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# REGIONAL POLICY OF THE EU AS AN INSTRUMENT OF SOCIAL SOLIDARITY

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## INTRODUCTION

In 2006 the European Union's cohesion policy entered into its seventeenth year of existence. Since its inception in 1989, the policy has covered a significant part of the European Union (EU) member states' territory and population. What distinguishes the EU's cohesion policy from regional development policies undertaken by national governments in Europe and the regional policy implemented by the Community before 1989 is that it represents a revolutionary change in the way development policies are conceived and carried out. While previous regional policy concentrated extensively on the role of the national administrative system or specialized development agencies in the implementation of projects, the present approach is characterized by an extensive involvement of different administrative levels and socio-economic groups in the formulation and implementation of the policy. The other elements that distinguish EU cohesion policy are the planning and implementation components that have been part of the policy from the very beginning, such as, quantified objectives (reducing regional disparities, restructuring regional economies, creating jobs, and stimulating private investment), a legal European framework, a specific policy structure (multi-annual planning documents and operational programmes), multi-annual budgets, five specific financial instruments (four Structural Funds and the Cohesion Fund) and a multi-level and multi-subject form of interaction in the formulation of decisions and implementation of programmes and projects.

With the introduction of the cohesion policy in 1989 the Commission was empowered to formulate the rules and regulations for the implementation of the policy on the part of member states and regions. The treaty basis for the cohesion policy is provided by the 1986 Single European Act (SEA) as part of the measures for the creation of the European Single Market in 1993. The goal of cohesion policy as enunciated in Article 130a of the SEA was to 'reduce disparities between

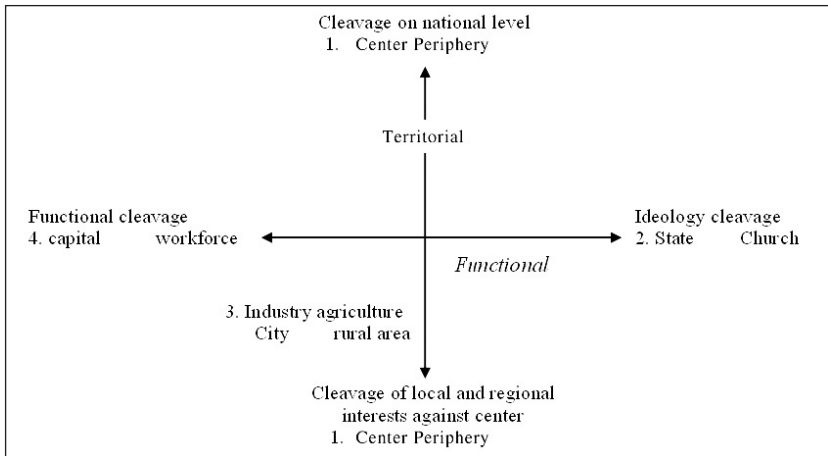
the various regions and the backwardness of the least-favoured regions' or the most recent phrasing of this commitment in the EU treaties is expressed as '...the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands'. The significance of the wording of Article 130a in the Single European Act was that the Community placed emphasis on the regional dimension and abandoned the exclusive emphasis on the national level. In emphasising the regional level the EU had to devise a system for classifying territorial units if it wanted to avoid a nation-by-nation approach. It resolved the problem by adopting the definition of territorial units developed by Eurostat at the beginning of the 1980s to differentiate the European territory into five levels of geographic aggregations: from sections of a country (NUTS 1) to villages and towns (NUTS 5). Aside from very small states, in most countries the five classifications defined territorial units at the sub-national level. The regional level was defined as NUTS 2, and this level became the basis for the definition of the focus of the EU's territorialized cohesion policy interventions.

The concept of cohesion provides a response to the question of 'what' is the objective of the policy. The thesis of this volume is that cohesion ultimately represents a political goal tied to the pursuit of a more egalitarian and just society capable of creating opportunities for all EU citizens, no matter where they live. This goal has served to change since 1986 the course of European integration by expanding its objectives and making it possible to define political union as the ultimate goal of the integration process. In a parallel manner, cohesion has also helped to change the significance of the concept of economic convergence. Convergence is no longer only an economic process. It is instead the process by which a greater form of equity is achieved in European society. If the first concept (cohesion) represents the political objective, the second concept (convergence) is the means by which the political objective is achieved. Convergence provides the answer to the question of 'how' cohesion is achieved, and it becomes manifest as the socio-economic differences between countries and regions belonging to the European Union decline over time. If socio-economic convergence does not take place, then the political objective of cohesion cannot be realized. In other words, cohesion is the overall outcome of the process of convergence.

## DIMENSIONS OF CONTESTATION

The literature on dimensions of contestation goes back at least to Lipset and Rokkan's pioneering work *Party systems and voter alignments* (1967) on cleavage structures. Lipset and Rokkan argue that political cleavages arose in response to major junctures in European political development that generated basic ideological conflicts. In their view, dimensions of contestation that arose from the class cleavage, the religious cleavage, and the center-periphery cleavage are enduring because they are rooted in social structure and political organisation. From their standpoint in the mid-1960s, Lipset and Rokkan believed that the resulting pattern of cleavages was frozen into place.

Figure 1: Lipset-Rokkan cleavage



Source: Zakošek, 2002: 71

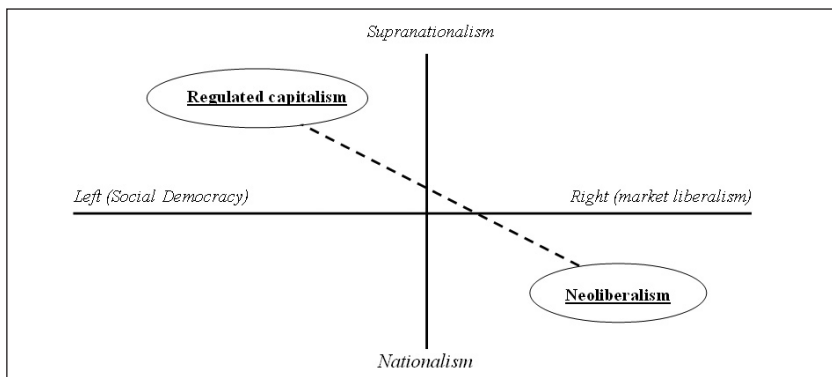
To what extent is contestation over European integration related to the cleavages that structure domestic conflict in Western Europe and, in particular, to the ubiquitous Left/Right dimension? Interest in this question has intensified as the boundary between European and national politics has weakened during the past decade. Although Ernst Haas paid close attention to the domestic sources of opposition and support for European integration in his classic study, *The Uniting of Europe*, written in 1958, most scholars continued to view European integration as the result of foreign policies conducted by government elites acting on a 'permissive consensus' (Lindberg and Scheingold, 1970). European integration was seen to have

little connection with the ideological moorings of domestic politics. European integration was thought to take place among, but not within, countries.

This view has become untenable during the past decade as the EU has become a more openly contested arena for political parties, interest groups, and social movements (Hooghe and Marks, 1999; Marks, Hooghe and Blank, 1996). After the Single European Act and the Maastricht Treaty, international relations scholars responded by adapting models of pressure politics to provide a domestic dimension to national decision making. The alternative approach, one adopted by comparativists, is to explore European integration as an extension of domestic politics. Instead of inquiring whether European integration is the outcome of geopolitics or domestic politics—the question that has long motivated the neorealist/liberal intergovernmentalist debate—these scholars take domestic politics as their point of departure and inquire into how domestic politics influences, and is influenced by, European integration.

The application of comparative politics models to European integration in recent years has heightened interest in whether and how existing patterns of domestic contestation structure orientations on European integration. An important building block is Lipset and Rokkan's (1967) argument that political actors have an incentive to interpret new issues in light of existing cleavages such as the Left/Right ideological dimension.

Figure 2: Cleavage about the EU



Source: Hooghe/Marks 1999: 77.

Liesbet Hooghe and Gary Marks (1999, 2002) identify a Left/Right dimension ranging from *social democracy* to *market liberalism* and a European integration dimension ranging from *nationalism* to *supranationalism*. In their view, these dimensions are neither fused together nor orthogonal to each other. Rather, Hooghe and Marks claim that certain aspects of European integration are likely to be absorbed into the Left/Right dimension. To the extent that this is the case, pro-EU and anti-EU and Left and Right become indistinguishable. However, not all aspects of integration are easily incorporated into the Left-Right dimension, and to the extent that they cannot be, a distinct prointegration/anti-integration dimension emerges.

Hooghe and Marks (1999) hypothesize that the Center-Left is likely to become more pro-European as the debate about European integration focuses on market regulation rather than market making. The Center-Left, including particularly social democrats, supports regulated capitalism, a project to build environmental, social, infrastructural, and redistributive policy at the European level. As regulatory issues are taken up at the European level, social democrats become more favourably disposed to further integration. Those on the political Right, in contrast, become more opposed to European integration. They wish to combine European-wide markets with minimal European regulation, and once economic and monetary integration is in place, they become sceptical of the benefits of further European integration.

Contestation in the EU policy space is therefore structured in two camps. Thus, Hooghe and Marks (1999) propose a two-dimensional model of the EU political space where the Left/Right dimension and the national sovereignty dimension structure actors' policy positions in the EU political space.

As one would expect, when national actors step into the European arena they bring with them ideological convictions from their respective national arenas. This is evident in the horizontal axis of Figure 1 which represents a key dimension of contestation—concerning economic equality and the role of the state—imported into the EU from national polities. Alongside this left vs. right dimension, there is a distinctively European dimension of contestation: nationalism vs. supranationalism, which depicts the conflict about the role of national state as the supreme arbiter of political, economic, and cultural life. At one extreme are those who wish to preserve or strengthen the national state; at the other extreme are those who wish to press for ever closer European Union and believe that national identities can co-exist with an overarching supranational (European) identity.

For actors with a neoliberal outlook, market liberalization was a necessary step in limiting European integration to an economic enterprise dominated by insulated government elites. Neoliberals were strongest in the British conservative government, led by Margaret Thatcher, and within international capital.

But there were other, very different, conceptions of the market program. Some actors conceived of the SEA as a jump-off point for regulating capital at the European level. This view was put forward most strongly by Jacques Delors, then president of the European Commission. Goal was to create ‘organised space’ at the European level, regulating European capitalism in line with European social-democratic and Christian-democratic traditions. In short, the market program was the beginning, rather than the conclusion, of debate about the institutional configuration of the European polity.

It is important to realize that the institutional terrain is not entirely unfavourable to proponents of regulated capitalism. In the first place, unanimity, which is the decision rule in the Council of Ministers for major institutional change and for major policy initiatives, is double edged. Neoliberals have had to accept reforms involving positive regulation and redistribution in exchange for the assent of all national governments to liberalization. One of the products has been cohesion policy, a centerpiece of European regulated capitalism (Hooghe, 1996; Marks, 1993, 1996).

### **REGULATED CAPITALISM**

A variety of groups view market integration as merely the first step in a more ambitious project: regulated capitalism. Their goal is to create a European liberal democracy capable of regulating markets, redistributing resources, and shaping partnership among public and private actors. The most influential advocate of this project was Jacques Delors, who served as President of the European Commission during the critical decade from the beginning of 1985 to the end of 1994.

- 1) *Positive regulation.* A defining feature of the project is its friendliness to markets and its opposition to state control or ownership. When they speak of market reform, supporters of regulated capitalism argue for market-enhancing or market-supporting—rather than market-replacing or even market-correcting—policies.
- 2) *Partnership.* Proponents of regulated capitalism have campaigned for voluntary co-operation among groups that are affected by, or who contribute to, a particular policy. With varying degrees of success, they have proposed a ‘social

dialogue' among representatives of labor and capital in social policy; 'social partnership' among affected interests, particularly consumers and producers, in environmental policy; and 'partnership' among the Commission, national ministries, and regional authorities in cohesion policy. Like positive regulation, the policy is justified on pragmatic grounds. An inclusive strategy is likely to generate less social conflict than an exclusive strategy and should be easier to implement.

- 3) *Social solidarity*. Proponents of regulated capitalism stress policies that empower those who are less well off to compete more effectively in the market.

### **Support**

Following social democracy, regulated capitalism involves class compromise; following Christian democracy, it involves subsidiarity. Most center-left parties in Europe have come to support the project.

### **THE NEOLIBERAL PROJECT**

Neoliberals have been on the offensive since the mid-1980s, though they were unable to block EU cohesion expansion in 1988, 1993 and 1999. By the late 1990s, they had successfully put in practice elements of their project in most Member States as well as at the European level, including privatization, business-friendly taxation and labour market flexibility (Hooghe and Marks, 1999).

For neoliberals, cohesion policy distorts market competition. The impact of neoliberalism on partnership is subtler. It induces cohesion policy-makers to frame policy in terms of competitiveness rather than social goals such as equality or solidarity and to restrict access to partnerships to economically productive actors. Neoliberals conceive the internal market reform as a means to insulate markets from political interference by combining a European-wide market under supranational surveillance with intergovernmental decision making vested in sovereign national governments. By placing market competition under supranational surveillance, neoliberals wish to constrain national barriers to trade. By resisting the creation of a supranational Euro-polity, neoliberals minimize the capacity for European-wide regulation of economic activity. The competition that neoliberals have in mind is not simply among firms or workers, but among governments. Finally, the neoliberal project limits the ability of social groups, such as labor unions and environmental movements, to pressure

governments into regulation. The idea is to shift policy making from domestic arenas, where it is influenced by historically entrenched social groups and popularly elected legislatures, to international area dominated by national governments.

### **Support**

The neoliberal project is a minority project. The first and most forceful champion of neoliberalism has been the British Conservative party, particularly under the leadership of Prime Minister Thatcher in the 1980s and continuing with Prime Minister John Major. However, neoliberalism has broad roots among strategically placed political and economic elites. These include leaders of British and European multinational companies, industrial associations (including a majority of members of UNICE, the major umbrella association for European industry), financial interests (e.g. within central banks and international finance), pressure groups (including the Bruges group), think tanks, pro-business strands in the German CDU-CSU and FDP, and other liberal and conservative parties on the Continent, opinion leaders ( e.g. *The Economist*).

Neoliberal ideas have also gained ground in the Commission. Under the presidency of Jacques Delors, the Commission was deeply riven by ideological conflict between its president and right-wingers, led by Sir Leon Brittan, originally commissioner for competition and then for external trade.

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