

THREE

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Two Risky Options and Two Hidden Sources of European Integration⁴

Introduction

The EU has developed from an international economic organization to a quasi-federal structure with clear boundaries and internal layers where community law dominates in important policy domains. This evolving supranational structure combines confederal and federal elements and suffers from several deficiencies. It has no real tax or spending capacity, and the member states have remained the key actors in the modification of the treaties with unanimous vote (Börzel 2003, Burgess 2000).

Elites' crisis-management capability, liberal democracy, and European integration have been heavily criticized during the last decade. The sources and forms of criticism vary, but elites increasingly have to face populist and authoritarian challenges which are interwoven with the "Europe of nations" vision.

In the following, I first touch upon some of the problems of the quasi-federal structure. These include the blurring competencies and influence of the federal units as well as challenges of populism and authoritarian solutions. A related issue is the weak representation of the common good and long-term interest. Most of these have to do with the weak legitimacy and weak redistributive capability of the federal state. I argue that the two options to overcome the current federal problems (the "Europe of nations" and the "multi-speed Europe") are problematic themselves because the common good is often outweighed by particularisms. On the other hand, according to research findings there are unexploited resources that would strengthen the legitimacy and redistributive capacity of the EU. These are discussed in the subchapter devoted to two hidden sources (tax fairness and mul-

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tiple identities). In the conclusion, the major points concerning problems, options, and resources are summed up, and recent political comments about the future of the EU and the concept of fair federalism are touched upon.

Institutional problems and two risky options

Law responds slowly to newly arising or newly perceived injustices, which is the most frequent cause for the friction between the legal and moral sense of justice. The difference has many sources, and cannot be blamed only on the cumbersome nature of law per se. It has happened several times that legal regulations encompassed broader perspectives and sensitivities in protecting collective interests and values than the public's morality did. Indeed, the rule of law and folk conception of fairness interact, complementing-correcting one another. When they enter into friction it should be carefully deliberated which solution would contribute to the improvement of the public good.

The collective entity is in the possession of rights and duties that individuals are not. However, the collective entity is also embodied by flesh-and-blood individuals, elites, and leaders. In a federalist multilevel structure it is a must to clarify which collective entity the elites and leaders represent, and whose criteria they regard as binding for them (Burbidge and Myers 1994, Chalmers and Dellmuth 2015). Do they represent the interests of a EU member state or group of states or the entire collective entity? When the latter is the case, is the proposed solution also fair even if it is legal? The European Parliament is built of coalitions of national parties, where intra-coalition diverging interests may lead to the avoidance of delicate issues having to do i.a., with long-term plans of integration (Gabel and Hix 2004). The leaders of the European Commission are also practically appointed by the national governments, and the European Council consists of the leaders of the national governments with veto right. The observer may get the impression that political influence in the EU currently depends more heavily on the size or blackmailing potential of the given entity (country, party, or fraction) than on the weight of justification.

Populism has several variants on the political palette, but most of them contain anti-establishment rhetoric, undifferentiated reference to the people, pragmatism, and a confrontative, mobilizing approach (Mudde and Kaltwasser 2018, Inglehart and Norris 2016). One particularity of populism is that its representatives build platforms around social problems sensed by many people and present themselves as daring to speak the truth. The solutions they propose are mostly some combination of negation, restitution, and discrimination. Populist rhetoric condemns political correctness, giving the impression that straight speech unveils hypocritical civilities. As the speaker of the Hungarian parliament declared, "Marxist dialectic has been replaced by political correctness. But at its core international politics has remained the same: the ambition of the strong ones is to force the weak ones to succumb to them" (Origo 2018). In contradistinction to ordinary courtesy and thoughtfulness, there is a malevolent version of hypocrisy often discernible in the practice of contemporary populist politics (Runciman 2008).

One of the paradoxes of populism is that a main source of their popularity, namely the credit of the anti-establishment political rhetoric, gets gradually eroded as its representatives become part of the establishment. When their popularity is on the wane and the economy is not soaring, they must create a new enemy image which may entail that some external threat will be placed in the crosshairs: the EU, banks, multinational companies, or immigrants, foreigners, and the handicapped.

Another viewpoint should also be considered although it is often neglected despite its consequential nature: the time horizon, the differences – and at times conflicts – between short-term and long-term perspectives (Milward 1994). Regnant politicians are interested in short-term election cycles and the leaders of large companies and banks in annual gain. While there are several rolling, continuous elements in the budgetary policy of the EU the means to represent long-term interests are more limited.

There are long-term plans but they are not the main arguments to influence effective running. Several policy makers are aware that an institutional structure is needed which can guarantee effective and legitimate operation at every EU level in concert with the long-term interests of the collective entity.

These problems are not being solved today. According to one evaluation, the EU is strong in regulatory capacities but has weak redistributive competence (Majone 1996). The second half of the statement is true, the first half raises reservations. Experiences in Eastern Europe reveal that a part of the political elite only maintained consensus and aligned tightly with regulatory requirements in the preparatory phase for EU accession. After the entry they abrogated the elite consensus and began behaving in a norm-breaching way in several cases. This is possible because the structure of federal institutions is loose, their operation is ineffective and divided by the interests of the just ruling national politicians. Even in a preparatory phase for entering EU it may cause grave confusion that influential national politicians may veto supranational intents.

It is partly due to this dividedness that the EU appears as an organization with a clearly frugal approach to budgeting. While on the average the national budget of the member countries represents roughly half of their gross annual income, the EU budget is only 1%. “*The EU budget costs the average citizen less than a cup of coffee per day,*” as a booklet proudly proclaims (EU budget at a glance, 2019: 16). This idea must be popular among the parsimonious citizens of the net contributors, but it is miles away from the 15–20% that specialists think is indispensable for the effective working of a federal structure. It is to be noted that the federal budgets of the USA, Germany, and Canada are also about one-fifth of the GDP or sometimes more.

The low budget rate does not only deviate from what expert opinion and international experiences hold desirable, but – as will be seen – it fails to coincide with what the national political elites and the population regards as a fair supranational redistribution rate. I argue that both the ‘Europe of nations’ and the ‘multi-speed Europe’ are risky answers to the challenges. The ‘Europe of nations’ option is based to a large extent on fears and seclusion and thus it provides huge manoeuvring space for national governing elites to manipulate democratic institutions and does

hinder co-operation cum integration. The Hungarian regime provides an example of this development (Ilonszki and Lengyel 2019). There were signs already in the 90s – among others unsettled problems of party finance – which implied that some influential members of the political elite favoured the simulation of democratic institutions instead of consolidating democracy. From 2006 it became clear that a part of the political elite intended to break the liberal democratic elite consensus. When the conservative Fidesz lost the elections in 2006 it gave up the elite consensus, denied the legitimacy of fellow-contestants, and mobilized extra-parliamentary forces to discredit and overthrow the socialist-liberal governing elites. With the tactic of “attack on the entire field” Fidesz in 2010 won the elections with a two-thirds majority and occupied a wide central space in the political spectrum.

Driven by the swing of the big win they introduced a new constitution, new media and electoral law, and the Prime Minister announced the politics of illiberal democracy. These developments pointed from simulating democracy and illiberalism toward a system of competitive authoritarianism where incumbent elites misuse their power in order to cement their position and settle asymmetric chances in political competition (Levitsky and Way 2002). Elections remained free but the rules were unfair and the governing elites seemed to be irreplaceable by the methods of representative democracy (Kornai 2016).

The PM declared that “*we tell the people that we’ll restore the greatness of the nation and we tell the economic actors what they can expect*” (Orbán 2011). The sector-specific selective message was sent to the foreign companies, representing approximately 60% of great firms in the Hungarian economy. Like many other governments on the periphery of the single market, they could attract foreign investors due to low wages and marginal TU activity, along with advantageous regulatory and tax conditions.

At the same time, relying upon EU-resources they started to build up a “national middle class”, a business clientele depending on the government-controlled investments. In a recent press conference the PM mentioned that the proportion of single-bidder public procurement procedures (a macro indicator applied in corruption measurement) decreased from 30 to 15% during the last decade, but refused to comment on any involvements in politico-business relations (Orbán 2019). Critical analysts depicted a state capture scenario and proved that businessmen involved in politicians’ strong ties were overrepresented in single-bidding as well as in getting support from the National Bank and had become spectacularly rich (Laki 2019, Martin 2019, Várhegyi 2019, CRCB 2017).

It seems that the road from simulated democracy and illiberalism to competitive authoritarianism can best be described by stages. However interpreting the characteristics with concentric circles is equally feasible. Previous features of simulation and illiberal democracy are still valid but the closer the focus is, the more visible the authoritarian features of the governing elites become. In the broader context the ‘Europe of nations’ solution may lead to the symbiosis of a unified market and authoritarian regimes. From a substantive perspective, markets of production factors and competitive authoritarian regimes share two notable common features: both could be considered free and unfair.

The 'multi-speed' Europe hinders the integration processes in spite of its declared aims. It may stiffen centrum-periphery relations leading to a combination of a single market and fragmented polity. For the worse off, it foreshadows isolation instead of the opportunity to catch up. If the market is single while the polity – which is supposed to correct it – is fragmented, the dominance of the market principle will prevail, which hardly meets the criteria of fair social redistribution. If a multi-speed mechanism is preferred it means that – besides a common core – the rights and obligations will differ according to zones. This will imply that actors' advocacy skills will diverge within the EU's political arena. Due to built-in unequal advocacy capabilities, the actors will be integrated into the international division of labour in different roles and adapt to the single market with varying speed. All this may contribute to the setting of an asymmetric working mode. If the ideas of Hayek, and not those of Polányi (Caporaso and Tarrow 2009, Höpner and Schaffer 2012) predominate in the EU's economy, it will mean that although freedom is not undermined, the principle of substantive equality certainly is. Inequalities may increase concerning the life chances of individuals as well as the advocacy capabilities of collective entities belonging to different zones and layers. Under the rallying cry of a multi-speed Europe the EU is forced to give up the equalizing principle of cohesion and implicitly accepts growing inequalities of life chances.

Macron, the French president, argued that in fact the EU had long been working according to the multi-speed practice, for example in the case of the Eurozone or the Schengen borders (Maurice 2017). This is true. But one may ask: isn't it one of the reasons for the trouble? Furthermore, there is a fundamental difference between applying a temporary regulatory practice and elevating it into a lasting principle. This way the practice formed under the pressure of temporary circumstances may become a legitimate, lasting goal and soon the logic of "how else could it be" starts to work.

The idea of a multi-speed Europe is based on a social vision which since Bourdieu has been called a 'classificatory struggle' in sociology. This is not simply a struggle for getting into a better league: this is the struggle for control over the fixing of borders and blocking positions. This leads to a political mechanism organized within a frozen institutional structure, which implies that the individuals' life chances are not primarily influenced by merits or means, but by the fact of belonging to a zone. All this is supported by the sense of confidence that although the concrete composition might vary, the very structure, the differences between old and new, East and West, core and periphery, remain organizing principles of decisive importance.

Two hidden sources

Still, and in contrast to the former logic, based on empirical elite and population surveys one can observe two hidden sources of integration heading toward a more efficient, transparent, and fair working of the EU. One is a pragmatic aspect which has to do with the *redistribution* of taxes, the other is a symbolic one, *European identity*.

Redistribution is a form of integration in Polanyi's typology (Polanyi 1957 [1944]) which denotes the centralized distribution of control over goods. In contemporary societies this is what *fiscal policy* does through taxation. In the European Union approximately 1% of the gross annual income is redistributed on the supranational level which equals to 2% of public spending.

Elite and folk perceptions of tax-redistribution among different policy levels were investigated in several surveys and it is worth highlighting some of the results. What do elites and people think about a fair division of decision-making competencies between three levels of *fiscal* redistribution: the European, the national, and the sub-national (regional) levels? This was the problem we approached with a simple question: “*Out of hundred Euro (national currency, where appropriate) of tax money a citizen pays, how much should be allocated on the regional, national, and European level?*” (Real-Dato et al. 2012). Another set of questions inquired the proper place of handling policy issues in certain domains like health, tax, unemployment, the environment, and migration. We measured the answers of political elites (national MPs) in 2007 and 2014 in several member countries out of which 9 were comparable for the two years. National political elites preferred to keep welfare-sensitive domains under their control and delegate transborder problems to the supranational level both before and after the crisis. There was a slight change in the evaluation of unemployment, which the MPs thought deserves more EU-involvement after a crisis than before. For some policies it was possible to investigate both the short- and the long-term preferences. In the short run the majority of MPs rejected, and in ten-year perspective they accepted the unification of the tax system (Lengyel et al. 2018).

As to the size of redistribution the result was surprisingly stable: the elites thought that on the average around 17–18% would have been fair to redistribute on the EU-level in 2007 and in 2014 as well. There were differences between countries and there were changes in national positions, but by and large the fair share to be distributed on the EU-level remained the same. Within this time span among the Hungarian political elite the support of supranational redistribution decreased. While in 2007 their opinion was around 17%, in 2014 the Hungarian MPs would feel fair to distribute 13% of the collected tax on the EU-level. This might be considered as a threshold value.

We have comparable population survey data in the case of Hungary. In 2008, the Hungarian population deemed the fair proportion to be distributed on the EU-level at around 15%, while in 2013 12%. One is tempted to say that the governing elite behaved in a responsive way when it adjusted its preferences to this lower level. However, in the meantime (in 2015) the population increased the fair share of the supranational level to 16%.

It is important to recognize here that *both the elites and the population would accept six-eight times higher supranational redistribution than the actual one*. It is equally important that in Hungary (and probably in other member countries too (Blokker 2012) there is a hidden tension between the governing elite and the population concerning the fair share of fiscal redistribution on the *subnational level*. In Hungary the taxing power of the local governments was around 2% in 2005

while the spending power was around a quarter of the national budget (Blöchliger and Rabesona 2009; Bach et al. 2009, Groenendijk 2011), which practically meant that large scale redistribution should have been applied toward local governments enabling them to make the assigned tasks. In fact, since then the Hungarian governing elite has further centralized the resources and constrained the duties and rights of municipalities significantly.

According to our survey results the population would feel fair to distribute a much higher proportion of collected tax on the subnational level, while the governing elite would further centralize the spending on the national level. In 2014/15 the populul's view was that the fair proportion of *subnational* redistribution was 40%, while according to the political elite 22%. The fair proportion of the *national* level redistribution at the same time was thought to be 44% and 65% respectively. This hidden tension between the preferences of the population and the governing elite might be one of the reasons of the results of the municipal elections in 2019: the opposition won the elections in the capital and in several other cities. People might feel that too much collected income had been centralized in the hands of the governing elites and too small proportion had been distributed on the local level.

It is not just by chance that one of the first messages of Gergely Karácsony, the new mayor of Budapest, was a wish concerning the modification of the mechanism of EU-redistribution. The core idea of this is that the cohesion and other funds should directly reach the settlements and other subnational units, and not be dispersed by the national governments.

It should be noted that the EU budget has little to do with the costly domains of health, education, defence, and social protection which are primarily under national control. The EU budget is rather for targeted investments that strengthen inclusive and sustainable growth through structural funds, of which the major domains of expenditure currently are agriculture and cohesion (EU budget documents 2019; ESI 2015). The vast majority, three-quarters of EU-spending, is realized via the governments of the member states. In principle, spending is based on the reconciliation between the European Commission and the member states, but it leaves the national governments with plenty of room for manoeuvring. In contrast, the EU's direct spending is below one-sixth of the budget while civic organizations, sub- and transnational units can control less than 10%. It is obvious now that under the current circumstances both centralized supranational and decentralized subnational spending possibilities are extremely restricted.

There exists a *convenience principle* in all large redistributive systems which prefers the distribution to huge blocks requiring limited control capacity. At first glance this is supported by the argument of transparency. This is however illusory, as it means the outsourcing of control, which may lead to a problem of conflicting interests via legitimizing principles of the centre and the entrusted units. This is not simply about the information asymmetry between the principal and the agent. The agent's advocacy activity may exceed the costs of control on behalf of the principal taking into account the fragmented multi-layer structure and the pressure of serious time-constraint.

There are good reasons therefore to move away from the convenience principle and provide a larger share of collecting and spending to the supranational as well as the subnational units including settlements, civic organizations, and individuals. This may not necessarily lead to the decrease of transparency: the contrary might possibly prove to be true. On the one hand, the larger number of less experienced partners may deserve more support and control. On the other hand they cannot rely upon strong alternative legitimizing principles, and their advocacy capabilities would not challenge from time to time that of the centre. Moreover, if the redistribution relies upon the balanced principles of merit and means, it could meet the sense of fairness of large part of the population (Scheffrin 2013). In any case the problem of redistribution deserves more attention. Comparative surveys and experiments are needed in order to avoid a framing bias and provide a reliable view about elite-and folk conceptions of fair redistribution.

As suggested above, the other source of European integration is *supranational identity*. This sounds self-evident, but there is a point which is worth clarification: to what extent do national and supranational identities mutually exclude each other?

Collective identity has several interpretations in the literature depending on the nature of the inquiry. A frequent distinction concerning supranational identity refers to the types of primordial and civic, or – in the language of functional sociology – the ascribed and the achieved factors. Characteristics of the first type are given and unchangeable (or at least are not easy to change), like ancestry, parents, relatives, and ethnic bonds. (According to some analysts religion and cultural traditions also belong to this group.) In the second type rights and duties concerning the collective entity, and the knowledge of collective behavioural codes are included – that is, chosen and alterable characteristics learned by the individual. Eisenstadt and Giesen (1995) distinguish from primordialism additionally a third, cultural type which is based on the relationship to the sacred.

Offe correctly argues that in the EU “the notion of a ‘we’ .. is poorly established as a reference of a shared identity” (Offe 2013: 599). Krastev (2017: 71) points to a paradox: while Central European people are among the most pro-Europeans, they are ready to support anti-EU political parties and elect Eurosceptic leaders. This is a paradox indeed, one which may have to do with the weak representation of shared identity due to a media bias and irresponsible elite behaviour. Targeted media messages combined with primordial identity and malicious hypocrisy may significantly influence threat-perception. Depending on the intentions of the sender these messages may have a seductive effect (Sumskas and Matonyte 2017–18) or may lead to the spread of suspicion, fear and aversion towards outsiders, especially in a social environment where the majority doesn’t speak foreign languages. The ‘admiration of leaders’ behaviour pattern gains ground for similar reasons (Tóka 2006, Körösenyi and Patkós 2017).

Time-series of comparative population data from the 1990s onward have proved that there is a positive, significant correlation between national and European attachment in most of the countries and in most of the years (Wessel and Buchheim 2016). Researchers have found that cognitive mobilization, pragmatic interests, political cueing, and affective outfit all have specific roles in the expla-

nation of European identity. According to some results, ascribed national identity traits have a negative connection with European identity while achieved characteristics of national identity positively correlate with European identity, when other variables are controlled (Belucci et al 2012). There is a positive connection (although it is less frequently measured) if the feeling toward the European Union (and not Europe) is correlated with national attachment. The attitude of national elites is even less frequently measured but the results reveal that in this respect there is no huge difference between national elites and the respective population (Göncz and Lengyel 2016). Although among elites the patterns of European identity followed the three-factor model that Eisenstadt and Giesen postulated, it remained true that the strength of European attachment had most to do with self-perception of elites in terms of civic identity.

The sense of European identity and attachment to Europe are felt by many and this is well known for researchers who have attempted to understand supranational identity (Inglehart 1970, Habermas 1994, Bruter 2005). It is also recognized that in most cases national attachment is stronger than the European, which in turn is stronger in the case of the elites than in the population (Haller 2008). What is undervalued or neglected in public discourse is that *attachment to Europe and to the nation* in most cases don't contradict rather they *strengthen each-other within the elites and within the public as well*. It is closer to the Russian doll, or marble-cake models (Risse and Grabowsky 2008) than to the "*extra Hungariam non est vita*" vision. If this is the case, the created opposition between European and national identities belongs to a specific narrative (Nižnik 2019, Wodak 2019) which to a large extent depends on the sense of responsibility of political elites concerning the nature of the historical interpretation of European identity (Pomian 2009, Delanty 2018, Pelinka 2019).

Conclusion

Both the "Europe of nations" and "multi-speed Europe" would indicate the fragmentation of the polity with differences only in the extent at first sight. The Europe of nations is a high risk option as it appeals to malevolent emotions and it may give rise to a Europe of national autocrats who seek enemies and clients in order to legitimize their power. The prediction of Putin, the Russian president, that within a decade some East-European countries might leave the EU (Teslova 2019) is no mere wishful thinking. The post-functional theories – which conceive integration as a conflictual process due to the incompatibility of belief systems – also consider the possibility of disintegration (Hooghe and Marks 2019). The argument seems plausible that the national elites interested in draining EU resources might lose interest when the resources decrease. This is particularly so in electoral autocracies that are legitimized by the success of growth and could not maintain the seeming success without these sources. Owing to the restrictions concerning the opposition and the civilian initiatives as well as to media dominance, these autocratic elites

may whip up passions in the masses against “the repressive power of Brussels”. They may offer alternatives which are not based on civic virtues but on a nationalism of grievances, the props of Turkic or Pan-Slavic primordial identity, and the vague vision of “there is life outside the EU”.

However, there is one thing the ruling Hungarian and Polish elites must face up to before plunging into such a high risk social experiment. Research results reveal (Westle and Buchheim 2016: 109) that in a European comparison there is a particularly high rate – nearly three-fourths and four-fifths – of the population in these countries who are attached both to their own country and to Europe, unlike in England where the rate was around two-fifths.

The option of a multi-speed Europe is risky because the present differences between groups of countries are elevated into a symbolic sphere. This means it resigns from the ideal of a single Europe and degrades it to the battlefield of classificatory struggles. It rests content with the existence of the single market and ignores what Polanyi described as the demand for the second wave of a double movement, which in this case weds the vision of a single polity to a single market. A multi-speed Europe would become a Europe of multinational companies and regional dependencies.

Both the “Europe of nations” and the “multi-speed Europe” concepts mobilize centrifugal forces. Both appeal to emotional combinations of jealousy, selfishness, and fears. Both forget the long-term responsibility which should guarantee the welfare and security of the collective entity. Both imply the perspective of disintegration leading to uncertainty among European citizens.

The strengthening of federal institutions to ensure their transparent, legitimate, and effective working is a pressing but very hard task. Though the crisis has stirred the stale waters, it did not shake the extant structure: Europe’s institutions need not be rebuilt from scrap. Institutional asymmetries may considerably hinder the transformation, even independently of the actors’ intentions (Scharpf 2010). A shift is needed to oust the EU from the status quo and the necessary legitimizing sources must be found for this. If the right of veto were limited to extraordinary cases in the European Council, if the members of the European Parliament were not only elected from the candidates of the national parties but directly as candidates of Euro-parties, if the members of a legitimate federal government were not appointed first of all on the basis of national parity but on the basis of competence, these steps could be interpreted as measures taken to promote the assertion of the long-term interests of the collective entity. They should be cautious steps that put to the test the leaders’ transformational and transactional abilities.

The strengthening of European identity and taxation policy may contribute to such solutions. Further unification of regulation (especially that of elections and the media), effective monitoring, improved quick-response ability, greater rates of redistribution, and decentralization of spending power are more concrete steps in the same direction. A polity is to be supported that is capable of effectively controlling the centrifugal political processes and market processes that lead to insecurity and inequalities. The name of the solution in two words is *fair federalism*.

A folk conception of fair federalism may rely upon the equity and equal measures principles which contradict both the multi-speed practice and the politics of national exceptionalism. Referring to the public good of the EU, representing the collective interest of its citizens, deriving policies, and institution building from this guiding principle may lead to a lasting Pareto-optimal solution.

Fair federalism may rely on people's opinions and emotions in the definition of redistribution principles and in legitimacy. The former can be promoted by adequate knowledge about data on fiscal and social redistribution. Research results reveal that both the European political elite and the Hungarian population would find a greater rate of supranational redistribution than today are desirable. As regards legitimacy, the foundation might be the data on attachment to collective entities – that is, the findings that national and supranational attachments are not mutually weakening but connecting mutually strengthening emotions.

Supranational identity is poorly established and underrated in public discourse. However relying upon the facts revealed by empirical research concerning attachment to Europe and its compatibility with national identity may strengthen Europe-wide solidarity. Its impact may be comparable with the folk conception of distributive fairness which seems to tolerate significantly higher EU-level tax redistribution than what is current.

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