to these activities. These were the Europe 2020 strategy (2010–2020), the Social Business Initiative and the Social Investment Package. These policy frameworks provided an overall logic and organisational structure to the social innovation policy in practice. Importantly, they also articulated the broader social, political and economic objectives of the EU towards which social innovation policies were intended to contribute. Importantly, however, social innovation policies have to be viewed within their broader setting to appreciate how countervailing priorities, interests and challenges are mediated by public bodies and actors.

Europe 2020

Europe 2020 is the European Union's jobs and growth strategy, running from 2010 to 2020 and conceived as the 'overarching framework for a range of policies at the EU and national level. In particular, the strategy has served as a guide for the design and programming of the European Structural and Investment Funds over 2014–2020' (European Commission 2015a: 1). The primary objective of the strategy was to create the conditions and environment for 'smart, inclusive and sustainable economic growth'. The overall priorities of Europe 2020 include significant investments in education, research, development and innovation, sustainable energy consumption and a strong focus on job creation and poverty reduction. These priorities have been operationalised in the following targets to be met by 2020, which aimed to:

- Increase the proportion of the working-age population in employment to 75 %.
- Invest 3 %of the EU's gross domestic product (GDP) in research and development (R&D).
- Reduce greenhouse gas emissions by 20 % compared to the 1990 level.
- Increase the share of renewables in final energy consumption to 20 %.
- Increase energy efficiency by 20 %.
- Reduce the proportion of early school-leavers to below 10 %.
- Increase the proportion of 30–34-year-olds who have completed tertiary education to at least 40 %.
- Lift at least 20 million people out of the risk of poverty or social exclusion.

Seven flagship initiatives were conceived to realise the objectives of Europe 2020: Digital Agenda for Europe; Innovation Union; Youth on the Move; Resource Efficient Europe; Industrial Policy for the Globalisation Era; an Agenda for New Skills and Jobs; and the European Platform Against Poverty and Social Exclusion. Despite the claim that 'social innovation is often reflected in the provisions of these initiatives' (European Commission 2014a: 60), not all of the seven flagship initiatives engendered a commitment to social innovation. In addition, the Digital Agenda for Europe purported to deliver sustainable economic and social benefits, but the legislative actions within it do not pay adequate attention to social, cultural or economic dimensions for tackling marginalisation and facilitating social innovation.

The Innovation Union Initiative aimed to create an environment in which innovation could flourish, so that ideas could be turned into products and services. While this initiative articulated a more explicit commitment to the social dimensions of innovation, social innovation featured in only one of its ten substantive objectives. The majority of the Innovation Union objectives focus on enhancing the capacity of research, development and innovation, and translating this into economic benefits and growth for Europe. By contrast, the one objective concerning social innovation emphasised its capacity and potential to instigate economic growth, but also to address social problems. To realise this latter objective, a number of measures and actions were taken that focused on social innovation specifically in the context of public-sector innovation:

- Establishing the Social Innovation Europe (SIE) virtual hub for social entrepreneurs, policy-makers and the third sector.
- Piloting a European Public-Sector Innovation Scoreboard to measure, but also to champion the extent of innovation in the design and delivery of public services within member states. This was also intended to open up opportunities for dialogue and policy transfer.
- Strong promotion of social innovation as a focus and objective through key funding instruments such as the European Social Fund, the Progress Programme (2007–13) and the EU Programme for Employment and Social Innovation (2014–20).
- Investment in a significant research programme on social innovation and public-sector innovation to explore measurement, evaluation, finance, and barriers to scaling up and development.

- Piloting a network of social innovation incubators to assess, support and scale up (TRANSITION).
- Supporting innovative social experiments through the European Social Fund (ESF) and the European Platform Against Poverty and Social Exclusion.
- Introducing five European Innovation Partnerships which bring together EU, national and regional actors for joint investment and to collaborate on challenges and issues facing Europe. Two of these partnerships focus on active and healthy ageing, and smart cities and communities.

Another flagship initiative, Youth on the Move, aimed to increase labour market integration and mobility while also improving the rate and quality of education and training received by the young working-age population of Europe. A range of actions was introduced focusing on lifelong learning, higher education, learning mobility, vocational education, and training. The value of innovation was principally understood as a vector of growth in the knowledge economy that needed to be supported through increased education, training, and R&D. However, at the *strategic* level, there was little, if any, substantive demonstration that social innovation featured as part of the Youth on the Move initiative.

An Agenda for New Skills and Jobs came closer to specifying how 'inclusive growth' might be achieved. The initiative outlined a number of priorities to address the challenges of structural unemployment, global competitive pressures and a shrinking working-age population. These included better-functioning labour markets supported by job creation and 'flexicurity' policies, a more skilled workforce and better-quality jobs and working conditions. The European Commission suggested that these priorities were 'essential for the scaling up of social innovation' or indirectly contributed to 'wider social innovation' (European Commission 2014a: 65). However, the actions and instruments underpinning the initiative did not represent clearly enough 'new responses to pressing social demands' (European Commission 2013a: 6).

The final flagship initiative was the European Platform Against Poverty and Social Exclusion. The Platform was established to reduce the share of the total population at risk of poverty or social exclusion (AROPE) in the

European Union. It aimed to tackle poverty and social exclusion by delivering action across the policy spectrum; protecting and making better use of funds to support social inclusion; promoting evidence-based innovations in social policy, and incorporating civil society actors and organisations into the design and delivery of inclusion strategies. The European Commission also proposed that 20 % of the ESF (see below) should be earmarked to tackle poverty and social exclusion, and called for greater policy co-ordination between EU countries through the open method of co-ordination for social protection and social inclusion, and through the Social Protection Committee.

Both the European Commission and a number of its Directorates-General considered the Europe 2020 policy agenda to be the most explicit commitment to the idea, practice, means and ends of social innovation in the EU. Europe 2020 has been said to encapsulate a social innovation approach and ideal (European Commission 2014a). However, on closer inspection, there was occasionally little in the way of social innovation in the detail of the strategy. The overall priority was to 'move decisively beyond the crisis and create the conditions for a more competitive economy with higher employment'. The relative separation of the social and economic objectives of Europe 2020 belied the integrated social market economy model espoused by political and policy leaders, and somewhat contradicted the BEPA's suggestion that a 'social innovation culture has spread in support of the Europe 2020 strategy and its implementation' (European Commission 2014a: 9).

Social Business Initiative

The second policy framework that established social innovation on the EU's policy agenda was the Social Business Initiative (SBI). Launched in 2011, the SBI was a product of the Single Market Act I. The Act outlined a series of structural reforms to integrate the European market economy, boost growth and strengthen confidence in the economic and monetary union. In addition, though, the Single Market Act I also encouraged the European Commission to 'continue to improve its coverage of the social dimension of the impact assessments which accompany legislative proposals concerning the internal market' (European Commission 2011a: 5). As part of this, the European Commission developed 12 key actions that included mobility for citizens, intellectual property rights, taxation reform and consumer empowerment (European Commission 2011a). A number of other actions were also launched that had the capacity to support social innovation:

- *Access to finance for SMEs*: making it easier for venture capital funds established in a member state to invest freely in any other member state, without obstacles or additional requirements.
- *Public procurement*: revising and modernising public procurement legislative frameworks, with a view to underpinning a balanced policy which fosters demand for environmentally sustainable, socially responsible and innovative foods, services and works. It was hoped that this revision would result in simpler and more flexible procurement procedures for contracting authorities.
- *Social cohesion*: improving and reinforcing the EU Posted Workers Directive by enforcing and sanctioning any circumvention of the applicable rules, to protect freedom of establishment and freedom of association, alongside other fundamental social rights. The rationale for this action was to realise the ambitions of a 'social market economy by ensuring, with no race to the bottom, that businesses are able to provide their services … whilst at the same time providing more high quality jobs and a high level of protection for workers and their social rights' (European Commission 2011a: 17).
- *Social entrepreneurship*: creating a level playing field for 'social purpose' organisations in terms of their mobility, the economic environment within which they operate, their legal status and the regulations to which they are subject.

By supporting businesses motivated by social, cultural and environmental commitments, the European Commission argued it should be possible 'to introduce more fairness in the economy and contribute to the fight against social exclusion' (European Commission 2011a: 14). To help organisations realise their objectives relating to social, ethical or environmental development, the European Commission proposed to develop legal models better adapted to their needs, set up a European framework facilitating the development of social investment funds and establish the Social Business Initiative.

The Act also announced a new Commission on corporate social responsibility, which led to a new EU strategy encouraging businesses to pursue actions with social or environmental objectives as part of their daily activities: the Social Business Initiative (SBI). The SBI was designed to create a favourable climate for social enterprises and key stakeholders in the social economy. Outlining the rationale for the initiative, the European Commission stated that the 'single market needs new, inclusive growth, focused on employment for all, underpinning the growing desire of Europeans for their work, consumption, savings and investments to be more closely attuned to and aligned with "ethical" and "social" principles' (European Commission 2011b: 2). As part of the SBI, social enterprises were championed as a key mechanism for inclusive economic growth that contributed to social cohesion and responded to unmet need through social innovation. The European Commission defined a 'social enterprise' as the following types of business: those for which the social or societal objective of the common good is the reason for their commercial activity, often in the form of a high level of social innovation; those where profits are mainly reinvested with a view to achieving this social objective; and those where the method of organisation or ownership system reflects their mission, using democratic or participatory principles, or focusing on social justice.

Such definitions captured the potential for a social enterprise or 'social business' to contribute towards social and economic transformation. As part of the SBI, a range of measures sought to:

- Improve access to financial markets, private funding mechanisms and social investment funds through favourable regulation;
- Improve analysis, promotion and development of the legal and institutional environment for microfinance;
- Encourage microfinance by issuing guarantees for lending to social enterprises;
- Mobilise European Union funds through the European Regional Development Fund (ERDF) and European Social Fund (ESF) to prioritise the capacity-building, activities and impact of social entrepreneurship;

- Develop tools to gain a better understanding of the sector and increase the visibility of social entrepreneurship;
- Reinforce the managerial capacities, professionalism and networking of social business;
- Develop appropriate legal forms which could be used in European social entrepreneurship;
- Enhance the element of quality in awarding contracts in the context of the reform of public procurement, especially in the case of social and health services; and
- Simplify the implementation of rules concerning state aid to social and local services

In January 2014, the Strasbourg Declaration was signed as a follow-up to the SBI. The Declaration outlined a series of agreed recommendations to continue developing the potential of social entrepreneurship across the EU. The European Economic and Social Committee established a working group to implement a set of substantive actions stemming from the declaration (European Commission 2014a).

In sum, the SBI demonstrated a sustained strategic commitment to the actors and organisations engaged in features of social innovation. These commitments ranged broadly from light-touch regulation encouraging corporate social responsibility among for-profit businesses to more heavy-handed regulative frameworks, funding mechanisms and knowledge creation to enhance the capacity of social enterprises and social purpose organisations.

Social Investment Package

The third policy agenda was the Social Investment Package (SIP). While social protection and stabilisation of the economy have been recognised as core functions of the welfare state, the EU also emphasised the value and potential of the third function of the welfare state: social investment. As a response to the economic crisis of 2008/9, the European Parliament launched the SIP in 2013 as an integrated framework designed to help European public authorities modernise and reform their social and public services.

The SIP encouraged member states to 'use their social budgets more efficiently and more effectively and to tackle the social consequences of the crisis by identifying best practices and providing guidance on the use of EU funds for social investment' (European Commission 2013c: 3). The European Commission argued that public policies and finances should focus more on preventative measures and actions. As part of this strategy, the European Commission claimed that member states should be investing in people or 'human capital', so that public authorities would be able to reap the maximum social and economic 'dividends' on their 'social investment'. The implementation of the SIP included measures to tackle childhood inequality; improve the sustainability and provision of healthcare; enhance personalised social services; tackle gender inequality; modernise pension systems; reduce poverty; and improve employment and activation services (European Commission 2014b).

The European Commission identified social issues principally as a threat to the sustainability of EU welfare regimes, and they were understood as being functionally disruptive (European Commission 2015b). The SIP was seen as a key strategy to make the best use of limited financial resources to address these issues—notably growing poverty and social exclusion (European Commission 2013c). The ambition to move from a 'welfare state model' to a 'social investment state model' was understood as a key means by which to cope with the social effects of macroeconomic shifts, demographic changes and globalisation (European Commission 2013c).

According to the SIP, 'social innovation (and social policy experimentation), need to be embedded in mainstream policymaking and connected to social priorities' (European Commission 2014a: 72). The SIP shaped member states' policy reforms in the framework of the European Semester. Moreover, the performance of member states was monitored through indicators underpinning the employment and poverty targets of the Europe 2020 strategy. The reforms set out in the SIP were wide-ranging and focused on the social dimensions of the European Semester.

Member states were expected to realise key objectives by making use of EU financial and non-financial support services for social policy experimentation, testing new approaches to social policies and scaling the most effective innovations, exchanging experiences and expertise, and exploring new financing mechanisms such as Social Impact Bonds.

Crucially, the SIP approach focused on methods of activation that prioritised individual solutions and interventions to socio-structural causes of marginalisation and resource scarcity. Indeed, a great deal of the SIP focused on reforming public services and social policies in a way that better equipped people with the knowledge, skills, resilience and resources to adapt to social risks. This end goal of 'adaptation' was particularly interesting given the European Commission's focus on the structural factors propagating marginalisation and resource scarcity (European Commission 2013c). Rather than addressing the structural causes of social exclusion, the SIP advocated a 'preventative' strategy based on 'activating and enabling policies' that improve social inclusion through access to the labour market.

Regulatory Frameworks

To improve the regulatory environment for actors and organisations engaged in social innovation, the European Commission introduced a number of measures to instigate a change in public procurement practices, state aid regulations and the legal status of organisations engaged in social innovation. In fact, some of the primary actions of the SBI were designed to improve legal and regulatory frameworks so that actors and organisations could produce or execute social innovations more effectively. Governance and reporting mechanisms, such as the open method of co-ordination for social protection and social inclusion, and the Social Protection Committee, helped to monitor the extent to which EU member states were supporting social innovation or public-sector innovation. A variety of impact assessments examined the economic, social and environmental impact of regulations. However, the European Commission has also explored how regulatory and legal frameworks can increase organisational capacity for socially innovative activities. These actions focused principally on facilitating cross-border activity as part of the wider project of EU integration.

Privileged Legal Status

Introduced in 2006, the European Cooperative Society (SCE) was a legal entity in company law that enabled co-operatives to bypass the need to establish a subsidiary in each EU member state within which they operated. A study on the implementation of the SCE found that the regulation had only limited success. This was in part because there has been a low uptake (only 17 organisations), but it was also caused by a lack of harmonisation. More recently, the European Commission also funded data collection, organised events, and ran a consultation process on the need to amend the existing legislation.

In 2012, the European Commission published a proposal for a new regulation for a 'European Foundation'. Designed to support public benefit purpose foundations undertaking cross-border activity, it was hoped that the legal status of the 'European Foundation' would reduce the bureaucratic and administrative burden of operating across EU member states. Very often, foundations engaged in activities in more than one country were faced with legal and administrative obstacles that meant they were compelled to commit financial and non-financial resources to navigating these challenges. By creating a single European legal form, the European Commission hoped it would be possible to overcome some of these challenges. Organisations taking this new legal status would operate alongside domestic foundations.

In 2013, the European Parliament adopted a specific resolution with recommendations on the Statute for a European Mutual Society. This statute was principally motivated by a desire to reduce the legal and administrative burden for mutual societies undertaking cross-border activities. The European Commission aimed to support co-operatives across Europe by guaranteeing 'that enterprises of this type, independently of their size, can continue to operate in the market by preserving their social role, particular style of functioning and ethics' (European Commission 2014a: 100).

Favourable Procurement and Commissioning Guidelines

One of the key actions of the SBI was to emphasise social value metrics in public-sector procurement and commissioning guidelines. This led to the adoption of new regulations on public procurement in several sectors (European Commission 2014c), utilities (European Commission 2014d), and a new directive on specific concessions (European Commission 2014d). The aims of the new public procurement rules included contributing to the implementation of environmental, social inclusion and innovation policies.

These new regulations enhanced the competitiveness of actors and organisations engaged in social innovation—specifically in terms of their ability to bid for public-sector contracts and deliver public services. This included reducing the administrative and financial burden incurred by organisations engaged in public-sector procurement and bidding, providing clear and simple rules awarding concession contracts and eliminating price as the sole award criteria for the procurement of social and health services. This enhanced the competitive advantage of smaller organisations engaged in social innovation.

The regulations also enabled public authorities to consider the long-term social value of certain contracts, such that they could factor into their consideration how public services or goods might be delivered, purchased or produced if a particular provider were to be awarded the contract. In addition, for some social services it was possible to reserve contracts for not-for-profit organisations that had a public service remit based on employee participation. Reserved procurement procedures enabled 'sheltered workshops' or social enterprises to participate, provided that 30 % of their workforce was deemed to be 'disadvantaged'. Previously, social enterprises working for the inclusion of disadvantaged groups were required to be able to define at least 50 % of their workforce as 'disadvantaged'. This possibly enabled social enterprises to compete for contracts on a more competitive basis as a result of their lower—social—operating costs.

Social Innovation Funding and Finance

European Regional Development Fund

The principal objective of the ERDF was to address the key regional imbalances within the EU. The fund was therefore concerned with economic regeneration and development, territorial co-operation and increasing competitiveness. There was also a particular focus on reducing economic, environmental and social problems in urban areas. For the period from 2007 to 2013, the overall budget totalled €210 billion, but for the period from 2014 to 2020, the budget fell to €183 billion. While the EU allocated the funds, member states and managing authorities controlled the funding and were able to exercise some degree of discretion as to how the money was used. This was borne out by the variation across the regions and territories in terms of how the funds were used. While the majority of the investment priorities did not focus formally on social innovation, the regulations outlined for the ERDF stated that:

> It is necessary to promote innovation and the development of SMEs, in emerging fields linked to European and regional challenges such as creative and cultural industries and innovative services, reflecting new societal demands, or to products and services linked to an ageing population, care and health, eco-innovation, the low-carbon economy and resource efficiency. (European Commission 2013d: 290)

In addition, one investment priority focused on supporting social enterprises to promote social inclusion, and combat poverty and discrimination. This opened up the opportunity for significant investments that could scale the capacity and impact of social innovation. However, there was little substantive specification of what this support could and should entail.

Perhaps in an attempt to ensure social innovation featured in funding outcomes, a number of changes were made to the regulations surrounding ERDF 2014–2020.

European Social Fund

The ESF was designed to reduce inequalities across and within EU member states, and promote economic and social cohesion (SIE 2011). Between 2007 and 2013, around €75 billion were distributed to member states—representing around a tenth of the total EU budget. During this period, the proportion of funds allocated to social innovation varied across member states, but generally ranged between 1 % and 5 %t of the total funding received by the country in question (European Commission 2013c). It is estimated that more than €2 billion of these funds were dedicated to public-sector innovation, and more than €1 billion were dedicated to innovative activities designed to support the development of skills and combat unemployment (European Commission 2013c).

For the period 2014–2020, member states negotiated the funds they received from the ESF. Member states partially matched the funding received through the ESF, and managing authorities in member states then distributed these funds to operational programmes. These programmes aimed to support local and specialist organisations in delivering a range of employment-related projects. While member states and managing authorities were, to some extent, able to interpret the strategic priorities of the ESF, the funding priorities were principally negotiated and agreed at the EU level. The strategic priorities of the ESF from 2014 to 2020 focus on 'getting people into jobs' by providing opportunities to obtain training, qualifications and skills with a view to finding gainful employment, promoting social inclusion, enhancing the educational outcomes, skills and training received by young people, and improving the quality of public administration and governance. According to the European Commission, the ESF represented the EU's biggest 'human capital investment', with almost €80 billion committed between 2014 and 2020.

The ESF was committed to promoting social innovation in all areas falling under its scope. This commitment was aimed at 'testing, evaluating and scaling up innovative solutions, including at the local or regional level, in order to address social needs in partnership with the relevant partners and in particular, social partners' (European Commission

2013e: 477). Across policy areas, the ESF intended to ensure social innovation contributed towards the headline targets of Europe 2020. As a condition of their funding, member states were required to identify fields of social innovation that corresponded to their specific needs. This could be undertaken during the development of operational programmes or at a later stage. Each operational programme co-financed by the ESF would have to demonstrate how planned actions contributed towards social innovation (European Commission 2013a).

A particular aim of the ESF was to support innovation and experimentation by measuring evidence-based solutions and selecting the most effective ideas before scaling them on a larger level. In addition to a dedicated social innovation facility in the new ESF regulations, the European Commission also proposed support for innovative policies and public services that were responsive to social change.

Through the ESF, social innovation was only recognised and supported officially in a way that reproduced existing social relations. While it may have been innovatively social in its *means*, the activities and objectives funded were not innovatively social in their *ends*. That is, the existing funding structures limited the capacity for social innovation significantly in terms of disrupting or altering 'the process of social interactions' (European Commission 2013a). Social innovation did occur that was genuinely transformative as a result of the ESF, but this was largely a by-product rather than an explicit objective of operational programmes. This limitation was perhaps propagated by the lack of systematic evidence collected on how the funds were used to support social innovation (TEPSIE 2014).

European Union Programme for Employment and Social Innovation

The Employment and Social Innovation Programme (EaSI) was a much smaller financing instrument designed to support employment, social policy and EU labour mobility. The European Commission claimed that 'the concept of social innovation, which has a special focus on youth, is at the heart EaSI' (European Commission 2013b: 7).

This integrated programme was originally going to be called the Programme for Social Change and Innovation, but was later renamed to reflect its changing focus. With a total budget of €919.5 million, the Programme for Employment and Social Innovation, which runs from 2014 to 2020, focused on:

- Supporting the development of adequate social protection systems and labour market policies, and promoting good governance, mutual learning and social innovation by modernising employment and social policies with the PROGRESS axis (61 % of the total budget).
- Promoting geographical mobility and boosting employment opportunities through the development an open labour market with the EURES axis (18 % of the total budget), increasing the availability and accessibility of microfinance for vulnerable groups and micro-enterprises, and increasing access to finance for social enterprises through the Microfinance and Social Entrepreneurship axis (21 % of the total budget).

The PROGRESS axis, or the Programme for Employment and Social Solidarity, was the EU's main instrument for promoting welfare reforms through employment and social policy experimentation. The programme aimed to contribute towards fulfilling the targets of the Europe 2020 strategy by identifying innovative methods of designing and delivering public services so that these were more responsive to the social and economic needs of EU member states. Between 2009 and 2013, PROGRESS funded 23 projects on social policy experimentation, with a total budget of €21.4 million (European Commission 2014a).

Between 2014 and 2020, PROGRESS has committed between €10 and €14 million each year to test labour market policy innovations and social policy experimentation, looking at methods, processes and finances. Overall, PROGRESS aimed to:

- Increase the capacity of organisations to contribute towards the implementation of European Union strategies;
- Finance labour market and social policy innovations; and

- Support the development of an analytical and comparative evidence base that could lead to effective information-sharing, mutual learning and dialogue, to share and learn from best practice in social innovation.

Once again, innovation (social or otherwise) was only accommodated and supported in a way that was financially and strategically valued by EU public bodies and activities.

Beyond the funding programmes already discussed in this section, various EU bodies were also involved in a range of other regulatory and funding initiatives that, in some measure, were designed to create economic space for actors and organisations engaged in social innovation. These initiatives focused on financial operations that ranged broadly from increasing the availability of microcredit and microfinance to supporting infrastructure projects that could grant access to larger capital markets for social businesses or organisations engaged in social innovation.

In 2011, the European Commission published a European Code of Good Conduct for Microcredit Provision, which outlined a set of recommendations and standards to encourage and foster good practice in the microcredit sector. Developed in collaboration with stakeholders and practitioners across the small but growing European microcredit market, the Code of Good Conduct sought to address some of the main challenges facing the sector.

Developed during the programming period between 2007 and 2013, the European Commission provided technical assistance to microcredit institutions through a range of special support instruments. These included:

- JEREMIE (Joint European Resources for Micro to Medium Enterprises): promotes the use of financial engineering instruments to improve access to finance for small to medium-sized enterprises through European Structural and Investment Fund (ESIF) interventions.
- JESSICA (Joint European Support for Sustainable Investment in City Areas): supports sustainable urban development and regeneration through financial engineering mechanisms.

- JASMINE (Joint Actions to Support Microfinance Institutions in Europe): seeks to improve access to finance for small businesses.
- JASPERS (Joint Assistance to Support Projects in European Regions): offers technical assistance to 12 member states that joined the European Union between 2004 and 2007.

In 2013, the Regulation on European Social Entrepreneurship Funds (EuSEF) was established to create a label so that investors were easily able to identify funds that invest in European social businesses. Provided funds met certain criteria, social enterprise funds would be able to use the new label and market their funds across Europe. In order to use the label, social enterprise funds had to ensure that at least 70 % of their funds were 'invested in businesses whose primary aim is to provide goods and services to vulnerable, marginalised, disadvantaged or excluded people, use a method of production of goods and services that embodies its social objectives or provide financial support only to social businesses that are trying to achieve those ends' (European Commission 2014a: 105–106).

Under these new regulations, organisations using the EuSEF label were required to measure the social impact of their funds and ensure profits distributed to investors did not undermine the objectives of the social businesses supported. EuSIF could also only invest in social businesses that did not currently have access to capital markets to fund their operations or growth.

Following the launch of a Taskforce for a European Social Investment Facility, the European Investment Fund also established the Social Impact Accelerator—the first public—private partnership supporting social enterprises. The Social Impact Accelerator invested in social impact funds targeting social enterprises across Europe. The aim of the initiative was to address the emerging need for social enterprises to access equity finance.

The European Investment Fund rationalised this initiative by highlighting the increasingly prevalent role of social enterprises in tackling social exclusion and promoting alternative forms of employment for 'disadvantaged' groups. The Social Impact Accelerator was considered to be the first step in cultivating a sustainable funding market for social enterprises across Europe. It was hoped that this would be achieved by developing a financial market infrastructure that supported the operation of organisations seeking a social impact.

The Social Impact Accelerator sought to support funds that, in addition to financial return targets, also pursued explicit social impact targets through their portfolio of investments. The EIB managed the fund, and Crédit Coopératif and Deutsche Bank also funded the Scheme. Fifty-three million euros were dedicated to the accelerator. For the purposes of the scheme, the EIB also developed its own specific definition of social enterprises and a methodological approach to measuring social impact.

The European Commission also undertook public consultation on crowdfunding to identify opportunities and costs associated with this emerging form of finance. As well as a form of social innovation in itself, this funding model also opens up economic space for social innovation projects. In 2014, the European Commission published a Communication that set out a number of measures to encourage the growth of this form of finance. This included establishing an expert group on crowdfunding to provide advice and expertise to the Commission, raising awareness of crowdfunding and its benefits, and mapping national regulatory developments to support, where possible, optimal functioning of the internal market (European Commission 2014e). The European Commission also supported a number of crowdfunding stakeholder forums.

As awareness of the needs, opportunities and challenges facing social innovation organisations increased, the European Commission responded accordingly. The European Commission has, via research and public consultation, explored the changing financial needs of the social economy, and either provided funds for capacity-building and social innovation projects, or opened up access to private and larger capital markets for organisations engaged in social innovation through new regulation or market infrastructure.

In addition to the policy measures outlined above, the European Commission has also supported a wide-ranging body of research that has sought to identify barriers to social innovation as well as identify measures and examples of best practice. This body of research has aimed to act as an evidence base to make the case for future interventions as well as to inform future policy direction. The Commission has also supported applied networks, capacity-building, incubation, peer learning, knowledge exchange and networking. These efforts were not only intended to support private actors and organisations engaged in social innovation, but also to encourage public-sector innovation so that public authorities were better able to meet the evolving needs and expectations of public service users. The definition of social innovation endorsed by the European Commission promoted the active participation and empowerment of European citizens as a source and outcome of well-being.

There has, on occasion, been a mismatch between the strategic objectives of the EU and the measures taken to realise these ambitions. This mismatch arose from the tensions and limitations inherent in any social innovation supported by existing institutions that are the product of, or have a significant bearing on, socio-structural dynamics, power relations and cognitive frames. Within this context, the EU has often only supported social innovation within the parameters deemed strategically and financially valuable by other policy priorities. Where the ideals and ends of social innovation have competed too strongly with other priorities of the EU, it appears that the underlying ideals have either been lost in translation or sacrificed to countervailing concerns. The blurring of the boundary between the social and economic against the backdrop of fiscal austerity has been particularly troubling in this regard.

EU policy documentation and rhetoric has used the term 'social innovation' interchangeably to refer to a very broad range of activities, processes and outcomes. Very often, the term has been used in a way that does not accurately represent the phenomenon or definition endorsed by the European Commission. Moreover, post-hoc identification and justification of initiatives has made it particularly difficult to track social innovation, and in particular, the effect of EU public policy purportedly designed to support it.

Conclusions

The EU social innovation policy survey presented here has taken stock of the public policy agendas associated with social innovation in Europe. Across the EU, social innovation has generally been defined inconsistently, and has often been treated as a concept that is either associated, or interchangeable, with social entrepreneurship, the third sector, volunteering, the sharing economy, the social economy, civil society, or public service reform. As a result, the parameters of what could be considered a relevant policy framework change from one institutional context to the next. Social innovation has rarely been a *central* policy priority, and has typically been seen as more of an addendum to the other policy programmes of political administrations.

Moreover, social innovation policy across the EU has often reflected a more generalised disaffection with the existing socio-economic order, and has been positioned as a mechanism with which to affect economic, social or institutional change. Across the EU, the specified objectives of social innovation typically differ according to the political priorities and socio-economic challenges faced by individual member countries. Furthermore, the nature, goals and effectiveness of public policy agendas supporting social innovation vary significantly according to the social macro-structures in operation within a given country context. Furthermore, the fluidity and adaptability of the meanings associated with social innovation have made it very attractive to policy-makers as something of a panacea for complex and contingent social problems.

With this in mind, despite its transformative potential and ideals, social innovation has only tended to be recognised and supported by public institutions when it does not compete too strongly with the *existing* socio-economic and political settlements. This perhaps goes some way to explaining the domestic policy agendas that have emerged to conceive of and support social innovation in distinctive ways. Yet if social innovation tends only to be supported publicly within the parameters of a country's existing institutional and political landscape, this poses a number of problems for its capacity and transformative potential. While it becomes possible to mobilise resources around social innovation in a way that is potentially advantageous to the needs and challenges faced by a country, it may equally block disruptive social and economic action at a structural—or more transformatory—level. Public policy agendas may provide the much-needed support (financial or otherwise) to foster social innovation. However, they may equally moderate the impact of a publicly sponsored social innovation that aims only for incrementalism rather than disruption. This means—for very different reasons—that publicly supported social innovation may be predisposed to *capture* by extant institutional logics. In trying to scale the capacity of social innovation, public bodies have been faced with a perennial challenge: how to support and incorporate activity that is essentially transformative or peripheral without compromising the methods and objectives from which it derives its value.

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9

Reproducing or Remaking the Social Contract with Young People in the Europe 2020 Strategy?

Eriikka Oinonen and Leena Tervonen-Gonçalves

Introduction

Europe has suffered a severe economic crisis leaving millions of Europeans unemployed, indebted, excluded, and feeling hopeless and betrayed. These problems began as a financial crisis in 2007–2008 but soon expanded into economic, political and social domains. The financial sector failed, property bubbles burst and nation-states' economies collapsed. Austerity measures were adopted to secure bailout loans from the tripartite committee known as the *Troika*, formed by the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF). Unemployment rates rocketed, while protests, riots and social unrest took place in the countries worst hit by the crisis (Mason 2012; Feixa and Nofre 2013; Varoufakis 2013).

Amid the crisis, the European Commission launched a Europe 2020 strategy, outlining what should be done within the European Union

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(EU) and in its member states by 2020 to achieve smart, sustainable and inclusive growth to restore Europe's competitiveness in global markets. While the strategy explicitly sets the exact numerical targets for education, employment and poverty reduction for the member states and the EU, it also outlines a desired life model for Europeans, and for European youth in particular. The strategy is involved in reproducing the long-standing social contract: investing in higher education (HE) will ensure a secure labour market position and upwardly-mobile careers, and income development will follow. By outlining a life model where education and employment are seen primarily as instruments for making individuals, nations and Europe itself competitive, the strategy promotes a neoliberal approach to social governance.

In many ways, the economic crisis and its aftermath has hit European youth hard, accelerating unemployment and underemployment, and causing economic hardship and future insecurity (see France 2016; Brown et al. 2011). Yet somewhat ironically, the Europe 2020 strategy expects young people to be the force behind restoring Europe to the global map as a worthy competitor to the USA, Canada, Japan and Australia, as well as to emerging economies in Asia and Latin America. The key to Europe's future success seems to be in education, and particularly in HE. Therefore Europe's highly educated young people are of special interest here; they are the most educated European generation ever, but their integration into the labour market and transition to independent life is proving to be unprecedentedly difficult. There has been extensive research on exclusion and on young people who are not in education, employment or training— generally called NEETs, but less attention has been paid to current challenges faced by highly educated young people in Europe (Roberts 2011, 2013).

In this chapter, we analyse the Europe 2020 strategy (European Commission 2010a) and the related flagship initiative 'Youth on the Move' (European Commission 2010b), to examine the blueprint of the expected life model for young people in Europe. Statistics on education and employment are used to illustrate the current realities for highly educated young people. We begin by discussing the theoretical and analytical framework of the neoliberal approach to social governance, as well as the concept of the social contract and our reading of it. After presenting the data, we first analyse the Europe 2020 strategy and the flagship initiative 'Youth on the Move' to reveal the proposed roles and expectations for highly educated young people. Moving forward, we explore the contemporary reality of educated youth by reviewing education and employment statistics from the selected member states. In conclusion, we discuss whether the suggested life model is feasible, how and to what extent young, educated Europeans have internalised the expectations placed on them by society, and whether the social contract inherited from the post-war landscape of economic growth and educational expansion, moulded by neoliberal reforms since the 1980s, is still valid or under renegotiation.

Neoliberal Governance and Social Contract

In Europe, the post-war landscape of social democratic or Keynesian welfare policies was challenged by neoliberal discourse in the 1980s. Since then, a neoliberal wave of reforms has cut through different policy areas, including education and employment policy (Olssen and Peters 2005). Neoliberal practices and discourses are now embedded in European social governance at both national and EU levels (Mitchell 2004; Davies and Bansel 2007). The Europe 2020 strategy and the 'Youth on the Move' document are examples of policies reproducing ideology that feeds into how individual citizens are governed. This process, which involves the mutually constitutive nature of state and citizens, is conceptualised as governmentality. Governmentality emphasises individuals' ability to self-regulate in a manner endorsed by the state and its policies (Foucault 1991).

One of the major consequences of the neoliberal turn has been a shift in the relationship the young have with the state and with citizenship (France 1996). Young people's transition to adulthood has undergone significant changes since the 1980s. The experience of growing up in today's society is conditioned by changes in international capital, and national state policies that reinforce the economic imperative and the value of market forces. The supremacy of the economic argument has been consolidated with the economic crisis and austerity policies. In this context, traditional models of transition from school to work have been altered radically (France 2016).

There has been a commonly-shared understanding in the post-war period that the more an individual invests in education, the better the prospects s/he has in the labour market in terms of career development, higher income and improving their chances of upward social mobility (see, e.g. Furlong and Cartmel 2009; Brown et al. 2011; France 2016). It is also believed that this logic is self-evident in terms of benefiting society. Recent developments in European societies, however, undermine the truism of the benefits of HE, and cast doubts over the validity of the assumed contract (cf. France 2016: 79).

Our perception of contract rests on the interpretation of cultural narrative, which explores how societal-level discourses enter people's lives and steer their choices (Moghaddam 2008). Here, the contract should not be understood as a formal and legally binding agreement between two parties. Rather, it ought to be seen as an informal, yet commonly-approved bargain or deal that is considered mutually beneficial to both individuals and society. Commonly-approved contracts rest on simplified storylines and culturally-shared narratives that are easy to adhere to, and carry forward values, norms and ideologies (ibid.). They travel through the history of different societies and transfer aspects of collective perception(s) from one generation to the next, and across societies. Policy documents, and in particular the future-oriented strategies of powerful international organisations such as the EU, are central to the creation and reproduction of these storylines, and provide significant ways of socialising the subjects of governance towards desired outcomes.

Research Data

The data consists of two documents, the Europe 2020 strategy and the related flagship initiative 'Youth on the Move'. The Europe 2020 strategy was published by the European Commission in 2010 as a 'road map' out of the crisis. The strategy aligns the policy goals of the EU and its member states for the following decade, and sets numerical and measurable targets in various policy domains.[1] As the strategy arose from the crisis, it aims for economic growth and to set goals for different domains that serve, first and foremost, economic purposes. The strategy is empirically interesting because it sets out the goals for education and labour policies, and in this respect targets European youth in particular.

'Youth on the Move' is one of seven flagship initiatives under the Europe 2020 strategy, and presents a package of policy initiatives on education and employment for young people in Europe. The initiative intends to (1) enhance the performance and international attractiveness of Europe's HE institutions; (2) raise the quality of all levels of education and training; and (3) facilitate young people's entry into the labour market and improve their employment situation (European Commission 2010a: 11, 2010b).

Policy documents play a key role in international policy-making and transnational governance. In the context of the EU, they are particularly important in so-called sensitive policy areas, such as education and labour market policies, where the EU has no binding instruments of governance (Jacobsson 2004; Tervonen-Gonçalves 2013; de la Porte and Heins 2015). As European governance is based on an ever-widening network of actors, the significance of texts and policy documents in politics increases. According to Elina Palola (2007: 44), textual expansion of the EU is facilitated by the fact that EU policies are programmatic rather than system-based.

To trace the life model expected for individuals, we examine the strategy and the related flagship initiative through the following questions: what roles do they offer, and what do these policy documents expect of individuals, particularly young people?

We first use education and employment statistics produced and published by Eurostat to contemplate the degree to which young people have accepted the expectations that they will engage in education, and particularly in HE. Second, we use these statistics also to illustrate the reality of the labour market situation for highly educated young people in present-day Europe. The time-frame of our education statistics covers the period from 2000 to 2015, while our employment statistics concentrate on the period from 2008 onwards.

The Europe 2020 Strategy and Young People

Economic growth and competitiveness were already the main political issues and problems in the EU before and during the crisis, but have become even more of a challenge after it (Moutsios 2010: 127). The Europe 2020 strategy aims to address the challenges, problems and impacts caused by the crisis. The three priorities designated by the strategy are smart, sustainable and inclusive growth. According to the strategy, Europe's smart growth will lead to an economy based on knowledge and innovation. This requires investments in research and development (R&D), the digital society and, above all, in education, training and lifelong learning (European Commission 2010a: 9–10). Inclusive growth is expected to lead to a high-employment economy, and to a socially and territorially cohesive European society. To achieve this, Europe must act to increase employment rates and levels of skills and education; and must also act to prevent poverty and social exclusion (European Commission 2010a: 16).

Along with the priorities come measurable targets, which are seen as being critical to Europe's global success. Accordingly, the employment rate of the population aged 20–64 should increase to at least 75 % (69 % in 2009). Furthermore, overall educational attainment levels must increase. For example, the share of the population aged 30–34 that has completed tertiary education must increase from 31 % (2008) to at least 40 % by 2020 (European Commission 2010a: 8–9). The targets are regarded as being interrelated: 'better educational levels help employability and progress in increasing the employment rate helps to reduce poverty' (European Commission 2010a: 9).

Within the framework of these priorities and targets, we now examine the Europe 2020 strategy and its initiative 'Youth on the Move' to reveal the roles it recognises and the expectations it places on Europeans, and on young, highly educated Europeans in particular.

Recognised Roles

The policy documents analysed address and guide the actions of European leaders, institutions, labour market organisations and civil society. They seldom address Europeans, people or citizens directly, but impose roles, expectations and demands on individuals. The strategy sees people and citizens primarily as a workforce and as consumers:

> The aim is to create conditions for modernising labour markets with a view to raising employment levels and ensuring the sustainability of our social models. This means empowering people through the acquisition of new skills to enable our current and future workforce to adapt to new conditions and potential career shifts, reduce unemployment and raise labour productivity. (European Commission 2010a: 16–17)

> Citizens must be empowered to play a full part in the single market. This requires strengthening their ability and confidence to buy goods and services cross-border, in particular on-line. (European Commission 2010a: 19)

Young people are the centre of attention, as the initiative 'Youth on the Move' is directed towards European youth, and in particular towards the institutions where young people are expected to reside.

The young are presented as learners, as managers of their own careers and as entrepreneurs:

> Young people are confronted with an increasing number of educational choices. They need to be able to take informed decisions. They need to get information about education and training paths, including a clear picture of job opportunities, to lay the basis for managing their careers. (European Commission 2010b: 5–6)

> Self-employment offers a valuable opportunity for young people to make use of their skills and shape their own job … The interest and potential of young people to become entrepreneurs needs to be strongly encouraged by fostering entrepreneurial mind-sets and attitudes in education and training. (European Commission 2010b: 17)

In this neoliberal context and policy discourse, (young) people are portrayed as flexible, creative, individual managers who have no one and nothing to blame but themselves and their underdeveloped entrepreneurial spirit should they fail (see France 2016: 54–5). Ulrich Bröckling (2016: xiv, 20) claims that, as the state withdraws from its former function as security provider, and the work culture transforms towards self-reliance and entrepreneurship, these developments foster a 'Me-Incorporated' type of self-image. He talks about the entrepreneurial self, which comes close to the idea of a neoliberal citizen who expects a person to be responsible for him/herself 'in the business of life, as an enterprise, a project or a work in progress' (Kelly 2006: 18). The discourse of the entrepreneurial self, constructed and maintained in policies, strategies and recommendations, does not tell people what they are but what they ought to become (Bröckling 2016: 21). This is what the Europe 2020 strategy and the 'Youth on the Move' initiative aim to do.

Imposed Expectations

In the documents analysed, workability and adaptability are presented as the desired attributes of all Europeans, as they are expected 'to anticipate and manage change, to develop new skills throughout the lifetime, to adapt to new conditions and potential career shifts' (European Commission 2010a: 16). Improving young people's employment situations and ensuring their workability and adaptability to ever-changing conditions involves education in general, and HE in particular. The initiative refers to an estimate that, by 2020, 35 % of all jobs will require high-level qualifications (European Commission 2010b: 3). Therefore, young Europeans are expected to develop skills and qualities that are in line with the needs of the labour market, knowledge economy and society in general:

> Key competences for the knowledge economy and society, such as learning-to-learn, communication in foreign languages, entrepreneurial skills and the ability to fully exploit the potential of ICT, e-learning and numeracy, have become ever more important. (European Commission 2010b: 6)

Higher education in itself is not enough to achieve the key competences, employability and adaptability. Mobility, both physical and virtual, is presented as 'the key to unleashing all young people's potential and achieving the Europe 2020 objectives' (European Commission 2010b: 3). The initiative identifies the following areas of mobility which need to be particularly encouraged: learning mobility, working mobility and entrepreneurial mobility:

> Learning mobility … strengthen their (young people's) future employability and acquire new professional competences while enhancing their development as active citizens. It helps them to access new knowledge and develop new linguistic and intercultural competences … Employers recognize and value these benefits. (European Commission 2010b: 10)

> by promoting student mobility and trainees' mobility ... promoting entrepreneurship through mobility programmes for young professionals ... increasing job opportunities for young people by favouring mobility across the EU. (European Commission 2010a: 11)

A period of study or training abroad as part of an individual's studies is becoming a normative expectation. Based on benchmarks set by the Ministries for Higher Education in 2009, 'Youth on the Move' states that 'at least 20% of those graduating in the European Higher Education Area should have had a study or training period abroad by 2020' (European Commission 2010b:11). This expectation was institutionalised in 2011, when the European Council approved a benchmark for learning mobility (European Council 2011).

Despite young people aged 25–34 being the most mobile group of Europeans, they are still not mobile enough. Therefore, mobility must be promoted, for example, by further development of the Erasmus programmes and the European Vacancy Monitor (EVM), to facilitate the search for available jobs in the EU. It is also believed that the cost of moving to a job in another county is one of the main factors hindering mobility. Therefore, support to cover relocation and integration costs must also be developed (European Commission 2010b: 10–14).

The 'Youth on the Move' document concentrates only on material and structural obstacles to mobility. However, when individuals were asked, the main reasons they gave for being unwilling to move were social and emotional: friends, family, local community and the importance of face-to-face social contacts, and a sense of belonging, roots and security (Oinonen and Henriksson 2015). Along with the financial crises and the recession that followed, young people, particularly from the 'crisis countries' such as Greece, Ireland, Portugal and Spain, have been forced to move to look for work and better career prospects (France 2016). In these cases, the strongest driving force behind this movement has not been self-development but a dead-end labour market.

When we look at the documents from the young people's perspective, they are expected to lead their lives in a certain way. They are expected to have a good education but not to stay in full-time degree programmes for too long, to become 'lifelong learning professionals' for flexible labour markets as soon as possible, be willing and able to move around the EU as career opportunities arise, and to remain economically active for as long as possible. This strategy limits the lives of Europeans to a world of work, leaving other aspects of life, such as having a family, out of the picture (cf. Oinonen 2008). Indeed, there is only one tacit mention in the strategy of the fact that people tend to have ambitions in life other than work. It states, 'Access to childcare facilities and care for dependents will be important in this respect [in increasing participation in the labour market]' (European Commission 2010a: 16). Likewise, there is only one mention of family in the initiative, where it states that 25–34 year-olds are the most mobile group of Europeans because they have 'fewer family obligations' (European Commission 2010b: 10).

The Europe 2020 strategy and 'Youth on the Move' initiative assume a great deal where young people are concerned: they are expected to restore Europe to the global map by enhancing their employability, particularly through education. Education is highlighted as a key factor in restoring and reviving Europe, and in making it competitive again. Social progress seems to be identified with economic competitiveness, as Stavros Moutsios (2010: 127) also points out. Cognitive and human resources must be harnessed to increase economic growth and competitiveness in global markets. Education and education policies play a crucial role here, as they are considered to be the means of producing a highly skilled and innovative workforce for labour markets in the EU's future plans to become the most competitive knowledge-based economy in the world (ibid.; Robertson 2010). According to Moutsios (2010: 129), for the first time, education systems are regarded explicitly as a means to an end, defined by global production systems.

In the spirit of the social contract, education is also considered to be a guarantee of an individual's social integration, professional growth and upward social mobility. While, generally speaking, tertiary degree holders have better prospects than non-graduates in the labour market, there are signs indicating that now even having such a higher education guarantees neither smooth integration into society nor upward social mobility (e.g. Brown et al. 2011; Standing 2011; France 2016). Spain is an example of this, as it has recently become the only OECD member state where having a tertiary degree does not guarantee better job prospects over non-graduates (García and Ibáñez 2006; OECD 2011). However, Spain may not remain the only such case.

In the next section, we review the education statistics of EU countries from the beginning of the 2000s, to see how young Europeans have responded to the expectations placed on them by the European Commission, and how society has kept its part of the contract.

Higher Education: Set and Met Targets

Young Europeans have increasingly done what was expected of them, as attainment in higher education (HE) has increased across Europe during the 2000s. The attainment of 30–34-year-olds in higher (tertiary) education increased from around 26 % to nearly 39 % in the EU28 countries between 2002 and 2015. Some countries have already reached, and even exceeded, the 40 % target announced in the Europe 2020 strategy, such as Denmark (48 %), Estonia (45 %), Finland (46 %), France (45 %), Ireland (52 %), Lithuania (58 %), Poland (43 %), Spain (41 %), Sweden (50 %) and the UK (48 %) (Eurostat: t2020_41).

According to the European Commission's report 'Taking Stock of the Europe 2020 Strategy' (European Commission 2014), it seems the targets for education will be met, or at least come close to being met, in the EU as a whole by 2020. In fact, European countries have undergone a process of educational expansion in recent decades, and this has taken place largely in HE (Barone and Ortiz 2010: 3; Brown et al. 2011). Even in countries that lag behind the 40 % target, such as the Czech Republic (30 %), Italy (25 %) and Romania (26 %), the enrolment rate of

30–34-year-olds in tertiary education has doubled and even tripled during the 2000s (Eurostat: t2020_41).

The expansion of HE in particular is regarded by some as being essentially positive; it is considered a necessity in terms of meeting the demand for a highly-qualified and skilful workforce for the needs of a knowledge society (European Commission 2010a, 2011, 2014; OECD 2012, 2016). According to this view, an excess of education is an oxymoron. However, there are others who doubt whether educational expansion is a self-evident positive development. For instance, Hartog (2000: 134) proposes that, 'the strong expansion of participation in education has outpaced the increase in the demanded levels of education'. According to this view, there is a real risk of the devaluation of diplomas, and thus also the social demotion of tertiary (HE) graduates (see also Brown et al. 2011: 139–141). Furthermore, this alleged overeducation is associated with low productivity, increasing social inequalities and a waste of societal and human resources, rather than with 'smart, sustainable and inclusive growth'.

The Europe 2020 strategy speaks of education mainly in quantities, demanding measures 'to raise the overall quality of education and training in the EU' (European Commission 2010a: 11). According to the strategy, the rise in both the quantity and quality of education means 'better gearing of learning outcomes towards labour market needs' (European Commission 2010a: 11). In the name of 'innovative growth', the strategy urges member states 'to ensure a sufficient supply of science, maths and engineering graduates' (European Commission 2010a: 11). Yet recently, in terms of highly educated people in Finland, for example, engineers and natural scientists find themselves in the most difficult positions in the labour market (Akava 2015).[2] The strategy makes no reference to liberal arts as a catalyst for 'innovative growth', even though imagination and independent thinking feed the preconditions for successful innovations, as Martha Nussbaum (2010) points out.

If the target of increasing HE attainment levels is set only on the basis of quantity, it does not seem very sensible either for young people themselves, for societies or for the EU. As Allen and van der Velden (2007) point out, the competences acquired in HE are useful as resources only when they are put to use after graduation, and this requires, first, that there are paid jobs for graduates; and, second, that the jobs are ones in which they can fully utilise their skills. But what is the reality for those who are making the transition from HE into labour markets?

Labour Market Realities

Both the Europe 2020 strategy and 'Youth on the Move' initiative emphasise the importance of graduates making a rapid transition into labour markets. This is no doubt also what most graduates hope for, but how does the labour market reality appear to them?

Unlike educational targets, it is probable that the 75 % employment rate target will not be reached by 2020. According to the report 'Taking Stock of the Europe 2020 Strategy' (European Commission 2014), the employment rate within the population aged 20–64 in the EU decreased during the crisis from 70.3 % (2008) to 68.4 % (2013). While there has been a slight increase in employment rates since 2013 (70 % in 2015), based on current prospects there is no significant growth in sight (Eurostat: t2020_10).

One of the most tangible effects of the crisis has been rampant unemployment. During and after the crisis (2008–2013), the unemployment level of the population aged 25–64 increased for all levels of education throughout Europe, including among people with tertiary degrees (with the exception of Germany). There are huge differences between countries, however. For example, in Austria, Finland, France and the UK, the increasing trend has been comparatively moderate compared to Ireland and Portugal, let alone Greece and Spain, where unemployment rates have rocketed regardless of educational levels (Eurostat: tps00066).

While HE protects individuals from unemployment to a certain extent (e.g. de Lange et al. 2013), the fact remains that unemployment has increased consistently in recent years among those with the highest levels of education. In the EU28 countries, on average, the increase in unemployment among tertiary degree holders aged 25–64 was two percentage points between 2008 and 2013, but in Ireland and Portugal, for example, it was around five percentage points, in Spain it was ten and in Greece 13(Eurostat: tps00066). Among the highly educated, young people have also been worse off than older age groups. The unemployment rate in the youngest group (aged 20–24) was 19 %, whereas it was 11 % among those aged 25–29 and 6 % among 25–64-year-olds with HE in the EU 28 in 2013 (Eurostat: yth_empl_090 and tps 00066).

However, unemployment rates are misleading. They do not reflect the proportion of all unemployed tertiary degree holders, in the younger age groups in particular. The overlap between education and the labour market is common, with those in education and those in the labour market not necessarily two different groups (Youth unemployment 2014). Many young people work while they are studying, or study while they are working. For example, in Finland, in 2011, 61 % university students and 59 % of students in universities of applied sciences were working while they studied (Tilastokeskus 2013). The transition from education to the labour market is not a simple change from one situation and status to another. It seems that the financial crisis has accelerated the trend of blurred transitions from education to work (Bynner 2013). During the crisis, and because of the difficult employment situation, the population in education has increased, indicating that young people are remaining in education longer before stepping into the world of work, or that they are going from work back into education (Youth unemployment 2014).

Making the transition from education to work has become increasingly challenging for those who have done what was expected of them and invested in their education. The employment rates of 20–34-year-old tertiary degree holders 1–3 years after their graduation has declined from c. 87 % to 81 %, while unemployment rates increased from 8 % to 13 % between 2008 and 2013 in the EU28 countries. The worst hit have been Croatia and Greece, with a 25 and 29 percentage-point increase, respectively, followed by Italy, Portugal and Spain, with an increase of between 10 and 18 percentage points. Sweden, the UK, France and Finland are at the opposite end of the scale with only a 1–2 percentage-point increase during the period under investigation (Eurostat edat_lfse_24 and edat_lfse_25). According to the statistics, it seems that the employment situation of those with HE has improved slightly in the EU since 2013, as unemployment rates have either stabilised or taken only a moderate downturn, with the exception of Finland and France, where the rates are continuing to rise. Establishing a foothold in the labour market takes time. Employment rates tend to decrease gradually, and employment situations improve a little by three years after graduation (Eurostat: tps00066 and edat_lfse_25).

The degree of difficulty in integrating into the labour market depends on a number of factors in different countries (see Raffe 2013). Macroeconomic conditions affect labour markets, as has been seen recently, but rather than creating new tendencies, the economic crisis has intensified and accelerated existing ones, such as an increase in temporary contracts, atypical work and insecurity (Oinonen 2013). Thus, macro-economic fluctuations alone do not provide a sufficient explanation for cross-country differences in the integration of tertiary graduates into the labour market.

The entrance of young people and recent graduates into the labour market is hampered by the fact that they are considered outsiders. They often lack experience and support networks, and have to compete with the established workforce, who are the insiders. Labour unions represent the insiders, and outsiders are not engaged in the negotiations (de Lange et al. 2013). The depth of the insider—outsider division in different European societies is affected by the existence of, or lack of public support such as unemployment benefits. In countries such as Finland and Sweden, where new entrants are entitled to subjective unemployment benefits, the transition process from education to work is easier than in countries such as France or Spain, where these benefits are reserved for the insiders in the labour market (Mary 2012).

The education system has a role to play in labour market integration. Studies indicate that in countries with vocationally-specific education systems (such as Germany), integration into the labour market is easier for intermediate graduates with vocational education diplomas, as well as for HE graduates. Hence, tertiary education is more exclusive, which benefits graduates in the labour market. The number of highly educated workers does not exceed the number of highly-skilled jobs available (de Lange et al. 2013).

Difficulties in integrating into the labour market are differentiated educationally. Those with little or no education are more likely to be unemployed or employed temporarily than those with a higher education. According to de Lange and others (2013: 197–8), those with a higher education are in a better position in the labour markets, first, because they can choose to accept a lower-skilled job if skilled jobs are not available. Second, employers are more likely to make longer-term commitments to employees for highly skilled jobs because they must invest in employees' on-the-job training, and highly educated and trained employees cannot be replaced cost-efficiently. Therefore, even during an economic recession, it is less profitable to hire highly educated people for only a short period. However, as we have shown above, the labour market situation deteriorated consistently for the highly educated during the economic downturn. Perhaps this indicates that, while the economy has remained fluid, employers have been increasingly reluctant to take people on for higher-skilled jobs precisely because it is costly; there is work to be done but they prefer to distribute it among incumbent workers rather than give it to new ones. It is also claimed that the highly educated are better off in the global labour markets because their highly-skilled jobs will not be outsourced to lower-cost foreign countries, as is the case with lower-skilled jobs (ibid., 209). However, many highly skilled European and US jobs are being outsourced to India and other countries with an educated workforce and low labour costs (Brown et al. 2011; Standing 2011).

Conclusion and Discussion

We began this chapter by examining the expectations of the Europe 2020 strategy and the 'Youth on the Move' flagship initiative, and the roles they expect of individuals, and of young people in particular. Careful reading of these documents reveals that individuals are seen mainly as learners, workers and consumers. Seen from a young person's perspective, these documents expect them to have a good education to higher and higher levels in response to the changing needs of labour markets. They should rush to become flexible workers in infinitely changing labour markets as soon as possible, and remain there as long as possible. Alternatively, they are encouraged to become entrepreneurs in highly competitive global markets. They are also expected to be mobile: moving around the EU to study, to make a living and to build a career, for example. All the expectations and roles imposed by the documents serve the needs of the economy and limit the lives of Europeans to a world of work, leaving other aspects of life, such as having a family, out of the picture.

A review of education statistics shows a constant increase in HE attainment levels across Europe during the 2000s, indicating that young people have increasingly done what was expected of them. However, what are real-life conditions like for Europe's highly educated youth in terms of becoming active and productive in labour markets, as was anticipated? The statistics show that the employment situation for highly educated young people has deteriorated everywhere in the EU since the beginning of the crisis, and no immediate improvement is in sight. Unemployment has risen among tertiary degree holders, and it is increasingly challenging for them to make the transition from education to work, or to obtain a foothold in the labour market. They are not only affected by unemployment, but also by insecure temporary contracts, unwanted part-time work, exploitative apprenticeships and underemployment (Koucky et al. 2007; European Commission 2012), which obstruct them from establishing independent lives or aspiring to things other than work in life.

The 'Youth on the Move' initiative makes special reference to the fact that young workers are often hired with temporary contracts, and that much too often employers use temporary contracts as cheap alternatives to permanent ones. This leads to a segmented labour market where many young workers move between temporary jobs and periods of unemployment with dwindling chances of open-ended contracts with their attendant benefits. This segmentation trap is currently a threat not only to those with a low educational level but also for those with a high level of education. The initiative makes no mention of the consequences of insecure, fragmented and segmented labour markets for young people's transition into independent lives or their outlook for the future. Instead, it highlights the fact that temporary contracts should be limited because they are 'bad for growth, productivity and competitiveness' (European Commission 2010b: 16).

While the Europe 2020 strategy and 'Youth on the Move' initiative demand new openings and innovation, they perpetuate and reproduce the social contract that has been effective in developed societies, particularly during the post-war period. The storyline of the contract is as follows: if a person invests in HE, society will reward him/her for his/her efforts by guaranteeing a position in the labour market with career prospects, a stable and progressive income, and prospects for upward social mobility. Even though HE improves an individual's labour market position compared to those with lower levels of education, it no longer guarantees anything. None the less, young people have believed in the promise so far, and participated in reproducing the contract. They increasingly attend HE institutes and acquire a number of diplomas to accumulate their cultural capital and skills, and to improve their competitive position in the labour market. Under the present social and economic circumstances, it would be acceptable to ask if society is keeping its part of the contract, or whether it has revised it for its own purposes or even dissolved it.

Insisting on mobility is one of the additions made to the contract during the development of European politics. It used to be enough to have an education and become established in domestic labour markets, but now individuals are expected to move around if labour markets demand it. Individuals may be happy to conform to this addition to the contract if mobility is optional, but the situation is totally different if it becomes necessary. Besides, making the transition from education to work often coincides with other transitions, such as leaving the parental home, settling down in a relationship or starting a family. In other words, it involves making a transition from dependency to an independent life. This stage in life already involves components that require a person to be 'mobile', without the expectation of international mobility.

In a spirit of neoliberalism, the concept of the entrepreneurial self, with its emphasis on entrepreneurial discourse, highlights the responsibility of individuals to be self-reliant, absolving society from its responsibilities. Problems such as unemployment, or reconciling work and other areas of life, are seen first and foremost as individual problems, and not the responsibility of society. Thus contractual reciprocity has become questionable. Because of the scale of youth unemployment, underemployment and job insecurity, many highly educated young people in Europe have had to face the fact that their diploma and the prospects invested in it guarantee nothing, and while their efforts may not actually have been wasted, they have nevertheless become ineffective.

Not much is known about how entrepreneurial discourse has been internalised. In their study involving university students, Hanna Laalo and Jarna Heinonen (2016) identify two types of construction of entrepreneurial subjectivity. The 'agile achiever' is dynamic, flexible and reacts rapidly to changing conditions. S/he is courageous, eager to face challenges and take risks. In contrast, the 'responsible citizen' is a self-guided, hard-working person who is constantly developing, is a free and autonomous agent and is responsible not only for him/herself but also for the community. The 'responsible citizen' is passionately devoted to what s/he does. According to students' accounts, an 'agile achiever' is usually an entrepreneur. A 'responsible citizen' can be either an entrepreneur or an employee, but entrepreneurial attributes can also occur in other spheres and roles outside the world of work.

University students have, to an extent, internalised the idea of the entrepreneurial self, which is also promoted in the Europe 2020 strategy and the 'Youth on the Move' initiative. They believe in education and learning as tools for self-development. They emphasise the fact that, after graduation, they have to invent their own jobs and manage their careers. However, anxiety is caused by the constant need to make individual choices and to brand themselves to please the ever-changing markets, as well as the prevailing idea that merely having a job is not enough and it should also become their passion (ibid.; Oinonen and Laalo 2016).

An internalised entrepreneurial mindset not only conforms to expectations but can also represent resistance. According to Laalo and Heinonen's study (2016: 10), students saw an entrepreneurial individual as someone who questions established procedures and norms and is therefore a catalyst for change in society. The students are clearly indicating something important. There are signs that young people feel they are treated unequally and unfairly by society. The revolts and protests that occurred in Greece, Portugal, Spain, Ireland, the UK and elsewhere in Europe in 2010–2012 are testimony to collective disillusion. At the centre of the protest movements are young people: 'graduates with no future' as Paul Mason (2012) calls them. For example, in Spain, the origins of the 15M (15th May) and Indignant Movements can be traced to social networks such as Youth Without a Future (*Juventud Sin Futuro*). These are movements of distinctly urban middle-class youth who, in the context of the economic and social crisis, mourn for lost securities, demand change in politics, and call for basic rights such as the right to work, education, a decent income, a home, family, culture and health (see Feixa and Nofre 2013). People who protest and develop initiatives represent a minority of all the young people in Europe, but we can assume that many of the silent ones are just as disillusioned as those who are vocal.

Within the context of the economic crisis, and even after it, it is understandable to seek remedies chiefly in economics. The Europe 2020 strategy, framed as the road to 'better lives', as José Manuel Barroso states in the strategy's preface, concentrates only on the challenges of economics and production. It overrides population-level concerns, such as low birth rates, an ageing population and changes in household types and family structure, which were on the EU's agenda before the crisis, as were insufficient participation in the labour market, low growth and low productivity levels (European Commission 2002). What will happen if young Europeans actually follow the work-oriented and mobility-driven life model the strategy suggests? The role of a flexible and mobile worker or entrepreneur is not easily combined with starting a family, managing ongoing family life, or childbearing and caring. It is already clear that young people continue to postpone, and increasingly reject settling down, starting families and having children (Eurostat 2016; Tilastokeskus 2016). Neither the current socio-economic circumstances nor the expectations imposed on them encourage young people to make such long-term commitments. This scenario is more than likely, particularly in societies where birth rates are already extremely low and where society offers little or no support in balancing work and life, such as in southern and eastern Europe, and in countries operating under severe austerity policies. If Europeans of all ages, potential parents and grandparents alike, engage in the mobile world of work as the strategy wishes, it is relevant to ask whether European societies will soon be in urgent need of a 'living and caring strategy'.

Notes

1. For example, research and development (R&D), youth policies, labour market policies, education policies, social policies, environmental policies, industrial policies and cohesion policies (European Commission 2010a).

2. The recent difficult employment situation for engineers in Finland is largely related to Nokia's lack of success in competitive markets and the related running down of handset production, which also affected the chain of sub-contractors.

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10

Is the EU a Great Power? The Case of Natural Gas

Dicle Korkmaz

In February 2015, the Commission adopted an 'Energy Union' strategy, introduced by the Vice-President Maroš Šefčovič as 'the most ambitious European energy project since the Coal and Steel Community' (European Commission 2015a: 1). The Energy Union strategy aims to provide secure, sustainable, competitive and affordable[1] energy for European households and businesses (European Commission 2015b: 2). To achieve this aim, the EU seeks both internal and external integration. The Union expects to ensure secure, affordable and competitive supplies by establishing a fully-integrated internal energy market. Furthermore, underlining that the Energy Union 'is not an inward-looking project' (European Commission 2015b: 6), the EU aims to play a greater role in the global energy markets, and to establish strategic energy partnerships which

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foresee co-operation or convergence, with significant production and transit countries or regions.

By analysing both internal and external integration, this chapter aims to scrutinise the potential and limitations of the EU in establishing an Energy Union. While the Energy Union covers all energy resources, in addition to energy efficiency and research and development (R&D), the chapter examines natural gas as a case study because of its distinctive features. Natural gas is a significant component of the EU's energy mix. It accounts for 21.4 % of consumption (European Commission 2016a: 42) and is consumed not only in industry (25 % of the gas) and residential and tertiary sectors (40 % of the gas), but also in the transformation sector (30 % of the gas) (European Commission 2014a: 39). Despite the targets for reducing fossil fuels, the Commission considers natural gas to be complementary to renewables. It is expected that the development and use of carbon capture and storage (CCS) for gas, which is a low-carbon technology, will increase the role of natural gas, leading to sustainable and secure supplies. This shows the continuation of natural gas consumption in making the transition to a low-carbon society (European Commission 2015a). As the Energy Commissioner at the time, Günther Oettinger, noted firmly, '[g]as will continue to be an important part of the mix even as the share of energy generated from renewables increases' (Shale Gas Europe 2010). Bearing in mind declining indigenous natural gas reserves in the EU and a continuing dependency on imports, the references in the Energy Union strategy to an internal energy market and external energy relations raise questions about the situation in the sphere of natural gas.

Internal and external integration are often discussed in EU studies within the scope of 'actorness' (Bretherton and Vogler 1999) and the metaphor of an 'empire' (Waterfield 2007; Zielonka 2008: 4). This chapter examines the extent of internal and external integration in the sphere of natural gas by utilising the concept of a 'great power' and applying Barry Buzan's criteria. This choice arises from the concept of an 'energy security society' (Aalto 2009; Aalto and Korkmaz-Temel 2012, 2014; Korkmaz-Temel 2016), in which Buzan's international society approach is applied to energy. This concept is defined as 'a society of states and non-state actors acting in line with political, legal and economic frames of that society for conducting their energy relations' (Korkmaz-Temel 2016: 37). Those frames are constituted by primary institutions (Korkmaz-Temel 2016: 37), which mean 'durable and recognized practices rooted in values held commonly by the members … embodying a mix of norms, rules and principles' (Buzan 2004a: 181). 'Great power management'[2] is one of the primary institutions in energy security societies (Aalto and Korkmaz-Temel 2014, Korkmaz-Temel 2016).

There are at least two advantages in using this theoretical framework. First, it provides the relevant ground for analysing the kind of integration the EU is seeking internally and externally in the sphere of natural gas. This framework consists of different types of integration for analysing different kinds of energy relations. It is assumed that inadequate energy resources, and technological, financial and geographical limitations, force energy actors to interact and establish a type of a society in the form of either pluralism or solidarism. Therefore, analysing the internal and external integration of the EU in the sphere of energy using Buzan's international society approach provides a framework for situating the EU in the big picture.

Second, using this theoretical framework allows different dimensions of energy matters to be explored, thanks to the concept of primary institutions. Bearing in mind that primary institutions represent the 'basic character and purpose' of a society (Buzan 2004a: xviii), identifying primary institutions and understanding how they function allows us to comprehend the structure of that society (Korkmaz-Temel 2016: 36). Accordingly, exploring the extent to which the EU is a great power in the sphere of natural gas enables us to analyse the capabilities and limitations of the EU in its relations with third parties. Within this context, it provides an understanding of potential and obstacles in terms of internal and external integration in this field.

The chapter uses Buzan's criteria for a 'great power'[3] to understand whether the EU acts as a great power or not in the sphere of natural gas. It also follows these criteria in terms of organising the chapter. The first section analyses *material capabilities*, which include natural gas reserves, natural gas infrastructure and technologies. The section on material capabilities aims to provide the background knowledge to scrutinise both internal and external integration. The second section examines *self-declared status and acceptance of this status by others*. This section questions the extent to which the Energy Union can be considered within this context, as well as third parties' attitudes towards the EU's energy policy in the sphere of natural gas. Employing the theoretical framework of an energy security society, the section first determines the type of internal and external integration the EU seeks in the sphere of natural gas. It then analyses the progress and obstacles in establishing an internal natural gas market and conducting external energy relations. The third section is on *calculation by others*. This section examines the extent to which the EU's internal market rules are taken into consideration by others. It elaborates on the cases in which the Commission's internal market rules have had to be calculated by third parties. The analysis is based on EU documents, as the current situation in establishing an internal energy market and conducting external energy relations, including both progress and challenges, is best portrayed in the papers of the Commission. The concluding section sets out the EU's limitations and potential based on the analysis, and discusses the implications of the findings.

Material Capabilities

Buzan's first criterion is the outcome of a materialistic approach. It derives from Kenneth Waltz's understanding of a great power, where powers are ranked according to their 'size of population and territory, resource endowment, economic capability, military strength, political stability and competence' (Buzan 2004b: 59). Buzan (2004b: 60) also refers to the definition by Barry R. Posen and Andrew Ross, which mentions industrial and military *potential*. This includes not only contemporary powers with capabilities but also those with potential. In the sphere of energy, material capabilities include energy reserves, energy-related infrastructure and technology in this field (Aalto and Korkmaz-Temel 2014: 769). The sub-sections examine the EU's material capabilities in the field of natural gas, and question the extent to which the EU's natural gas reserves, infrastructure and technology contribute to fulfilling the first criterion in terms of being a great power. Accordingly, these sub-sections analyse the potential and limitations of the EU in terms of its material capabilities in the sphere of natural gas.

Energy Reserves

This sub-section considers the EU's net-import dependency[4] to be an indicator for understanding the extent to which the EU's energy reserves help it to meet the first criterion. The Commission uses this indicator to monitor progress towards achieving the 'energy security' dimension of the Energy Union. The EU is a net energy importer, as its own energy production far from meets demand. As import dependency higher than 50 % is considered negative[5] (European Commission 2017: 28), the EU's import dependency in natural gas, which was 67.4 % in 2014, shows that the EU is not able to fulfil the first criterion in terms of energy reserves. While the EU's energy-import dependency fluctuates between 52 % and 55 %, the figure for natural gas has increased; it was 57.1 % in 2005. While all member states apart from Malta and Cyprus consume natural gas, the net-import dependency of 17 member states has increased during this period. Sixteen of these have an import dependency exceeding 90 % (European Commission 2017: 32–33).

What is more worrying is that import dependency is expected to continue. Imports of natural gas are expected to be stable up to 2020 (European Commission 2014b: 15) and then increase slightly by 2050 (European Commission 2016b: 71–72). The EU's Reference Scenario 2016[6] shows that the EU's import dependency in terms of natural gas will be 87 % by 2050. There are two main reasons for this increase. First, while there is a goal to increase the share of renewables, considering natural gas as being complementary to renewables allows for greater consumption and a significant role for natural gas in terms of secure and sustainable supplies (Shale Gas Europe 2010). This shows us that the concept of sustainability refers not only to goals for renewables and energy efficiency but also to the consumption of natural gas.

The second reason for the continuation of external dependency in natural gas is declining indigenous production. While the EU's gas production in 2014 was 126 billion cubic metres (bcm), its consumption in the same year was 425 bcm (ACER 2015a: 226). Between 2005 and 2014, domestic gas production fell by nearly 40 %. Denmark and the UK both experienced an almost 60 % decline in natural gas production, increasing their import dependency (European Commission 2017: 33–34). The Reference Scenario 2016 shows that the highest increase in import dependency in the EU between 2010 and 2030 is expected to be in Germany, France, the Netherlands, Belgium and Luxembourg, as well as the UK and Ireland. The main reason involves declining production in the Netherlands and the UK. Furthermore, a similar trend is expected to be seen in the Scandinavian countries (European Commission 2016b: 72) because of declining indigenous resources in Denmark. While there are different projections regarding the EU's demand in the medium term (European Commission 2014a: 13), decreasing production of natural gas will cause import dependency to continue, and even increase.

The potential for unconventional natural gas (e.g. shale gas), which is found in different types of geological formation and thus requires different methods of extraction (INGAA n.d.; Korkmaz-Temel 2016: 88), is very controversial. There are environmental and regulatory concerns that include high water usage, water contamination, risk of earthquakes, and methane emissions. A single well requires 11–30 million litres of water, which raises environmental concerns. Chemicals added to the fracturing fluid, as well as methane and contaminants from the shale rock, cause risks for both groundwater and surface water. The process of fracturing produces small seismic events, which can facilitate sliding movements and cause earthquakes. Furthermore, methane, which is prone to leak at any stage of gas supply, is a powerful greenhouse gas considered to contribute to global warming. Last but not least, producing shale gas requires a large number of wells to be drilled, thus occupying more land, which is considered a major obstacle in Europe because of its high population density compared to the USA (Cremonose et al. 2015: 2–3). Bearing in mind these risks and the International Energy Agency's (IEA's) projections, which show that the share of unconventional gas would meet 11 % of the EU's gas demand in 2035 in the best case, it seems that unconventional gas is not likely to make a big change in terms of ensuring security of supply (International Energy Agency 2012: 128–129).

Energy Infrastructure

Natural gas infrastructure, consisting of gas pipelines, liquefied and compressed gas facilities and storage capacities, is a prerequisite for establishing an integrated energy market and ensuring secure supplies in case of a shortage. A well-interconnected gas network ensures a flow of gas 'from any source to be bought and sold anywhere in the EU, regardless of national boundaries' (European Commission 2011: 13). The Commission refers to the free flow of energy across borders as the 'fifth freedom', along with the freedom of labour, goods, capital and services (European Commission 2015a: 1). As the Energy Commissioner at the time, Oettinger, emphasised, the Russian-Ukrainian gas crisis in 2009 occurred because of market anomalies and lack of interconnections. There was enough gas, but it could not be transported to places where there was a high demand (Oettinger 2011: 8). Furthermore, an interconnected network is significant in terms of competitiveness, as it increases the scale of markets (Korkmaz-Temel 2016: 57).

This sub-section uses the 'N-1 rule' as an indicator for understanding the extent to which the EU's performance in constructing an energy infrastructure helps to meet the first criterion. The N-1 rule for gas infrastructure is one of the indicators[7] the Commission uses to monitor progress towards the objectives of the Energy Union. While there are limitations[8] with this indicator, it shows the adequacy of the infrastructure by testing the resilience of the network in meeting the demand for gas on very cold days, even if the largest infrastructure fails (European Commission 2017: 11, 28). According to this classification, all member states apart from Bulgaria, Portugal, Luxembourg, Slovenia and Sweden have the capacity to meet exceptionally high demand on extremely cold days if the largest infrastructure fails. Bearing in mind that Luxembourg, Slovenia and Sweden have been granted derogations in terms of complying with the N-1 rule, most of the member states have an adequate natural gas infrastructure.

More than half of the member states have made progress compared to 2009. Specific infrastructure projects have helped some countries to increase their infrastructural capacity. For example, the Klaipeda liquefied natural gas (LNG) terminal increased Lithuania's N-1 level to 117 %, which is considered positive, but the country did not comply with the N-1 rule until 2014. Similarly, new pipeline interconnections in Austria, the Czech Republic, Hungary and Slovakia have helped these countries to achieve significant increases in their N-1 value. In particular, 13 projects have already been commissioned from the 2013 list of projects of common interest, and 60 more are expected to be completed by the end of 2017. The Commission considers significant milestones to be the interconnector between Hungary and Slovakia, and the financial agreement in 2015 regarding the Poland—Lithuania interconnector, which aims to end the isolation of the Eastern Baltic Sea Region by 2020 (European Commission 2015c: 7, 2015d: 3). Furthermore, thanks to reverse flows from Germany and the Czech Republic, Poland is able to receive most of its gas needs from Germany and Austria. Therefore, Poland claims that it will not need Russian gas when Gazprom's long-term contract ends in 2022. Similarly, the Czech Republic can technically transit more than 60 bcm of natural gas as a result of reverse flows (Vladimirov 2016).

Despite the progress made by most of the member states since 2009, for the purposes of this chapter it is significant to mention the obstacles to constructing an infrastructure. Within this context, the Commission has noted the complexity and expense of gas infrastructure projects with many partners (European Commission 2015b: 4). First, cross-border operations and regulatory alignment are necessary to realise priority corridors. These corridors aim to develop the required infrastructure to end the isolation of some EU regions that are disconnected from the rest of the EU's gas network, and enable diversification of gas sources, suppliers and routes. More co-operation is needed to overcome the problems involved in these cross-border projects resulting from conflicting national legislation (European Commission 2015d: 2, 5; European Commission 2016c; Van Nuffel et al. 2016: 56). In addition, the Commission has emphasised the need for an 'urgent political push' in relation to priority corridors, and underlined the requirement for member states to implement fully the rules for permission. As the Commission argues, 'the procedures simply take too long to be effective' (European Commission 2015c: 8). More than a hundred projects of common interest are waiting for permission, and 25 % of projects have been delayed while awaiting permits and/or because of financial issues (European Commission 2015c: 8). Furthermore, the EU needs massive investments, which require financial and administrative support (European Commission 2014c: 8). It is estimated that total investment for electricity and gas networks would require €931 billion for the period 2015–2035 (Van Nuffel et al. 2016: 58). While the Commission has underlined the need to take EU-level action (European Commission 2015b: 4), there is a significant gap between the EU's funding capacity, which covers only 5 %, and the overall financing needs (Van Nuffel et al. 2016: 68–69).

The main challenges involve not only financial and administrative obstacles within the EU, but also political problems in countries/regions with large energy reserves. The political circumstances of energy-rich countries/regions are crucial for energy infrastructure projects that aim to diversify routes/suppliers and put an end to the isolation of some member states, and single-source dependency (Korkmaz-Temel 2016: 110). For example, the Caspian Sea dispute, the Syrian conflict, and the dispute between the central Iraqi government and the Kurdistan regional government in Northern Iraq hamper any possibility of accessing Iraqi and Turkmen gas. Accordingly, the Commission has emphasised the significance of geopolitical risks in terms of importing energy from suppliers: 'the key challenge for the future is to ensure that gas producing countries become ready to open towards exporting gas directly to Europe, which for them may often imply accepting high political risk linked to their geopolitical situation' (European Commission 2010: 33).

Energy Technology

This section considers investments and patents in carbon capture storage (CCS) as indicators for understanding the extent to which energy technology related to natural gas can contribute to fulfilling the first criterion. CCS is a low-carbon technology for reducing greenhouse gas emissions by capturing carbon dioxide from coal and gas power plants, as well as the steel, cement and other industries, transporting the carbon dioxide by ship or pipeline and storing it (Carbon Capture Storage Association n.d.). CCS contributes to the EU's aim of reducing its greenhouse gas emissions by 80–95 % by 2050 (European Commission 2013a: 5). The indicators of investments and patents are used by the Commission to monitor progress towards achieving the 'research and innovation' (R&I) dimension of the Energy Union. CCS is one of the R&I priorities, which include nuclear safety, sustainable transport, efficient systems, smart systems and renewables.

While total investment in energy technology has been increasing, thanks to the private sector, the distribution of investments among R&I priorities has not been consistent. Investments for these priorities, which account for €27 billion, increased by 22 % in 2014 compared to 2010. While the sustainable transport sector attracted almost 40 % of investments, CCS's share in 2014 was just 2 %. Europe (including Norway) has six large-scale CCS projects in hand, two of which are in operation. Three are at an early planning stage, and one of them has reached a stage of advanced planning. North America is the leading region in terms of CCS projects that are either operating or under construction, while China has the most projects in the planning stage (Consoli 2016). Even though investments in CCS have been increasing since 2012, the share of CCS in total energy investment shows the limited capacity of the EU in terms of natural-gas-related energy technology (European Commission 2017: 102).

The number of patents in the EU lags behind China, Japan and South Korea. When this is normalised by population, South Korea is the leader in patents, followed by Japan. The EU, China and the USA are at similar levels. Similar to investments in R&I priorities, sustainable transport has the biggest share of the EU's patenting activity. This is followed by patents for renewables, efficient systems and smart systems, whereas CCS has a very low share (European Commission 2017: 103–105), which does not improve the EU's capacity in energy technology related to natural gas.

Obstacles to CCS investments include high costs, a lack of political commitment to CCS by some member states, public opposition, and administrative problems such as procedures for permission. On average, the cost of a natural gas plant with post-combustion capture can be twice that of a conventional natural gas plant. It is expected that the capital cost for natural gas power plants with pre- and post-combustion will be reduced by almost 10 % by 2050 (European Commission 2013a: 27–30). A lack of financial compensation for the capital and operating costs in relation to CCS hinders investment, apart from savings from buying fewer ETS (Emissions Trading System) quotes (European Commission 2013a: 27–30). According to the Commission, there is a need for 'greater access to risk-financing and better articulation of coordinated funding sources between the EU and national programmes for energy research and innovation' in order to achieve commercialisation (European Commission 2015e: 14). Regarding public acceptance, a Eurobarometer survey on CCS shows that 61 % of the participants were concerned if underground storage of carbon dioxide was within 5 km of their home (European Commission 2013a: 31).

In sum, an analysis of material capabilities in the sphere of natural gas does not support the idea that the EU fulfils the first criterion. On the one hand, most of the member states except Luxembourg, Slovenia and Sweden, which have derogations, and Bulgaria and Poland, have the capacity to meet exceptionally high demand for natural gas if the largest infrastructure fails. This shows that the EU meets the criterion regarding energy infrastructure in the sphere of natural gas, though significant obstacles remain, such as the expense and complexity of cross-border projects. On the other hand, the EU's external dependency in natural gas, which is expected to continue, and an insufficient level of investments and patents with regard to low-carbon technology, demonstrate that the EU has weaknesses in meeting the first criterion.

Self-Declared Status and Acceptance of This Status by Others

Representing a constructivist approach, this second criterion is related to recognition both by the state itself and by others (Buzan 2004b: 61). The recognition element requires the examination of both internal and external integration in the sphere of natural gas. This sub-section first aims to define the kind of integration the EU seeks internally. Then, by using the Agency for the Cooperation of Energy Regulators' (ACER) indicators, it aims to understand the extent to which the Energy Union can be considered a self-declared status. The sub-section concludes by noting the obstacles determined by ACER in terms of establishing a competitive internal energy market. Second, the sub-section focuses on external integration, and attempts to comprehend the type of integration the EU is willing to establish in its external energy relations. The section then questions the attitude of the third parties towards the EU in the sphere of natural gas. Although there are no indicators for testing 'acceptance' by third parties, the positions of different third parties on the Energy Community and Energy Charter provide the evidence for assessing whether any third parties accept the self-declared status, if such a status exists. Furthermore, the EU's problem with speaking with one voice on external energy issues is discussed as a challenge in terms of being accepted by third parties.

Self-Declared Status

Internal integration in the field of natural gas means establishing an integrated competitive natural gas market in which 'energy flows freely across borders, based on competition and the best possible use of resources … citizens take ownership of the energy transition, benefit from new technologies to reduce their bills, participate actively in the market, and … vulnerable consumers are protected' (European Commission 2017: 46). To achieve this kind of market, similar or common rules, norms and values are required in all member states. This means convergence, which refers to 'the range of shared values … wide enough and substantial enough to generate similar forms of government and legal systems based on similar values' (Buzan 2004a: 160), and necessitates a converging energy security society (Aalto and Korkmaz-Temel 2014: 763).

ACER's indicators help us to examine security of supply and competitiveness in the internal market, as these complement each other. Based on the previous set of indicators, ACER argued that functioning European gas markets were the exception rather than the rule in 2014, which was the year the EU aimed to achieve an internal energy market. This led to a gross welfare loss of approximately €7 billion (ACER 2015b: 6). For the period October 2015–April 2016,[9] ACER used a different set of indicators to monitor progress. These tested whether the wholesale[10] natural gas market had *market health*[11] and met *market participants' needs*.[12] In a wholesale market that meets its participants' needs, wholesale market risk is managed effectively by liquidity and the availability of products (ACER 2015b: 42). Market health refers to a competitive, resilient wholesale market with strong security of supply. This sub-section considers the indicators that test competitiveness, security of supply and market risk in wholesale natural gas markets, and competitiveness in retail markets, to understand the extent to which the Energy Union can be considered to have self-declared status.

Regarding market health, one of the indicators ACER uses to test wholesale gas markets is whether member states have at least three geographical supply-source origins. While there has been an improvement in the number of supply sources as a result of hub developments, new LNG terminals, new interconnectors and reverse flows, as of 2015 eight member states (out of 26)[13] do not meet this criterion. Furthermore, one source meets more than half of total supplies in 12 member states, though these member states have three supply sources (ACER 2015a: 56).

Regarding security of supply, the residual supply index (RSI) is another indicator that determines whether a certain source of supply is pivotal (ACER 2015d: 24). Research testing the RSI in 2015 showed that 13 member states did not meet the original target. While this research did not take into account the Klaipeda LNG facility in Lithuania, meeting the RSI criterion does not guarantee security. For example, despite the fact that interconnection capacities allowed Austria, the Czech Republic and Slovakia to meet the criterion for RSI, they are heavily dependent on one source: Russia. Austria is 60 % dependent on Russian imports, while Slovakia's import dependency on Russia is 65 %, and in the case of the Czech Republic it is 51 %. Furthermore, Germany and France met the target as a result of their decreasing demand for gas (ACER 2015a: 56, 2015b: 15–16).

The market concentration index[14] is the indicator used to understand the degree of competition in wholesale natural gas markets. This indicator is complementary to the number of supply sources as it aims to test whether a company sources its gas from different geographical locations but does not face any competition. In this case, it is difficult to have a competitive wholesale market even if the country meets the criteria for the number of supply sources. In 2015, only Belgium, Ireland, Luxembourg, Sweden and the UK met the market concentration threshold,[15] thanks to gas from the North Sea and LNG sources. While three member states were close to the threshold, the market concentration index for 18 member states was higher than the threshold, which means these countries have a high concentration. Accordingly, the EU's market concentration index showed a high concentration, with a level of 4771 (European Commission 2017: 28, 50).

Low market concentration is generally observed in member states with well-functioning gas hubs and/or different supply sources. Reliance on one supplier, such as Russia, has a negative impact on the concentration index. For example, Estonia and Lithuania have experienced a decrease in the concentration index, thanks to the Klaipeda LNG facility in Lithuania. Similarly, the Czech Republic has also reduced its concentration index by decreasing Russian imports. While ten member states experienced a decrease in their market concentration index between 2011 and 2015, 14 of them experienced an increase. The highest increases, which may have been a result of increasing reliance on Russian gas and/or declining indigenous production, occurred in Hungary, Slovenia and Bulgaria (European Commission 2017: 50–51).

Regarding market concentration for bid and offer activities[16] and trading activities,[17] which are indicators within the scope of market health, market concentration is relatively low in most of the hubs because of the large number of companies. However, concentration is higher for forward products, especially on the selling side, though this is not the case for all markets. The market share of three players is high, especially in developing hubs such as Poland and Hungary (ACER 2015a: 29).

ACER's indicators[18] regarding market participants' needs show that the performance of each member state in establishing functioning wholesale markets is not equal. On the one hand, the National Balancing Point (NBP) (the UK) and Title Transfer Facility (TTF) (the Netherlands) natural gas hubs are leading hubs in the EU as they are regarded as price references and have the most developed markets. These hubs offer 120 MW volumes for three years. Benelux, Denmark, France, Germany, the UK and Austria experience the highest price convergences. The German, Belgian, Austrian, French and Italian hubs have shown progress. Although liquidity is low in the Czech, Spanish, Polish and Danish hubs, their performance has improved. On the other hand, some other member states lack virtual trading points, or have natural gas hubs with very low liquidity or considerable barriers to trade. For example, while Bulgaria, Croatia, Estonia, Greece, Ireland, Latvia and Slovenia have virtual trading points, they are not active or transparent. In Hungary, Slovakia, Finland and Lithuania, liquidity is very low. For all the hubs, the metrics for spot products show results closer to the NBP and TTF hubs, whereas the metrics for short-term and long-term products are lower *vis-à-vis* these two hubs. Accordingly, lower transaction costs are found in all hubs for spot products. In terms of price convergence, the performance of southern and south-eastern member states and the Baltics is low, as long-term contracts, usually from only a few sources, produce higher prices (ACER 2015a: 20, 27–28).

Regarding retail markets, ACER uses ACER Retail Competition Index indicators to monitor progress in terms of competitiveness. These measure the concentration ratio, number of suppliers, ability to compare prices easily, annual net entry, supplier and tariff switching, non-switchers, number of offers per supplier, price dispersion, whether the market meets expectations, and average mark-up (IPA 2015: 2). ACER found that two-thirds of member states have high concentration in retail gas markets. Overall, the share of the three largest suppliers is 83 %. Small suppliers other than the three dominant ones compete for more than 30 % of the market in only five member states (out of 25), which means that the market share of smaller suppliers is less than 30 % in others. Furthermore, the EU's overall switching rate was moderate at 6.7 % in 2015, while switching rates greater than 20 % are considered high (ACER/CEER 2016: 35). Eight member states (out of 26) had a switching rate of less than 1 %. While there is progress in switching rates in some member states, the percentage of consumers who have switched to new suppliers is low. Switching rates and the percentage of consumers who have switched to a new supplier are high in Portugal, the Netherlands, the UK, Belgium, Ireland and Spain (European Commission 2017: 28; ACER/CEER 2016: 37).

Based on these indicators, ACER found that natural gas retail markets in the UK, Germany, Belgium, the Netherlands and Italy were the most competitive markets, while retail market competition in household gas markets in Greece, Latvia, Lithuania, Bulgaria and Poland were weak. Germany, Portugal, Belgium, Ireland and Italy experienced the greatest improvements in the level of competition in retail markets, whereas the level of competition worsened in Slovenia, Denmark, Spain and the Czech Republic (ACER/CEER 2016: 32).

As elaborated above, despite progress in establishing an integrated energy market, 'major challenges remain' (European Commission 2015f), which causes gas markets to underperform (European Commission 2015b: 7). The Energy Commissioner, Miguel Arias Cañete, underlined the need to 'move to full scale of full delivery of all actions needed' (European Commission 2015g: 1). ACER lists the key barriers to an integrated energy market as 'the execution of steps to liberalization, selected gas transportation infrastructure bottlenecks, predominance of long-term commitments or gas supply in the absence of functioning hubs and an ongoing lack of transparency in wholesale price formation' (ACER/CEER 2015: 271). Sufficient investments are lacking, as market concentration and weak competition are still problems in the EU while the market is too fragmented (European Commission 2015b: 7–8).

ACER recommends 'new governance arrangements' to build a sufficient level of co-operation (ACER 2015c). Inadequate energy governance occurs because regulators, national governments and transmission-system operators co-operate on a voluntary basis and naturally prioritise their own energy markets. This causes suboptimal solutions and delays in taking common action (European Parliament 2016: 66–67). As a solution to problems involving complex, time-consuming decision-making and implementation systems, the Commission recommends rearranging ACER's limited tasks in a way that monitors the internal energy market effectively and intervenes when necessary in cross-border issues (European Commission 2015b: 9). Furthermore, a study on the Energy Union found that European institutions do not address effectively incomplete or incorrect adoption of EU legislation by member states. The case of Hungary was highlighted in this context, where the Commission launched a formal infringement procedure four years after Hungary had implemented national legislation that did not comply with EU regulations (European Parliament 2016: 33–35).

Acceptance of This Status by Others

The EU has adopted a set of co-operation formats in its external energy relations. While the main idea is to extend the EU's values to third parties, the scope of relations and instruments change. With neighbours and market-integration partners, harmonisation of rules, norms, principles and values are foreseen, which will necessitate a converging energy security society based on the convergence of internal markets and a regional market. With other partners, co-operation on security of supply/demand, trade and investments and sustainability are envisaged, requiring a co-operative energy security society. This co-operative society is based on shared values such as security, affordability, competitiveness and sustainability (Council of the European Union 2011: 13).

There is no indicator for assessing the attitude of third parties towards the EU's efforts to establish converging and co-operative energy security societies in its external relations. However, the cases of the Energy Community and Energy Charter Treaty help us to understand the limitations of the EU's attempts. The Energy Community was established in 2005 with the aim of extending the EU's internal market rules to its members in south-eastern Europe and the Black Sea region. The members are the European Community, Albania, Bosnia and Herzegovina, Kosovo, the Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia and Ukraine, and Georgia is expected to become a member in 2017 (Energy Community Secretariat 2016: 14, 179). Armenia, Norway and Turkey are observers. The members of the Energy Community are obliged to adopt the EU's legislation on energy, the environment, competition and renewables, though non-EU members are not included in the decision-making process for this legislation. Furthermore, the Treaty envisages possible measures, mentioned under the heading 'external energy trade policy' in the Treaty, for imports and exports of energy to and from third parties. Accordingly, convergence of rules and principles on energy, environment, competition and renewables indicate the EU's willingness to establish a converging energy security society with the members of the Energy Community (Korkmaz-Temel 2016: 134).

On the other hand, the Energy Charter represents an example of the EU's efforts to establish a co-operative energy security society based on shared values. Its roots date back to the early 1990s, when Dutch prime minister, Ruud Lubbers, proposed the creation of an organisation to address energy issues (Energy Charter 2015). While the Energy Community aims to establish a regional market (based on convergence of rules, norms and values) to be tied to the EU's internal market, the Energy Charter acts as a tool for multilateral co-operation in terms of energy. This co-operation is envisaged to 'promote energy security through the operation of more open and competitive energy markets, while respecting the principles of sustainable development and sovereignty over energy resources' (Energy Charter 2015). This exemplifies a co-operative energy security society based on security, competitiveness, sustainability and sovereignty.

There are both positive and negative reactions in terms of how well the Energy Community is accepted by third parties. On the one hand, the willingness of Ukraine, Moldova and Georgia to adopt the EU's energy legislation shows that the Energy Union is attracting the attention of some of the third parties, even though they are not expected to become members of the EU. This could be explained by a desire to distance themselves from Russia. On the other hand, while the EU actors are willing to accept Turkey as a member of the Energy Community, all Turkish actors apart from private-sector representatives argue in favour of retaining observer status. Despite Turkey's liberal stance in establishing competitive markets, Turkey has opted for observer status because of the decision-making process and representativeness of the institutions of the Energy Community, the obligation to adopt EU legislation and the article on policy for external energy trade (Korkmaz-Temel 2016: 242–255).

Where the Energy Charter is concerned, despite the fact that it has 49 members, including EU member states and the EU itself, its capacity is limited by the Russian decision in 2009 not to become a member of the Energy Charter Treaty, and the fact that many energy producers have chosen observer status. In the case of Russia, there was a conviction that transit rules would provide third-party access to the gas network, which would result in a loss of control for Russia in terms of the flow of energy.

Furthermore, Russia was dissatisfied with the dispute-settlement mechanism for transit issues, and rejected the EU's wish to be named as a Regional Economic Integration Organisation (REIO), which could exempt the EU from the Transit Protocol (Belyi 2009: 4).

The conflict between Russia and the EU in trading relations derives from two different understandings of the organisational model of the natural gas industry. While the EU's market model is based on competitiveness, unbundling of national monopolies and a multilateral investment system, the Russian model of 'preferential use of state instruments' (Locatelli 2015: 313) foresees a dual gas market involving a hierarchical type of governance with the state company and bilateral relations. Accordingly, types of access to hydrocarbon resources via a joint venture with a state-owned company and asset swaps are in contradiction with the EU's multilateral investment system (Locatelli 2015: 326). These two different understandings play a major role in the challenges the EU faces with third parties in its external energy relations.

Bearing in mind that a paradigm change from free market to interventionism has been in place in the energy world (Goldthau 2012; Goldthau and Sitter 2014: 1453), the success of extending market values seems to be limited. In other words, not all countries are keen to adopt the EU's values, as they do not consider the EU's aim of promoting 'transparent, competitive and liquid global energy markets' (European Commission 2013b: 3) attractive. A diplomat summarised this problem by underlining the EU's attitude towards a 'more abstract notion of a market distribution system' when Central Asian regimes were demanding concrete contracts with geopolitical preferences (Youngs 2007: 10). Similarly, there are arguments that efforts to restructure the Energy Charter Treaty are restrained by a number of challenges, such as the heterogeneity of members' preferences. This has been evident in investor protection, for example, which is considered to be too demanding by some members, while others consider it insufficient as it did not cover the pre-investment stage (Kustova 2016: 368).

Another challenge the EU has been facing in its external energy relations is that the EU member states do not always speak with one voice. While the examples of the Energy Community and the Energy Charter are cases in which the EU member states have common policies, there are other examples in which they pursue different ones. The Nord Stream and Nord Stream 2 pipelines are the examples of a lack of co-ordination between member states in external energy relations. The original Nord Stream pipeline, linking Russia and northern Germany via the Baltic Sea, thus bypassing Estonia, Latvia, Lithuania and Poland, raised concerns in these member states as they considered the project to be a threat to their energy security (Westphal 2006: 57). This concern was raised in 2006 by the then Polish defence minister, Radoslaw Sikorski, who compared the project to the Molotov—Ribbentrop Pact in the Second World War (Euractiv 2010a). Worries mounted when former German Chancellor Gerhard Schroeder was appointed to a top position in Nord Stream AG after leaving office, as not long before his resignation he had signed a state guarantee of €1 billion for Gazprom should it fail to pay off its loans (Euractiv 2009).

Nord Stream 2 has experienced a similar path, as the EU actors and member states are divided as to how necessary they consider the pipeline to be. The second pipeline is planned to follow the same route and add 55 bcm capacity to the first pipeline. On the one hand, the German Chancellor Angela Merkel and the Commission have stated that the project is a commercial one, as it involves private investors (European Commission 2015h: 6; Reuters 2015). On the other hand, the Commissioner Miguel Arias Cañete has highlighted the 'serious doubts' the pipeline is raising, and Maros Šefčovič, Vice-President of the European Commission in charge of the Energy Union, has noted that the project 'goes clearly beyond the legal discussions' as it does not contribute to the goal of diversification (Beckman 2016). Seven member states: Poland, Slovakia, Hungary, Latvia, Lithuania, Estonia and Romania, wrote a letter for the attention of the Commission, inviting it to act as a guardian of the EU Treaties (Gotev 2015; Szymanski 2016). Poland, which considers the EU institutions' position to be ambiguous, criticises them heavily on the grounds that they have not made a firm stand (Szymanski 2016). Overall, the initiative is considered to be a 'killer project' that 'would kill much of what the Energy Union was intended to achieve' (Beckman 2016), as Petras Auštrevičius, Lithuanian MEP and Vice-Chair of the Alliance of Liberals and Democrats for Europe, has suggested. In the words of Jerzy Buzek, the former Polish prime minister and MEP for the

European People's Party: 'Nord Stream and Energy Union cannot co-exist' (Beckman 2016).

In sum, despite some progress, the EU still faces challenges in establishing a competitive integrated market in the sphere of natural gas. The problem seems to be that not many member states progress well in securing supplies and decreasing market concentration in wholesale and retail markets. This also affects the progress made at EU level. Similarly, performance differs greatly between the natural gas hubs. Furthermore, citizens show little interest in switching to a new player in many member states. Accordingly, the indicators show that the EU has not yet succeeded in establishing an Energy Union. Therefore, the lack of a competitive internal natural gas market prevents us from arguing that the EU has a self-declared status. However, some third countries have indicated their 'acceptance of this status' by being a member of the Energy Community. Bearing in mind that the Energy Community is part of the Energy Union, as it is considered a regional market alongside the EU's internal market, the membership of Moldova and Ukraine, and Turkey's insistence on retaining its observer status, demonstrate the existence of some other drivers influencing acceptance by third parties. Similarly, discussions within the scope of the Energy Charter Treaty manifest two different understandings of energy trade, which restrict acceptance of self-declared status. Furthermore, different policies of member states in terms of natural gas pipelines indicate the EU's limitations in acting with a single voice. Therefore the EU faces challenges not only in terms of its self-declared status but also a recognition of this status by third parties. This allows us to argue that the EU has weaknesses in meeting the second criterion, despite progress. The next section analyses the third criterion, which involves calculation by others.

Calculation by Others

This criterion is based on the idea that significant factors in being considered a great power include not only what states say about themselves, but also how they behave and how their behaviour is calculated by others.

Therefore states with material capabilities and a self-declared status that is also accepted by others, need to adopt the role of a great power, and this behaviour needs to be taken into consideration by others. Because states determine their behaviour in relation to the behaviour of others, Buzan argues that calculation is a significant criterion in terms of being defined as a great power. He gives the examples of Britain and France, as they are increasingly recognised as great powers but not treated as such, since they lack calculation by others. While great powers play at the global-system level according to Buzan's classification, he argues that whether they act on a global scale is less significant in terms of examining the criterion of calculation by others. He gives the example of Japan: this country does not play at the global level but is nevertheless calculated by others (Buzan 2004b: 63–65). Accordingly, despite the fact that the EU is not influential at the system-level in the sphere of natural gas, its liberalisation policy within the EU region has significant implications for energy producers and transit countries.

The EU's liberalisation rules have an impact not only on energy markets in member states but also on energy deals and investment decisions by external firms. Goldthau and Sitter (2015) argue that foreign energy companies are forced to act in accordance with the internal energy market rules and this enables the EU to be named an emerging international actor. They label the EU a 'soft power with a hard edge', which refers to 'a situation where attractiveness (e.g. of the EU's large market) is coupled with a targeted and conditional policy that controls or restricts access (e.g. the Commission's regulatory governance)' (Goldthau and Sitter 2015: 950). In this case, soft power means that energy companies willing to operate in the EU's internal market are obliged to obey the rules, and the hard edge refers to the fact that these rules may force them to change their behaviour. Within this context, applying the EU's competition law not only has an impact on non-EU energy companies, but also limits the capacity of states that own these energy companies if they attempt to use energy deals as a tool for their foreign policy considerations (Goldthau and Sitter 2015: 951, 955). Since there is no indicator for testing the criterion of calculation by others, this section draws on some specific examples.

The first example illustrating that the EU's liberalisation rules are taken into consideration involves the Commission's reaction to certain energy contracts with third parties, which hinder the establishment of an internal market. The Commission insisted on the removal of destination clauses in energy deals between European companies and external energy companies such as Statoil from Norway, Gazprom from Russia and Sonatrach from Algeria (Talus 2012: 237; Goldthau and Sitter 2015: 954). These clauses create barriers to trade by restricting buyers in terms of reselling imported gas. Similarly, only after the Commission's competition case against Gazprom did the company agree to the decision of transmission operators in Bulgaria and Greece to allow virtual reverse flow of the Trans-Balkan pipeline. This had been opposed by Gazprom because of the nature of the contractual clauses (Vladimirov 2016).

The Commission also became involved in renegotiating the gas contract between Poland and Russia in 2010. Application of the EU's liberal market rules to the Polish section of the Yamal gas pipeline, which transports Russian gas to the EU, transferred the operation of the pipeline from a Polish—Russian joint venture to the Polish operator. According to the EU's internal energy market rules, a non-EU supplier such as Gazprom cannot hold a majority share of the EU transmission network or act as an operator of the network unless it applies the EU's unbundling rule for separating transmission from the production and supply sides of a vertically-integrated company (Cottier et al. 2010: 2–4; Locatelli 2015: 325). Despite this rule being adopted after the Yamal pipeline had come into operation, the Commission insisted on the need to comply fully with the rules (Riley 2015).

Another example in which internal market rules restrict the access of third parties to the EU's internal market is the South Stream pipeline. The pipeline aimed to transport 63 bcm of Russian gas from Russia to Austria via Bulgaria, Serbia, Hungary and Slovenia. The Commission started two infringement procedures, one of which was against Bulgaria on the grounds that bilateral agreements were incompatible with EU rules. The other was on the legality of the procurement process. This process led to the suspension of the pipeline (Stern et al. 2015: 4) when President Vladimir Putin declared: 'in the current conditions Russia cannot continue with the realisation of this project' (BBC 2014). The

Commission's spokesperson, Marlene Holtzner, stated that key problems with the South Stream pipeline involved unbundling, third-party access, which maintains non-discriminatory access of third parties to the network, and setting the tariffs. She stated that the EU stipulated unbundling because there was a belief that 'gas security and also competition is best served if there is not one company importing and producing gas and owning the pipeline, fixing the tariff' (Natural Gas World 2016). Therefore, it would be against the EU's internal market rules if Gazprom, which was a supplier and producer, owned the transmission network. Furthermore, the bilateral agreement foresaw full and unrestricted access for Russian gas, which did not leave any capacity for the third parties (Euractiv 2010b, 2013). As a result of the EU's internal market rules, Russia initially abandoned the South Stream pipeline and opted for Turkish Stream, which planned to transport Russian gas to Turkey underneath the Black Sea. However, Russia subsequently declared that both of the pipelines remained on the negotiating table. Putin's declaration that they 'only need a clear position from the European Commission. Clear, understandable and unequivocal' (Gotev 2016) implies that the future of these pipelines depends on the position of the EU, which shows the EU's 'soft power with a hard edge'.

The last example is the Polish Competition Authority's decision on the Nord Stream 2 pipeline. The Authority decided that the joint venture involving the Nord Stream 2 pipeline, consisting of Gazprom, E.ON, Wintershall, Shell, OMV and Engie, might restrict competition in Poland, as Gazprom has a dominant position in the country and the transaction would strengthen its position (Offshore Energy Today 2016). This decision led to the withdrawal of the European counterparts. A Wintershall spokesperson said, 'We, along with the other applicants, still support the project … We are now studying alternative ways for its implementation' (Rettman 2016), which is a good example of how the EU's competition rules force energy companies to change their behaviour.

There are a number of other examples that could potentially consolidate the criterion of calculation by others. First, the EU's internal market rules may have further impacts on the plans of the Nord Stream 2 pipeline if it is agreed that EU law should be applied to the offshore pipeline.

In this case, the owners of the Nord Stream 2 pipeline would need to be independent from the suppliers, which is not the case here, as Gazprom is both the supplier and the owner of 50 % of the pipeline. Furthermore, the operators of the pipeline must provide access to third parties. Moreover, national regulators must provide certification stating that the project does not threaten the energy security of member states or the EU (Beckman 2016), which is a very controversial issue. Riley (2015) argues that it is difficult to obtain exemptions from the Commission for this pipeline project, since the project does not enhance competition but merely changes the route of the existing pipelines.

Second, the Commission's anti-trust case against Gazprom is significant in the sense that the Commission is investigating whether Gazprom hinders cross-border gas sales, charges unfair prices and makes gas supplies conditional on a number of unrelated commitments (European Commission 2015i). The result of this case could help us to understand whether the implementation of internal market rules is negotiable, as Gazprom has noted its desire for a 'mutually acceptable decision' (Soldatkin 2016). Last but not least, the Energy Community represents a significant opportunity for the EU to influence the securitisation of a specific region, in which non-EU members apply EU competition rules to third parties. However, we can only speak of calculation of the Energy Community by others if significant energy players, 'higher level powers' in Buzan's words (2004b: 72), calculate the existence of this initiative.

It could be argued that applying the EU's liberalisation rules to a specific region prevents the EU from being a systemic-level power, and restricts it to having the status of a regional power. However, as Buzan (2004b: 63–65) notes, as long as third parties calculate the behaviour of the actor in question, it does not make much difference whether they are acting on a systemic level or not. Furthermore, these rules have an impact on investment by major energy players, which can trigger investments in other parts of the world. This was best exemplified by Alexander Medyedev, chief of Gazprom Export, in October 2010. Arguing that the EU's attempts to establish a single market would cause 'a Great Wall of China', Medyedev stated that 'the reliability of European gas supplies will be determined by the competition with other global gas markets, primarily with Asian markets' (Gazprom, 2010). This shows the potential impact of liberalisation rules on Gazprom's investments in Asia. Therefore the rules may have a worldwide effect, which is beyond the capacity of a regional power.

In sum, while the EU extends its market values to third parties and aims to establish an integrated competitive market, its internal market rules control access for third parties and limit the ways in which countries such as Russia use their energy firms for the state's own interests. This increases the effectiveness of the EU as an actor and paves the way for it to act as a 'regulatory state' (Goldthau and Sitter 2015: 941). The Commission's successful intervention in energy contracts that have clauses in breach of internal market rules, the termination of the South Stream Pipeline and the Polish Competition Authority's decision on how the joint venture of the Nord Stream 2 Pipeline should be composed are significant examples of how the EU's liberalisation rules force third parties to play the game according to the rules. Therefore the EU's performance in fulfilling this criterion is satisfactory.

Conclusions

Inspired by the EU's Energy Union strategy, this chapter has explored the extent to which the EU fulfils Buzan's criteria of a great power in the sphere of natural gas. Why is it crucial for us to know whether the EU meets all the criteria for being considered a great power in this sphere? As elaborated in the introductory section, all types of energy relations form a kind of energy security society, in which different primary institutions, such as great power management, constitute frames of that society. Therefore, the findings of the analysis on the extent to which the EU acts as a great power allow us to understand the EU's capabilities and limitations in energy issues, as well as the structure of the EU's relations with third parties.

The analysis shows three significant results. First, the EU has weaknesses in fulfilling all the criteria necessary to be considered a great power, especially with regard to energy reserves, energy technology and self-declared status, despite progress on the latter. Second, the EU's weaknesses in meeting the criterion for self-declared status do not prevent some third parties (such as Ukraine and Moldova) from accepting this status. By being a member of the Energy Community, these countries have shown their willingness to harmonise their legislation on energy, the environment, renewables and competition with EU legislation. Bearing in mind the preferences of some other countries (such as Turkey and Norway) to remain as observers, it can be argued that there are other drivers that influence acceptance of the status by third parties. Furthermore, the division between the members of the Energy Charter and those who opted out shows that the EU does not fully meet the second criterion, as it is not able to influence the global power structure, which is one of the differences between systemic-level and regional-level powers (Buzan 2004b: 67).

Third, while the Energy Union strategy, with its current implementation level, cannot be considered a self-declared status, the EU's internal market rules act as a tool forcing third parties to obey these rules, which may influence their economic and/or political interests. Regulatory actorness is related not only to economic and legal but also to political frames, because internal market rules have the potential to affect third parties' political behaviour if they attempt to use energy companies or pipeline projects for that purpose. Therefore, in the sphere of natural gas, the EU has limitations in influencing the global power structure, but shows some capabilities for restricting the behaviour of third parties with its regulatory actorness. The Commission's and European Court of Justice's performances in protecting EU law may be the key to either destroying or consolidating regulatory actorness.

Notes

1. While competitiveness and affordability are used interchangeably in the literature, the Commission mentions both of them in the policy paper.
2. Despite 'great power management' being the primary institution, we need to understand who is/is not a great power to be able to examine the functioning of great power management in energy security societies.
3. Arguing that polarity theory does not explain the global system, Buzan proposes a tripartite classification of superpowers, great powers and

regional powers. While superpowers and great powers play at the global-system level, regional powers do not. Accordingly, superpowers and great powers are able to have an impact on the structure of the global system, while regional powers are 'takers' and can play at regional level (Buzan 2004b: 66–67). The EU's policy is to extend its values not only to its neighbours and market-integration partners, but also to key energy suppliers, transit states, key energy players worldwide and developing countries. Thus it is more appropriate to question whether the EU plays at the global-system level in the sphere of natural gas. The distinction between a superpower and a great power involves a level of expectations and realisation in terms of both capability and behaviour, which are less demanding for a great power. This feature of a great power justifies the choice for examining the EU as a great power in the sphere of natural gas.

4. The Commission defines net-import dependency as 'net energy imports (imports minus exports) divided by gross inland consumption of energy and marine bunkers, based on tonnes of oil equivalent' (European Commission 2017: 32).
5. Import dependency of less than 30 % is considered positive, whereas import dependency between 30 % and 50 % is considered medium, and higher than 50 % is negative (European Commission 2017: 28).
6. The Reference Scenario assumes that 'binding RES 20% targets for the EU and Member States will be met, considerations about the use of cooperation mechanisms by countries are also taken into account', 'the binding 10 per cent Effort Sharing GHG target for the overall EU will be met, albeit some Member States are projected not to achieve their targets domestically' and 'with regard to the energy efficiency target … the 20 per cent target will be missed' (European Commission 2016b: 50).
7. An N-1 value of less than 90 % is considered 'negative', whereas an N-1 value between 90% and 100 %is considered 'medium' and more than 100 % is considered positive (European Commission 2017: 11, 28).
8. First, it does not take obstacles in a country's network into account. Second, it is based on capacities, which do not guarantee the availability of gas (European Commission 2017: 43).
9. Although the period measures only half the year, ACER 'believes that the results provide useful indicators' as the winter is the most critical season for natural gas (ACER 2015a: 25).
10. Wholesale market means 'the sum of gas trading activities with delivery agreed at one specific point and concluded using a transparent trading

venue. The main delivery points are the virtual points of the entry/exit systems' (ACER 2015b: 25).

11. Indicators for comprehending market health are different supply sources, the Herfindahl-Hirschmann Index (HHI), the residual supply index, market concentration for bid and offer activities, and market concentration for trading activities.
12. Indicators for comprehending market participants' needs are order-book volume, bid-offer spread, order-book sensitivity, and number of trades.
13. Malta and Cyprus are not included in calculations as they do not consume natural gas.
14. The market concentration index is based on the HHI and refers to the sum of the squared market shares of the wholesale gas-supply companies (European Commission 2017: 12).
15. The required threshold for a competitive wholesale market is lower than 2000. An HHI score of more than 2000 means high concentration. A level of 10,000 indicates a monopoly (ACER 2015b: 25).
16. This requires a market share equal to or less than 40 % per company (or group of companies) for the best 120 MW on each bid- and offer-side (ACER 2015b: 23).
17. This requires a market share equal to or less than 40 % market share per company (or group of companies) for the sale and purchase of gas (ACER 2015b: 23).
18. These indicators test whether market participants buy and sell when they need to, and if order-book volumes support effective risk management. Indicators determine whether there is low transaction cost and less additional cost, and support for market participants who have less flexibility. They question whether market participants trust transparency of prices, and the extent to which prices are reliable (ACER 2015b: 23).

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11

An Empire Without an Emperor? The EU and Its Eastern Neighbourhood

Tuomas Forsberg and Hiski Haukkala

Introduction

The metaphor of 'empire' has been applied not infrequently to the European Union—most notably by Jan Zielonka (2006)—and there is indeed a growing, though not necessarily very well interconnected, body of scholarly literature on the topic (see Behr and Stivachtis 2016; and e.g. Waever 1997; Gravier 2009; Marks 2012). The extent to which the EU has been, or can be interpreted as an 'empire' clearly depends on what is meant by the word. It is often used in a negative sense to indicate the 'imperialist' ambitions and policies of the 'Brussels bureaucracy', allegedly to subjugate its member states, or how the bureaucracy or the leading member states dominate the continent and some other parts of the world, particularly the former European colonies. On the other hand, there are people who see 'empire' as a more positive concept, implying the diversity of the constituent units, with multiple loyalties and overlapping authorities. An example of this is Zielonka (2006), who defines the

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EU as a neo-medieval polity, or Robert Cooper (2002), who sees it as a postmodern one. Those who embrace 'imperialism' also stress the civilisational aspect of developed and enlightened imperial communities, though more often this mission is seen in a critical light. Even the EU Commission President, Manuel Barroso, once noted that 'sometimes I like to compare the EU as a creation to the organisation of empire. We have the dimension of empire' (Mahony 2007). However, he distanced himself from the negative aspects of the concept by adding 'what we have is the first non-imperial empire'. Given these loaded meanings, it might be difficult to refer to 'empire' as a purely analytical concept. Nevertheless, 'empire' can be seen as a vast territorial unit larger than a nation-state, consisting of a centre and peripheries but often without definitive outer borders, or even more nominally as a territorial unit ruled by an emperor. If the EU is an empire in the former sense, it is definitively an empire without an emperor.

The potential usefulness of the imperial metaphor is not necessarily connected to the actual power of the entity, as history has known both weak and strong empires. Recent events—the Ukraine crisis and Brexit—have mainly emphasised the weakness of the EU's power, and the concept of 'empire' is therefore used to search for analogies with the fall of the Roman Empire (see e.g. Yaroshenko et al. 2015). Yet even these recent events can be interpreted as signs of strength. The EU has been accused of being the main culprit in the Crimean crisis because of its imperial ambitions in the Eastern neighbourhood, and Brexit can be seen as a reaction to the EU's growing ability to penetrate even the big, nominally fully sovereign member states (see Chap. 3).

The discussion of the EU's role in international affairs—whether it is 'imperial' by ambition or merely effect—is inevitably related to the question of what kind of power it is (see e.g. Bull 1982). The most typical view is that the EU is a 'civilian' power, or rather an economic one with primarily economic interests—'an empire of shopkeepers' (see e.g. Damro 2012). However, this view is increasingly contested by notions of the EU as a 'normative power' with universal normative interests (Manners 2002) on the one hand, and a more traditional geopolitical power on the other (Hyde-Price 2006). These notions, however, are all ideal types and therefore the EU can appear in different incarnations at the same time. The attempt to capture the nature of the EU with one attribute may be fruitless. As Karen Smith (2008) has noted, studies on the EU should move away from the question of what the EU is, and turn to what it does, and what the activities of the EU do to others. A similar problem is related to the concept of 'empire'.

As the imperial metaphor tends to suggest, the EU clearly has interests and ambitions beyond its current borders. This, however, does not yet make the EU any more imperial than any other power, even small ones that also have international objectives. What gives the EU some 'imperial' characteristics is that, throughout its history, it has also been involved in extending its territory. At the same time, the attempt to extend the scope of EU rules beyond EU borders by exercising 'external governance' has been manifest in both rhetoric and action (Lavenex 2004). In its own view, the EU has been acting as a force for good, and aims to extend normative orders that are regarded either as mutually shared or universal (Manners 2002). This is, however, where the views of the EU tend to clash with others, and they do so particularly in the context of its eastern neighbourhood and in the case of Ukraine (see e.g. Busygina 2017).

During the past few years, a new discourse has emerged which regards the EU as a geopolitical player pursuing its own material interest, 'restoring classical imperial tropes of power relations between core and periphery' (Sakwa 2015: 563). The international arena, especially in the eastern neighbourhood, is seen as a zero-sum game which has, in fact, been created by the EU itself. The EU is allegedly driven by imperial ambition in terms of spreading its values and norms, though these are not universal and only help to assert its hegemonic rule. The imperial EU can only be stopped by relying on harsh measures that send a message, as was done by Russia in the Ukraine crisis. For example, Julian Pänke (2015: 351) has argued that 'the outbreak of violence in the EU's Eastern neighbourhood is the culmination of a foreseeable development since the end of the Cold War, when the EU initiated its attempts to establish a civilisational identity by externalizing its norms to the exterior'.

This chapter will look at the EU and its eastern policies from the perspective of imperial metaphors and analogies (for an early attempt, see Waever 1997). In general, views of the EU's role in its eastern neighbourhood vary greatly. As the Ukraine crisis testifies, the question of who was driving the EU policy that aimed to deepen co-operation between the EU and the countries in its eastern neighbourhood, along with the motives behind it, has been highly contested (see e.g. Kostanyan 2017). This chapter first examines the background and evolution of EU policies in the East, starting with the Eastern Enlargement in 2004, then moves on to explore the European Neighbourhood Policy and Eastern Partnership, and finally discusses the EU's conduct in the Ukraine crisis (see also Forsberg and Haukkala 2016).

The Eastern Enlargement

The so-called Eastern Enlargement of the European Union, which took effect in May 2004, has been—and will most likely remain—its largest single round of enlargement. It consisted of 10 new member states, most of them former socialist countries in Central and Eastern Europe: Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia and Hungary, as well as Slovenia, which was the first former Yugoslav republic to enter the union, and Cyprus and Malta in the Mediterranean. Moreover, Bulgaria and Romania, which were considered not yet ready to join the EU in 2004, were granted access from 2007.

This 'big bang' enlargement of the EU was generally motivated by the noble goal of ending the division of Europe. It was often coupled with the idea that the rich western European states owed something to the eastern states that had remained captive on the other side of the Iron Curtain during the Cold War. Vaclav Havel's speeches and texts at the time are quite indicative of the general mood, when he repeatedly called on the West to accept its responsibility, even if it entailed self-sacrifice. Havel (1994) forcefully argued that 'fear in the West of cheap Eastern goods, that fear of getting more deeply involved anywhere where there are no immediate gains, of that caution, that lack of imagination and courage, that love of the status quo … leads many … to lock them up in the world to which they have become accustomed … If the West does not accept its co-responsibility for the world and find a key to the East, it will ultimately lose the key to itself'. By adopting the new members, the union recognised the inherent Europeanness of these countries, demonstrated not only by their geographical location but also by their willingness to commit to the key European values of democracy, human rights and the rule of law.

The critical question is, of course, whether such noble statements constitute the real reason for enlargement, or whether the rhetoric was only instrumental in masking more mundane aims such as geopolitical and economic interests (Moravcsik and Vachudova 2003). Both factors were probably at play, but as Frank Schimmelfennig (2003) has argued, the rhetoric was indeed of key significance in determining the way in which the Eastern Enlargement took place. The collective identity of the EU rested on liberal values, and refraining from enlargement would have contradicted these principles strongly. Hence the EU was bound to take the bold step towards enlargement, as the candidates had expressed a sovereign will to join the union and fulfilled the required conditions. The opponents of the enlargement were 'rhetorically entrapped', since they could not veto the enlargement without simultaneously denying their declared identity and thereby losing their credibility as community members.

There were indeed forces in some old member states that resisted the enlargement, or wanted to postpone it. There were fears of the union losing its effectiveness, and its established culture and identity, or that the enlargement would cost too much money by trying to support the economically weaker states in raising their living standards closer to those of existing EU members. However, these voices were effectively sidelined in the course of the process. The strategic, geopolitical argumentation was largely marginal, apart from general references to peace and stability, since all the eastern European countries were also applying for membership of NATO, and joined it before their accession to the EU (Higashino 2004; O'Brennan 2007). Indeed, the EU enlargement was not generally seen as threatening Russia in any relevant way, nor did Russia consider the enlargement to be directed against its interests, except for the question of the Schengen regime, which caused problems for the Kaliningrad region as the inhabitants could not move freely from the exclave to the main part of Russia by land. It also restricted Russians in terms of travelling to the new member states, as they now required visas to enter (see Forsberg and Haukkala 2016: ch. 5).

At the same time, some interests in favour of enlargement were not so noble. The British, in particular, saw the enlargement as a way of preventing the deepening of the union and increasing its own influence against the Franco-German axis. Economic interests also mattered, since the new member states provided not only new markets but also a cheap labour force, in particular for German industry or, from a Marxist perspective, western European capital which could then also put pressure on wages and working conditions in the old member states (Anderson 2009: 55). Yet, as mentioned above, the economic reasons were more often seen as an argument for postponing the enlargement, setting conditions for it and searching for means other than enlargement to foster economic co-operation.

The enlargement process was not characterised by mutual bargaining but by a unidirectional process in which the EU monitored whether the candidate countries had fulfilled the standards it had set for admission, known as the Copenhagen Criteria. Democracy, human rights and the rule of law were seen as being the key elements of these criteria, and particular emphasis was placed on minority rights. Hartmut Behr (2007) regards this as a sign of the EU's imperial conduct. Yet the asymmetrical bargaining position did not depend on the coercive power of the EU but on the fact that the candidate countries wanted membership more than the EU wanted them. Moreover, the candidate countries needed to harmonise their legislation with EU law. However, this was not much different from the previous rounds of enlargement. When Austria, Finland and Sweden joined the EU in 1995, they also had to accept the community acquis as a precondition of their membership. Indeed, as Georgeta Pourchot (2016, 27–28) has noted, the eastern Europeans were not asked to implement reforms that were any different from those already undertaken by the existing member states themselves, though it should be added that some of the old members had been able to negotiate exceptions, and the new members had to accept a transition period for the free movement of labour. Moreover, Pourchot continued, once the new members had joined the union, they were granted equal rights in terms of sharing responsibilities of leadership and governance, such as holding the rotating Council Presidency some years after their entry into the union. Or, as put by Tony Blair's adviser, Robert Cooper (2002), who soon afterwards became Director-General for External and Politico-Military Affairs at the General Secretariat of the Council of the European Union:

> In the past empires have imposed their laws and systems of government; in this case no one is imposing anything. Instead, a voluntary movement of self-imposition is taking place. While you are a candidate for EU membership you have to accept what is given—a whole mass of laws and regulations—as subject countries once did. But the prize is that once you are inside you will have a voice in the commonwealth. If this process is a kind of voluntary imperialism, the end state might be described as a cooperative empire.

The Eastern Enlargement was highly significant in its effects, since it helped to transform the new member states in fundamental ways (Jacoby 2004; Schimmelfennig and Sedelmeier 2005; Grabbe 2006). As a consequence, it has become almost axiomatic that the enlargement has been the EU's most effective foreign-policy tool. Yet the EU has not been capable of influencing the political and economic development of countries that have not chosen the European orientation, even smaller states such as Belarus (Korosteleva 2009). Moreover, the EU clearly had much more power during the negotiation process towards membership than after the countries became members. As the cases of Hungary and Poland now show most plainly, the EU has had more limited leverage over these countries since they have become members of the union.

In sum, the enlargement of the European Union to the east is in unison with the imperial metaphor to the extent that it involves an element of territorial expansion. However, the enlargement was not coercive and was in fact initiated by the new members themselves who wanted to join the union. The EU, for its part, defined the conditions under which accession was possible, but setting these conditions was more a reaction to the perceived pressure to enlarge than to an imperialist plan. The EU was then rhetorically entrapped in following an enlargement strategy based on its values rather than strategic and economic interests. The imperial metaphor also fails in terms of the fact that the new members were granted full membership rights and were not incorporated through distinct peripheral status.

The European Neighbourhood Policy

The EU had already begun to plan a new policy towards its neighbouring areas before the Big Bang enlargement of 2004, by referring to a 'wider Europe'. The European Neighbourhood Policy (ENP), which covered both the former Soviet states in Europe (apart from Russia, which opted out) and the Mediterranean countries, was set up on the basis of a Commission proposal in March 2003, and a strategy paper was issued in May 2004 (European Commission 2004). This entailed promises of increased funding compared to the old programmes. The ENP was clearly motivated by the union's growing political weight and ambition in international affairs in the early 2000s, as demonstrated by the adoption of the European Security Strategy (ESS) in December 2003. It was also needed because the enlargement was about to bring new direct neighbours into the union from the East, and they would face new barriers if their relationship with the union were to remain intact. As the ESS declared: 'It is not in our interest that enlargement should create new dividing lines in Europe. We need to extend the benefits of economic and political cooperation to our neighbours in the East while tackling political problems there' (European Council 2003: 7).

At the same time, it was evident that the 'old' members wanted to set the agenda before the new members joined the union. Their main concern was that the new policy should not lead to exaggerated promises of future enlargements or unrealistic budgetary commitments. The ENP was instead an attempt to devise an alternative to further enlargements of the union. Rather than full integration and institutional immersion, the 'neighbours' were offered wide-ranging co-operation, technical assistance and association schemes with the goal of extending the union's normative agenda. For this purpose, the mechanism of conditionality—'more funds for more reform'—was also applied to relations with non-candidate countries. In return for the effective implementation of reforms (including aligning significant parts of national legislation with the EU acquis), the EU would grant closer economic integration and political co-operation with its partners. In several key respects the ENP resembled the accession process in bringing the neighbouring countries closer to the union, but with one key difference: the golden carrot of full EU accession was not at any point seriously on the table.

As with the enlargement process, it was clear which party was in the stronger negotiation position in the process, and able to define the scope and conditions of relations. The ENP did not give much of a meaningful say to the neighbours when setting the agenda. Despite the rhetoric of 'joint ownership', the objectives and the means were non-negotiable, and the only time the partners were properly consulted was when individual action plans were being agreed, with benchmarks and timetables. This was nothing new as such, since the union is known to be a rigid negotiating partner even in more symmetrical relationships, because of the bureaucratic ways in which its mandate has been set up. Yet in the Neighbourhood Policy there was clearly a hegemonic aspect to the way the EU conceived its mission; it was offering (or withholding) economic benefits according to the neighbours' ability and willingness to implement the union's normative agenda. In other words, the EU was willing to give its neighbours influence basically only in terms of when they wanted to implement the union's demands, and not in terms of how this was to be done (Bicchi 2006; Haukkala 2008; Korosteleva 2011a, 2013). The neighbours were not granted access to decision-making, apart from in some more technocratic and policy areas such as air transport or transboundary water management, where more of a network type of governance was adopted (Lavenex 2008). Moreover, the EU's insistence on the normative dimension involving democracy, human rights and the rule of law was based on the idea that these values were shared, and that the ENP countries had already committed to them in the institutional frameworks set by the Council of Europe and the Organization for Security and C-operation in Europe (OSCE). Nevertheless, this aspect of asymmetric relations, and the EU's ability to impose the agenda for the ENP countries, has led Pänke (2013, 2015) to conclude that the ENP was characterised by normative imperialism. While the principles of democracy, human rights and the rule of law were all shared in principle, what these principles entailed and how they were interpreted in relation to actual policies was more problematic.

Judging by its reception and outcomes, the ENP was not fully successful as a policy. In particular, the neighbours who wished to establish a closer relationship with the union were not particularly impressed by the benefits of the Neighbourhood Policy (Bechev and Nicolaïdis 2010; Korosteleva 2011a, b). Ukraine has been a case in point, repeatedly voicing its frustration over the lack of credible accession prospects, as well as the negligible level of market access and economic aid from the union (Haukkala 2008; Sasse 2008; Scott 2017). Many people had hence expected more effective 'imperialism' from the EU. By contrast, bureaucratic sluggishness, confusing demands and the perceived lack of local knowledge were common concerns among the partnership countries. Overall, the pace of the reforms depended on the willingness of local elites to undertake them, and the EU had only limited opportunities to engage its preferred leaders. In other words, understanding the effect of EU policies is not possible without taking into account domestic politics in the neighbouring countries (Casier 2011; Langbein and Börzel 2013; Ademmer et al. 2016). At the same time, the lack of any serious progress in terms of reforms in many of the neighbouring countries made it fairly easy for the union to defer making further promises of economic aid or other concessions.

In sum, the ENP was created out of a mixture of diverse motivations, taking multiple forms rather than there being a clear, implemented plan. In terms of its territorial features, it resembled imperial aspirations in building a buffer zone of a 'ring of friends', and in extending its normative reach around its outer borders, making the borders controllable but at the same time fuzzy. Yet, as Christopher Browning and Pertti Joenniemi (2008) have suggested, the EU has followed different territorial models and conceptions of border in its Eastern Neighbourhood Policy. As with the enlargement policy, the EU acted from a hegemonic position in defining the agenda under which the eastern countries could co-operate and integrate with it. However, it did not have the imperial strength or the will to coerce partner countries to co-operate with it, but depended to a great extent on the willingness of the local elites to choose the European orientation. The 'carrots' the EU offered to the ENP countries were too small for them, as these countries preferred full integration, but the 'sticks' were also too small to constitute any effective punishment for those who were not interested in approaching the union.

The Eastern Partnership and the Revised Neighbourhood Policy

The ENP was further developed over the course of time. The EU launched the Eastern Partnership (EaP) in 2009 on the basis of the Polish—Swedish initiative. The initiative was partly a response to post-Rose revolutionary Georgia and Orange Ukraine, who were pressing hard for full accession perspectives. The EU also needed to preserve the initiative after Russia had increased its own attempt to influence developments in the region and had resorted to military force in Georgia. Yet it was equally clear that the EaP was also internally motivated, as a counterweight to the French initiative of a union for the Mediterranean, launched by President Nicolas Sarkozy during the French EU Presidency in July 2008. Moreover, the initiative was to 'ideologically enhance' the status of the eastern partners and offer them a membership perspective, since they were, after all, European states. Yet closer ties with the eastern neighbourhood countries seemed to be hampered by 'enlargement fatigue' within the EU. As the Polish foreign minister, Radek Sikorski, asserted, 'We in Poland make a distinction between the southern dimension and the eastern dimension [of the ENP] and it consists in this—to the south, we have neighbors of Europe, to the east we have European neighbors' (Lobjakas 2008).

Compared to the ENP, the main innovation in the EaP was the new multilateral platform that encouraged the convergence of the partner countries' legislation, norms and practices with those of the union. The practical implementation of the multilateral track has taken place via four thematic platforms: (1) democracy, good governance and stability; (2) economic integration and convergence with EU policies; (3) energy security; and (4) people-to-people contact. The multilateral track has also provided for civil society participation through a separate forum whose results will feed into the thematic platforms. The EaP has achieved visibility and concrete substance via a number of regional flagship projects, ranging from border management to energy efficiency and environmental concerns. Once again, political association and deeper economic integration were on offer for partner countries which advanced in the agreed reforms. A related plan was to encourage free trade within the region itself. Of concrete and most immediate interest to the citizens of the partner countries is the facilitation of mobility. The EaP is expanding on the established goal of country-by-country advancement towards visa facilitation and readmission agreements, with prospects of a dialogue on visas and the possibility of eventual visa freedom. Integral to the success of this path is the partner countries' ability to deal with the challenges posed by illegal immigration and other border security-related issues.

The EU revised its neighbourhood policies in 2011, and again in 2015 in the aftermath of the Ukraine crisis. The new ENP sought to reinsert differentiation and conditionality into the process by adopting 'a more for more' approach, whereby the neighbours were more clearly rewarded for their positive efforts as well as potentially penalised for a lack of them. The idea was to put less emphasis on the promotion of democracy as the core of the policy, and to offer instead a much wider framework under which flexible strategies of co-operation and integration could be applied (Bouris and Schumacher 2017). At the same time, the EU was suffering from internal problems where both the Euro crisis and the trend towards the renationalisation of member states' policies constrained the ambitions of the EU in the east. Moreover, there was increased emphasis on geopolitical reflection in the framework of the ENP after, but not before the Ukraine crisis. Yet, the policy revision still failed to provide a coherent long-term vision (Haukkala 2017; Kostanyan 2017: 142).

In spite of the new frameworks, the union's eastern policy was plagued by internal contradictions and inconsistency. As George Christou (2010) argued, the EaP was based on the simultaneous and uneasy coexistence of two binary logics, whereby co-operation and containment, alongside the essential securitisation of the eastern neighbourhood, effectively limited and prevented the EU from facilitating meaningful change through its policies. Börzel and Hüllen (2014) in turn have stressed that the democratisation of (semi-)authoritarian countries entails the risk of their destabilisation, at least in the short run. Therefore they think that promoting effective and democratic governance has become a conflicted objective: 'The lower the level of political liberalization and the higher the instability of a country, the more ineffective the EU is in asserting a democratic reform agenda in the ENP Action Plans, clearly favouring stability over change' (see also Wichmann 2007; Börzel and Lebanidze 2017; Theuns 2017).

Others, looking at EU policy from the point of view of political economy, claim that the EU's promotion of democracy is not the core objective, but that its principal aims rest on the neoliberal model of market society, and therefore the relaxation of democratic principles followed quite naturally. The 'fuzzy liberalism' adopted by the EU advocated pluralism and support for independent civil society actors, but 'a neoliberal set of concerns' such as the 'investment climate, excessive regulation, property rights [and] improved market access to public procurement' seemed to dominate the discourse (Kurki 2012: 152). Indeed, the EU's policies in eastern Europe and elsewhere, involving the promotion of free markets, austerity and various neoliberal measures, has tended to aggravate social conflict rather than create stability (Patomäki 2018: Ch. 3).

The effectiveness of the EU policies under the aegis of the ENP was thus at best limited and at worst counterproductive. There is in fact relatively little evidence that a change for the better has been achieved by the EU in and through its policies towards the East, and 'the effect of EU influence under the ENP on the regime dynamics in [the] Eastern neighbourhood appears to be close to nil' (Buscaneanu 2016: 212). Democratisation processes have largely stopped in the region. Part of the explanation for this is that Russia has increasingly contested the EU's normative hegemony in the region and has challenged the EU's view of democratic principles (Haukkala 2008, 2016). Jakob Tolstrup (2013: 250), however, has argued that the positive impact of the EU has been one of preventing autocratisation rather than truly pushing forward democratisation. While the EU has shown a manifest lack of interest in pursuing spheres of influence, and has in fact declined to frame its role in the east in this manner, the underlying reality has nevertheless been Russia's insistence on framing the EU's role in largely negative and competitive terms. As a consequence, the EU has been locked into an integration competition with Russia over eastern Europe, though the union has been both unwilling and ill-equipped to play this game. On top of this, the two have also adopted conflicting regime preferences concerning the countries in between—Ukraine in particular—with Russia pursuing increasingly coercive zero-sum strategies to win over the key countries (Smith 2016).

The EU and the Ukraine Crisis

The Ukraine crisis has brought the role of the EU to the forefront, as it has been coupled directly with the question of who bears the main responsibility for the internal turmoil in Ukraine and the ensuing confrontation with Russia (see e.g. Mearsheimer 2014). Russia has accused the EU repeatedly of ignoring its legitimate interests in the preparation of the Association Agreements (AAs), and has regarded the EU approach as unilateral and imperialistic, essentially forcing on the partners a false choice between the East and the West. Moreover, Russia claimed that the repeated concerns it raised with regard to the negative effects of the planned AAs with the EaP countries were not taken seriously in Brussels. The EU officials, in contrast, asserted that Russia had been kept in the loop, and that the economic effects these agreements would have on Russia would be marginal and largely beneficial. For example, the Commission President Manuel Barroso argued that 'the Russian government [including Putin] was informed about the details of the Association Agreement with Ukraine', and therefore he should not have been surprised by it (Eder and Schiltz 2014). Moreover, the EU repeatedly reminded Russia that the agreements were bilateral between the EU and its eastern partners, and that, under international law, third parties have no right to interfere in the conclusion of such treaties.

From its own point of view, the EU did not challenge Russia in the region, but it did implicitly contest Russia's claim to have its own sphere of privileged interests. In practice, the EU had long acted in a manner that did not challenge Russia's key role in conflicts, in particular when it came to conflicts in Georgia or Moldova. In the run-up to the Ukraine conflict, the EU had already been rendered quite timid in its approaches towards the region. It factored Russian sentiments and objections into its policies and shied away from developing responses that could be seen as threatening from Moscow's point of view. As a consequence, the EU approach entailed tacit approval, and unintentionally lent support to Russia's claims to its special 'sphere of influence' in the east. As Carl Bildt explained in an interview in March 2015:

> I think we should have reacted more strongly towards Russia when they started to misbehave in the summer of 2013. Clearly, when they started the sanctions against Ukraine, we didn't see clearly the implications of that, and I remember that [former Polish Foreign Minister] Radek [Sikorski] and myself were trying to alert Brussels and Brussels was more or less asleep. (RFE/RL 2015)

The EU had worked hard to strengthen relations with the Eastern Partnership countries by concluding AAs, including the Deep and Comprehensive Free Trade Area (DCFTA). The negotiations progressed with Armenia, Georgia, Moldova and Ukraine. In autumn 2014, however, Armenia announced that it had opted for the Eurasian Customs Union instead, and only one week before the Vilnius partnership summit where the documents should have been signed, Ukraine also declined the deal with the EU after Russia had exercised political pressure and offered major economic benefits to encourage it to pull out. The EU representatives were frustrated because of this last-minute cancellation, but initially it seemed clear that the EU had resigned itself to 'losing' Ukraine to Russia. Yanukovych's decision was, in the words of High Representative Catherine Ashton (2013), greeted as 'a disappointment not just for the EU but, we believe, for the people of Ukraine'. While Barroso signalled 'our political readiness to sign sooner or later this association agreement', Ukraine's refusal was nevertheless accepted as a fait accompli, as was Armenia's. Despite some internal pressures to the contrary, the EU did not engage itself in a last-minute bidding war to try to win over Ukraine, other than abandoning its demand that Yulia Tymoshenko be released. Instead, the EU representatives announced that there would be no new benchmarks for the treaty, as the Ukrainian president Viktor Yanukovych demanded a bigger loan from the union. 'I feel like I'm at a wedding where the groom has suddenly issued new, last-minute stipulations,' said German Chancellor Angela Merkel at the Vilnius Summit (Spiegel Staff 2014), without realising that the failure to achieve an agreement had any wider geopolitical ramifications. EU officials started to blame Mr Yanukovych directly for the failure, rather than Russia, as he was seen as simply wanting free money and playing Moscow off against Brussels (Buckley and Olearchyk 2013). This could, theoretically, have marked the end of all the drama over Ukraine, at least in the short term. Yet this was not to be, as the domestic unrest under the slogan of 'EuroMaidan' that started to gather pace in Ukraine from November 2013 onwards resulted not only in the collapse of the Yanukovych regime in February 2014, but also in a steadily escalating conflict between Ukraine and Russia. The EU leaders and officials did not expect such a popular uprising in support of the AA but they empathetically supported the protest movement, which they saw as reflecting a genuine European calling for the Ukrainian people (Burlyuk 2017). Catherine Ashton, for example, visited the square in Kyiv and sent a message to the protesters: 'I was among you on Maidan in the evening and was impressed by the determination of Ukrainians demonstrating for the European perspective of their country' (Ashton 2013).

The difficulties the EU faced in trying to strike the right balance between its normative and strategic interests in its eastern policy also became evident during the unfolding crisis in Ukraine and the conflict with Russia. On the one hand, there has been an imperative to show 'strong political support' for Ukraine in line with the adopted self-image and community values. This led to the hasty signing of the political provisions of the AA in March 2014 and the continued rhetorical support for Kyiv ever since. On the other hand, the EU has become increasingly frustrated with the Ukrainians' dithering in terms of both implementing the Minsk Accords and engaging in significant domestic reforms. Political support for a more committed neighbourhood policy rests on a shaky basis. In a referendum, organised in April 2016, the Dutch voters rejected the EU AA with Ukraine by a clear margin. While the Agreement was later adopted, the continued Russian destabilisation combined with the chronic economic and political weaknesses of Ukraine itself have made the prospects for a positive development in the country slim indeed. As a result, the EU is in danger of being locked into a situation where it must assume significant political and fiscal responsibilities over Ukraine, with a declining political will in the member states and weak prospects of achieving any major success. This is probably part of Russia's game plan in the conflict, where Moscow hopes that by overstretching its capacity to engage Ukraine, the EU might in future be more easily persuaded to strike a 'Grand Bargain' on the future of the country, which goes over the heads of Ukrainians after all (Lo 2015: 111).

The EU's geopolitical role in the Ukraine conflict was thus somewhat complex and accidental, rather than being based on straightforward imperial logic (Haukkala 2016). The EU ignored the warning signals and failed to understand how seriously Russia took attempts to neglect its traditional role in its nearby areas, while the Kremlin began to exaggerate the EU's role in the neighbourhood, and attribute negative intentions to its anti-Russian character (MacFarlane and Menon 2014; Casier 2016). As Tom Sauer (2017: 90) has put it: 'the crisis has not much to do with Russian imperialism, let alone Western imperialism. It has to do with lack of strategic long-term thinking'. Despite the EU's wish to build a 'ring of friends', it focused in the east on 'low politics' issues rather than 'hard security'. The policies, once set up, were driven by the European Commission and there was no effective strategic co-ordination with the 'high politics' driven by member states. In that way, the EU inadvertently generated geopolitical side-effects through its policies (Gehring et al. 2017).

In sum, while the EU did bear some responsibility for the outbreak and aggravation of the crisis in Ukraine, it is too sweeping a statement to explain the conflict as stemming from the imperial nature of the EU. First, the explanation borders on tautology in the sense that the imperial nature of the EU is first inferred from its expansionist policies in the east, and the policies are, in turn, explained by this imperial nature. Second, the Ukraine crisis also shows that the EU has been much more reactive and hesitant in expanding its presence in the east than the imperial metaphor suggests. Its ability to govern its neighbourhood has been limited, and largely related to economic issues rather than traditional core areas of state sovereignty.

Conclusions

This chapter has looked at the EU's alleged imperial conduct in its eastern neighbourhood, with the aim of assessing how truly apt is the metaphor of 'empire'. EU policy has consisted of enlargement as well as partnerships with countries that are not necessarily aspiring to join the union. The argument has been that the imperial metaphor applies only partially to the role of the EU in the east. First, the EU has been an 'empire without an emperor'. In other words, Brussels has not formed a power core with strategic leadership, but EU policy has been conducted by a number of agencies and networks, and shaped by the member states. Moreover, the policy impact of the EU has been rather limited and mainly economic in nature, without a military or normative hegemony. Furthermore, the EU has often been rather hesitant and reluctant to expand its presence in the region, and its key policy decisions have been slow and reactive. Thus the problems with the EU's policy towards Ukraine were not a result of its imperial nature but rather the discrepancy between seeing itself as a normative power and its inability to drive the agenda through by economic means, let alone military. At the same time, the economic policies advocated by the EU contributed to the underlying problems as much as they were able to solve them. In this sense, the Ukraine crisis and the confrontation with Russia is not a story of two geopolitical empires competing over their borders, but a much more complex interplay of several path dependencies.

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12

Imperial Worldmaking: Innovation and Security in the EU Compared to the USA and China

Risto Heiskala and Jari Aro

In this chapter we continue the analysis begun in Chap. 4 involving a description of the symbolic universe implied by the EU's Europe 2020 strategy. However, we extend the analysis of the European Union (EU) from its growth, innovation and trade policy to cover its security strategy, to obtain a better picture of how the union sees its position in the world. We then construct the symbolic universes of the USA and China on the basis of similar material, and compare the symbolic universes of the three powers to each other.

The chapter is structured in five parts. These introductory remarks are followed by a section which gives the basic geopolitical details of the three powers we are comparing. It places them in a class of their own with global significance, distinguishing them from all the BRIC countries apart from China (i.e. Brazil, Russia and India). This section also gives an overview of the methods used and policy documents analysed. It is followed by three more sections, each analysing one of the three powers

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being compared. The chapter closes with a conclusion involving, first, similarities and differences between the symbolic worlds of the three powers; and second, a discussion on the features of these symbolic universes that are probably stable, and those that could change in the near future.

The Three Powers Compared

A Geopolitical View of the EU, the USA and the BRIC Countries

Nobody today denies the claim that the USA is an empire with a global reach. Some interpreters, however, may wish to qualify this assessment with words such as 'incoherent' to emphasise how it is different from the military empires of the European states preceding the two World Wars (Mann 2003). Nevertheless, these interpreters also agree with the claim that the USA is an empire, and often add that it is actually the only empire in the world at the present time (Mann 2013). This is obviously true if we focus on its existing military presence outside the core administrative area as a defining condition of empire. In this case, the USA is the only empire in the current post-Cold War world, with an estimated 800 military bases in more than 70 countries and territories abroad, as well as military expenditure more than twice that of subsequent military powers (Politico Magazine 2017). However, if actual global political and economic influence is taken into account, as well as the potential for a military presence, it may be useful to revise this view and consider briefly not only the USA but also the EU and the BRIC countries. This can be done on the basis of Table 2.1 in Chap. 2, where it was analysed only in terms of the EU.

If we consider economic power, the Top 3 in Table 2.1 of the six political units are without doubt the EU, the USA and China. Their gross domestic products (GDP) vary between US$11.4 trillion and US$18.6 trillion, with the USA in the lead, the EU close behind and China still significantly behind but nevertheless in the same league[1] (compared to the other BRIC countries with figures somewhere between US$1.3 trillion and US$2.3 trillion). The same is true for export in terms of shares of the world total.

Here China leads the Top 3, with an absolute figure of US$2275 billion and a 17.4 % share of the world total, closely followed by the EU with an absolute figure of US$1985 billion and a 15.2 % share. The USA is somewhat smaller but still in the same league with an absolute figure of US$1505 billion and an 11.5 % share of total world exports (compared to the BRI countries, whose figures vary between US$191 billion and US$340 billion absolute and a 1.5–2.6 % share of the world's total exports).

Military indicators give the same result: the USA, the EU and China are the Top 3, though the USA has a significant lead over the other two as its military expenditure is more than twice that of the EU and almost three times as much as China's. Here too these countries are clearly different from the BRI countries, which have much more modest military budgets; while the budgets of the Top 3 vary between US$215 billion and US$596 billion, the variation in the BRI countries is between US$25 billion and US$66 billion.

The picture becomes a little more versatile if other geopolitical factors are included. Thus, in terms of inhabitants, the Top 3 are China, India and the EU in that order, and in terms of surface area Russia, the USA and China, again in that order. Comparison of purchasing power parity (PPP) related to gross domestic product (GDP) shows that China is in the lead, followed closely by the USA and the EU, which almost tie for second place. But when GDP per capita purchasing power parity is observed, it becomes evident that the statistically average living standard is still highest in the USA, followed after rather wide gaps by the EU, Russia, China and Brazil in a tie, and finally India. Where equality is concerned, the smallest figures in terms of Gini coefficients, and thus the least unequal division of economic recourses within the population, are to be found in the EU, India and Russia, in that order. These economic figures show that the USA is the richest country compared to the others, but also quite unequal (only slightly below Brazil and almost tying with China in terms of Gini coefficients). Again, China is the biggest economy in the world if measured by PPP-related GDP, but because of its huge population the statistically average living standard still lags far behind that of the USA, a good way behind the EU and even behind Russia, and tying with Brazil. The Gini coefficients again show that China is currently roughly as unequal as the USA.

The grand picture emerging from the comparison is that, in seeking candidates for empires to rival the USA in the current world, only the EU and China qualify against the most important criteria. The BRI countries may be big players in their immediate neighbourhoods, but they lack the geopolitical resources to seek a genuinely global reach. This is so even in the case of Russia, which is the successor to the global empire of the Soviet Union, and would have been a very interesting object of analysis since it is a local power which shares a sphere of influence with the EU in states such as Ukraine and Belorussia, situated geographically between Russia and the EU, and currently the source of tension between the union and Russia. Yet Russia currently lacks a global reach beyond its immediate neighbourhood. We therefore restrict our analysis to the three global powers that can be understood as empires or, in the case of the EU and China, at least empires in the making.[2]

Describing and Comparing the Symbolic Universes of the Three Empires: Methods and Data

The methods used in this chapter are the same as in our analysis of the Europe 2020 strategy and policy documents on trade in Chap. 4. They involve a cultural construction of the symbolic universe implied by the policy documents analysed. More specifically, this involves quantitative content analysis, qualitative textual analysis and narrative analysis using the Greimasian actantial model (for a more extensive description, see Chap. 4).

In terms of analysing the innovation and growth strategy of the EU, the documents used are the *Europe 2020 Strategy* (2010, number of pages 34; see European Commission 2010), *The Lisbon Strategy* (2000, number of pages 19; see European Council 2000) and documents on trade policy. The documents are introduced more extensively in Chap. 4, as are the results of the analysis. In the current chapter, we add to the analysis of the symbolic universe of the EU with an exploration of the union's approach to security. The document used for this analysis is the new *Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy* (2016, number of pages 56; see European Union Foreign and Security Policy 2016).

The USA is described on the basis of three policy documents: *A Strategy for American Innovation: Driving Towards Sustainable Growth and Quality Jobs* (2009, number of pages 22; see Strategy for American Innovation 2009); *A Strategy for American Innovation, Securing Our Economic Growth and Prosperity* (2011, number of pages 69; see Strategy for American Innovation 2011) and the *National Security Strategy* (2015, number of pages 29; see US National Security Strategy 2015). All three documents were prepared by the Obama administration. As the USA has in the meantime undergone a dramatic change of leadership in the form of Donald Trump's presidency, the question arises as to how representative these documents are today. We shall return to this question and discuss it in the concluding section, but it is worth revealing two aspects here. First, at the point of writing, Trump's administration has not had time to prepare its own documents and therefore there is no alternative to the documents we have used. Second, and more important, our level of analysis is so basic and abstract that even such radical breaks as that between the Obama and Trump administrations do not have much of an effect on the deep layers in which we compare the symbolic universes of the three empires in this chapter.

To analyse China, we use *The 13th Five-Year Plan for Economic and Social Development of The People's Republic of China* (2016–2020, number of pages: 219; see China 13th Five-Year Plan 2016) and *The Diversified Employment of China's Armed Forces* (2013, number of pages: 25; see White Paper on China's Armed Forces 2013). Language-wise, neither of the authors has a command of the Chinese language and we have therefore used English translations. This is problematic where nuances of cultural conceptualisation are concerned, but we have kept our analysis to the level of broad lines and we expect to have understood these correctly.

We have tried to use policy documents that are as closely matched as possible in terms of each of the three empires. There is a limit to this, however, because administrative practices vary, each of the documents has been prepared for a specific political and administrative need, and these needs are different in the EU, the USA and China. However, taking into account that our analysis moves on an abstract cultural level, and seeks to describe the basic form of the symbolic universe characteristic of each of the three political realities, we believe that it is safe to base judgements on the data used.

Strategy documents always motivate action. These texts define future action, identities and division of work among actors. It is also typical of strategy documents not to describe actions until the end, and therefore there tends to be no evaluation of the outcome of actions. Instead, these documents define reasons and grounds for the action; the actors who will carry it out; the means by which the task can be undertaken; and the support for doing so.

The EU, the USA and China all are actors in the same global system, so all face the same kinds of challenge in their policies. This explains why, in some respects, the following descriptions of their strategies define the situation in similar ways and terms. Another reason is that, as strategic planning documents, all the texts analysed here belong to a more comprehensive genre of texts that share some unifying conventions and characteristics. It is also clear that some documents are influenced by each other, and this is most obvious when the new European security strategy is compared to the US security strategy.

We present the results of the quantitative analysis as images in the form of word clouds. The purpose of presenting the analysis in this way is mainly to introduce the reader to the world of each of the strategies by illustrating the most frequently mentioned words and topics. In addition, the word clouds are informative in two other respects. Comparing the security strategies shows that the EU and China are apparently positioning themselves at the centre of the narrative by talking about themselves. In contrast, the American security strategy seems to be more interested in international and global issues. This is congruent with the qualitative analysis of the strategies, which reveals that while the EU and China in particular focus on defending themselves, the USA sees itself as leader of the world and thus focuses on the global scene. In terms of economic strategy, again the USA and the EU are rather similar in their emphasis on growth and innovation (even if the frequencies of these terms are reversed so that the USA is more inclined to emphasise innovation and the EU leaning towards growth), while China focuses on development initiated by the system.

The EU

Innovation and Growth Strategy

We presented a lengthy analysis of the Europe 2020 strategy and EU policy documents on trade in Chap. 4, so there is no need to repeat that here. However, the conclusion to Chap. 4 is included in the summary to be found at the end of this section.

Security

The European Union strategy for foreign and security policy (June 2016) is entitled *Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy* (see European Union Foreign and Security Policy 2016). The previous European security strategy, *A Secure Europe in a Better World: European Security Strategy* (European Council 2003), was much shorter and less detailed than the more recent one. The mood in the 2003 document was optimistic and began with the idea of progress and development leading to a better world. The 2016 document, in contrast, is set against a brooding atmosphere of crisis and insecurity, and even suggests that the whole purpose of the union is being questioned (Fig. 12.1).

The basic narrative in the 2016 security strategy describes Europe in a situation of crisis that requires the EU to start to build a stronger Europe which in turn will bring security, peace and prosperity to its

Fig. 12.1 The 50 most frequent words in the *EU security strategy* (2016)

citizens and to the wider world. In this narrative, the sender is the crisis, the object of action is a stronger Europe, and the receivers of the action are ultimately EU citizens and the wider world. The subject of this narrative is the EU itself, which qualifies itself in building a stronger Europe. This stronger Europe entails objectives such as peace and security, prosperity, democracy and a rules-based global order which the EU wishes to build. The EU's helpers in its mission are its values, principles and political pragmatism, as well as its partners—international organisations, the foremost of which are the North Atlantic Treaty Organization (NATO) and the United Nations (UN). This strategy document does not articulate precisely who/what the opponents or forces are who are trying to keep the EU from achieving this stronger Europe, but the document lists certain policy areas and security items that name these parties indirectly. NATO defends most EU member countries from external attack. Europeans must contribute more in the future to controlling external crises, and to their partners' security. Specific security issues mentioned in the document are the security of the union, security and defence, counter-terrorism, cyber security, energy security and strategic communications.

Because the EU does not have a strong military power of its own, it cannot make substantial claims to the use of force. Instead the EU emphasises the promotion of its values and principles in international politics. The EU declares that it is always willing to co-operate with multilateral organisations in international politics, such as NATO and the UN. In this respect, the EU is different from the two other empires because it emphasises multilateral co-operation more than bilateral agreements with individual countries. The EU also stresses that it has economic and political power it is ready to use in preventing developments that could endanger its security. The EU's priorities in terms of security in international affairs are the following: the EU's own security comes first; then state and societal resilience in the south and east; followed by an integrated approach to conflicts, which involves active measures in preventing conflict and rebalancing the situation after the conflict has been settled; this is followed by co-operative regional orders involving tactics which treat regions surrounding Europe as areas with their own

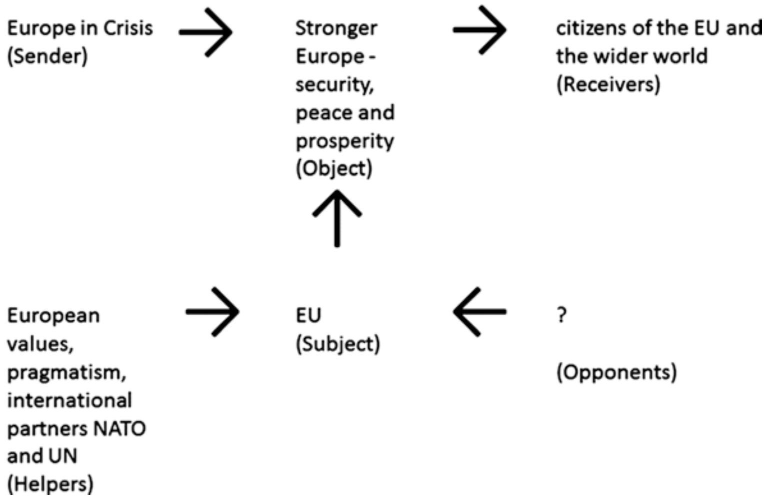

Fig. 12.2 Actantial model of the *EU's security strategy* (2016)

dilemmas and objectives; and the final priority involves global governance, where the EU is committed to taking part in the process of making the world a better place, according to policies defined by the UN (Fig. 12.2).

Summary of the EU

In Chap. 4, the analysis of the Europe 2020 strategy and policy documents on trade led us to conclude that the EU is an ordoliberal empire. In response to how the world is characterised, the EU documents see it as a huge economy, along with hindrances to market exchange that need to be removed. Moreover, the equality of citizens needs to be cherished, and the environment must not be spoiled. In response to the question of who the EU citizens are, the EU documents answer that they are market actors who love fair play for the benefit of all parties. Finally, the documents' response to the question of what is good or desirable is that free economic competition and fair play is good for all, and that it is desirable to remove obstacles that prevent the operation of these values. In conclusion, the

EU is an empire of fair—and in social and environmental terms responsible—shopkeepers (see Chap. 4 for details, and Figs. 4.1 and 4.2, which present the results of the quantitative content analysis and narrative analysis).

The symbolic universe of the EU security strategy analysed above provides the following answers to the same questions. The world is a global system filled with various security risks. The identity of Europeans and the EU is defined by its citizens' European values. What these citizens desire from the world is peace, security, prosperity and democratic order for all, and the EU hopes to contribute to the international multilateral system of co-operation, in particular to the UN and NATO, to promote this objective.

The USA

Innovation and Growth Strategy

Here we analyse two US government documents. The first is *A Strategy for American Innovation: Driving Towards Sustainable Growth and Quality Jobs* (Strategy for American Innovation 2009). The second is an update of the first, entitled *A Strategy for American Innovation: Securing Our Economic Growth and Prosperity* (Strategy for American Innovation 2011). The earlier document details the reasons why there is an urgent need to make changes to the economy, while the latter describes the division of work between different actors in the economy.

The 2009 document (Strategy for American Innovation 2009) has the following actantial structure. The reason for action (sender) is the change in the global economy and the short-sightedness of previous economic policy in the country. To get the economy back on a solid basis, economic activity needs to be changed in such a way that the economy begins to grow again. This requires the encouragement of innovation: new products, new services and new processes. This innovative economy is the subject of the action in the actantial structure, and the strategy document tells a story about how this actor becomes qualified to act. The job of the innovative economy is to increase well-being, which is the object in the actantial structure of the document. As a result, the nation and population will ultimately achieve a state of well-being, which is in the receiver position. The resources of the nation and the government will help (helper actant) the new economy to succeed in its mission. Opponent actants in the document are those that attempt to persist in short-sighted economic policy, though the 2009 document does not address that position at all (Fig. 12.3).

The structure of the 2011 document (Strategy for American Innovation 2011) involves the following. The sender actant is the heritage of American society and the government of the president. These together indicate the mission, which is to develop innovation. This time, the subject of the narrative is the private sector of the economy, which begins to innovate by collaborating with the public authorities and the nation (helpers). The goal of action is to create sustainable and long-standing economic growth (object). This, in turn, will increase the well-being of the nation (receiver). Global economic competition represents the actors who act against this. However, in this document the opponent is less prominent, and global competition is mentioned mainly because it

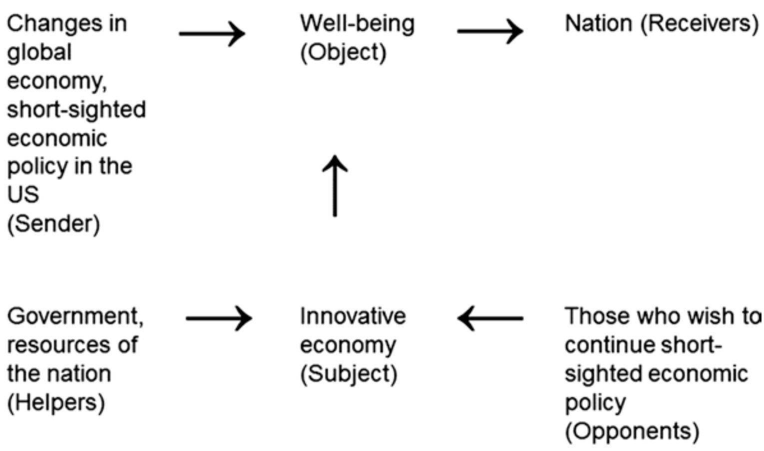

Fig. 12.3 Actantial model of *A Strategy for American Innovation* (2009)

Fig. 12.4 The 50 most frequent words in *A Strategy for American Innovation* (2011)

defines a clear objective for the action—to become the world leader in various sectors of action. Both documents share an optimistic tone and largely emphasise opportunities and changes in terms of future success (Figs. 12.4 and 12.5).

The 2011 document is written mainly from the perspective of stating what the government will do in the future. The government has defined a role for itself as a supporter of systems for innovation. The object of action for the government is a system to improve innovation. Helpers in terms of this are a number of actions named in the document, as well as money, knowledge, capabilities, and the commitment of the government to its work. In fact, a large part of the document qualifies the government in its actions—the document confirms that the government is committed to its mission and has already begun this work. The receivers of this action are all those whose action the government is supporting, and ultimately the whole nation and its well-being.

The above observation shows that the economy is taking up two positions, depending on the analytical perspective of the documents. On the one hand, the economy is in the position of subject, and its mission is to create well-being in a sustainable way, while on the other hand, the economy is presented as the innovative private sector, and is the object of supportive and regulatory actions by public governance.

In the same way as in the EU 2020 document, these US documents involve two opposite kinds of economy—dysfunctional and functional. The great narrative in these documents is a story of how the dysfunctional economic system can be changed into a functional one. It is in the nature of a dysfunctional economy to drift constantly into crises and to act as a

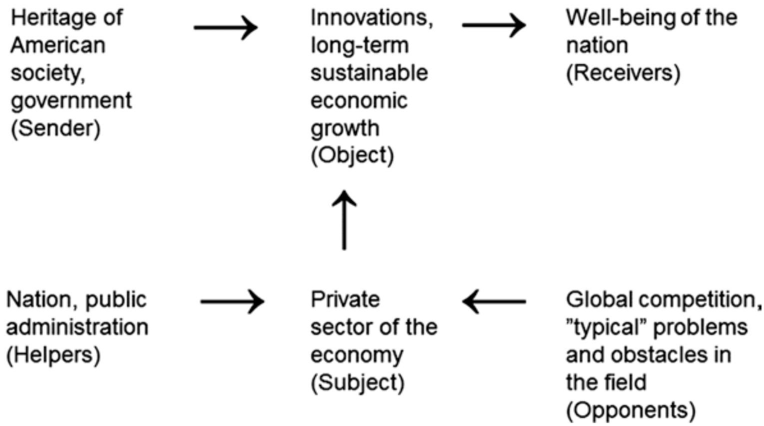

Fig. 12.5 Actantial model of *A Strategy for American Innovation* (2011)

means of producing only short-term profits, and even when the dysfunctional economy is not in a state of crisis, it does not result in the well-being of the whole nation and population. On the contrary, in fact, the incomes of the middle class decrease while a tiny fraction of the population becomes incredibly wealthy. The functional economy runs in the opposite direction. It acts in a long-term fashion, bringing well-being to all, and apparently does not find itself in crisis. As the 2011 document declares, 'Innovation-based economic growth will bring greater income, higher quality jobs, and improved health and quality of life to all U.S. citizens' (2011: 1).

Innovation is important for countries such as the USA, because they cannot compete in a global market with low labour costs. Instead, they have to develop something new. According to the strategy, private-sector companies in particular tend to be innovative because they act in highly competitive markets, which forces them to improve their operations constantly. The task of the government in ensuring the continuation of a system for innovation and a sustainable economy is to support functions which cannot be organised by the market mechanism. This is a central theme in the US documents. They define the division of public and market-based operations, and justify why some actions need to be organised by the public sector. These include funding basic scientific research;

steering privately-funded research into nationally-important areas; setting and enforcing appropriate rules for a well-functioning property rights system in the context of innovation; facilitating competition and innovation in addressing valid public goals; and investing in education and research infrastructure.

Security

The object of action in the *National Security Strategy* (US National Security Strategy, 2015) is the USA as leader of the world. The document qualifies the USA—the nation and the state—as a subject that wants to maintain its place as the leading power in the world. Risks to US security interests—which are also the senders in the narrative structure of the document—include attacks on the US homeland or against citizens abroad, the global economic crisis, the proliferation of weapons of mass destruction, global outbreaks of disease, energy-market disruptions, and security issues with failing states (Figs. 12.6 and 12.7).

Receivers of the action are US citizens and the US as a nation, as well as allies and partners of the USA. In fact, according to this document, the whole world will ultimately benefit from the actions of the USA. America has allies and partners to help it in its actions, and it also has instruments with which to maintain its position as the leading global power. These involve a strong, innovative and growing US economy in an open inter-

Fig. 12.6 The 50 most frequent words in the *National Security Strategy* (2015)

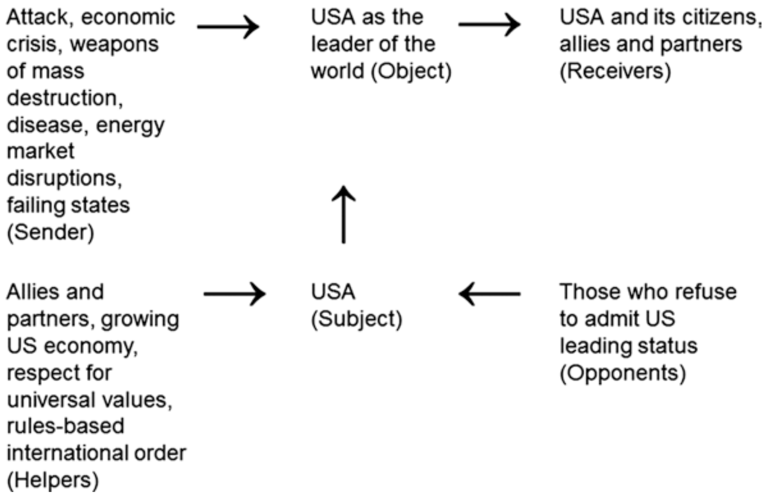

Fig. 12.7 Actantial model of the *National Security Strategy* (2015)

national economic system that promotes opportunity and prosperity. They also involve respect for universal values at home and around the world, and a rules-based international order advanced by US leadership, promoting peace, security and opportunity through stronger co-operation in terms of meeting global challenges. Opponents of the USA in this narrative are those who refuse to acknowledge that the USA is the leading nation. Terrorism and Russian aggression in Ukraine are mentioned explicitly in this respect.

The list of security risks is a heterogeneous one. There are military threats, but also financial, medical and environmental crises, and threats to energy markets. Many of these topics and items have scientific and technical aspects. The document contains a rather extensive discussion of specific scenarios and developments in various locations around the globe. From the European point of view, it is noteworthy that the significance of Europe has decreased as a topic in security policy, and now Africa and Asia are mentioned more often than in previous US strategy documents.

Summary of the USA

The symbolic universe of the US growth and innovation strategy is a system generated by global competition, the economy and the USA as a nation, with the government helping the other actors. The USA is identified as an innovative nation. The desirable objective in this universe is to become more prosperous, which happens by creating sustainable and long-term economic growth.

In the symbolic universe of the US security strategy, the world is a global system filled with a number of security risks. The USA is identified as leader of the world. Desirable objectives in the universe are national security and the long-term capability to maintain the position of the USA as world leader.

China

Development Strategy

The 13th Five-Year Plan for Economic and Social Development of the People's Republic of China for years 2016–2020 (China 13th Five-Year Plan 2016) was ratified by the National People's Congress in March 2016. The plan sets out China's strategic intentions and defines its major objectives, tasks and measures for economic and social development. The plan is addressed to market entities, to the government and to the people of China. The structure of the plan is very clear, and contains a list of tasks and measures to be implemented over the coming years. The plan was prepared by the National Development and Reform Commission, a macroeconomic management agency under the Chinese State Council. The organisations responsible for implementing the plan are government bureaucracies at all levels of the state, and implementation takes place under the leadership of the Communist Party of China (CPC) (Figs. 12.8 and 12.9).

China's 13th Five-Year Plan is a comprehensive document. It covers a long list of policy areas, from agriculture, industry and services to regional planning, environmental issues, social policy, education and cultural issues, as well as venturing into questions concerning China's foreign policy.

Fig. 12.8 The 50 most frequent words in *China's 13th Five-Year Plan* (2016)

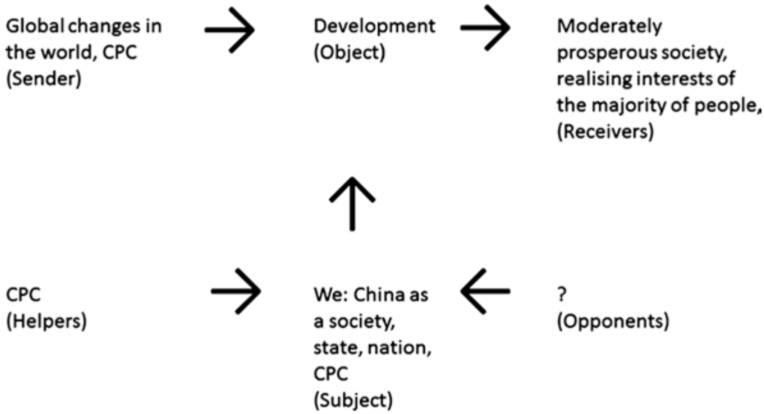

Fig. 12.9 Actantial model of *China's 13th Five-Year Plan* (2016)

The document is not an argumentative text. Instead, it is a list of CPC directives to the administration and to society at large. The document explains clearly what will be done in Chinese society over the coming five years, and how the economy and society will change.

The grammatical subject actor in the document is 'we'. Over 1500 sentences in the document begin 'we will'. In a general sense, the 'we' subject of action in the document is Chinese society as a whole, which includes the administration at all levels, the people, companies and enterprises, and the Communist Party of China, which controls the implementation of the plan.

The object of action in the plan can be described in one word—development. The word is mentioned over 600 times in the 200-page document. In a roundabout way, 'development' in the plan means achieving strategic measures defined by the plan, and all measures are ultimately regarded as acts of development. The goal of development action is to make China a moderately prosperous society. The purpose of development is defined as realising, safeguarding and developing the fundamental interests of the largest possible majority of people. China as a prosperous society and the people of China are the receivers of action in the document.

There are two types of sender actant in the document. On the one hand, the source of action is the National Development and Reform Commission, responsible for making the plan, and the Communist Party of China, which has the power to give orders to society in the centrally-organised Chinese system. Action takes place because it is the will of the Party. On the other hand, several processes on the international front, such as multi-polarisation, economic globalisation, cultural diversification, technological progress and changes in global governance, require action by Chinese society and the state. On the domestic front there is also a pressing need to improve the quality and efficiency of growth and the economy, to deepen reforms and to make progress in the law-based governance of the country.

The helper actant in the narrative plan can be interpreted in most cases as the Communist Party. The Party is the guardian of the principles for planning society, and it shares this knowledge with the state administration which is in charge of implementation. Basically, the whole society, the collective 'we', will contribute to this process: 'We will clearly define government responsibilities, ensure policies are well formulated and public resources are well allocated, and mobilize the energies of the whole society, so that everyone works together to promote the successful implementation of this plan' (2016, n.p.).

Security

The document *The Diversified Employment of China's Armed Forces* is written from the standpoint of the military (White Paper on China's

Armed Forces 2013). It therefore discusses security issues from a narrower perspective than do corresponding EU and US documents. The central message in the document is: 'We will not attack unless we are attacked; but we will surely counterattack if attacked.' China is concerned about its territorial integrity, and the document mentions that 'some country has strengthened its Asia-Pacific military alliances, expanded its military presence in the region, and frequently makes the situation there tenser'. It goes on to say that, 'on the issues concerning China's territorial sovereignty and maritime rights and interests, some neighbouring countries are taking actions that complicate or exacerbate the situation'. China also has unresolved issues about the status of Taiwan. Alongside these external concerns, the document mentions the internal threats of terrorism and extremism. Changes in the global security system, as well as external and internal threats, are sender actants in the narrative of Chinese security policy. The subject in the document is the Chinese People's Liberation Army and other armed forces. The army not only has military functions, but it also participates in international disaster relief, humanitarian aid operations, and environmental and scientific operations. The main object of its action is to improve the security of China, and to support national economic and social development. The receivers of action are the nation and the people of China. Military forces are also prepared for and capable of safeguarding the security of Chinese ships, enterprises and nationals outside its borders (Figs. 12.10 and 12.11).

China has increased its participation in international operations and has taken part in UN peacekeeping missions. The country has been especially active in the African continent, where it also has significant economic and trade interests.

Summary of China

The symbolic universe of China's five-year plan consists of 'we', development and the global system. 'We' involves the party, the people, the state administration and enterprises. The five-year plan highlights the unity of

Fig. 12.10 The 50 most frequent words in the document *The Diversified Employment of China's Armed Forces* (2013)

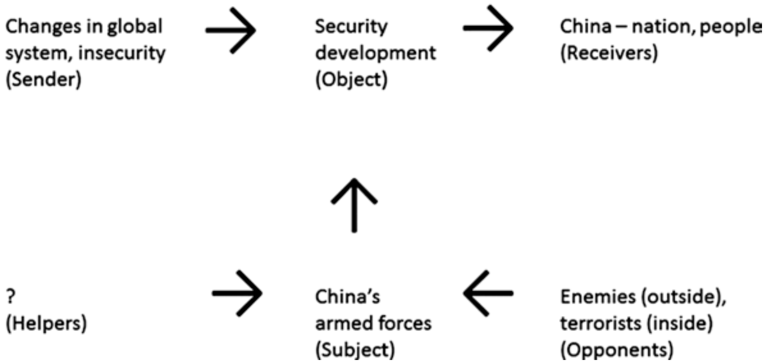

Fig. 12.11 Actantial model of the document *The Diversified Employment of China's Armed Forces* (2013)

Chinese society, with everyone acting together on a joint project. A desirable goal in the world is development, which means building a moderately prosperous society.

Chinese security policy observes the world from a perspective of China being at the centre. The symbolic universe is composed of China with the rest of the global system surrounding it. The document constructs an identity for China based on military might, a country capable of taking care of its own security. It is desirable in this world that China can look after its own interests independently, and safeguard its security, both inside and outside its borders.

Conclusion and Discussion

The Three Empires and Their Symbolic Universes: Similarities and Differences

At this point it is worth bringing together the results of the above analysis. Where growth and innovation strategies are concerned, it is possible to say that the EU seems to take a sort of middle course between the USA and China. The former counts on capitalist enterprises and sees the state as an important helper in providing favourable conditions for them. The central focus involves markets, which bring prosperity to the nation, and the US state is simply a helper, even if it is an important one. Not so in China. China too finds prosperity or, to use their term, development, important, and sees markets as a tool for achieving it. Yet the subject of its policy documents is the Communist Party, sometimes with and sometimes without reference to the Chinese state. In China's case, markets are a tool, but just one tool in the party's toolbox, where there are also other tools, and it is up to the state and the Party which tools are used and when. The ordoliberal EU is somewhere between these extreme positions. It shares with the USA a boundless belief in the beneficial influence of free-market competition, yet it is also constantly on its guard in terms of possible market failures such as monopolistic or oligopolistic price formation, and other asymmetries and turbulence in the market. It therefore emphasises the role of public powers not only as helpers but also as ultimate creators and maintainers of the markets. Viewed from the US perspective, this is a step towards the Chinese cosmology, though it is of course just one step, and it is clear that the EU is much closer to the USA's position than to the Chinese one.

When it comes to security strategies, the three cases are all quite different from one another. The USA acts as a self-confident global empire, with no equal competition in sight. 'We lead' is the exact wording of its strategy, and throughout the text it is obvious that the way the subject of the strategy sees others is from the standpoint of a great power, which is interested above all in protecting its national interests, its citizens and its access to vital resources. After these things are secured it is also ready to co-operate with other parties in the international system of institutions, such as the UN, but this is a secondary commitment compared to the national interest, which always comes first. China is different here. Its strategy states very explicitly that ‘China will never seek hegemony’, and in this sense its line is more of the ‘live and let live’ type, even if its liberal engagement is conditioned by an unequivocal and explicitly expressed principle: ‘We will not attack unless we are attacked, but we will surely counterattack if we are attacked.’ China too claims that it is ready to co-operate with other parties in terms of the UN and other international institutions, but the status of this engagement is also secondary to its national interests. The EU is different from both China and the USA in this sense because the international system, and in particular the UN, plays a central role in its strategy. In this sense, its strategy has two subject positions instead of one: that of the union but also that of the global system. Another international institution that is afforded considerable attention in the EU’s strategy is NATO, and this is understandable considering the fact that the union has no army of its own and most of the member states are NATO members. Moreover, the whole union has relied on the US military umbrella ever since the Second World War, and continues to do so.

The above observations bring us to another topic in which the USA and China are similar up to a point, and where the EU is different from both. This is the subject position of the speaker in the strategies. In the US strategy it is the US state, and it speaks in the name of the nation. It does this with a clearly political voice, which makes it obvious that the state will not allow the heritage of the American nation to be violated. Even in its innovation strategy it is clear that there may be certain situations in which the president has to put the interests of the market second in order to defend American heritage. In the case of China, a rather similar unified speaker subject is the Communist Party/the State, whose role is also to defend Chinese heritage and political interests. This is something that can occasionally be spotted in the strategies of the EU, but most of the time they are not so much setting targets in the outside world as engaging with the overwhelmingly difficult task of co-ordinating the varying interests of the 28 member states and so many interest groups.

Among other things, this shows that if the EU is to become an empire it is still very much in a phase of 'being in the making'.

The three empires are also different in terms of values and their relationship to the international system. Where values are concerned, it is often noted that empires tend to quote values and attempt to diffuse their form of civilisation to their neighbours when their actual interests are economic and military. Curiously enough, this seems to be typical in the case of the EU, which places great emphasis on its values, demanding that candidates for membership, and even trade partners, comply with its 'European values'. The USA also has its 'American values', which are rather similar to the 'European values', but it does not press this issue as much as does the EU, and has been known to collaborate with many strategically important governments in an explicit contradiction of its values. Finally, China says explicitly that it does not wish to become a hegemon, and does not insist on any kind of value commitments from its international partners. The relationship of these empires to the international institutional system varies according to the differences between them on the issue of values. China says it is ready to co-operate with the UN, but it does not seem to need the UN for anything. China is more interested in its own business, even if it is also ready to help others, especially in Africa, where it is pushing its economic interests. The USA opts for international democratic governance, but this is a secondary matter compared to its own interests and the 'we lead' position. Finally, the EU is most positively inclined to the international system of organisations in general, and the UN and NATO in particular, both of which it needs.

In addition to the above broad lines, there are several details worth mentioning. We discuss two of these here: the relationship to terrorism; and attempts to secure resources.

All the security strategies comment on the subject of terrorism. Any reader of Fyodor Dostoyevsky knows that this is not a new topic, but our contemporaries also know that terrorism became something quite different after the events of 11 September 2001 (9/11). This is partly because the phenomenon has changed slightly: real-time global communication of news with live images, and easy access to the means and possible locations of terror have probably made it easier to use it for political ends than previously. Yet the core is the same. Anarchists in prerevolutionary Russia, the *Rote Armee Fraktion* (Red Army Faction—RAF) in Germany, ETA (*Euskadi Ta Askatasuna*—Basque Homeland and Liberty) in Spain and the IRA (Irish Republican Army) in the UK all used terrorism as their tool, not because they were powerful actors but because they were so powerless that they could not mobilise an army and declare genuine war. This is also the case today with Al-Qaeda and ISIS. It is one of the constants of historical sociology that political actors tend to use terrorism if they feel they are severely repressed but lack resources for an attempt to take power. What changed after 9/11 was therefore not so much the phenomenon of terrorism but how it was framed. This is what happened when the Bush administration declared its 'War on Terror'. It was something rational in the sense that every peaceful human being benefits from attempts to prevent terror strikes. Yet it was also a form of political plotting which showed American citizens that their government was prepared to act decisively against 'evildoers' and the 'Axis of Evil', to use some of the terms of the Bush administration. The plot also created a formidable shield behind which the government could promote its political projects such as a controversial economic policy, and developing the National Security Agency (NSA) and a megalomaniac global surveillance agency, which would otherwise have raised serious criticism. No wonder, then, that the concept of a War on Terror spread throughout the world. The USA, of course, helped this through diplomatic channels by highlighting the concept and related programmes for collaboration, but no doubt many foreign governments could also see for themselves that the concept was a handy one for those in power to use. Signs of this can be seen in the US and Chinese security strategies, both of which make use of government political objectives involving the idea of a struggle against terrorism. The EU does not do this, but it too sings this tune in the chorus and mentions the importance of acting against terrorism. The USA and the EU do not mention internal enemies in their security strategies. Here China is different and mentions three: terrorism, separatism and extremism. Separatism refers to Taiwan's aspirations to independence, but the other two remain undefined. Such abstract formulations enable context-specific uses for a number of purposes.

If there is a bright side to this seemingly global unanimity on the importance of the struggle against terrorism, it may be the fact that none of the three empires sees in the world such great safety worries as enemy states, which would be possible sources or targets of a military invasion. The USA and the EU, of course, mention that Russia should not have annexed Crimea, and this creates a sort of frozen conflict involving export embargoes, but that is still something much milder compared to confrontations between the superpowers during the Cold War.

The security strategies of all three empires pay attention to securing vital resources. The USA does this in a genuinely imperialist way by saying that it considers access to vital resources an issue of top priority and is ready to act accordingly. The strategy does not state this specifically, but this principle made it possible for the USA to invade the Persian Gulf because some of the oil it needed was under the sands of the Arabs living there. China emphasises co-operation much more, and it hopes this will guarantee its access to vital resources. Both the USA and China devote space to resource-related co-operation in Asia and Africa. Here, the EU is different: its dependence on Russian gas (see Chap. 10) is mentioned in the security strategy, but not much space is devoted to it, and otherwise resource issues are played down. It is also probably understandable that not as much attention is paid to Asia in the policy documents of the EU as it is in the Chinese and North American documents, but this is so even in the case of Africa, which is barely mentioned in the European strategies. We interpret this to mean that the EU still has a long way to go if it wishes to reach the current level of geopolitical vision and planning of both China and the USA.

Discussion: What Is Stable and What Could Change?

If our analysis in Chap. 4 is included, the current chapter is based on 11 policy documents (four in the case of the EU, four in the case of the USA and three in the case of China), all published between 2000 and 2016. The seven analysed in detail were published between 2010 and 2016. How representative are the results? Very representative in our view, in the sense that all the documents are absolutely central to the strategies of the three empires discussed, and all the documents are quite extensive. Moreover, each empire's documents fit well together as a coherent unit, and contribute to a symbolic universe, which is not internally contradictory. However, policies can change, and if this happens at a very fundamental level, new strategies will be written that can imply different symbolic universes. How probable is this?

In the case of China, the 13th Five-year Plan seamlessly continues the line taken in the 12th Five-year Plan, and there is no particular reason to expect that the political coalition in power will change in the near future. There are, however, two possible scenarios, including a change of policy line. One involves increasing prosperity based on continuous economic growth. This may increase the level of resources available to such an extent that the ruling coalition thinks it can afford to expand its military investment, which have by now indeed been increasing fast more than a decade. Increasing military resources could in turn create a situation in which China's demands grow in terms of its position in the international system and the benefits it draws from it. Signs of this are already evident in the South China Sea area, where it has an increased military presence. On the other hand, the tendency to see China as the 'Central Kingdom', or the centre of the universe, is apparent in the policy documents analysed, and is well-established in the Chinese tradition. This again points to the fact that, even if China's ambitions increase in the global arena, as has already been seen in the co-operation between the BRIC countries and the establishment of the Asian Infrastructure Investment Bank (AIIB) in 2015, it will probably not exceed the level required to ensure the resources it needs to cultivate the Chinese tradition in China. In other words, it is not very probable that China's current leadership will take a turn towards aggressive imperialism.

Another possible interruption to current Chinese policy is based on the exact opposite of the first scenario. This involves a glimpse into a world where long-term Chinese growth not only becomes slower, which is bound to happen gradually as the benefits of the late take-off and the related recent boost to the economy wear off, but actually halts. In such a situation the authorities would face the consequences of the huge economic inequality between different areas of China, which could cause a political earthquake, and again could bring about changes to Chinese policy. It is exactly to prevent such a catastrophic scenario that the current regime's policy documents are based on the idea of development, promising moderate improvements in living standards for everybody.

For the time being, therefore, there is every reason to believe that the Chinese policy documents analysed in this chapter also predict future Chinese policies fairly well. In the USA, however, the situation is different, because a change of regime has already taken place. All the US policy documents analysed in this chapter date back to the Obama administration, and the Trump administration has promised to change everything. An obvious solution would be to have analysed the policy documents of the Trump administration, but the problem is that, at the time of writing, the administration has not yet had time to produce such material. Therefore, the documents used in this chapter are the only alternative, and our only option is to supplement the analysis with a prediction of how much is going to change.

Generally speaking, our answer is that not as much will change as Trump's rhetoric has led people to expect. Replacing the slogan 'we lead' with 'America first' is a change in the sense that the USA might establish protectionist practices and become more inward-looking in terms of culture and politics, which will lead to problems in the international economy and increased uncertainty in the international system. This is a problem in particular for the EU, which has been used to counting on the UN and the military umbrella of the USA through NATO, and can no longer be so sure of this support because the USA may withdraw much of its investment from both. However, anyone familiar with the so-called realist argumentation in the study of international relations, such as the ideas of Friedman (2009), will suggest that the USA will follow its so-called 'grand strategy' in geopolitics irrespective of the name, party, colour or gender of the president. This strategy involves the fact that the system of international economic and political institutions established after the Second World War was created largely by the USA and for the USA (Hale et al. 2013; Varoufakis 2013). Rhetoric opposing this system formed part of the attempt to win the votes of the majority of the US electorate against a candidate such as Hillary Clinton, who was committed to globalisation, but the realities of the presidency are different from those of a candidacy. The policy line of the Trump administration will therefore probably depart much less from the policy documents drafted by the Obama administration than the rhetoric of the current president might lead us to believe. Even if it does, the change of line will probably not be permanent: there are presidential elections in the USA every four years.

What is stable and what could change in the EU is in one way or another the topic of all the other chapters of this book, and can therefore be summarised here in one comment, that there is no significant change in sight in terms of the content of the union's policy. However, how forcefully the union is capable of promoting its objectives depends on which of the five future scenarios outlined in Chap. 13 come to pass.

Therefore, we believe that, overall, the analysis presented in this chapter on the symbolic universes of the three empires is of a rather persistent nature. In other words, its broad lines will probably remain with us when the policy documents analysed above have been replaced by new and updated ones.

Notes

1. Also note, as stated in a note to Table 2.1, that GDP at the official exchange rate substantially understates the actual level of China because its exchange rate is determined by fiat rather than by market forces. The purchasing power parity (PPP)-corrected GDP figures therefore give a more realistic picture, and show that in many senses China is already an economic giant, bigger than either the USA or the EU.
2. There are two other reasons for excluding Russia from our analysis. First, the analysis is based on the premise that the governing bodies of the political whole in question take their policy documents seriously. This has been the case so far in all three countries included in the comparison (even if this could be changing temporarily in Trump's USA). This does not seem to be so in Russia, where policy documents come and go without much coherence in their succession and without any apparent force to bind the actual political choices of the Russian state. Second, neither of the authors has a command of the Russian language, and good English translations of Russian policy documents are not always available.

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13

Future Challenges for the EU: Five Scenarios from Collapse and Marginalisation to the Emergence of a Federal Empire

Risto Heiskala

In this chapter I gather together some, but not all, of the most important results of the previous chapters. In other words, it is worth reading each chapter in its own right, as the current chapter simply uses the other results to the degree that they contribute to its main focus, the chimera of the realistic future scenarios of the union. I first present the current situation of the union in a very concise section. This is followed by a presentation of five possible future scenarios, from marginalisation and collapse to a full-blown federal empire. These scenarios are then discussed in a section which explores some of the greatest challenges the union will face in the near future, such as Brexit, immigration, problems with economic co-ordination, defence and foreign policy, democratisation versus the interests of the united capitalists of Europe, and the articulation of political interest criticising the EU, often taking the form of populist movements. The closing section discusses the issue of whether the EU is an emerging empire, and if so, what kind of empire it is.

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The Current EU in a Nutshell

The current EU has 28 member states with a total population of 514 million inhabitants living in an area of 4.3 million sq.km. As can be seen from Table 13.1, these figures represent less than one-tenth of world totals. However, when we move on in the table to the measures relating to economic power, the EU represents some 15 per cent of the world total, and its inhabitants are roughly twice as wealthy as—and more equal than—the average world population. In military terms, too, the joint expenditure of the member states is around one-seventh of the world total. In all these senses the union is in the same league as the two current great powers of the USA and China, even if both the EU and China lag behind the USA in their military expenditure, which is less than half that of the USA.

Table 13.1 also shows that the union is one of the most prosperous and equal regions of the world, even if the internal differences of the member states are considerable, both in terms of net resources and the breakdown of the resources between the citizens.[1] The EU is therefore not a paradise but it is still a far better place to live than most others on the globe. The previous chapters have shown that Mark Eyskens indeed hit the nail on the head in terms of the big picture when he said that the union was an economic giant, a political dwarf and a military worm (see Chap. 2). In the following sections, I probe the question of whether the union will remain united, or whether it will change in some way. I start by using Michael Mann's IEMP model once again, first to explore briefly the ideological, economic, military and political power resources the union has at its disposal. However, I use an extended version of the model called the NACEMP model, and refer to natural, artefactual, cultural, economic, military and political sources of power, because this framework is more suitable for geopolitical analysis (Heiskala 2016).

In terms of natural and artefactual resources in the EU, we immediately discover that the EU is technologically one of the most developed areas of the world. However, it has a number of problems in terms of a lack of certain natural resources. The most important problem with regard to nature is, of course, the same as everywhere on the globe: the

Table 13.1 Some vital statistics on the world, EU28, UK, EU27, USA and China

	World	EU28	UK	EU27	USA	China
Inhabitants, millions (1)	7323	514	64	450	324	1374
Area, millions sq. km (1)	510.1	4.3	0.24	4.1	9.8	9.6
GDP, US$trillions (1)	75.8	16.3	2.7	13.6	18.6	11.4[a]
GDP, US$trillions PPP (1)	119.4	19.2	2.8	16.4	18.6	21.3
GDP US$ per capita PPP (1)	16,300	37,800	42,500	37,800[b]	57,300	15,400
Gini coeff (1, 2 for EU)	38.1	30.5	32.4	30.5[b]	45.0	46.9
Export, US$ billions,	13,059	1985	460[c]	1775[c]	1505	2275
Percentages (3)	100.0	15.2%	2.8%[c]	13.8%[c]	11.5%	17.4%
Military expenditure, US$ billions (4)	1663	241	55	186	596	215

Sources:

(1) *The World Factbook* 2013–14. Washington, DC: Central Intelligence Agency (2013) [cited 2017 Mar 24]. Retrieved from https://www.cia.gov/library/publications/the-world-factbook/index.html.

(2) Gini coefficient of equivalised disposable income. Source: SILC except in the case of EU28: Eurostat (2017, March 14) [cited 2017 Mar 24]. Retrieved from http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di12.

(3) World trade statistical review 2016. World Trade Organization (2016) [cited 2017 Mar 24]. Retrieved from https://www.wto.org/english/res_e/statis_e/wts2016_e/wts16_chap9_e.htm.

(4) Military Expenditure Database, expenditure in 2015. SIPRI (Stockholm International Peace Research Institute) (2016) [cited 2017 Mar 24]. Retrieved from www.sipri.org/databases/milex/.

[a] GDP at the official exchange rate substantially understates the actual level of China because its exchange rate is determined by fiat rather than by market forces. The PPP-corrected GNP figures on the two following rows therefore give a more realistic picture.

[b] The figure for EU27 is not available, so we use the EU28 figure as an estimate, recognising that it is slightly too high. This is because, in both cases, Brexit will make the figure for EU27 somewhat lower than the figure for EU28. However, the correct figure for EU27 should be much closer to the EU28 figure than the UK figure, because the population of the UK is only 12 % of the population of EU28.

[c] The absolute number and percentage of the UK is not compatible with the figure of EU28 because intra-EU trade is included. Exact information is not available, but UK government sources give a rough estimate that one half of UK exports are to EU27 while the other half is to other places (retrieved from https://www.uktradeinfo.com/Statistics/OverseasTradeStatistics/Pages/EU_and_Non-EU_Data.aspx [cited 2017 Apr 6]). Consequently, roughly one half of the UK figure should be reduced from the EU28 figure to get the estimated EU27 figure. The estimates in the EU27 column are based on this assumption.

human species has been living in a technological hubris and now threatens to destroy the natural environment that is its ecological niche. This is something the union has taken into account in its policy design, and compared to many other actors in the international system it has been a proactive force. Yet the measures taken to moderate not only climate change but also the extinction of species and many other environmental problems are not extensive enough, and it remains to be seen how serious the problems will have to become before sufficient attention is given to the environmental sustainability of the whole techno-structure. On the other hand, it should also be noted that with its huge resources and relative equality of population, the EU probably does not belong to the areas of the globe in which environmental disasters will hit the population hardest. This can be seen if we compare, for example, the probable impact of the rise in sea level caused by climate change in Bangladesh, where a major catastrophe is expected to take place, and the Netherlands, which has already fully prepared for the problem.

There are also more mundane environmental problems. The union has been living in a state of covert energy crisis, particularly since Germany decided to exclude nuclear power from its palette of energy production. The situation is most serious in terms of natural gas where, as was noted in Chap. 10, the union is able to produce less than half the gas it needs and most of the rest is imported from Russia, which may in some strategically tense international situation threaten to interrupt the gas supply. The union is fully aware of the problem, and has invested in both alternative sources of gas and scientific research to develop alternative energy technologies, but so far the scale has been quite modest in both sectors. There are also many other kinds of infrastructural needs, such as developing traffic routes and communication networks. The union has been very active in the latter field, and it used also to be active in the field of traffic infrastructure. However, the 2008 recession, with the austerity policies that followed and remain today, virtually eliminated member states' local interests in expensive infrastructure projects and left the union without local partners, which it needs for all large-scale projects as a result of its own comparatively modest budgetary resources.

For the time being the union is rather well off in terms of its natural and artefactual resources. However, it is aware that there may be problems awaiting it in future. Turning this awareness into some form of extensive action, however, will require either a considerably greater awareness of the crisis or a tightening of the union, or both. I shall discuss the possibilities of this in the next section after first exploring the other power sources.

We have already discussed culture in terms of the union's values in Chaps. 2 and 4. There we found that there is unanimity about the values of the union but also certain tensions between the values and more material interests of the member states. This tension is sometimes present in trade policy, even if the union has in the main remained true to its ideal interests in this sphere and demanded that not only the new member states but also its trade partners respect the central values of the union. More recently, however, immigration has posed a serious challenge to this virtuous policy because, first, the union has not been able to formulate an immigration policy that is fully consistent with its high-minded ideals; and, second, even in cases in which the union has been able to agree on policies, several member states have been in open conflict with it and prevented the implementation of policies decided at union level. This situation has created tension that calls for some kind of political solution.

In addition to the tension now present in the value content of European culture, the union is facing problems with infrastructure for disseminating the European viewpoint in the member states. The Commission has developed cultural exchange programmes such as Socrates and Erasmus for university students and teachers, and these have been influential ventures, but the scale of developing cultural infrastructure has still been rather modest. Curricula in schools and universities vary across the member states, and we have seen no sign of the emergence of European publicity. If the union wishes to do something about this, it should target teacher training, and create support mechanisms for European media and publication projects more extensively than it has done so far. This would all probably be in vain if these efforts were not accompanied by an open decision to make English the lingua franca of the union. All these measures are already being adopted in the background on a small scale. We already have the so-called Bologna process, which is an attempt to standardise European university curricula, and there are support programmes for collaborative European films and other cultural products involving groups with members from three or more EU countries. English is a de facto lingua franca of both the Eurocracy and European citizens, more than half of whom indicate in surveys that they can cope with English as a second language. So the embryos of cultural infrastructure are almost all already in place, and it is now a political matter as to whether a coalition emerges that is ready and capable of developing them further, or whether an opposing coalition will tear these embryos apart in the name of nationalism.

Economically, the union is in a curious situation. The economy is the most successful of all its policy sectors and is also the sector where it is a great power, listened to carefully by the other actors in the international system. Yet it is also a policy sector in which the union faces some of its biggest problems, as became evident from Chap. 7. There are alternative ways to solve the problems, depending on which route the union takes of the five possible paths discussed in the following section. It is nevertheless clear that solutions must be found if anything is to be learned about the different capacity of the US and European economic and political systems to tackle the 2008 financial crisis and its aftermath. In a nutshell, and depending on political conviction, the EU and the Eurozone need either more or less unity because the current system prevents almost any political action.

Current problems with military power have already been discussed in Chaps. 2 and 12. Nothing has changed since then. If combined, the military resources of EU28 or EU27 are among the three greatest military powers in the world, but as long as they come in 28 or 27 national packages without co-ordination or joint leadership, nobody will pay much attention. Today, this is not just an academic problem, because the extension of the union to become EU28 took it to the peripheral area of the former Soviet empire, and its successor, Russia, is now making every effort to act as a local hegemon (see Chaps. 2, 3 and 11). The situation is tense, which is most obvious in Ukraine, and it would help if the union had something more than the 60 pages of its new security strategy with which to face it (Chap. 12). This is especially so now that NATO, which has provided western Europe with its military umbrella since the end of the Second World War, has become labile because of the unpredictable Trump administration in the USA.

Last but not least we come to political power. Everything depends on this, but it is also a sector that is now experiencing a number of tumultuous, interrelated changes. Will the populist-nationalist tide destroy the whole union, or will it settle? Will Brexit actually happen, and if so, does it mean that it will become easier to find a joint line between the remaining member states, or will the UK simply be replaced by Poland as a new leader of the heterodox coalition, in open conflict with the union's explicated values? And will the union develop as one political unit, or more as a chimera at different speeds, involving several 'Europes', such as the union members, the Eurozone members, and members of countless Schengen-type treaties that were made independently of the union in different coalitions? Nobody knows, but in the next section I shall try to gather together the possible paths the future could take.

Five Future Scenarios

A Full-Blown Federal State

The German Minister of Foreign Affairs at the time, Joschka Fischer, gave an important speech at the Humboldt University of Berlin on 12 May 2000. The speech was called 'From confederacy to federation—Thoughts on the finality of the European Union', and outlined a plan to make the EU a full-blown federal state. Fischer proposed a new constitutional treaty to establish a union with a directly-elected president and a parliament with real legislative powers. This was not the first time somebody had suggested a federal state that could be seen as a sort of United States of Europe. After all, this had been precisely the dream of Robert Schuman and other founding fathers of the union. This time, however, the initiative came from the highest possible level and was received accordingly. As early as June 2000, the then President of France, Jacques Chirac, invited Germany to join France in establishing a group of EU member states that would move faster than others in their effort to create a genuine political union. In 2002, Fischer and the then French minister of defence, Dominique de Villepin, jointly declared that co-operation in the field of defence should also be part of the renovated union. What followed was an attempt to establish a constitution for the EU and have it adopted by the electorates of the member states. As the attempted European Constitution was turned down in the Dutch and French referendums, all that came out of this process was the Lisbon Treaty of 2007 (see Chap. 2), but the dream did not die. One of its most powerful codifications is the pamphlet 'Is Europe Failing?', which Joschka Fischer published in German in 2014. In addition to a critical exploration of the history and current state of the union, the book outlines a detailed plan for the federation based on the 'Swiss model', which, in Fischer's opinion, the EU should become. The plan includes the establishment of a real European government, a common parliament involving delegated members of national parliaments, a common fiscal policy, a common debt mechanism including the possibility of debt cuts for member states in trouble, an energy union, a common foreign and security policy with a joint army, and real European democracy, including the possibility of referendums in the event of substantial sovereignty transfers (Fischer 2016; the Finnish translation was used because no English translation of the book existed at the time of writing in April 2017, which probably says quite a lot about the current popularity of the plan—for a good, concise summary in English, see Koening 2014).

Fragmentation, Marginalisation and Rhizomes

If the dream of the United States of Europe is at one end of the continuum of realistic possible future paths of the EU, complete fragmentation and marginalisation is at the other. This is a scenario hardly anyone would have outlined ten years ago, but today, after almost union-wide populist and nationalist counter-movements to Europeanisation, the failed constitutional referendums in the Netherlands and France, the immigration crisis, Brexit, and tension between the member states in the field of economic politics, the situation is different. This, at least, is how Jan Zielonka feels, whose pamphlet 'Is the EU Doomed?' came out the same year as Fischer's federalist credo, but gave a positive answer to its title question (Zielonka 2014). Zielonka believes that 'the EU will emerge significantly weakened from the current crisis. It will probably survive, but only in more modest form, deprived gradually of major legal powers and political prominence. The currency crisis may well be overcome, but the crisis of socio-economic cohesion and political trust will persist … paralysing EU institutions, generating further conflicts and preventing any substantial reforms' (ibid: x–xi). Contrary to many observers, however, Zielonka believes that 'the weakening of the EU will not strengthen nation states'. Instead, 'a weakening of the EU and its member states will strengthen other political actors such as cities, regions and non-governmental organisations … Integration will evolve along functional rather than territorial lines' and bring forth 'polyphonic integration'. This is why 'the EU may well be doomed, but Europe and European integration certainly are not' (ibid: xi–xiv).[2]

The kind of future Zielonka outlines would be a catastrophe for the EU as we know it, because even if many forms of European co-operation continue and the union itself persists, it would be marginalised so that it would no longer be the centre around which European networks are built. This is the most radical view, and a mirror image of Fischer's European Federation. These two, however, are not the only alternatives. Instead, there are at least three intermediate positions between these extremes. The rest of this section will explore these, starting from the position closest to the marginalisation end and finishing at the position closest to the federal end.

From a Rhizome of Networks to a Network State

At the end of the twentieth century, Manuel Castells was already describing the EU as a 'network state' in the third volume of his *The Information Age* (Castells 2000). This view is in some ways similar to and in some ways different from Zielonka's 'polyphonic integration'. It is different because Zielonka's term refers to Europe, which would not be networked in Brussels-centric ways. Instead of Zielonka's future Europe, which is a multicentric rhizome of overlapping networks, Castells sees the process as being co-ordinated by the EU. Castells has acted as an adviser to the Commission, and his views are part of the trend that led the union to adopt the 'open method of co-ordination', a systematic programme of meetings and conferences on various policy sectors, where administrators from all the member states exchanged information and 'best practices', but with no official mandate to make binding decisions. Castells' interpretation has been described as one-sided because it bypassed the fact that, in addition to the network meetings, the EU also has institutions that enact binding legal decisions (Heiskala 2003). Nevertheless, it described very well one important aspect of the Commission's policy to create as unified a European point of view as possible, even to sectors of administration in which it had a limited mandate or no mandate at all. This policy is still available for use in cases where the member states cannot agree on binding decisions, and it can help the union to remain influential, even if it were to face the picture of hard realities painted by Zielonka.

A Neo-medieval Empire

Zielonka has not always been as sceptically inclined towards the administrative powers of the union as he is today. In 2006 he published a book entitled *Europe as Empire: The Nature of the Enlarged European Union* (Zielonka 2006). His aim in the book was to describe how the nature of EU15 would change with the enlargement of the union to a total of almost 30 member states. The core of his interpretation was that the EU was becoming 'a neo-medieval empire rather than a neo-Westphalian super-state' (ibid: v–vi). A neo-Westphalian super-state would have meant something closely resembling Fischer's vision of the union as a federal state, and this was not in keeping with Zielonka's vision of a future EU. He suggested instead that 'the Union is on its way to becoming a kind of neo-medieval empire with a polycentric system of government, multiple and overlapping jurisdictions, striking cultural and economic heterogeneity, fuzzy borders, and divided sovereignty' (ibid: vii). So why is this an empire? Because different administrative systems cover different geographic areas in asymmetric ways, even if they are constantly expanding their extent and are usually co-ordinated from the administrative centre. And why is the empire neo-medieval? Because different administrative systems for regulations do not have clear or mutually co-ordinated geographic boundaries in the way assumed by the consensus on the nature of states reached in the Peace Treaty of Westphalia in 1648. This earlier account already contains elements of Zielonka's more recent conception of 'polyphonic integration', and in fact Zielonka calls his 'polyphonic integration' a form of 'neo-medievalism' (Zielonka 2014: xi). Yet this earlier conception is different, because the view involving networks is EU-centric, as is obvious from the following:

> the EU can function as a sort of "metagovernor": a governing body that distributes decision-making competence between multitudes of territorially and functionally defined self-governing actors. The EU should not impose tight hierarchical control but act as a mediator between various European networks and as a facilitator of continuous communication, cooperation, and compromise between such networks. It should guarantee free access to these networks and make sure that the ongoing bargaining process is transparent and open. The borders of the Union should be flexible and open to those neighbours who embrace the basic set of liberal values and accept rules operating within the neo-medieval empire. (Zielonka 2006: 190)

Today, in many senses, EU28 already constitute a Europe of many speeds, with asymmetrically overlapping administrative schemes such as the Eurozone and the Schengen Treaty. In this sense, it very much resembles Zielonka's vision from 2006.

A Regional State

As fitting as Zielonka's 2006 view is on the reality of EU28 , it also has its blind spots. This becomes obvious when reading another book on the union published in the same year: *Democracy in Europe: The EU and National Polities*, written by Vivien A. Schmidt (2006). Zielonka was already clear that the EU was acting like a real empire by forcing the new member states to accept all its existing regulations during membership negotiations, and thus represented a hierarchical mode of governance, even if it later granted the new members the same rights as the older member states. Yet Zielonka often omits the fact that the EU is a state organisation in that it has its own institutional structure through which it enacts legislation, which is binding on the member states. One of the benefits of Schmidt's interpretation is that it emphasises the state-like nature of the union. Acting according to the guidelines issued by the European Council, the Commission prepares proposals for EU law, which the European Parliament and the Council of the European Union then adopt. Such legislation is accepted either unanimously or by qualified majority voting, but once the proposals are accepted they become European law, and the national parliaments of the member states have a duty to implement the directives in the form of national legislation (for details, see Tuori 2015 and Chap. 2 in this volume). In this sense, the EU is now already much more than a chimera of networks, whether Brussels-centric or not. The EU is, as Schmidt emphasises, a regional state, and all its member states actually share their sovereignty with it on all the issues belonging to the domain of EU legislation.

This interpretation places the current EU somewhere between Zielonka's neo-medieval empire and Fischer's federal state. In this sense, the union is very much a firmly-established political and administrative reality. Yet it is also in an uneasy situation. It is a regional state, but in terms of foreign policy it is a state without an army. In terms of domestic policy it is a state without taxation or full competence in economic policy, in a troubled political relationship with its national member states and their parliaments. This has obstructed it in foreign and internal politics and encouraged the articulation of a huge wave of EU-critical political interest in the member states. Therefore many observers would be inclined to say that if the union is to survive it needs to move in a specific direction, either towards the network models of Castells or Zielonka, or towards Fischer's federal model. This constitutes the main tension in the union today, and the next section will illustrate how this tension is manifest in some of the most burning policy issues facing the union now and in the near future.

Burning Issues in Relation to the Five Scenarios

Brexit

The UK leaving the union —Brexit—is, of course, a major issue for the EU. If it actually happens, as seems to be the case at the time of writing in April 2017, it will reduce the population and economic power of the union by about one-tenth, and military power by one-fifth, including the loss of half of the union's nuclear arms arsenal (see Table 13.1). This will reduce the powers of the union but not change its position in the world in a qualitative way. In this sense, Brexit is much more critical for the identity of the UK than for that of the EU. While the UK was one of the most influential members of the EU it was usually at the centre of the global political scene. As an independent state it will still have some say in international negotiations but, as predicted by Sir Anthony Giddens (2014), its relative weight will be reduced to roughly the same class as that of Canada. This will be a major blow, even if the UK itself remains intact, and this cannot be taken for granted because we do not know how Scotland and Northern Ireland will react to Brexit. If they decide to leave the UK, Brexit will destroy not only the remainder of the British Empire, but also the UK itself.

For the remaining EU27, Brexit may have a consolidating effect. As reported in Chap. 2, during the whole of its membership the British strategy in the union has been one of a country campaigning for independence. This has naturally had a disintegrating effect, because the UK has often been missing from the common front by demanding exemption from EU directives, and it has also prevented others from taking additional steps towards increasing integration. With the UK missing from the negotiation table, some things may proceed better. One sector in which there are some signs of this kind of development involves co-operation over defence. Whether anything actually comes of this remains to be seen, because the other alternative is that the UK will simply be replaced by other internal critics such as Poland, which could take its place as leader of the heterodox camp.

Immigration

Immigration has recently posed a serious challenge to the EU. This is particularly the case because the union has been given to boasting about its European values, but has now clearly been unable to formulate an immigration policy that can live up to its high ideals. Actually, immigration has long been a concealed problem and source of tension within the union. Now, however, the Syrian war with its huge flow of refugees has created a situation where the problem must be faced openly. There are now some 3 million Syrian refugees in Turkey, and the union has agreed to pay Turkey 3 billion euros until the end of 2018 to keep the refugees there (European Council 2016). This kind of bargaining is a problem in itself, and is becoming a greater problem as Turkey sinks deeper into dictatorship. The union is seeking a partial solution in attempts to establish new refugee camps in Libya jointly with the United Nations (European Council 2017). This naturally keeps most of the immigrants out of the union, but both the Turkish and Libyan camps, along with the often inhumane treatment of immigrants who actually make it to an EU country, will continue to cause tension, and calls for some kind of political solution.

There are actually three problems involved, all of which call for a political solution. First, in guarding its outer borders the union should find a line of action that is consistent with its commitment to European values. Second, the union should be able to find internal ways of deciding on a balanced method of sharing the burden of receiving immigrants in general, and refugees in particular. Third, when and if such political decisions are made, the union should be able to implement the decisions in the member states. Currently, the union lacks solutions to all three problems. This is embarrassing in the first two cases. In the third case it is equally embarrassing, but in addition it is dangerous, because if member states begin to refuse to implement binding EU-level decisions in their area in the case of immigration, as has already happened in terms of quotas for sharing refugees between all member states, the union is only one step away from this happening in other policy sectors. This would mean the end of the union as a regional state or even a neo-medieval empire.

Economic Co-ordination

In the economic field the EU is a giant. Yet the position of this giant in the world is not on a solid footing, as has become evident in the wake of its ongoing problems with the 2008 economic crisis. As shown in Chap. 7, the combination of the Euro, the Stability and Growth Pact and the Maastricht consensus to leave each of the member states in charge of their own economic problems has pushed all members towards austerity policies. Without the support of the member states, the Commission, with its comparatively meagre budgetary resources, has not been able to practise Keynesian policy which, if adopted as a Europe-wide policy line, would be able to break the logjam and end the recession. The European Central Bank (ECB) has, of course, tried to do this by printing money, at the risk of overstepping its administrative mandate. However, on their own, the effectiveness of the Bank's measures has been limited, which is the reason for the ongoing problems in the European economy. The situation is made worse because different member states have coped with the situation in very different ways. While Germany has been doing very well and most of the remaining western and northern European states have coped, eastern Europe and the Mediterranean countries in particular have suffered badly as a result of the situation. This again has created significant political tension between the member states. One specific reason for the tension is that any help given by EU members to the crisis states has come in the form of loans that have largely been payable to the German, British and French banks to free the banks from their poisonous investments in the crisis countries. This has made everyone apart from the banks unhappy: taxpayers in the north and west are unhappy because they see the resources leaking out of their countries, and ordinary people in the crisis countries are unhappy because they do not see a single Euro of the subsidies, all of which go straight to the banks. In addition, people in the crisis countries are experiencing a significant reduction in living standards, and people in the north and west still blame them for the mistakes of the banks and a few politicians.

In other words, this cannot go on forever. Most member states either need more freedom or more support from the EU. More freedom would mean breaking the Euro down to allow the member states more room to meet the changing economic conditions in their economic policies. This, in turn, would mean taking more than one step towards the network models of the EU. More support would mean letting the Maastricht consensus go and creating some support mechanisms to help member states that are facing extraordinarily harsh economic problems. This would take the current regional state of the EU closer to the federal model.

Military and Foreign Policy

Among other factors, immigration and the Russian challenge are the two main reasons for the union to seek enhanced co-operation in foreign and military policy. Immigration is mainly about the union's southern border. The institutions for guarding it are already in place, because Europol, which is responsible for co-operation in the field of internal security, is supplemented by Frontex, responsible for co-ordinating co-operation in guarding the outer borders. Neither institution, however, has either the resources or the mandate to act efficiently. Yet these are small problems compared to the almost complete lack of union-level co-operation in the actual military sector. The situation is awkward because NATO, of course, co-ordinates Western European defence, and, excluding Cyprus, this covers all of the EU, because 22 of the EU member states are also NATO members and five have established a Partnership for Peace Programme with it (see Box 2.2 in Chap. 2). The North American members of NATO, however, may have different interests from the European members, and concern about this has increased after the establishment of the unpredictable Trump administration in the USA.

In addition to hard power, the union today is also far from realising its potential influence in the international system with regard to soft power. The High Representative has to negotiate his/her mandate with the member states on a case-by-case basis, and in this sense the union does not have a genuine foreign minister to represent it in international negotiations. This means more Merkiavellianism, where Germany gathers an ad hoc coalition of the most important member states, with diverging policy lines among the central member states on other issues, and this naturally reduces the international influence of the union. Both alternatives are also too slow in situations such as the Russian annexation of Crimea, which was complete before the EU could react to it in any way.

New attempts are under way to develop the hard military power of the union, because several things have changed in the current situation. Specifically, Brexit will take the most influential opponent of joint defence away from the negotiation table, the new threat of Russia has become quite concrete after the crises in Ukraine and Syria, and the Trump administration in the USA is a reminder to the European leaders that they may not be wise to count blindly on the goodwill and military umbrella of the USA. Whether anything decisive happens in this sector remains to be seen.

Whose Europe?

The EU began as a project in the field of economic co-operation. As explained in Chaps. 2 and 4, in post-Second World War Europe there were political and cultural reasons for tuning the politically and culturally-oriented peace project in this way. It so happened that the historical reasons for its birth created a path on which the union remains today, in the sense that there is still a strong tendency to explain all political issues as economic ones. Chapter 9 gives an illuminating description of what this economic tuning of all policy issues means in terms of the social contract with young people in the education sector, which the union understands mainly as an economic investment and accordingly measures in terms of improvements in success on the labour market. Another example is the way the Commission has recently started to promote its plans to develop union-level defence. Its first step has been to establish a programme to promote free markets and union-wide competition in the defence market.

If the union wishes to be a competent administrative player with regard to the huge challenges opening up in the future, externally in the sectors of foreign and defence policy, and internally in the sectors of social, health, education and environmental policies, something needs to be done to change the economistic conception of politics in the EU, which was touched on in several previous chapters (see Chaps. 2, 7, 8, 9 and 12, as well as Chap. 4, in which the union, for precisely this reason, was called 'an empire of shopkeepers'). This is already the case if it is seen purely from the perspective of the efficiency of policies, but there is another reason for freeing politics from its economic straitjacket. If the union wishes to maintain its legitimacy among EU citizens, it cannot leave itself open to the kinds of accusations quoted from Mann in Chap. 2, according to which 'the state as a whole is not, as Marx asserted, an organisation for managing the collective affairs of the bourgeoisie; the state does far more than this. The EC, however, is' (Mann 1993: 125). If it does, it is in danger of losing its popular support and eroding to a set of collaborative sectorial networks, as predicted by Zielonka (2014).

Accusations by Habermas (2009, 2012), Beck (2013), Offe (2015) and Fischer (2016), for example, that the EU is currently not democratic enough, are to some extent grounded as comments on and initiatives for changing the institutional structure of the union. However, while they are institutional puzzles, their energy derives from a hope that the future union will be one of 'United Europeans' and not one of the 'United Capitals of Europe'. This is an ongoing struggle in terms of political power in all member states. Currently, however, in the EU it is entangled in an uneasy way with the lack of economic co-ordination between member states, and the resulting unbalanced economic conditions and related tension, and this may well be preventing the emergence of a union-wide front for the democratisation of the EU, which would make it a genuine union of all European citizens.

Co-ordination: Europe at Two or More Speeds

The problem of co-ordination is omnipresent in the EU, but in this sense the union is not unique, because co-ordination is also a difficult issue in the overall international system. An illuminating overview is provided in *Gridlock: Why Global Cooperation Is Failing When We Need It Most* (2013), by Thomas Hale, David Held and Kevin Young, a study of the vicious circles of attempts at global co-ordination in the fields of security, economy and environment. The authors distinguish four central problems in terms of difficulties in reaching satisfactory, or sometimes even basic, agreements on the nature of joint actions for promoting collective well-being or preventing catastrophes in all three areas mentioned. (1) Emerging multipolarity is connected with the increase in the number of states up to currently more than 200, and with the increase in the resources and thus negotiation power of many states outside the Organisation for Economic Co-operation and Development (OECD) bloc in the international arena. This is in itself good news, because it has lifted so many people out of poverty and introduced a more balanced system of power, which is apparent, for example, in the tendency of the G5–G8 negotiations to open up to G20 or even G-more-than-that negotiations in many cases. The negative aspect, however, has been a gridlock in negotiations concerning climate change and many other issues. (2) Institutional inertia is linked to the rigid structures of power in many international organisations established after the Second World War. The power structures of the UN Security Council and the International Monetary Fund (IMF) are examples of the inertia that obstructs the ability of these institutions to intervene in many cases, and affects their line of action in many others in ways that the emerging countries have seen as being unjust, and for good reason. (3) More difficult problems include cyber threats, pandemics, global control of the financial sector, multinational corporations and international trade, as well as environmental problems such as climate change and deforestation. These are examples of current challenges, sometimes also called 'wicked problems', because they seem to resist all attempts at governance because of their threatening nature, extreme complexity and great number of stakeholders with varying interests. (4) Fragmentation is related to the fact that, even if there actually is some global governance, though not very much considering the seriousness of the challenges, it is governance without a governor. It is therefore not enough for the nation-states and international governmental organisations (IGOs) to attempt to address these challenges. In addition, economic actors (both corporations and all kinds of associations of economic actors, such as Chambers of Commerce) do the same, as do all civic actors such as voters, social movements, national associations and international non-governmental organisations (INGOs). The negative side, however, is that the field of action becomes increasingly fragmented, which poses a danger that transaction costs will increase for every party compared to the results achieved. This again includes the risk that some of the central players will withdraw from co-operation completely.

Gridlock (Hale et al. 2013), of course, discusses global governance, and does not devote much space to an explicit discussion on Europe. Nevertheless, it is important in the context of studying the EU in at least two senses. First, the authors describe the global environment in which the EU is forced to work if it seeks to promote its central policy targets seriously, such as freedom of trade, fair and inclusive rules for all parties, promotion of security, and reduction of emissions producing climate change. Second, many of the problems described are also very much present in the internal negotiation mechanism of the EU, even if it is not only an IGO but also a confederation of 28 member states who have partly relinquished their sovereign power to the union. This is why the EU cannot simply be described as a body of governance without a governor.

The core of the basic pattern of political bargaining in the EU was described in Chap. 2 on the basis of Schmidt (2006), whose description I expand on a little here. According to the bargaining pattern, the central member states first reach a consensus on the policy line and then sell it to the smaller member states. In the era of Merkiavellianism, this means that Germany takes the initiative and usually negotiates first with France. The next step has usually involved the UK, but in the wake of Brexit, this phase will be skipped, and the coalition of Germany and France will turn first to Italy and then to the smaller and/or poorer member states. This gives the other member states a platform for negotiating the price of their consent to the lines of a policy package drawn up by Germany and France. Finally, when each of the 27 member states is happy, the package is ready for official negotiation and decisions. Or this is how it used to be before the enlargement of the union from EU15 to EU28. Enlargement brought with it the method of qualified majority voting, which has weakened the position of the smaller member states regarding blackmailing benefits from the ruling coalition of the big member states, even if the game of bargaining itself continues in a basically unchanged form.

This game makes it possible to co-ordinate the joint efforts of the nation-states. However, it also means that co-ordination is often slow and sometimes does not happen at all. Principally, three distinct levels or problem fields can be distinguished: knowledge production, policy formation and policy implementation. Chapters 5, 6 and 8 show how painfully difficult it can be even to produce shared definitions of reality where knowledge production in the fields of statistics, policy-relevant indicators and innovation policies is concerned. Yet this is much easier than more explicit policy formation, as is shown by the range of problems discussed in this chapter. Finally, even if the union has clear rules about policy implementation, the member states vary in this regard according to their political and administrative cultures, which are different in the east, west, north and south. In addition, in policy sectors such as immigration policy, the mechanism of implementation has started to erode in all member states. Therefore, the least that can be said is that the problem of co-ordination still looms large over the future of the union. One of the solutions is a two- (or more) speed Europe in which member states that are positively inclined towards integration move faster than others towards a deeper integration. This can happen either within the union (Eurozone) or by means of international treaties that are formally independent of the union (e.g. Schengen before it was coupled to the Amsterdam Treaty), making co-operation between willing parties easier because there is no need to listen to those who are not willing to join the main group. As the examples show, a Europe developing at two or more speeds is not just a theoretical possibility. It is already happening in reality. However, it offers only a partial solution to the problem of co-ordination, because it creates either a two-tier EU or something very much resembling Zielonka's neo-medieval empire.

Democracy, Populism and Nationalism

As explained in Chap. 2, the EU is not as undemocratic as it has been made out to be. It would be even less so if the member states were willing to adopt a version of the Finnish pattern, which would resolve the tension between the union and national parliaments by insisting that a national parliamentary committee provide a mandate for national representatives before each EU meeting. However, as every sociologist is aware, the so-called Thomas theorem dictates that if situations are defined as real, they are real in their consequences, and for some reason everybody seems to think the EU is undemocratic. The result has been an EU-critical political current in almost every member state of the union. In most of them, it has been combined with insecurity and the disappointment of large segments of the working and middle classes, caused by the strong current of neoliberal globalisation that has had no counterforce after the collapse of the Soviet Union. This has meant that capitalists have won the class struggle and been able to dictate the rules of the labour market. The now almost ubiquitous populist movement against elites, including the administrative and political elites of the EU, has derived its strength from this insecurity and disappointment, even if it has largely been misplaced (i.e. attacking politicians instead of capitalists). It was not so in the case of Brexit, but this populist form of articulating interest is often combined with racism against immigrants, who are interpreted to be the cause of insecurity and low wages in the labour market. This is the case in, for example, France, the Benelux countries, Sweden, and often Germany. All these forms of populism are right-wing and can also be found in the Mediterranean member states, though the main current of populism there is left-wing, a result of the harsh austerity policies after the 2008 crisis.

At a general level, the recipe for populist politics is the same in all of the above cases: find a source of insecurity and discontent, find a simple cause for it and an enemy responsible for it, and speak in the name of the people but actually split the nation into two segments, one of which involves the real people (the in-group, which is the victim), and the other the fifth column allied with the enemy (the out-group, which is the scapegoat) (Müller 2016). After this it is easy to activate the people against the scapegoat, especially if, in the process, the populist leader remembers to speak from the subordinate position of a victim and ultimately blames the powers-that-be of lying to the people, eroding the legitimacy of what they say and thus creating room for the movement's 'alternative facts'.[3] This is also the general pattern of populism in the new Eastern European member states, beginning in Hungary but most prominent in Poland today. Since right-wing populists took over both of these countries through apparently honest elections, they have been able to establish a political hegemony that can be called 'illiberal democracy'. This hegemony is always on the verge of becoming a dictatorship, as witnessed by the recent example of Turkey and, in a somewhat milder way, Russia. In both Poland and Hungary, however, it is possible that the illiberal regimes will be able to renew their rule through nominally honest elections.[4]

Populism involves two different problems for the EU. First, it erodes the mandate of pro-EU elites, as was seen in the last European Parliament (EP) elections, for example, where one-third of Members of the European Parliament (MEPs) returned to the EP were critical of the EU. This has also meant that, by creating a fear of the erosion of the political mandate of the pro-EU groups, the populist groups have managed to implement their political line and hold them hostage, which has made the influence of the populists greater than their size and brought the union to a standstill.

Second, right-wing populists have actually become a ruling regime in some countries, such as Poland and Hungary, and are leading policies that, in part, openly contradict EU treaties on central issues such as European values and the rule of law. This is a major danger, because the union cannot simply give up in confrontations on these issues without losing its credibility. This issue is open and may remain so for years. However, the curious vote in the European Council in March 2017, which renewed Donald Tusk's term as President of the Council, paradoxically leaving Poland alone to oppose its former prime minister by being the only opposing vote, points to the direction that the union will actually stick to its line on core issues concerning its identity. This also may indicate that there will be sanctions and countermoves in the future. Again, this means that the British government's negotiating position on Brexit is not particularly good because, for internal reasons, the EU cannot make it easy for a member state to leave the union.

A Very Incoherent Empire Revisited

So what can be said of the impact of all the above on the future of the EU? Nothing much, because the future is open and we do not know today how it is going to unfold tomorrow. However, it is already possible to further the discussion on the question left open in Chap. 2, which was touched on in several of the previous chapters, i.e. whether the EU can be seen as an empire in the making.

In Vols. 3 and 4 of *The Sources of Social Power*, Michael Mann defines empire as 'a centralized, hierarchical system of rule acquired and maintained by coercion through which a core territory dominates peripheral territories, serves as the intermediary for their main interactions, and channels resources from and between peripheries' (Mann 2012: 17; see also 17–22 and 2013: 86–90). Pure forms of imperial power, such as direct and indirect empires, involve territorial occupation or colonies. The former refers to cases such as the Roman and Chinese empires at their height. The latter leaves local elites some independent power but it too is based on the constant presence of some level of military force by the imperial authorities, and the threat of repeated conquest. Central powers in the contemporary world do not apply these imperialist strategies, but two less extreme forms exist. The milder of these is hegemony in the Gramscian sense, i.e. 'routinized leadership by a dominant power over others, which is regarded by the latter as being "legitimate" or at least "normal"' (Mann 2013: 87). US power in several areas of the globe, including western Europe, fulfils this condition and can thus be called hegemonic. Hegemony, however, is not genuine imperialism. Mann, on the other hand, regards the USA as an imperialist state, because it also qualifies for a class that represents more extensive power penetrating more deeply than hegemony, but is less extensive and intensive than direct or indirect empire, i.e. an informal empire.

In the case of an informal empire, peripheral areas are formally fully sovereign but are actually constrained by the imperial core via a number of military and economic means. These include, first, an informal gunboat empire, i.e. short, sharp military interventions. Second, an informal empire by proxy uses of local groups to do the coercing. Third, economic imperialism uses economic sanctions, including the biased structures of international banking and other economic institutions. Its targets are formally free to say 'no' to demands concerning 'structural adjustment', but the price of 'no' is in practice so high that the interaction fulfils the conditions of enforced partnership. Mann claims that the USA is an almost global hegemon and an informal empire, which uses all three forms of constraint against other states. He also suggests that the USA is the only political entity qualifying as an informal empire today.

In Chap. 2, I called the EU 'a very incoherent empire'. This expression consciously alluded to the title of Mann's book describing the USA as an 'incoherent empire' (Mann 2003). Mann calls the contemporary US empire 'incoherent' to emphasise the fact that, compared to the indirect European empires before the world wars and the direct empires of ancient history, its presence is lighter and less intensive on its peripheries. The reverse side of Mann's discussion is that the current EU and China are not, according to his definition, empires. They may sometimes use economic power to coerce their peripheries, but their attempts to rule by proxy are rare and insignificant, and they do not employ gunboat imperialism. At least the EU does not. China, which has steadily increased its military investment since the mid-2000s, may just now be moving into a phase where it will add this to its toolbox, as well as annexation, at least in the South China Sea area.

On the other hand, China says it does not wish to become a hegemon anywhere (see Chap. 12), but the EU needs to be hegemonic in the sense that pro-EU groups cannot otherwise win referendums in countries seeking membership, and in established member countries too there may be a loss of cultural hegemony, as the case of Brexit shows. So why not speak about the EU as a local hegemon rather than an empire in the making? After all, the union currently lacks an army, and it is rather difficult to be an imperialist without one.

This is sound thinking, and if we stick to Mann's definition it is also reasonable to accept his conclusion that the only contemporary empire is the USA. However, this is not the only sense in which the word empire can be used; in fact, there are two others. The first of these is relevant if the EU is understood as a 'governance empire' (see Chap. 3). This expression refers to the union's tendency to harmonise and standardise the societies of its member states. The mildest forms of standardisation, which are nevertheless important, involve shared cognitive categories and knowledge production (see Chaps. 5, 6 and 8), networking and co-operation by means of the open method of co-ordination, which takes harmonisation one step further, and EU legislation and decisions made in the European Council, with related Commission practices such as the European Semester of regular negotiation cycles, yet another step towards deeper harmonisation (see Chaps. 2, 4 and 6). In addition, there are completely unified systems such as the currency union between 19 Eurozone members (Chap. 7). These steps, which have all already been taken in the union, have made the EU a regional state (Schmidt 2006) that has extended its harmonisation deeper into European societies step by step, and extended geographically into an ever greater area. In this sense the EU is an empire of governance.

Yet another meaning of the word 'empire' is involved in Jan Zielonka's *Europe as Empire*, where he uses the word with the prefix 'neo-medieval', to contrast it with what he calls the 'Westphalian super-state'. The latter very much resembles the current USA, and also the kind of future model of a federal EU outlined by Joschka Fischer (2016). According to Zielonka, the idea of the EU as a Westphalian super-state is characterised by the following: hard and fixed external border lines; relatively high socio-economic homogeneity; a pan-European cultural identity; overlap between legal, administrative, economic and military regimes; a clear hierarchical structure with one centre of authority; a sharp distinction between members and non-members; centrally regulated redistribution within the EU system; a single type of citizenship; a single European army and police force; and absolute sovereignty (Zielonka 2006: 12). In contrast, as a neo-medieval empire, the EU would be based on soft border zones in flux; socio-economic discrepancies that persist without consistent patterns; multiple cultural identities; dissociation between authoritative allocations, functional competences and territorial constituencies; interpenetration of various types of political unit and loyalties; a crucial but blurred distinction between the European centre and periphery; redistribution based on different types of solidarity between various transnational networks; diversified types of citizenship with different sets of rights and duties; multiplicity of overlapping military and police institutions, and divided sovereignty along different functional and territorial lines (ibid.).

Zielonka's use of the term 'empire' does not refer to the current USA or the British Empire, nor to other European empires of this type in the era preceding the two world wars, nor to ancient empires such as Rome. It refers instead to the medieval empires. Some may criticise his choice of terminology, because it is well known that it took a considerable time after the Treaty of Westphalia, with its principles involving equality between the states and an agreement that one state could not interfere in the internal affairs of another, for the modern states to develop the means for efficient infrastructural and geopolitical control of the area they claimed to govern. Before this, in medieval times, states had even less directive power over the lives of people living in their area. 'Neo-medievalism' therefore may evoke misleading associations because the EU after all is a confederation and regional state formed by 28 modern nation-states, all of which are very efficient at controlling their own areas, as I pointed out earlier in this chapter. This said, however, it is clear that Zielonka's description genuinely captures something important about the abundance of the asymmetrically overlapping networks that characterise the current EU28. In this sense, as well as in the sense that EU28 are the result of an intensive period of expansion as the description suggests, it is possible to call the current EU a 'neo-medieval empire'.

Based on the above, the EU can therefore be called an empire in at least in two senses. The milder sense involves Zielonka's 'neo-medieval empire', and the more demanding is the 'governance empire'. Whether the union is on its way to becoming a federal state and thus possibly at the same time also an empire in Mann's sense, is an open question that only time will solve. In the meantime, however, on the basis of the current history of the union from the Maastricht Treaty onwards, I find that the expression 'a very incoherent empire in the making' fits, because it gathers together the relatively fast progression from economic to political union, increasing penetration of the union into the societies and administrations of its member states, geographical expansion, and the interrelated overlap of asymmetrical networks of solidarities, regulations and interaction. Yet it is important to understand that this has been a contingent historical process, and only time will show whether it will continue into the future or change into something completely different.

Notes

1. Variation in the available resources between member states can be described as follows: if the GDP per capita PPP of EU28 is measured by the index 100, variation within the union ranges from 264 in Luxembourg, 177 in Ireland and 128 in Austria and the Netherlands to 47 in Bulgaria,

58 in Croatia, 64 in Latvia and 68 in Greece and Hungary (Eurostat 2015). The breakdown of resources between citizens in different member states can be described with Gini coefficients (the lower the figure theoretically varying between 0 and 100, the less inequality there is). They range from 37.9 in Lithuania and 37.4 in Romania to 23.7 in Slovakia, 24.5 in Slovenia and 25.4 in Finland and Sweden (Eurostat, see source 2 in Table 13.1).

2. This emphasis naturally distinguishes Zielonka's view from a simple collapse of the EU and a view involving parallel nationalist closures of all the European countries, a vision of a world resembling that before the Second World War. Such an alternative is, in a sense, a possible sixth scenario, but this is not discussed here because it would mean that practically all existing cross-national and transnational European networks fall apart (including those channelling the flow of goods and services from one part of Europe to another), and it is difficult to believe that this could happen, even in circumstances where it had strong political support. This support is not even forthcoming today, when even nationalist and populist movements would not be willing to give up the benefits of many forms of cross-national interaction.
3. More space is created for the propaganda of populist movements by the tendency to concentrate on the 'truthfulness' of statements, suggesting that the speaker's authentic feelings are the only criterion for truth. This tendency marginalises the two other claims of validity usually presented alongside aesthetic or therapeutic authenticity in the tradition running from Kant and Parsons to Habermas (1984), i.e. cognitive and normative validity. This tendency towards vernacular aestheticisation of publicity creates room for anyone presenting 'alternative truths' to omit expert scientific interpretations and collectively-binding moral rules, as long as s/he can convince the audience of the sincerity of the feelings expressed (towards immigrants, for example).
4. Müller (2016: 49–60) suggests that the term 'illiberal democracy' should not be used to refer to populist regimes such has Hungary and Poland because they do not honour the rule of law and the rights of political opposition, and are therefore not democracies at all. I agree with the description but find the lexical suggestion too cautious. The term 'liberal democracy' was coined in the West after the Second World War to make a distinction between the Western capitalist democracies and the Soviet type of socialist democracies. The latter could easily have been called

'illiberal democracies' because they were built on the idea of the 'dictatorship of the proletariat' and restricted the freedom of speech of the opposition in ways comparable to the current populist regimes in Hungary and Poland. We need to be able to differentiate these kinds of regimes (which restrict the rights of political opposition but are formally democracies), and dictatorships pure and simple. Since Müller does not provide a better alternative here I shall use the term 'illiberal democracies' for that purpose and hope that the term 'illiberal' points clearly enough to the fact that such formally democratic regimes are not full democracies in the sense of freedom of speech and rule of law.

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Index[1]

[1] Note: Page number followed by 'n' refers to notes.

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