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Daniel Tarschys

Reinventing Cohesion

The Future of European Structural Policy

Sieps
Swedish Institute for European Policy Studies

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PREFACE

Sieps, the Swedish Institute for European Policy Studies, conducts and promotes research, evaluations, analyses and studies of European policy issues, with a focus primarily in the areas of political science, law and economics. One of the missions of the Institute is to act as a bridge between academics and policy-makers. Furthermore, in a broader sense, the Institute hopes to contribute to increased interest in current issues in European integration as well as increased debate on the future of Europe.

The author of this report, professor Daniel Tarschys, holds a chair in political science at Stockholm University. Previously he was Secretary-General of the Council of Europe in Strasbourg and before that Member of the Swedish Parliament, where he chaired the Standing Committee on Social Affairs and the Standing Committee on Foreign Affairs. In 1978–79, he was State Secretary at the Prime Minister's Office.

This report is the first of several concerning the European Structural Policy in the future. By issuing this report we hope to make a contribution to the European discussion on the necessity of reforms and point towards a range of possible options for the future.

Stockholm September 2003

Mats Hellström
Chairman of Sieps

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REINVENTING COHESION: THE FUTURE OF EUROPEAN STRUCTURAL POLICY

EXECUTIVE SUMMARY

European Structural Policy purports to reduce the disparities between European regions and countries through convergence leading to greater cohesion. This study questions three key assumptions underlying this policy by contending

- that the regional disparities in EU15 are much smaller than they are normally reported to be,
- that the Structural Policy interventions have a very limited impact on convergence, and
- that convergence has a very limited impact on cohesion.

In its present form, Structural Policy is a legacy of the Delors era. It has played an important historical role in European integration, but its policy logic suffers from internal inconsistencies and its claim for scarce common resources is therefore becoming increasingly contestable. This calls for a thorough policy review in preparation of the next budgetary period starting in 2007.

While strong interests are now being mobilised for the continuation of present programmes, three other options merit serious discussion. One is *renationalisation*, letting Member States take care of their own regional problems. In fact they already do, so the added burden would be marginal. A second option is *reallocation* within the EU budget in favour of currently underfunded policy areas. With the EU agenda in constant evolution, resource constraints have become a serious obstacle to leverage in such fields as internal security, research, risk surveillance and external relations.

A third option is a radical *reform* of Structural Policy, discarding the intermediate objective of convergence but giving greater emphasis to the ultimate goal of cohesion. Under this formula, support would no longer be channelled to projects with local effects only. The principal criterion of eligibility would

instead be the trans-national dimension, with EU resources reserved for investments and activities containing a clear European value added.

1 AVERTING THE CRISIS OF 2006

Experienced observers of the European Union advise us to expect the next major political crisis in 2006. That year, at the latest, Member States must agree on a new framework budget for the next five to seven years. Though the new Constitutional Treaty worked out by the Convention proposes qualified majority decisions on budgetary matters after 2009, that rule will not come into in effect in the next few years. The 2006 decision will have to be taken unanimously, giving each of the Member States a blocking vote.

The multi-annual perspective plan in the European Union is a clever invention providing for long spells of relative concord and serenity in the Council. Minor clashes occur in connection with control stations and mid-term reviews, but with the main directions set out and the basic principles laid down for a protracted period of time, divisions over distributive issues can normally be kept to reasonable proportions between the major framework decisions. But these tend to be quite electric. Before agreement is reached, there are many flexed muscles, expressive gestures, alliances and counter-alliances, and a lot of political arm-wrestling.

As the lead agency working out the basic proposals, the European Commission has a strong position in this drama, but the Council has the final say and every Prime Minister is strongly motivated to defend the interests of his country. With vigilant domestic media, interest groups and opposition parties watching his every step, he is perfectly aware of the prevailing national expectations. Unless some trophies are brought home from the final round of negotiations, he will be considered a loser and a weak leader. And since everybody is in the same boat, there is broad collegial understanding of the need for all participants to emerge with some glittering gains. This fosters a preparedness to offer symbolic concessions to those making losses in substance.

The complexity of European budgetary deal-making depends very much on the number of actors involved. With twelve participants in Edinburgh in 1993 and fifteen in Berlin in 1999, it was already quite difficult to reach consensus. Next time, there will be 25 countries around the table, with a few more waiting in the wings and perhaps already accepted as future members.

But Enlargement is far from the only reason why 2006 threatens to become a very tough negotiation. Other frictions stem from the internal political dynamics of the European Union and its increasing weight and presence in a variety of policy areas. With the EU playing an increasingly active role in justice and home affairs, in environmental and health protection, in research, in external security and peace-keeping around its borders, in both macro-economic and micro-economic policy as well as a whole range of other related fields, there are mounting pressures for a general strengthening of the Union's operational capacity.

We could therefore distinguish **two dimensions** in the tensions surrounding the budgetary issues in the European Union. On the one hand, there are the well-known differences in the perspectives of the various **Member States.** We have a range of Southern States keen to protect the key elements of the Common Agricultural Policy. A partly overlapping group of old Member States are strongly attached to the Cohesion Fund contributions and to the support of the Structural Funds. The net contributors, mainly in Northern Europe, tend to take a more critical view of both the CAP and the Structural Funds and put particular emphasis on the need for budgetary stringency.

The new Member States have not yet taken part in a complete budgetary round, but resource issues have been very much in focus during their accession negotiations. From the positions taken in this context, we can note a strong concern for fair and equal treatment. As they are introduced to distribution mechanisms built up by the Old Member states, the new arrivals cannot fail to note a number of features favouring the original architects. An example of this is the specific "absorption ceiling" introduced by the 1999 Berlin Council, limiting Structural

Policy benefits to any country from the EU budget to a maximum of four per cent of its GDP.

The other conflict dimension relates to the needs of the various **policy sectors** within the European Union, represented in the European Commission by the Commissioners and the General Directorates, in the European Parliament and national parliaments by the various Committees, in the Member State governments by their different Ministries, and beyond these bodies by a vast array of agencies, interest groups and professional organisations. If the limited competence of the European Union has long served to mitigate this tension, there are many signs that this conflict dimension might become much more central in the future. This is due, not least, to the increasing volume of demands for action that cannot be satisfied by legislation alone, but require supplementary resources.

The European Union is sometimes called "a regulatory giant and a budgetary dwarf". The fields in which it has exclusive or shared rights to legislate are extensive, and over time there has been a clear tendency for the political institutions of the Union to make greater use of this competence. A principal purpose has been to create a level playing field for competition. In area after area, there have been initiatives to set common standards and increase the density of regulation. Another driving force contributing to the expansion of Union law has been the European Court of Justice which in its jurisprudence has tended to interpret the general principles of Union law in manners restricting the discretion of national courts and legislatures.

In contrast to these wide and widening legislative powers, the EU budget has remained very small compared to those of the Member States. Its ceiling for the period of 2000–2006 was set at 1.27 per cent (later revised to 1.24 per cent) of the Union's aggregate GNI, but in practice this ceiling has never been reached and some planned expenditures are regularly returned to Member States due to lags and snags in the process of implementation. Of all public spending within the EU, only some 2.5 per cent is channelled through the European Commission.

There are many good explanations for the tight-fistedness of the governments with regard to the EU budget. While the panorama of common ambitions has kept expanding and various Councils of specially responsible Ministers have kept adopting one action plan after the other, there have always been strong suspicions in Member States that money is not handled too well at the European level. As a consequence, there has also been a wide consensus among governments to keep a tight lid on EU spending and to restrict it to a limited number of specific programmes and objectives. Legislative competence has slipped away to the EU much more easily than financial means.

As a result of this, there is now a growing disequilibrium between the rule-making and spending powers of the European Union, and there are good reasons to question whether this imbalance will be tenable in the long run. The contrast is even more striking if the composition of the EU budget is taken into account, with its strong emphasis on two particular expenditure areas, the Common Agricultural Policy (CAP) and the Structural Policy. What remains left when these two sectors and the operational expenses of the various institutions have been taken care of is not very much more than a tenth of the total budget. This residue is devoted to development assistance, research and a broad spectrum of very small programmes.

Facing the United States with a federal budget of some 20 per cent of GDP, the European Union will of course be playing in a different league with its maximum of 1.24 per cent of GNI. The distribution of fiscal resources between the Member State governments and the European level will certainly remain a hot political issue in the years to come, but in the close perspective it seems rather difficult to imagine any major rearrangements. With Member States under pressure by the Union to respect the restrictions of the Stability and Growth Pact, a quantity leap in the next EU budget seems unlikely.

This makes it all the more important to subject the present programmes to a close scrutiny. Structural Policy is the second largest field in the EU budget with a share of more than 35 percent of total spending, but if matching grants by Member State governments are taken into consideration, the total turnover of Structural Policy is far greater than that of the CAP, possibly exceeding one percent of the common GDP in the European Union. The sheer scope of this policy raises many questions about whether the money is well spent, whether procedures are efficient and whether the outcomes are satisfactory. But an additional reason to give keen attention to the design of EU Structural Policy in the run-up to 2006 is its unique position at the intersection of the two distributive dimensions discussed above.

The blend of national perspectives on EU Structural Policy reflects the economic levels and the differential involvement of the various Member States in the various programmes. Early national positions on the next period were recently presented at an informal Council meeting in Halkidiki on May 16, 2003. Over time, there appears to be a slight inflexion towards a more favourable assessment of EU Structural Policy, which may well be connected with the progressive mobilisation of local and regional bodies in the domestic policy dialogue. National positions now integrate a broader spectrum of national opinions than in the early days of European co-operation. They often reflect a domestic bargaining process in which the conservative instincts of the Finance Ministries are balanced against the more supportive views of the recipient regions.

When it comes to the second dimension, the competing demands between different policy sectors, the role and position of Structural Policy is more complicated. In a straight zero-sum budgetary distribution, it is obvious that what is used for one purpose cannot simultaneously be used for another one. If the ceiling is firm and the resources are fixed, one Euro spent through the Structural Funds means one Euro unavailable for other purposes, such as EU assistance to the reconstruction of Kosovo or Iraq. Given this restriction, savings on CAP or Structural Policy appear to be the only way of expanding the means at the disposal of the Commission for many of its pressing needs.

But this is not the whole story, because Structural Policy has a horizontal character that makes it supportive of sectoral efforts in many different areas. The Cohesion Fund may be taken as a case in point. According to the rule-book, its means should be divided evenly between investments in environmental protection and investments in transport infrastructure. This brings about substantial additions to the meagre EU and EIB resources otherwise available for such purposes. The Structural Policy contributions come as important supplements to the small budgets of several Commissioners and sectoral DGs.

There are obvious pros and cons in this arrangement. If Structural Policy contributes to, say, cultural policy and research activities in supported areas, this may be seen as killing two birds with one stone; the same effort may promote the desired regional development and simultaneously a sectoral priority of the European Union. But from the viewpoint of the sectoral DGs, there is also a flip side to the coin. If an important part of total expenditure in a field is tied down by the rules and restrictions of the Structural Funds, there will be less freedom to orchestrate a comprehensive policy in the general interests of the whole Union.

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Can the crisis of 2006 be averted? Or, in other words, will it be possible to arrive at an agreement for the next budgetary period, preparing the ground for a healthy and vigorous development of the European Union?

This question is too important to be left to governments alone, or more precisely to their most nationalistic impulses and instincts. Europeans deserve better than to be presented once again with a group of Prime Ministers emerging from their august conclave with their usual self-congratulatory statements ("well, it was tough, very tough, but at the end we managed to save our milk quotas and retain Objective 2 status for Eastern Batavia").

This is old style European politics, but it will not do in the 21st century. With the European Union coming of age, we must try hard to push national interests into the background and engage in a serious discussion about our common concerns. Challenges and opportunities abound. The pressures on the European Union to step up its commitments and activities in many different areas are mounting all the time, which means that policy choices must be highly selective. This requires a fully fledged European political process with all its underpinnings and paraphernalia: not only ministries talking to other ministries but an open discussion in the public domain, a wealth of trans-national NGOs, think tanks, policy workshops and reflection groups as well as flexible mechanisms for national and trans-national consultation and deliberation.

Budgeting is normally an incremental process, with small amendments grafted onto a large immutable stock of tied commitments. The idea of an annual exercise starting from scratch, as embodied in the "zero-base budgeting" strategy launched in the 1970's, soon proved impractical. But elements of the zero-base philosophy deserve to be retained when budgetary decisions recur at much longer intervals.

A wide-ranging discussion on the experience of Structural Policy is already under way, partly orchestrated by DG Regional Policy. This is a promising development, though many of the statements so far seem poised towards defending and protecting particular turfs.

The message of this particular contribution is that Structural Policy must be assessed in a dual context, not only in the light of similarly oriented efforts by the national governments but also in the light of competing claims for EU resources. To determine the scope and direction of continued efforts, it is also important to disentangle the goals that Structural Policy is supposed to serve and ascertain whether these goals are not better served by other types of intervention. A further question is whether there are contradictions between Structural Policy and EU policy in other fields.

Addressing such questions is difficult because of the many composite objectives in EU Structural Policy:

- In the first place, it is generally agreed among observers of EU politics that many decisions modifying the scope and shape of the Structural Funds were parts of **political packages** where strategic "side-payments" were required to arrive at consensus on other important matters, such as enlargement, elimination of non-tariff trade barriers or progress towards the monetary union. By and large, these compensation motives have long since lost their validity while the compensation measures are still preserved. This type of motive for the accumulation of specific interventions will be discussed in chapter 2 which qualifies Structural Policy as the ever-flexible companion of other inflexible policies.
- In the second place, there is the official goal of economic **convergence** between regions and Member States. While there is broad agreement on the desirability of such convergence and of the need for solidarity with poor and lagging areas, there are many moot issues involved in determining the particular contribution of the Structural Policy interventions to this process. Which indicators give the most accurate idea of prevailing disparities? Are the gaps narrowing? And if they are, what is the role of Structural Policy interventions in stimulating this development? This will be dealt with in chapter 3.
- In the third place, there is the similarly official objective of economic and social **cohesion**, which is assumed to be the result of economic convergence. How tenable is this assumption, and how significant is convergence-driven cohesion compared to other forms of cohesion? Is Structural Policy in its present shape the optimal way of promoting "an ever closer Union"? Chapter 4 suggests a few alternatives to consider.
- In the fourth place, there is a whole range of **supplementary objectives** invoked in connection with the Structural Funds, including the enhanced role of the regions in European integration, the visibility of the Union to the European citizens, the modernisation of administrative institutions and procedures and the spread of good practices in lagging areas. Chapter 5 takes stock of these claims and reviews the support for them.

In conclusion, it is suggested that the **"goal congestion"** characteristic of Structural Policy confronts European policy-makers with several difficult dilemmas. While the key objectives of convergence and cohesion command respect and wide support, the causal linkages between the instruments of Structural Policy and these objectives remain quite tenuous. As a slow and protracted process not easily amenable to "quick fixes", convergence is a tricky objective for public policy. It may be easier to promote cohesion, but then the rather narrow approaches chosen so far within EU Structural Policy seem neither well-chosen nor efficient. A recommended shift would be to put greater emphasis on the pursuit of cultural and political cohesion.

A modernisation of EU Structural Policy would certainly have to take into account the many positive side-effects recorded by various participants, presented here as "supplementary objectives". But to draw the right conclusions for the future from such effects as well as from the more regular convergence results, it is crucial to distinguish clearly between the finite and the infinite, between the one-shot achievements and the continuing benefits.

Some good things can be done only once. If the most important infrastructural investments in an area have already been completed, this feat cannot be repeated. If a successful learning process has taken place in the past, we must ask ourselves whether continued efforts in the same place will yield similar effects. "Good results so far" is therefore not a sufficient reason for persistence. Declining returns must be taken into consideration. Evaluation results must be blended with an assessment of the time profile of different interventions.

We should also be wary of the mechanical application of existing rules. Lithuania is not Spain. What worked more or less well in EU15 in the last fifteen years may not necessarily be the best prescription for the countries now entering the Union.

Taken together, these arguments speak in favour of a serious and critical review of EU Structural Policy. 2006 is important to all

Europeans. The best way to prepare for this strategic decision would be to intensify the enlightened discussion on our future options.

While strong interests are now being mobilised for the continuation of Structural Policy in its present form, three other options outlined in the final chapter merit serious consideration: (1) renationalisation, (2) reallocation within the EU budget, and (3) an internal reform of Structural Policy discarding the intermediate objective of convergence in favour the ultimate goal of cohesion.

Under this formula, support would no longer be channelled to projects and programmes with local effects only. The principal criterion of eligibility would instead be the trans-national dimension, with EU resources reserved for investments and activities containing a clear European value added. Structural Policy would become more focused on measures stimulating contacts and communications across borders and supporting all forms of encounter. A key purpose would be to promote networking and mutual learning, thereby strengthening the European identity and redressing the democratic deficit in the European Union.

A cohesion policy with this aim could very well be seen as the fourth step in the process of European integration. The 1950's saw the establishment of the Common Market, the 1980's and early 1990's the implementation of the Internal Market, and the 1990's and early years of the new century the realisation of the Monetary Union. With the new accent on common values, the new Constitution worked out by the Convention and a re-launched cohesion policy, we could now enter a phase of building "the Citizens' Europe" by promoting trans-national interaction in all its dimensions and forging a stronger sense of community and solidarity within the European Union.

2 THE POLITICAL ARCHAEOLOGY OF STRUCTURAL POLICY

Towards the end of the recent negotiations on Poland's accession to the European Union, the Polish government advised the Commission that it had a serious problem about its assigned milk quotas. With the CAP offer on the table, there would have to be cutbacks in production that were absolutely unacceptable to the Polish farmers. The EU15 side was intransigent on CAP rules, but pointed at a different solution. With a bit of ingenuity in the interface between agricultural and structural policy, it suggested, this problem could perhaps be handled within the Polish envelope available from the Regional funds.

This episode encapsulates in a nutshell a key characteristic of EU Structural Policy. *From its origins until the present time, European Structural Policy has been the flexible companion of other, more inflexible policies.* If a demand linked to the fair distribution of burdens or benefits appeared in a field where a fragile compromise had been arduously cobbled together, the solution would not be to undermine this agreement by supplements or exceptions but rather to arrange for a suitable compensation somewhere else. The same procedure was sometimes chosen if an accord on an important issue seemed close, save for the consent of one or a few recalcitrant Member States. In both cases, the place to look for the "somewhere else" was the domain of Structural Policy. From its very outset, this policy area has been a haven for side payments related to other aspects of European integration.

A second key characteristic of EU Structural Policy is that *the various compensatory measures integrated into it have often outlived their original rationale.* The situations in which particular side payments were invented or agreed upon were often linked to specific and time-limited arrangements, but as the accompanying transfers were given a more enduringly valid justification, they often struck roots and became very sturdy ingredients in the policy flora.

These two features go a long way towards explaining the considerable complexity of EU Structural Policy. To understand its different elements, one has to engage in archaeological excavations and dig through several geological layers of European political history. In so doing, we may revisit a number of particular situations in which threatening conflicts of interest were handled through the invention of new distributive instruments, techniques and justifications. The first of these episodes even antedates the Rome Treaty and the creation of the Common Market.

1. The Closing of the Wallon Mines. In the early 1950's, the Supreme Authority of the European Coal and Steel Community was given very far-reaching powers, but it soon found it impossible to handle the restructuring of the coal, coke, iron and steel production facilities simply by commands. In practice, it had to engage in negotiations with the parties involved to gain their consent through a certain range of accompanying measures. To compensate for the closure of a number of Wallon mines there were grants to the Belgian government to fund social measures, such as retraining of the labour force. This was an important precedent establishing the principle of Community support for transition measures linked to structural change.

2. Migration from the *Mezzogiorno*. Social Funds were popular in the 1950's. In 1956, a Social Fund to finance refugee resettlement was set up within the Council of Europe. The Social Fund established through the Rome Treaty in 1957 was given the task of stimulating mobility and retraining. The only area in the European Community with a labour surplus at this time was Southern Italy, and the solution to this problem was essentially to support the migration of manpower to the German and French industries. The subsidies were administered through the national authorities and were hamstrung by many administrative obstacles. The activity of the Social Fund during its first decade has been qualified as "too small, too slow and lacking in a coherent strategy" (Taylor 1983).

A second body established through the Rome Treaty which was later to rank among the main instruments of EU Structural

Policy was the European Investment Bank (EIB). It was given three tasks: to support economic activities in less developed areas, to promote industrial competitiveness and to fund projects of common interest to several Member States or to the Community as a whole. In actual fact, the strict selection criteria applied by the Bank in its early years led to a concentration on major capital intensive projects in already developed areas.

3. The United Kingdom's Accession to the Union. Long before Margaret Thatcher waived her famous handbag and asked for her money back, there were strong London objections to the financial flows between the UK and the Community. When the country entered the Union in 1973 it was already obvious that the pre-established rules of the CAP would lead to considerable net losses for the UK. The British side then suggested a supplementary policy in support of weak regions and regions with an antiquated industry. The negotiation was carried out in two steps: first in preparation for the entry when an agreement in principle was reached, and then in the subsequent budget round of 1974.

Regional policy was at this time a relatively new concept, largely unknown in many Member States. There had been some early efforts to influence the localisation of investments and there were some elements of regional redistribution and support for distressed areas, but a systematic regional policy was something of a British specialty, rooted already in the 1920's.

The British proposal gained support from Ireland but also from the country within the Community that had the greatest regional disparities at this time. Italy had set up its *Cassa del Mezzogiorno* to buttress the lagging southern part of the country but was very eager to gain European assistance in this pursuit. Given its own economic structure, Italy found it very attractive to apply regional rather than national criteria as a precondition for support.

That the other member states were receptive to the British proposal was linked to another set of considerations at this time.

Following the adoption of the Werner Plan in 1971, there was hope for serious steps towards monetary co-operation, and this would involve some measure of harmonisation in fiscal policy, credit policy and the regulation of financial markets. Member States interested in accelerating this process were keen to give a push to political integration by overcoming the lingering doubts in countries and areas that were more reserved towards this perspective.

One of the first UK members of the Commission, Lord Thomson, was the first Commissioner to be given particular responsibility for regional policy. In the Thomson Report, he proposed a rudimentary strategy for Community efforts in this field. The resources were still modest and they were entirely handed over to the Member States for utilisation by each of them according to their national priorities and area classification. At this stage, then, Community regional policy did not amount to much more than a budget rebate with very limited requirements for accountability. The Commission made several attempts to assume a supervisory role but was only slowly allowed to do so. Its first suggestions in this direction were entirely rejected by the Council, and in later reviews it managed to secure at first five per cent and then eight per cent as the so-called non-quota section reserved for joint Community measures initiated and supervised by the Commission. But even the use of this fraction was jealously guarded by the Council through its demand for consensus decisions.

4. The Integrated Mediterranean Programme. The real breakthrough for Commission authority over the regional policy area came with the particular programme for Southern Europe that was carried out from 1985 to 1992. This initiative became a laboratory where several of the ingredients later included in the new Structural Policy were tested, such as horizontal programming, co-ordination between regional policy and measures in other policy areas, and the use of local partnerships for initiation, implementation and evaluation of specific projects.

The Integrated Mediterranean Programme was launched in order to satisfy compensation demands from insiders worried about threats from the new arrivals. During the accession negotiations with Spain and Portugal there were strong concerns in Italy, Greece and southern France that the imminent enlargement might upset some markets for local produce and damage the competitiveness of regions with an economic profile similar to that of the entrants. The purpose of the programme was to cushion such expected effects by promoting a diversification of the South European economies. With the Union assuming a maximum of 70 per cent of the costs of the various projects, a total of ECU 6.6 billion was appropriated to the programme, of which ECU 2.5 billion consisted of credits from the European Investment Bank.

5. North-South Tensions on CAP. Another problem in these enlargement negotiations was that Spain and Portugal arrived at the same appreciation of the CAP as the UK had done a dozen years earlier. With its emphasis on animal products and the promotion of highly efficient units of production, the established version of CAP struck the applicant countries as unsuited to their own particular needs. Yet redressing this "northern profile" of the CAP through a revision of rules and principles that had taken years of arduous negotiations to attain proved just as unfeasible as it had done at the previous enlargement.

Besides some phasing-in arrangements, the solution was therefore again the invention of new supplementary forms of support for poor and peripheral parts of the Community. Concessions in this direction were relatively easy for countries that had their own poor or ultra-peripheral areas, such as Greece and France. For others, they became acceptable in a broader policy package that came to include further desirable steps towards economic integration.

6. The Internal Market. In the 1980s there was a widespread feeling that the process of European integration had ground to a halt. The suppressed internal tariffs had not given a particularly strong boost to trade within the Community. According to a common analysis, this slow progress was due to a variety of non-tariff trade barriers. As long as every country had its own rules on environmental protection, product safety, establishment conditions, and authorisation or legitimisation of specific professions, there would remain great obstacles to any acceleration of mobility. To do away with such hindrances there was a need to harmonise a variety of legal rules and establish a common “internal market”.

This was the background to the Commission’s White Paper in 1985, the Single Act that went into force in 1987 and the action programme that came to be called “1992” after the year of its intended completion. The Single Act expanded the scope for majority decisions in the Council and gave a broader competence to the European Parliament. Of particular importance was the extension of Community authority in such policy fields as energy, environment, research, technology and social affairs. On the basis of the White Book and the Single Act, the Commission undertook to work out proposals for several hundreds of directives aiming at realising the internal market.

In the negotiations around this reform process there were clear signals from the South that a deeper form of integration would require more attention being paid to the problems of the lagging countries. In the Dooge Committee paving the way for the Single Act, the Greek Representative made a strong case for the recognition of economic and social cohesion as a formal objective of the internal market, and this idea was ultimately integrated into the Act. It also recurred in the action programme “Making the Single Act Succeed” (1987) where the Commission proposed guidelines for a doubling of the resources devoted to European Structural Policy.

The key motive for this initiative was the apprehension that the internal market would lead to wider disparities within the Community, either by giving a particular boost to enterprises in central and wealthy areas or by lowering the level of protection for regions with a one-sided or vulnerable economic structure. There was no unanimity about this prediction in the various prognoses at hand, but the widespread concern in the poorer areas was duly recognised, and the wealthier parts of the Community were prepared to pay a certain price for the speedy realisation of the internal market.

Thus, the grand compromise proposed by the Commission in the first so-called Delors package followed the old formula of "something for everyone". Stronger positions for the Commission and the Parliament were combined with new benefits for the richer areas through the internal market and significantly increased resources flowing to the poor and peripheral regions. The package was composed so as both to mobilise and compensate; it would simultaneously gather support for the historic enterprise and provide for a just distribution of its foreseen benefits. Since net gains were anticipated for the whole Community, nobody was expected to lose anything on this deal.

In ideological terms the Delors package was presented as a faithful application of the European social model, combining economic freedom and dynamic competition with solidarity and social cohesion. The proposal first met with strong scepticism among several leaders, such as Prime Minister Chirac in France, but Prime Minister Gonzales of Spain pushed strongly for compensatory measures to the poor regions and was supported i.a. by Chancellor Kohl of Germany (Ross 1995).

7. The Monetary Union. The same discussion was soon to be repeated, first in the negotiations leading up to the Maastricht Treaty and then in the tug-of-war over the next budgetary period:

- Again, there were divergent views about the likely impact of harmonisation on areas at different levels of production and income. There were varying assessments both of the likely positive impact of the proposed common currency and of the risks of setbacks for vulnerable regions, particularly as a result of the eventuality of future asymmetric demand shocks.
- Again, these apprehensions were particularly strong in the poorer countries and were forcefully expressed by both experts and governments. Along a common line of reasoning,

the loss of the devaluation option could lead to situations in which there was no other way for the poorer countries to face stiffer competition than by pressing down already low wages and applying a strict financial policy that might kill jobs. Meeting the convergence criteria exposed these countries to particular hardships justifying special support.

- Again, these views met with mixed reactions in the wealthier Member States. While there was a great deal of scepticism about the likelihood of these prognoses materialising, there was also some latitude for concessions in order to gain acceptance of the various plans and a willingness to provide for a fair distribution of expected gains. Germany's position was also modified by the fact that its new regions fulfilled the criteria of support, though the European contribution to the new Länder was of course only a modest fragment of the great domestic redistributive effort.
- Again, the Commission worked out a package where there was something for everyone and where acceptance was skilfully secured by a presentation and adoption in two steps: first an agreement in principle involving some institutional and procedural adjustments and then a quantified version of the proposal intended to forestall budgetary quarrels during a long period to come. The Delors II package was initially suggested to cover seven years but was ultimately restricted to the six year period of 1994–1999.
- Again, finally, there was a doubling of the resources assigned to Structural Policy, with a ceiling set at 0.46 of the total GDP of the Member States.

At the Edinburgh Summit, the UK pleaded for a reduction of the Structural Policy chapter but had to give in. In the final round, an agreement on the Delors II package was sealed between Germany and Spain. The latter country had waged an intensive campaign on the issue and declared long before the Maastricht Summit that it intended to block the EMU plans unless the adjustment burden of the poorer countries was eased through an increase in structural transfers.

An innovation now was to place a considerable part of the support outside the existing Structural Funds. In setting up the special Cohesion Fund addressed to countries rather than regions, the decision-makers wanted to make a targeted contribution to the transition problems linked to the EMU. Through these contributions, the poorer countries would be supported in their efforts to meet the convergence criteria. Keeping this Fund separate was seen as a way of avoiding an additional permanent burden on the Structural Funds.

The innovative construction was thus a relatively open form of compensation linked to a particular issue, with rules about a mid-term monitoring of the progress made towards meeting the conditions. The original idea of such cohesion funds came from Ireland in 1991 (Pinheiro 1996). As a concession making the arrangement more palatable to some Northern countries, a somewhat incongruous element was however added: half of the Cohesion Fund should be devoted to environmental investments, whereas the other half was earmarked for the development of the trans-European transport network.

8. The Northern Enlargement. Towards the end of the budget negotiations for the 1994–1999 period, the concerns of the four applicant states (Austria, Finland, Norway and Sweden) were taken into consideration. In 1992, Spain had required an acceptance of the Cohesion Fund and an expansion of the volume of Structural Funds as a condition for the opening of negotiations with the EFTA states.

Like earlier entrants, the new countries found the established rules of EU Structural Policy not particularly well suited to their own particular needs. The Northern countries had regional policies geared to supporting large sparsely populated but not especially poor areas, and however much they tried to subdivide these territories they did not manage to squeeze them under the magic ceiling set for the contributions to lagging regions. The short-term solution to this problem was to introduce a new category of support into the current programme, and the long-term adjustment as from 2000 was to integrate a population density criterion into the basic rules for structural transfers. This was acceptable to the previous Member States since the payments involved were quite modest and the new entrants would all be net contributors.

9. Agenda 2000 and the Berlin Summit. Reminders of the importance of the Structural Policy to its net recipients were often provided when critical issues of European integration were at stake. Typically, Spain would emphasise that its consent hinged on the continued attachment of all countries to the goals of economic convergence. This occurred when the green light was given to open negotiations with the Eastern applicant states and again when agreement was reached on the fifth framework programme for research (Hooghe 1998).

The budget proposal which the Commission presented in 1997 for the period of 2000–2006 reflected both these and other strong views expressed about the accumulated experience of the EU Structural Policy. In response to the frequent criticisms of excessive central meddling, excessive red tape and excessive fragmentation, the Commission suggested a number of ways in which the efforts could be simplified and concentrated. Its dialogue with the Member States would be streamlined and the number of Community initiatives reduced. At the same time, there would be a better territorial targeting with a smaller number of objectives and eligible regions.

While half of the Union's population had lived in areas covered by the 1994–1999 Structural Policy objectives, Agenda 2000 suggested a gradual reduction to about 40 per cent of the population. In volume terms, there would be a small increase in the resources aimed at existing Member States and another reserve set aside for the applicant countries to be used both before and after accession. In the long run, Agenda 2000 suggested, the means channelled through the Phare programme could suitably be integrated into the Structural Policy framework.

The ensuing Council negotiations were quite complicated, with

Germany in the Presidency trying first to attain a total budget reduction but eventually giving up this idea to reach an agreement based on the notion of "shared misery" or "equal pains". The UK was asked to give up its budget rebate and France to accept a modified CAP while Italy was pressed to accept basing its contribution to the own-resource component of the EU budget not on its VAT receipts but on its GDP. As far as Structural Policy was concerned, early blueprints would leave money only for Greece while a later proposal would automatically exclude all countries that had managed to meet the criteria for full participation in the EMU.

In spite of full support for this strategy from Austria, Sweden and the Netherlands and a more selective backing from other countries, the German plan did not succeed. A counter-alliance was formed by actors defending, if not the status quo, so at least only a very slightly modified orientation of EU policy for the next budgetary period, including some fine tuning and minor adjustments to get rid of generally recognised flaws in the administrative procedures. Again, as six years earlier, the ultimate compromise was cobbled together on the basis of an agreement between Spain and Germany.

As a result of the 1999 budget round, the Commission's Agenda 2000 survived largely unscathed. Structural Policy was reformed essentially along its proposed guidelines, with small increments to meet the needs of the applicant countries. An important addition at the Berlin Summit, however, was the introduction of a ceiling of four per cent of GDP for the structural and cohesion support going to any Member State, old or new. The official motive for this rule was the limited absorption capacity of developing economies.

10. The Eastern Enlargement. In the most recent enlargement, the basic rules of Structural Policy were bent once more in order to avoid rapidly expanding costs. This time the entrants were in no position to set conditions and had to agree to a relatively protracted phasing-in arrangement. Given the stringent rules attached to Structural Fund disbursements, it is even premature to assess whether planned appropriations can be fully taken advantage of. The ultimate outcome is linked to a range of institutional reforms and measures of structural adaptation for which the Structural Policy support is employed as an engine and incentive.

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Summing up this examination of ten formative situations in which various elements of the Structural Policy of the European Union have been devised or amended, we may note some regularities in the process.

First of all, the form and shape of Structural Policy shift with every enlargement. It is a malleable part of the EU policy repertoire that may easily be adapted so as to take into account a variety of distributive problems that the negotiating parties are eager to get out of the way.

Second, there is a strong link between Structural Policy and the CAP. Where the CAP is difficult to adjust because of all the intricate trade-offs that have gone into constructing it, Structural Policy is all the more adjustable and can therefore readily be used as a counterweight balancing skewed measures of compensation in the agricultural field.

Third, there is a clear tendency for compensatory arrangements to outlive their original justification. This is particularly true of the two main quantitative leaps (Delors I and Delors II) that expanded Structural Policy to pave the way first for the Internal Market and then for the common currency. In both cases, there were apprehensions that poor and lagging areas might be particularly vulnerable to transition disturbances. Hence, temporary relief would be required to overcome this hurdle. The transfers linked to the EMU were channelled through the "temporary Cohesion Fund" expressly set up as an *ad hoc* instrument so as not to add a permanent burden to the Regional Funds, and a mid-term review was prescribed to make sure that the fund contributed to the recipients' progress towards meeting the EMU convergence criteria.

The evidence now available suggests that these apprehensions were exaggerated and that the poorer countries as a whole might even have drawn greater benefits from the internal market reforms and the monetary union than the wealthier ones, though this need not apply to all specific areas. At any rate, the temporary character of the Cohesion Fund was soon forgotten and at the Berlin Summit this important facet of Structural Policy was treated as another inalienable part of the *acquis communautaire.*

The down-to-earth archaeological approach is indispensable for understanding the historical background of the Structural Policy of the European Union, offering clues to some of its more enigmatic ingredients. But the "political packages" with their elements of compensatory sidepayments have left few explicit traces in the political and legal texts. There, the official reasons offered for the various agreements hover in a different world of lofty ideals and noble ambitions, a celestial sphere of solidarity and the pursuit of unity. A central place in this discourse is occupied by the twin concepts of convergence and cohesion.

3 STRUCTURAL POLICY AND CONVERGENCE

The tongues of Europe are replete with “false friends”, words that are close in shape in two or more languages but nevertheless differ in meaning. Other “false friends” create misunderstandings between different policy areas. In the European Commission and the European Parliament, many of the principal codewords vary in substance from one General Directorate or Committee to the next.

A case in point is the concept of *convergence*. To experts in European Monetary Policy, this word refers above all to public finance and to the harmonisation of the macro-economic framework required to secure stable foundations for the common currency. An additional protocol to the Maastricht Treaty set out the original “convergence criteria” that all parties to the EMU were obliged to meet, and these conditions were later reinforced by the procedural rules and surveillance mechanisms introduced through the 1997 Stability and Growth Pact. Currently all members of the EMU are under obligation to report on their progress in periodic “stability reports”, or “convergence reports” for the non-Euro countries.

In regional policy, however, convergence means something different. Here it refers principally to the closing of the gaps between various countries and regions. Convergence implies a process by which disparities are reduced. A prime purpose of EU Structural Policy is to contribute to this particular goal. This ambivalence of a frequently used concept is seldom problematic since the context makes it obvious what kind of convergence speakers and writers refer to. But it becomes slightly more confusing when the two fields intersect, as in the case of the Cohesion Fund.

When this Fund was introduced in 1993 as a temporary support scheme, the official motive was to help lagging Member States meet the Maastricht convergence criteria. The Fund’s continued operation was made conditional on a control station at which it would be established that appropriate progress in this direction was being made. Eventually, all four cohesion countries were deemed to have met the requirements, but at the 1999 Berlin Council the Cohesion Fund was nevertheless renewed for the next budgetary period.

If "economic policy convergence" was the objective of the original arrangement, the eligibility criterion for support from the Fund was drawn entirely from the sphere of "regional policy convergence", with the crucial threshold set at 90 per cent of average EU GDP per capita. To compound the confusion, the specific areas indicated for investment financed through the Fund were only weakly related to either one of these forms of convergence. While many good reasons can be advanced for investments in environmental protection and trans-European transport infrastructure, these areas were hardly selected because of their maximum contributions to either macro-economic or regional convergence. The expected impact was more oblique: by covering some parts of the investments needed to meet EU standards of environmental protection and stimulate economic development, the Cohesion Fund offered general budgetary relief to the four cohesion countries, thus facilitating their efforts to meet the Maastricht criteria.

Leaving EMU-related macro-economic convergence aside, how is convergence conceived in the discussion on regional imbalances? The emphasis can either be placed on changes in the levels of technology, factor endowments, factor productivity, and per-capita incomes, or on their the long term growth rates. Following the seminal work by Barro and Sala-i-Martin (1992, 1995), many economists distinguish between σ-convergence referring to a decreasing dispersion of per capita income across different economies, and β-convergence implying higher growth rates in economies with low initial levels of income, and vice versa. Thus defined there may be β-convergence without σ-convergence, but not the other way round (Ederveen 2003b, Boldrin & Canova 2001).

In the political discourse, such subtleties are normally glossed over. The key argument here can be summed up in a few sentences. In the long run, the process of European integration is expected to give a general boost to the entire the EU economy. But this growth process is likely to be uneven in the short-to-medium run and some areas confronted with stiff competition inevitably have to restructure their productive structure. Particularly vulnerable to asymmetric competitive shocks are poor regions with a one-sided economy or antiquated forms of production. This calls for common efforts to support areas that are lagging behind or face needs for retraining and structural adaptation.

In the Treaty on the European Community, these aims are presented in two articles that were first inserted into the Single Act and then maintained under different numbers in the amended Maastricht, Amsterdam and Nice versions:

> *Article 158*
>
> *In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion.*
>
> *In particular, 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, including rural areas.*

> *Article 160*
>
> *The European Regional Development Fund is intended to help to redress the main regional imbalances in the Community through participation in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions.*

The tasks are thus defined as “reducing disparities”, “reducing backwardness” and “redressing the main regional imbalances”.

How successful is the EU Structural Policy in attaining these objectives? To arrive at an assessment of this, we must deal in turn with three fundamental questions:

- What disparities are we talking about?
- Are there signs of convergence, i.e. a reduction of disparities over time?
- And if so, what is the contribution of EU Structural Policy to this process?

3.1 Mind the Size of the Gaps

Disparities between countries and regions can be gauged along many different dimensions. **Employment and unemployment** data are important indicators of economic health and general welfare. Per capita **productivity** measures capture the relative economic efficiency of various regions. Recent reports by the Commission have emphasised disparities in **demographic trends,** the **educational level** of the population, investments in **research and development** and the relative share of **high technology employment.** A related supplementary indicator of the inventiveness and appetite for change in various areas is the volume of **patent applications** (EC 2002a, EC 2003a).

While comparisons along these lines are useful to get an idea of general trends in regional and national economic development, the solid foundation and chief eligibility criterion of EU Structural Policy remain disparities in **income and production.** Here, too, there are several different ways of measuring the gap, and the choice of indicators is by no means insignificant. Some hint at yawning rifts between different parts of Europe whereas others tend to give a picture of relative harmony and proximity in actual living standards throughout the Union in its present composition of 15 Member States.

An easy way of moving quickly towards convergence would therefore be to travel down the following list of five alternative indicators:

1. The greatest differences turn up at a comparative scrutiny of **GDP per capita at exchange rates,** measured both at national level and at the level of NUTS2 regions. Unfortunately, there are no reliable data backwards for East Germany and certain regions in the candidate countries, which renders historical comparisons difficult. Even recent data exhibit some weaknesses. If an enterprise has its headquarters in the capital and its main activities elsewhere, varying accounting practices may apply. Other distortions stem from commuting manpower. NUTS2 statistics tends to exaggerate the wealth of big cities (such as Hamburg, normally topping the list of wealthy regions in Europe) and reduce that of their hinterland, such as Niedersachsen.

   GDP per capita was long the main indicator used by the Commission to establish eligibility for structural support. But especially before monetary harmonisation, it had the obvious weakness of disregarding differences in purchasing power.

2. To deal with this problem, the standard practice is now to calculate national **GDP data at purchasing power standards (PPS).** This technique reduces the gap considerably. As an example, Hamburg's gross regional product measured at the exchange rate in 1993 was 7.8 times as great as that of Alentejo in Portugal, but measured in PPS the advantage was only 4.5 times. This pattern in general: differences in purchasing power eliminate a significant share of the disparities when calculated according to exchange rates.

3. The gap would shrink even further if we had **regional PPS data** at our disposal. In many Member States there are still considerable variations in purchasing power between geographical areas and between towns and countryside. In a German study, this disparity was assessed to be 12 per cent between the most and least expensive region (Martin 1999).

4. A further issue is whether the redistributive efforts by the Member States should be taken into account in defining the point of departure for EU Structural Policy. According to the

principle of additionality, contributions from the European Structural Funds are not intended to replace national injections but to supplement and extend them. If this philosophy were applied consistently, it would seem reasonable to define the disparities to be attacked by EU policies as those still remaining after national equalisation measures, or in other words **the regional GDP per capita adjusted for taxes, transfers and other public expenditures.**

Data on what the Commission calls "the Member States' own efforts" are not compiled systematically, but an ambitious study has been carried out for the Commission by two research groups, one at the European Policies Research Centre at Strathclyde University and the other at Laboratoire d'Observation de l'Économie et des Institutions Locales at Université Paris XII. Seven countries have been studied along four different dimensions: (1) what the countries concerned call "regional policy", (2) other territorially defined policies in support of rural and urban development, particular crisis areas and regions with a special status, (3) regional effects of general sectoral interventions such as transport policy, labour market policy, education and support for research and development, and finally (4) the redistributive impact of the fiscal system and the system of social protection.

The regional balances established to summarise these resource streams are based on millions of calculations, according to the research group. Ascribing public expenditures to particular regions raises moot methodological issues. The pioneer in this field, Mushkin (1956, 1957) who studied redistribution between American states, tried out two different techniques: a *flow* approach based on where activities were actually carried out and a *benefits* approach based on an assessment of impact distribution. According to the former method, an institute for agricultural research would be attributed to the state where it was located, whereas the latter method assumed an even distribution of its results. Ministries, along this line of reasoning, would be seen as serving the entire country.

Applying both of these methods, the Strathclyde-Paris group found evidence of very extensive national redistribution. While rich regions contribute some 5–10 pe rcent of their gross regional product to various equalisation mechanisms, poor regions obtain from them some 20–30 per cent of gross regional product. The transmission of resources was particularly strong in Germany and Italy.

5. A closely related measure of regional wealth consists of **individual disposable income (IDI).** Like several of the above, this indicator is not available for the EU as a whole, but several partial studies testify to a regional distribution in income after taxes and transfers that is far more modest than the disparities in per capita gross regional product. Unlike all data related to the gross national or regional product, the IDI includes private capital flows which may be important in impoverished areas where the remaining population is dependent on remittances from emigrants.

   For Sweden we have a longitudinal study of the annual incomes of 300.000 persons over the period 1960–1997. On this basis, Pettersson & Eriksson (1999) have found that while gross production per capita in 1996 varied between SEK 66.000 and SEK 444.000 between Swedish communes, the economic standard measured as disposable income diverged only between SEK 77.000 and SEK 150.000. This brought down the Gini coefficient from 0.14–0.15 for the gross income to only 0.04–0.06 for the disposable income.

   Studies undertaken for the Commission reveal a similar situation in other European countries. For Northern Ireland, the poorest region in the United Kingdom, the gross regional product was 68 percent of the level for the richest south-eastern part of the country, but its IDI after transfers reached 85 per cent. In France, the gross regional product of Languedoc-Rousillon attained only 55 per cent of the level for Ile de France, but its disposable income attained 71 per cent of the corresponding figure for the richest region. In general terms, the differences in IDI per capita appear to lie 20 to 40 per cent under the differences in GNP per capita in the whole Union (EC 1996).

The same trend is confirmed in recent household budget surveys which reveal a considerable convergence of European living standards. While Portugal still falls far below the EU average, the Commission reports that Greece and Spain have now attained levels of per capita median consumption that are very similar to the rest of the EU (EC 2001).

The underlying assumption of a Structural Policy based on GDP figures is obviously that the essential convergence to strive for is an **equality of production.** Regions are considered to be lagging behind if their output of goods and services falls below the EU average. Since production is the ultimate source of consumption and welfare there are certainly some good arguments for this reasoning, but it is not entirely compatible with the idea that EU efforts should be supplementary or additional to national efforts.

Since the situation of the lagging areas is very much affected by the combined impact of national taxes, transfers, and public consumption, it seems odd to neglect these efforts in defining the situation that EU interventions are supposed to redress. Bridging the same gap twice makes little sense, after all. If national efforts bring a region from, say, 70 per cent of the EU average in GDP terms to 85 per cent of the EU average in terms of budget-adjusted GDP and disposable income, turning a blind eye to this contribution makes a mockery of the principle of additionality.

Nor is this example far-fetched. For most Member States of the EU15, the gaps between regions in consumption levels and living standards appear to be only about half the size of the disparities in production levels (EC 1997b). If the convergence to strive for would instead be defined as **equality of consumption,** a good deal of the job would have been done already before the EU enters the scene. This is at least the case before Enlargement, when new disparities between rich and poor countries have to be taken into account.

3.2 Are the gaps narrowing?

The two levels most frequently discussed in connection with Structural Policy are the Member States and their regions (or, in technical language, territorial units at NUTS2 level). Some disparities between these areas seem to shrinking whereas others are more resistant to change. As far as **production** is concerned, there are clear signs of convergence. When it comes to **unemployment**, however, there is rather a movement in the opposite direction, with growing gaps linked to the recent deceleration in economic activity. Another way of expressing this is that productivity has been increased in poor areas without generating new jobs. Production in the Objective 1 regions has been modernised but has not been able to absorb more manpower.

Looking at the long-term evolution of GDP, it seems clear that the trend towards convergence antedates the introduction of EU Structural Policy. For Greece, the growth process was stronger in the 1960–1985 period than in the subsequent 1986–1997 period. In the other cohesion countries, there was instead an acceleration of growth after accession to the European Union, most markedly in Ireland. The disparities between countries have diminished over time whereas disparities among regions have proven to be more stubborn. In the early stages of EU Structural Policy there was a small reduction in the gaps: the advantage of the ten richest regions diminished from 3.5 times that of the ten poorest regions in 1983 to 3.3 times in 1993, and the average level among Objective 1 regions rose from 63.5 per cent of the EU average in 1988 to 66.5 per cent in 1993 and 68 per cent in 1996 (EC 1996 p. 21, EC 1999b p. 148).

In recent years, however, this rapprochement has ground to a halt and the Commission now reports stable or widening gaps within Member States. In contrast, differences across national borders continue to shrink. Patterns also vary among micro-regions. A formula often used to capture the situation is “global convergence, local divergence”.

In its 2003 update report on social and economic cohesion, the

Commission sums up present trends in the following way:

– at national level, the “cohesion” countries are continuing to make up lost ground
– at regional level in the EU, disparities are narrowing
– within Member States, by contrast, disparities have worsened.

3.3 Different factors behind convergence

With some of the relevant gaps no doubt shrinking over time, it remains to establish why such convergence takes place. Popular presentations of Structural Policy often hint at a straightforward causal link between EU interventions and the reduction of disparities, *but post hoc ergo propter hoc* is a well-known fallacy. In the more serious discussion many reservations and nuances enter into the picture and more composite chains of causation are discerned. In this quest for an understanding of the dynamics of convergence, the traces lead in at least four different directions: towards (1) spontaneous, long-term forces in the economy, (2) national policies with regional effects, and (3) other EU policies and rules. Before examining (4) EU Structural Policy as a potential engine of convergence, we shall take a look at these other explanations.

1. **Convergence as a protracted endogenic process.** Comparisons of growth patterns between different areas is a central topic in economics, from Adam Smith’s inquiry into the wealth of nations to the emergence of neoclassical growth theory. According to the Ohlin-Heckscher-Samuelson theorem, specialisation and trade generate an equalisation of factor prices. Following Solow, many scholars have sought to establish how the factor mobility might contribute to convergence between countries and regions.

   Exchange rates play an important role in this context. An important issue within the theory of optimal currency areas is the capacity of different regions to absorb asymmetric demand shocks. It is generally agreed that diversified economies stand a better chance of handling such problems than areas with homogeneous production. But the agglomeration of particular industries may also entail some benefits from a growth perspective through the emergence of professional expertise and exchange of experience.

The interaction between poor and rich areas is also a key issue in economic history and development economics. While some scholars have seen the relationship between centre and periphery chiefly in terms of exploitation and the "production of underdevelopment" (e.g., the dependency school), others have emphasised that economic contacts may lead to equalisation through diffusion, imitation, learning and technology transfer. Expanding on Gershenkron's thesis that laggards are in a favourable position to catch up with more advanced countries, Abramovitz (1986) and Baumol (1986) argue that such countries may attain significant productivity increases without high development costs of their own. But for this to happen, several conditions must be satisfied. If the weak countries and regions lack the institutional and other preconditions to attract investments, they may get stuck in stagnation or in a low-growth trajectory.

The impact of technology transfer on convergence is subject to different interpretations. In the technology gap literature, a key assumption is that imitators and late adopters are in a good position to catch up with the pioneers and that mobility and enhanced communication may therefore lead to a reduction in disparities (Fagerberg 1987). But according to what is sometimes called "the new growth theory", this advantage is often cancelled out by the durable high capacity of the technological forefront. The strong concentration of innovative resources gives certain areas an edge, preserving established disparities and favouring further divergence.

An important issue in many development theories is whether productive resources are concentrated or dispersed. Williamson (1965) suggested that national expansion is driven by growth-poles in a few major agglomerations. In an early stage, economic growth is therefore accompanied by a widening of regional disparities. Later, however, congestion and other diseconomies lead to a narrowing of these gaps. Hence the two-stage hypothesis that economic growth is first linked to divergence and then to convergence. The problem with this line of analysis is of course that it may lead both predictions and prescriptions in either direction.

In-depth studies of agglomeration phenomena within "the new economic geography" contribute further to this ambivalence (Krugman 1991, Neary 2001). There is little doubt that the concentration of professional expertise and business investments in particular clusters has given a strong boost to economic development in particular areas. But which and how many such clusters are profitable in a regional policy perspective, and to what extent can they benefit from "picking-the-winner" support schemes? There are no clear answers to such questions, and the fact that productive resources are becoming less material and more spatially indefinite render them even more inscrutable. With yesterday's heavy investments in smokestack industries and other physical ingredients yielding to light-weight investments in competence, immaterial property, knowledge-based services, networks and social capital, economic activities take wings and become less easy to pin down to particular geographic locations.

Drawing together these various strands of recent work in economics and adjacent disciplines, we can note a strong interest in the phenomena of divergence and convergence and a variety of suggestive hypotheses about patterns, sequences and causal connections. Some of this research seems to corroborate the idea of convergence as a long-term endogenous process, and though the evidence is hardly conclusive, a few longitudinal studies lend it some support.

Among the American states, there was a very long trend towards equalisation during the last century. This process does not appear to be related to public expenditure but rather to increasing mobility and inter-state trade. Disparities between American states are now considerably smaller than those between European regions (Boltho 1994, Sala-i-Martin 1996).

Persson (1997) who studied the disparities among Swedish regions between 1911 and 1993 found a long-term trend towards convergence. Bergström (1998) arrived at a similar result for the period after 1945, with no particular change effected by the introduction of selective regional policy measures around 1970. A similar observation can be made with reference to EU Structural Policy. For the cohesion countries, convergence started well before their entry into the European Union, and in the case of Greece it was particularly strong in this period.

2. **The regional impact of national policies.** One of the options for Structural Policy after 2007 goes under the name of "renationalisation". This term is a bit of a misnomer, hinting at regional policy as a European-level monopoly. This is hardly an adequate definition of the present distribution of responsibility, with far more extensive programmes implemented within the Member States than within the EU. Even allowing for the overlap brought about by co-operation and co-financing, the centre of gravity for this kind of intervention has always been the national political arena.

   Gauging the scope of national efforts is difficult because only a fraction of these programmes are expressly labelled "regional policy". Other forms of inter-regional redistribution and legally enforced transfer mechanisms are embedded in the various sectoral policies, in the costing and charging principles of public utilities, in the fiscal system and in the sphere of income maintenance entitlements. With national equality as a general distributive norm in many parts of the national budget and with fiscal burden-sharing consciously designed to equalise conditions between different strata of the population, any modern state is characterised by important inter-regional flows of resources.

As indicated above in section 3.1.4, the aggregate impact of national regional policies and of other national policies with regional effects go a long way to diminish the initial or gross disparities between European regions, reducing them in most Member States probably to as little as half of their original magnitude.

3. **The impact of other EU policies.** When the European Commission sets itself the task of reporting on the impact of its Structural Policy, as it is required by the Treaty to do every three years, the General Directorate for Regional Policy is not allowed to make a solo performance. A whole range of other General Directorates insist on inserting reminders of their own particular role in promoting convergence and cohesion. This leads to a long laundry list of all the different areas where crucial action is taken in pursuit of these objectives: economic and monetary policy, internal market, competition policy, agricultural policy, employment and human resources development, environment, research and development, transport, energy, enterprise policy, and common fisheries policy. In the Second Cohesion Report (2001), no less than twelve different DGs seem to have their fingers in the pie.

   Wisely enough, no attempt is made to determine the relative importance of these various contributions. This matter is very difficult to address, but it can hardly be disregarded if we want to get an idea of the impact of the Structural Policy interventions. The frequent assertions of synergies between EU policies in different areas can probably be borne out in many cases, but there are also examples of tensions and countervailing effects. This comes out clearly when we look at the redistributive aspects of various policies.

   In the case of Structural Policy, the bias is clearly in favour of poor and lagging areas, but a relatively high percentage of total appropriations nevertheless land in the wealthier Member States. Among the factors conspiring to this result are the joint horizontal programmes managed by the Commission, the insistence of net contributors to have some benefits accruing to their own countries and knock-on effects of peripheral investments on the demand for capital goods and know-how services from the high-tech economies. Depending on perspectives, this drainage of funds to the wealthier Member States can be regarded either as a regrettable leakage reducing the effectiveness of the reallocations or, alternatively, as a useful reverse flow facilitating the acceptance of the Structural Policy among the net contributors.

At the same time, other EU policies have different distributive and redistributive profiles. The CAP mainly benefits efficient production units and EU support of research and development is primarily channelled to centres of academic and industrial excellence. Attempts to add up all the flows in various directions have frequently been made in order to determine the net positions of the various Member States, but there is no corresponding information on the aggregate regional distribution of EU expenditures. Without such data, we cannot ultimately assess the extent to which the whole range of European regional-impact policies have contributed to regional convergence. As Martin (2001 p. 32) puts it: "The Commission is therefore in a situation where it must either refuse to reveal information it has, in which case it is preventing an objective evaluation of its policies, or admit that it does not know what has been spent."

But it is hardly through its budget that the EU has had its most profound impact on economic development. Major forces behind European economic growth in recent decades are the intensification of trade flows and the increase in investments across national borders. A hotly discussed issue is whether the removal of the tariff and non-tariff trade barriers, the establishment of institutional conditions for an efficient common market, the increase in opportunities for mobility and the imposition of the EMU convergence restrictions have affected the balance between poor and wealthy countries and regions.

Interest in this matter was of course particularly keen in the preparatory phases of the crucial decisions, i.e. the mid-eighties for the internal market reforms and the late eighties to early nineties for the key decisions on the Monetary Union. On the basis of neoclassical growth theory, many economists argued that increased growth would benefit all parts of the Union (Schäfers 1993). The Commission's magnum opus on the internal market was the Cecchini Report entitled *The Costs of Non-Europe,* which sought to analyse the impact of an expected increased mobility and sharper competition on various branches of the economy. Even if these studies dealt with the different industries rather than with the territorial dimension, its key conclusions that all sectors of the European economy stood to gain in the medium-to-long run and that short-term problems would be essentially transient in character constituted good news for centre and periphery alike.

But the positive predictions were not uncontested. Numerous analysts presented a more sombre picture, predicting differential consequences in homogeneous and heterogeneous economies. Along a common line of reasoning, the wealthy areas in the centre of Europe would have much better opportunities to reap the fruits of the great integration reforms. Peripheral parts of the Union might be more vulnerable to stiffer competition and to the loss of leeway in monetary policy. There was a fertile ground for such apprehensions in the less developed parts of the Union, which led to considerable scepticism there about the plans for the internal market and monetary union (O'Donnell 1992).

While the long-term effects of these two reform waves have yet to be assessed, the results so far seem quite encouraging as far as the lagging economies are concerned. In its First Report on Economic and Social Cohesion (1996), the Commission was already in a position to conclude that the apprehensions about a negative redistributive impact had not come true. Instead, there was sound growth in most of the poor parts of Europe, with a strong expansion in exports and a considerable attraction of trans-national investments particularly to Ireland, Spain and Portugal but a weaker development in Greece and Southern Italy. This trend has continued in recent years (EC 2001, EC 2003a).

3.4 Structural Policy as an engine of convergence

Recapping the argument thus far, we have dealt with a number of issues that must be considered *before* we can assess the contribution of Structural Policy to convergence. The first task was to consider the nature and definition of disparities (3.1). Then we looked at the evidence of actual convergence (3.2) and subsequently at three explanatory frameworks that can help interpret the driving forces behind convergence. The question asked here was to what extent the shrinking of regional imbalances could be derived from (i) long-term, endogenous growth processes within integrating economies, (ii) national regional policies and other national policies with an impact on territorial distribution, and finally (iii) EU policies and rules outside the sphere of Structural Policy, especially the effects of the four freedoms and other forms of economic integration. While no solid answers have been provided, it is at least useful to keep these rival explanations in mind as we now turn to the available evidence on Structural Policy impact.

In the early days of the Regional Funds, little attention was paid to their effectiveness. Bachtler & Michie (1995) have suggested three reasons for this: European funding was mixed up with national budgets, research in the Commission was poorly coordinated between different General Directorates and evaluation techniques varied widely between various countries and projects. A systematic evaluation effort got under way only after the adoption of the Single Act in 1987, with the new demands for “Community support frameworks”, “special planning documents” and regional “monitoring committees” with both national and Commission participation paving the way greater comparability. This initiative resulted in some 300 studies, summarised in EC 1992.

All later versions of EU Structural Policy have contained stringent requirements for reporting, analysis and evaluation at different stages of planning and implementation: ex-ante, mid-term and ex-post. A synthesis of this massive feed-back for the 1994–1999 period has recently been released by the European Commission. According to this final evaluation, the volume expenditures of the various funds attained a total of € 210 Billion, out of a planned allocation of € 232 Billion.

What do we know, then, about the efficiency, effectiveness and impact of these efforts? There are essentially three sources of information: (1) official reports by the implementing bodies, (2) ex-post evaluation studies, and (3) macro-economic modelling and econometric analyses.

1. There are, first of all, a staggering number of **reports** by implementing authorities and organisations. These documents hint at impressive results but are often a bit generous and inclusive in reporting the achievements of various projects. This tendency can be observed even in Northern Europe, where administrative feed-back is normally cautious and sober. When the evaluators of the Objective 6 Programme for Sweden and Finland undertook to check a random sample of 20 projects in which 850 new jobs had been reported, they found the official database clearly inflated. Interviews with project leaders pressed the figure down to 65 jobs, or less than 10 per cent of the reported volume (Katajamäki 2002).

2. The second source is made up of just such **evaluation studies,** ultimately summarised by the Commission in official **syntheses**. The four most authoritative summary statements in recent years are the Second Report on Social and Economic Cohesion (2001), two follow-up documents to up-date this report 2002 and 2003, and the final evaluation report on Objective 1 support in the 1994–1999 period (2003b).

A striking feature in these documents is a persistent ambivalence between certainty and uncertainty. The Commission has a wealth of success stories to tell, but it is also eager to insert caveats against hasty conclusions. To cover both of these aspects, the texts often meander indecisively between strong claims and appropriate reservations. The mood of the authors seems to keep swinging between **assertiveness** and **agnosticism**. In their assertive mood, they expand on the many impressive effects recorded. But then, recalling the multitude of related factors involved and the virtual impossibility of isolating particular chains of causation, they also underline the great complexity of the observed changes. But hardly has this change of mind occurred before the authors are back in the assertive mood.

The Katajamäki Report is a prime example of this pendular movement. While it is attentive to many weaknesses in the implementation of the projects, its main message is no doubt to confirm the impact of Programme 6 in Sweden and Finland. A recurrent statement in the report is that the Programme resulted in the creation of 5,200 jobs and the maintenance of 10,800 endangered jobs (rather than the more fanciful 34,200 jobs created and 71,800 jobs maintained recorded in the official registers). But hardly have these more modest claims been made before we are reminded that such central concepts as job creation and job maintenance have never been clearly defined or even been given a reasonable operational interpretation. Furthermore, the information available for an assessment of the programme is completely unreliable. Oscillations between the assertive and the agnostic mind-frames continue throughout the report (the former type on pp. 5, 61 and 63, the latter on pp. 12, 37, 47, 56 and 63).

The synthetic evaluation by the European Commission covers the same two fronts. On the one hand it expands at length on the achievements of Objective 1 interventions, high-lighting their efficiency, effectiveness and Community added value. But there are also ample concessions about the uncertainty of many reports and evaluation studies as well as occasional lapses into the agnostic mood: “Relative efficiency has been achieved, in the sense that money has been spent and substantial outputs have been secured” (EC 2003b p. 23). Attaining disbursement goals would seem to be a rather modest indicator of success. In a similar vein, a previous Commission report conceded that "in reality, it is impossible to know what would have happened without the support of the Union" (EC 1999b, p. 155).

The 2003 Commission synthesis goes no further than the Katajamäki report in dispelling the mysteries surrounding the key concepts of "jobs created" and "jobs maintained", but it is nevertheless prepared to testify that over the 1994–1999 period, Objective 1 interventions have supported the creation of at least 723,957 jobs (EC 2003b). This is a gross figure, and a methodological appendix presents an impeccable analysis of why such figures are of very limited value, given the losses incurred through what in different analyses goes under such names as substitution effects, dead-weight effects, crowding-out, *aubaine* or *Mitnahmeeffekt*. But with this concession on record, the Commission has no qualms in repeating its gross figure. This is a variation on the previous theme: assertiveness in the executive summary and agnosticism in the methodological appendix, thus far available only in German and French.

3. The recognised difficulties in isolating the effects of Structural Policy interventions from those of other independent variables have inspired several economists to approach the issue through **macro-economic modelling** or other forms of **econometric analysis.** The varying results of such inquiries are linked to the different areas and time periods covered and to the different sets of variables included in the regressions.

The first model simulation, HERMES, was developed to analyse supply shocks in the 1970's and 1980's. The Pereira study was carried out to examine improvements in economic efficiency on the supply side, while the Beutel study used an input-output model to look into effects on the demand side. Subsequent models, such as QUEST I and II and HERMIN, sought to cover both supply and demand.

The results of these studies were relatively consonant. According to the Beutel study, structural support corresponding to some 3 per cent of the GDP of Greece and Portugal had led to a GDP increase of about one per cent in each country in the 1989–

1999 period. The relative impact was somewhat more marked for Ireland and Spain. In all of these cases investments in infrastructures generated growth but not much employment.

The HERMIN model distinguishes between short-term effects on demand and more long-term effects on productivity and competitive strength. The former make a greater contribution to GDP growth than the latter. The QUEST II model seeks to cover a larger spectrum of secondary effects, including monetary policy adjustment and the crowding-out of private investments, and hence arrives at a lower estimate of GDP growth impact, between 0.1 and 0.3 per cent in the various cohesion countries (EC 1999b p. 155f, 229).

A further project initiated by the Commission is the LSE Study, based on simulation of different types of subsidised regional investment. The findings indicate higher returns from transport investments than from the enhancement of environmental protection, but also a better turnout in already strong areas. This signals that the growth generated by the cohesion support might lead to widening regional disparities (EC 1999b).

A recent analysis by the Netherlands Bureau for Economic Analysis (CPB) adds further fuel to the cautious assessment of Structural Policy impact. According to this report, various studies have qualified the impact of the Structural Funds on economic growth as positive, insignificant or even negative. Its own model simulations indicate that cohesion support equal to one per cent of GDP may yield 0.18 additional percentage points in annual growth of GDP per capita. In practice, however, only a fifth of this result is obtained, or 0.04 per cent. The Dutch study thus ranks among those that deem the Structural Fund contribution to convergence insignificant. But it does not rule out improvement in the future, with a concentration of the support to the poorer countries and an emphasis on promoting the institutional conditions for growth (Ederveen 2002a, 2002b).

To sum up, there is a whole range of different studies with more or less encouraging results as far as Structural Policy impact on growth and convergence is concerned. One general rule seems to be that relatively simple models with only a few variables tend to hint at a stronger influence than more complex models integrating different types of secondary effect. But this does not explain all differences between the various modelling techniques. Not surprisingly, the European Commission appears more prepared to trust studies indicating a greater impact, drawing much more on the HERMIN model results than on its own QUEST II study and offering a rather reserved recognition of the CPB study (EC 2001, EC 2003a).

3.5 Conclusion

The concrete results of EU Structural Policy are easy to observe: the Psyttalia sewage plant outside Athens, the Vasco da Gama bridge across the Tejo river at Lisbon, a ring-road around Madrid, the upgrading of the Val di Susa ski resort in Piemonte, and the construction of a bio-energy power plant in Tyrolian Salms. Summarising all these projects and measuring their aggregate consequences is a much more difficult undertaking, particularly if we want to move beyond the gross figures to an assessment of net impact on growth rates and territorial imbalances. That ambition compels us to leave the realm of solid and verifiable observations to enter into the misty land of intertwined variables, counterfactual assumptions, and grand theories of economic development.

As noted in this chapter, there are several ways of defining the gaps between different countries and regions. The reports surveyed seem to confirm (1) that there has been a reduction in some of these imbalances in recent decades, (2) that some part of this process may be due to long-term tendencies in advanced market economies, (3) that other parts may be related to equalisation efforts endemic in national regional policies, taxation, social security transfers, and other national policies, (4) that still other parts of the process may have been influenced by EU policies and rules in favour of trade expansion and increased mobility, and that (5) a further positive factor may have been EU Structural Policy interventions.

But the magnitude of the fifth element cannot be pinned down. We will have to live with this uncertainty as we now proceed to examine the relationship between *convergence* and *cohesion*. While these words are sometimes pronounced in one breath and treated as being more or less synonymous, there are no reasons for confounding them or regarding them as Siamese twins. A clear distinction between the two concepts is necessary for any serious consideration of the future agenda for EU Structural Policy.

4 STRUCTURAL POLICY AND COHESION

The objective of **economic and social cohesion** appears in the Preamble of the 1957 Rome Treaty, but this was long a neglected formula. Its present prominence in the doctrine and political practice of the European Union can be traced back to a formative period in the 1980's. When the Commission under Jacques Delors sought to re-launch the European integration process through the Single Act, the Internal Market and the European Monetary Union, a new impetus to the hitherto relatively modest Structural Policy was seen as an important ingredient in this offensive. The basic idea was to supplement the "liberal" or "market-oriented" elements of the programme with a "social" component and an explicit commitment to solidarity, thus appealing to both rightist and leftist currents of European public opinion. This alliance proved very tenacious and has since formed a strong basis for the continued push towards harmonisation and integration.

Delors and his collaborators considered several different labels for this policy, such as redistribution, solidarity, justice, social and regional development, and convergence. Finally, they settled for the thus far largely overlooked concept of "economic and social cohesion" from the 1957 Preamble. The other terms were also to be used in different contexts, but "cohesion" was chosen as the principal code-word for the social part of the programme launched by Delors. It caught on quickly and came to be attached a few years later to the particular new mechanism that was baptised the "Cohesion Fund" (Ross 1995, Hooghe 1996).

The idea of promoting "cohesion" enjoys a wide appeal across the political spectrum. What is perhaps less obvious is the role that "convergence" might play in this pursuit. The underlying idea is probably that economic disparities undermine the sense of community that is desirable in the European Union and that disparities between regions and countries carry a particular weight compared to other disparities, such as the cleavages between rich and poor within any given geographical area. There are some good arguments in favour of this position which is also the basis for regional policy and a great many equalisation measures within Member States, but this idea of cohesion generated by territorial economic convergence is certainly not the only possible interpretation or derivation of the concept.

If we want to be serious about “cohesion” as an objective for EU policy and at the same time as a precondition for further progress in European integration, we should take a broader look at this goal. As a starting point, I will discuss the role of cohesion in the evolution of the Member States before examining the place of cohesion in the current Structural Policy and suggesting some suitable targets for a future cohesion policy at the European level.

4.1 Cohesion and the nation state

Cohesion is a general property in enduring organisms and organisations. To survive, all systems must stick together. The various forms of glue performing this integrative function are examined in many academic disciplines, as are also the disturbances and tensions leading to disintegration and systemic collapse.

Political scientists tend to distinguish several intertwined processes in the emergence of the modern state: the evolution of national and other territorial identities, the consolidation of political institutions and procedures, and the growth of legislation, protection mechanisms and public policy interventions. The fifteen Member States of the European Union are all products of such integrative sequences and chains of events. Some of them have a long history as sovereign nations while others are of more recent vintage. The unity attained is not always solid and irreversible. While all nation states have at some stage engaged in the suppression of local and regional autonomy, we presently see trends in the opposite direction in such countries as Belgium, Britain, France, Italy, Denmark and Spain. Yet by and large all these entities have by now attained sufficient cohesion and unity to be able to function as robust and stable political systems.

What creates, constitutes and maintains the unity of the nation state? It may be useful to distinguish between four different forms of cohesion: (1) economic, (2) social, (3) cultural and (4) political.

Economic cohesion. In the latter part of the 20th century, the world experienced an extended period of economic growth without precedent in any previous epoch of its history. In Europe, *les trente glorieuses* after the war were followed by some twenty years of slower expansion, but in the last decade of the century the growth process again recovered some of its momentum. All in all, this was a period of unparalleled increases in production and consumption, in trade and employment, in collective activities and transfers, in public welfare and private living standards.

When economic historians are asked to account for such peak periods in economic performance, they often point at such factors as *innovations, institutions* and *investments*. Scientific discoveries and technological inventions were clearly a key precondition for 20th century growth, with breakthroughs in such strategic fields as energy production and distribution, transportation, trade technologies, service delivery, media and the diffusion of information. At the same time, institutional consolidation and effective legal protection provided an environment of trust in which actors became more daring and enterprising. This opened up many opportunities for investments both in human capital and in material productive capacity.

In another perspective explored by economic theorists since the late 18th century, the increasing wealth of the nations grows out of a process of progressive functional differentiation and integration. While the autarchic household of the past was highly inefficient and thus condemned to poverty, the increasing division of labour and exchange of goods and services first in local communities, then within limited regions and finally through large-scale international trade led to continuous gains in productivity and quality of life. Though countries abandoning their old patterns of self-sufficiency for a partial reliance on international exchange are inevitably exposed to a variety of short-term fluctuations in the global market-place, in the long run they benefit from this strategy of economic integration and are richly rewarded by exploiting their comparative advantages.

The inherent vulnerability in any such exchange-based system for attaining and maintaining wealth is nevertheless an important determinant behind the need for economic cohesion. Eking out your livelihood in a self-sufficient household you are not so dependent on others. In a highly integrated economy, however, the situation is quite different as your continued well-being is contingent on the continuous supply of many inputs and the healthy functioning of a large number of separate mechanisms of production and distribution. The smooth interaction with all these mechanisms will be a cardinal requisite for economic efficiency. This is why social skills and communication talents are so crucial for agility and success in the market economy and why actors have to allocate an increasing share of their energy to maintaining contacts with others. Social capital acquires an increasing importance in addition to physical assets and productive competence.

An important ground for stability in the developed exchange economy is furthermore the extended time-horizon in the calculus of most actors. Where costs and benefits are assessed in a short-term perspective only, there is always a greater propensity for violent, aggressive and criminal behaviour. The drug addict in frantic search of money for immediate purchases is an extreme example of an economic actor with a short and proximate time-horizon; ulterior consequences carry no weight in his decisions. His antidote is the socially well-integrated person whose action is guided and restricted by a whole set of considerations about sequels, reactions and other after-effects. With stakeholders constituting the vast majority of the population in wealthy societies, there are strong forces favouring economic stability.

This has implications both for international relations and for social relations within individual societies. When the Vikings changed their economic behaviour from raid and robbery to continuous trade, they began to develop stable relations with particular cities, and their successors were eventually integrated into the Hanseatic League. Much more recently, the "scramble for Africa" and the pursuit of quick profits in certain parts of that continent presupposed a different style of economic behaviour than that of long-term exchange. Though significant security arrangements and the recourse to violence survive in some parts of global commerce, we can also observe a secular tendency towards more peaceful trade patterns.

The same holds true for domestic relations. Where earlier theories of capitalism frequently emphasised the inevitability of class strife and conflict of interests between different strata, later observers are often struck with the considerable measure of social peace in developed market economies. In spite of continuing disparities in wealth, acute conflicts are infrequent except in periods of particular economic turbulence. One reason for this is certainly the high degree of mutual economic interdependence prevailing in market-based societies. If broad strata consider disruptions and disturbances to be harmful to their future wellbeing and believe that more is lost than gained through militant manoeuvres, they are not likely to engage in an energetic pursuit of short-term political and economic interests.

Social cohesion. A further reason for the relative harmony in developed market systems is the wide range of measures that have been taken to narrow economic gaps and disparities. The industrial revolution from its very inception was accompanied by a variety of concerns which the 19th century often referred to as "the social question". These elicited a variety of policy responses stretching from educational reforms, poor laws, alcohol legislation, urban and housing programmes to social insurance schemes intended to alleviate the high degree of economic insecurity induced by conjuncture-sensitive employment conditions and other work-related contingencies. With the Bismarck social insurance initiatives in late 19th century Germany, the Beveridge reforms in post-war Britain and various enterprise-based services and benefit schemes in the Communist countries providing inspiration for different models of social protection, 20th century industrialism was always connected with a whole panoply of accompanying measures to mitigate frictions and satisfy needs not spontaneously addressed by the market.

As analysed by Esping-Andersen (1990, 1996), Flora (1986–88), Kuhnle (2000) and others, welfare capitalism has assumed many different faces. The role assigned to families in the provision of care has differed a great deal not only over time but also across nations, with northern Europe more prone to organise institutional services for the elderly and the Mediterranean countries more inclined to preserve multigenerational households. When it comes to financial arrangements, another cleavage goes between the corporatist arrangements of the social insurance system in continental Europe and the largely state-funded systems in the Nordic countries. Albert (1993) sees a principal distinction between the Anglo-Saxon model and the Rhine model, the former informed by stringent economic liberalism and the latter more inclined to build on étatisme combined with interest-group accommodation.

The models chosen have significant implications for gender relations in the different societies, as family care is often synonymous with women remaining at home and labour markets correspondingly dominated by men. With women particularly active in the formation and maintenance of informal networks, the forms of welfare provision have also left their mark on the patterns of social interaction. Important increases in GDP and in the balance between the formal and the informal economies in the post-war period are linked to growing female participation in the labour force.

The parallel expansion of market economies and welfare state arrangements signals a complex causal texture in the relationship between the private and the public sectors. While a long line of economic theorists extending from early 19th century Manchester liberals to late 20th century libertarians and neoliberals have emphasised the harmful effects of the public interventions and the fiscal burden associated with big government and while some currents in the social democratic tradition may well have over-advertised the economic benefits of welfare arrangements, there is clearly a mutual dependence between economic growth and the increasing provision of certain collective goods and services. Capitalist expansion would not have been possible without a certain range of public activities and arrangements, but it is also the necessary base for their funding. Though particular fiscal measures and ill-conceived public interventions can certainly harm economic growth, the principal nexus between the two processes is one of mutual support.

A different vision of this relationship is presented in the train of thought represented by Michel Foucault where central ingredients in the evolution of government are the invention and refinement of mechanisms for the exercise of control, discipline and domestication. Seen in this light, welfare institutions and support schemes serve the function of reducing heterogeneity and maintaining public order. Of particular importance is the suppression of deviant behaviour and thought patterns. Education, health care and a host of accompanying policy programmes contribute to the steady supply of competent and orderly labour. Other public bodies are there to handle the marginalised people and keep them out of the way. In this perspective, too, there is a clear linkage between economic growth and the evolution of the state, though its nature is far more sombre. This type of nexus is further explored in a growing body of Foucault-inspired studies on the "governmentality" of modern societies (Smandych 1999).

Social cohesion is highly dependent on perceptions of distributive justice. This affords a particular role to taxation as a means of keeping imbalances in wealth and living standards within the bounds of the tolerable, but also to other forms of redistributive policy such as development assistance and emergency aid to suffering groups and areas. Regional policy as practised in many modern states can be seen as a systematisation of such efforts, made possible through the increasingly efficient articulation and aggregation of the interests concerned. Yet what is explicitly labelled regional policy is only a small part of the many different measures affecting the geographical distribution of wealth and living standards, whether they be regulatory, fiscal, or related to public expenditure.

Cultural cohesion. A third feature linked to the emergence of advanced industrial societies is the increasing intensity of communication and the simultaneous extension of common cultural frameworks. This evolution is reflected in the formation of larger language areas and the repression of parochial diversity in favour of national and global homogeneity.

Again, the connection with economic growth is quite intricate. Literacy and numeracy have old links with both commerce and public administration. The oldest preserved written texts from the civilisations of the Eastern Mediterranean are extracts of bureaucratic reports and accounts. While primitive agricultural societies had relatively little need for sending or receiving messages, communication skills and technologies became increasingly crucial with an expanding economic exchange. In trade transcending the immediate vicinity, there was a need also for a common lingua franca and for diffusion of economic information. The consolidation of dialects into a limited number of languages was a development linked to the development of long-distance trade and to the aggregation of smaller political units into larger nations.

Nation-building and state-building were often interconnected processes. Either of them could precede the other: in some cases we have seen “a nation in search of a state” and in others “a state in search of a nation”. According to the typology suggested by Hroch (1985), the national awakening often went through three stages: an early “intellectual” phase in which artists and scholars sought to extract national symbols and traditions from historical and ethnographic inquiries, a “political” phase in which these themes came to serve as vehicles for movements and parties, and finally an “étatiste” phase in which they were integrated into official national doctrines and forcefully propagated through schools and other means of mass communication. An impressive literature covers the complex relationship between state-building and nation-building (Rokkan et al. 1999).

The consolidation of national identities is linked both to seminal events, often traumatic, and to the evolution of communicative agencies cultivating and propagating the memory of such events. The formative stages in the history of a nation are, as Ringmar (1996) has put it, "periods of symbolic hyper-inflation" when a large number of emblems, flags, dress codes, fêtes and rituals are invented. But to make a lasting impact such traditions must also be maintained and conveyed through a system of mass communication. Within the nation state, the common frame of reference supplied by the mass media, the school system, national heroes in sports and the performing arts and a massive amount of common experiences contained in the sphere of consumption and every-day life have conspired to reinforce the sense of national allegiance.

All this has contributed to the strengthening of national identities which served many functions in the 20th century. To begin with, they greatly facilitated the mass mobilisation required to wage World War I. Second, they played an important role in the acceptance of general suffrage which enhanced the legitimacy of government. The democratic institutions in combination with the heightened sense of national solidarity in turn paved the way for the welfare state and a dramatic extension of the public sector. If at the outset of the 20th century some 5–10 per cent of GDP passed through the public coffers, the level of taxation and public spending at the end of this century had attained between a third and a half of GDP in all industrialised countries, and even more in Scandinavia. The growing cultural cohesion within the nation states was an important prerequisite for this expansion.

Yet cultural cohesion did not develop within the confines of national cultures and national borders alone. With the increasing ease of communications in the 20th century, many new fashions and contraptions also obtained a world-wide impact. Films, music and other forms of popular culture created trans-national generational cohorts bound together by shared experiences. With the educated classes in particular serving as transmitters of elements of a nascent global culture, stronger links were forged between the many civilisations and national traditions in different corners of the world. Through the revolution in international communications, a new shared idiom has been established above the national languages, an idiom constituted and held together by universally well-known symbols, icons and logos. This evolution constitutes one of the predominant trends in the much-discussed process of "globalisation".

Political cohesion. A significant feature in the political development of the last few centuries is the streamlining and systematisation of norms and institutions. Specific and improvised approaches have been co-ordinated, homogenised and crystallised into stable patterns. *Ad hoc* solutions have given way to consistent methodologies, and exceptions have been pressed back in favour of neatly arranged rules. Legislation has become organised in hierarchical layers with clear principles of precedence. Where ancient sovereigns made a host of disjointed decisions, one after the other, modern governments are more prone to apply systems and standards. The modern political mind has transformed the nature-grown English gardens of traditional governance into orderly French parks.

The growth in political consistency can be observed at many different levels. Looking at the institutional structure of European societies a few centuries back, we find a motley assortment of arrangements. Many towns still had their particular "freedoms" derived from ancient royal patents or concessions, and among the regions there were all kinds of counties, cantons, bishoprics, feudal fiefs and mini-republics. Rights and duties varied widely on the basis of guild membership and hereditary status. Tradition and privilege concurred in sustaining highly fractured political systems.

Launching the ideas of equality before the law, the single citizenship and the civil service career open to all talents, the French Revolution challenged this fragmentation. Many subsequent reforms laid the ground for enhanced national consistency. In legislation, *Code Napoléon* and *Bürgerliches Gesetzbuch* ushered in an era of significant harmonisation. The administrative reforms in Prussia and the emergence of the modern Civil Service in Britain paved the way for modern government. This was the era of the state, sometimes said to be the creation of a few dozen German professors in public law. What the 18th century had started through the invention of the "cameral sciences" and the "police" (a "policed society" in that age was an orderly, disciplined community), the 19th century continued through the homogenisation of administrative standards in a range of policy areas, including that of local self-government.

An element enhancing national political cohesion was the acceptance of more rigorous chronological frameworks. National elections became increasingly frequent and regular. An accelerating recourse to time-limits introduced more discipline into the administrative institutions. Publications began to appear at regular intervals. With the postal system and the arrival of early telecommunications followed not only a quicker heartbeat of the political system, but also a greater penetration of previously isolated areas. The periphery moved closer to the centre and entered into the same theatre of events.

The introduction of compulsory schooling was an immensely important step in the enhancement of national cohesion. As a communicator of a common national frame of reference and other political messages, the school-master at his desk proved vastly more efficient than his predecessor, the priest in his pulpit. The gradual development of secondary schools, colleges and other forms of higher education were further contributions to the formation of common perspectives.

Another 19th century innovation working in the same direction was the emergence of clubs, societies, and associations. While most such activities were local, the new means of communication facilitated the diffusion of ideas and associative forms across geographical and linguistic barriers. From the latter part of the 19th century in particular, Europe saw an unprecedented growth in religious, political and civic movements, including trade unions, professional associations and a huge number of clubs based on common leisure interests. If enhanced political cohesion was the express purpose of some such organisations, it was also an unintended by-product of many others. Of particular importance was the emergence of national political parties.

The continuing revolution in communication technologies has added further momentum to this process, facilitating information flows both inside the state machinery and in the wider democratic infrastructure in which it is embedded. In measuring the extent of political cohesion in present-day European societies, both of these spheres are highly relevant. We can identify, firstly, a certain number of objective elements linked to the institutional and legislative uniformity of the modern state and to the wide range of policies purporting to inject a tangible substance into the concept of citizenship. But another relevant sphere is that of subjective allegiances and perceptions of community and solidarity. The linkage between these two sides of political cohesion is quite strong: without a measure of "systematised equality" there would not be a sufficient sense of common identity within the political system, but the latter is in turn a precondition for the sustainability of the modern welfare state, which rests both on extensive demands for compliance with legal obligations and on far-reaching redistribution based on the extraction of substantial resources through the fiscal system.

In conclusion. While it is possible to keep these four forms of cohesion analytically distinct from each other, it is also obvious that they are bound together by a thousand threads. To mention but a few of the most obvious connections:

- The growth and differentiation processes that produce economic cohesion also generate frictions that require active measures to attain social cohesion;
- A measure of social cohesion and a measure of cultural

cohesion are preconditions for political cohesion and fiscal mobilisation, which in turn enable governments to implement social and cultural policies.

- Economic development is contingent on a combination of trust and mutual understanding which comes about only within certain cultural frameworks.

This list could easily be continued. Causes and effects, independent and dependent variables link up to each other in complex patterns. Though it is clear that the modern state and the modern society have evolved through parallel developments in all these four fields and an intense interaction between them, the direction of causality and the sequencing of events in this process are not easy to disentangle and not necessarily identical in different societies.

4.2 Cohesion and the European Union

If the European nation states have come far in consolidating their cohesion, the European Union is a clear laggard in this respect. While economic integration is proceeding at a brisk pace, the sense of community in the Community remains notoriously weak. The Union is still a political entity in the making, often referred to as an organisation *sui generis,* an integrated organism *in statu nascendi* or, in the words of Delors, an "unidentified political object". It is more than an international organisation but less than a state, combining inter-governmental, confederational and federational ingredients in its operational make-up. In cultural terms, there are old and new links binding us together through the shared heritage and the many common references diffused through global mass communications, but under this the layer of common codes, the continent also persists as a mosaic of dialects and languages, of customs and traditions.

What is the role of **cohesion** in the development of the European Union? And what forms of cohesion are particularly important? Let us first consider one similarity and one contrast.

- In the building of Europe just as in the building of the nation state, there is a complex dialectic and reflexive relationship between cohesion and the process of integration. Cohesion is both a *precondition* for European unification and one of its *effects*. In one scenario, increasing contacts and a growing sense of solidarity contribute to a greater sense of community among Europeans which in turns facilitates the elaboration of common policies and the acceptance of common standards. In the reverse scenario, the continued short-sighted defence of national and parochial interests may block further progress towards European co-operation and unity.
- Comparing the efforts undertaken to promote cohesion at the national and the European levels, one is however struck by the difference in breadth and focus. Whereas the long-term policies to consolidate the nation state have included sustained efforts in all of the four fields mentioned above, European cohesion policy has thus far been very much lop-sided towards one particular angle and one particular set of interventions. In current EU usage, the very term "cohesion" has taken on a highly specific meaning. Often preceded by the attributes "economic and social", it refers either to EU Structural Policy in general or to the particular form of transfers channelled through the Cohesion Fund. Not only is the cohesion policy of the EU limited to the economic and social fields, but it is also concentrated to some rather narrow segments of these two areas, those of structural development and territorial equalisation.

What nexus is there then between "convergence" and "cohesion"? By which routes would a reduction in the disparities between production levels and living standards in different parts of the continent lead to enhanced integration and a strengthened sense of togetherness? One might imagine both concrete and symbolic elements in such a causal process.

Many pains of poverty stem out of the awareness that life could be different. It is easy to foresee that a certain degree of opulence and conspicuous consumption in the wealthier parts of the European Union might generate a sense of injustice and relative deprivation in areas lagging behind. Countries and regions with limited resources might also find it difficult to live up to the common standards agreed at the European level. A process of catching up and a reduction of the material disparities could conversely lead to a greater sense of community and shared destiny.

The cohesion impact of policies promoting convergence need not be limited to the lagging areas alone. Under favourable circumstances, there can also be positive vibrations for the net contributors. Well-organised solidarity efforts give satisfaction to both donors and recipients. With so much in our life guided by self-interest and the fulfilment of personal needs, we all need sound doses of altruism to arrive at a healthy psychic balance. If the family or "the small world" around it are the most immediate and most important scenes for our caring instincts and our empathy with others, there are also further circles beyond them for such actions and emotions. Voluntary work, redistributive policies and social interventions have an important role to play in this context at the local and national levels, as has development assistance and other forms of international cooperation beyond our borders. In measuring the impact of such efforts, it is crucial not to forget the whole spectrum of benefits accruing to the donors, ranging from the emotional returns of altruism to the extension of the self-image and the widening of identity horizons.

Closely related to this aspect is the need not to belittle small contributions because of their marginal scope or effects. Gifts may have a symbolic value far exceeding their material value, and the same can well be true of well-managed assistance programmes. Limited flows of support can also have great strategic importance if they involve a transfer of know-how, technical expertise and extended perspectives.

It should therefore not be excluded that initiatives in favour of convergence might make a sizeable contribution to the pursuit of cohesion in the European Union. But it is hardly a foregone conclusion that such efforts are really the best or the most efficient way of furthering this goal, or that the particular forms of intervention that have emerged within the field of Structural Policy are ideally suited to serve this purpose, or even that the privileged arena for the promotion of cohesion should be the economic and social sphere. As we have seen from the checkered history of this policy (chapter 2), many political bargaining processes have left their marks on the design of EU Structural Policy, and it is not at all self-evident that its present shape corresponds to present priorities.

In returning to the four types of cohesion distinguished in the previous section, we might usefully look at them through the prism of subsidiarity. There is broad agreement that all four forms of cohesion discussed here — economic, social, cultural and political — are essential and indispensable features in the "European model", or the special type of society characteristic of modern Europe with its combination of free markets and social protection, of freedom and equality, of *Rechtstaat* and *Sozialstaat*, and of respect for human rights. What is less obvious is the optimal distribution of responsibility for these different desiderata between the various levels of government. Recognising a specific form of cohesion as vitally important does not necessarily imply that it is a suitable task for the higher echelons of European governance.

- Looking first at **economic cohesion,** it seems evident that the European Union has already played a major part in furthering integration and interaction between the various economies and will retain a crucial place in this process. The elimination of customs barriers, the extension of access to previously closed market segments and the co-ordination of many rules of the game are key factors in recent European economic development. While Structural Policy interventions may have given some impetus to this growth process and may perhaps make a particularly useful contribution to the adaptation of the new Member States to the common standards, the main force within the EU propelling integration is certainly to be found in the regulatory frameworks for trade and mobility and in the monetary union. Historically, the main role of Structural Policy in this context has been more oblique than direct: by neutralising apprehensions and lubricating the transition process in economically distressed areas, it has given a push to the process of economic integration.

- Within the concept of **social cohesion** we find a whole batch of different concerns that are crucial to the European project:

  (i) One is the issue of equality and distributive justice. Clearly, the key actor in this field is the national government and to some degree the various levels of subnational government. Income maintenance systems and targeted support of individuals outside the labour market require massive transfers based on the mobilisation of judicious mixes of self-interest and solidarity. The European Union with its present minuscule budget is not in a position to engage in the purely redistributive side of this undertaking.

  (ii) The contribution it has made through Structural Policy is located in the adjacent field of "help for self-help", supporting efforts by the weaker areas to pull themselves up by their own boot-straps. Even here, its assistance has been a largely symbolic supplement to national efforts, though often marketed as a highly strategic boost to the autonomous productive and expansive forces within poor and vulnerable regions. The problem with this approach, however, is very much the same as with national attempts to promote growth in targeted areas. Picking the winners is excruciatingly difficult, and the historical record of public authorities in this respect is none too encouraging. There is little solid knowledge on which to base the selection of interventions, which is why policies tend to be scattered and often veer from one fad to the other.

  (iii) A third social policy concern refers to relations in the labour market. By bringing the social partners into key deliberations on European affairs and giving them a voice through the Economic and Social Committee, the

European Union has played a constructive role in building consensus between employers and employees.

(iv) A final aspect refers to the setting and enforcement of certain common standards in the social field and to the social facets of labour mobility. Though most arrangements are likely to remain national, a measure of harmonisation is also required. In art. 13 of the draft constitutional treaty proposed by the Convention, social policy is designated as an area of shared responsibility.

As far as social matters are concerned, a further analysis of the division of responsibilities between different levels of government seems very much called for. Though European contributions for social cohesion should by no means be ruled out, it seems important not to burden such policies with unattainable, perhaps even unapproachable objectives. Neither is it advisable to reduce cohesion policy to the narrow aspect of growth promotion in economically weak countries and regions.

- With "economic and social cohesion" perpetually invoked as a mantra, far too little attention is paid to the need for **cultural cohesion** in the European Union. Comparing the past cohesion efforts that contributed to the consolidation of the European nation states to those presently going on in the European Union, one is struck by the lack of a cognitive, spiritual, and value-oriented dimension in EU cohesion policy. The adoption of the Charter of Fundamental Rights might signal a mind-turn as far as common values are concerned, but there is as yet little action to back up this shift in emphasis. As far as Structural Policy is concerned, it is still very much hooked on the original material goals of the Rome Treaty and has not been adapted to later efforts to broaden the political canvas and give room for a much wider set of objectives.

Not that cultural goals have been entirely excluded from the EU agenda. Besides the small budget available to the Commissioner for Education and Culture, a certain number of cultural activities are also co-financed through the Structural Funds, masquerading as measures to promote economic development or infuse vitality into distressed areas. But the main often repeated tenet is that cultural policy is a domain of the Member States into which the Union should be wary of intruding. The same goes for education. Though some slice of this sector may qualify for support if it can be defined as an instrument for the restructuring of the economy, the main EU principle has always been to respect the national and in some cases sub-national hegemony in the sphere of education.

Without calling in question this fundamental division of labour, rooted in our linguistic diversity and the continuing strength of our national traditions, there are nevertheless significant areas in cultural policy and education where more European co-operation and even some measure of harmonisation would be desirable. The many joint activities developed within the Council of Europe under the wide umbrella of the European Cultural Convention illustrate the leverage potential of even small infusions of resources. Cultural exchange, joint projects between libraries and archives, translation of literature, European film production, protection of the cultural and natural heritage, support for museums and exhibitions, synergies in the audio-visual field, theatre and live music are some areas where EU contributions could generate a genuine European value added of high symbolic value.

In education, the main task might be to promote the common European dimension in school curricula. In the last few decades, European studies have emerged as an important field of teaching and research at university level, and there are already dozens of centres offering undergraduate and graduate instruction in such topics. But the European element in the teaching of civics in our primary and secondary schools is still deficient and uneven. Much more can be done to develop mobility programmes so that they reach not only the brightest and most upwardly mobile students, leaving aside the vast majority of adolescents and young people. The moot issue of foreign language learning is from time to time touched upon by European leaders and ambitious goals are pronounced ("two foreign languages for every student!"), but little is done to translate such ideas into action. If we really aim to bring a solid European component into our school systems at various levels, there is an obvious scope for a multiplication of the common efforts in this field.

Teacher training may be singled as a particularly strategic task. To bring more European substance into our schools we need educators with a broad European perspective. Some measure of joint education at European teachers' colleges would be useful in this context.

- The link between Europeans and the European Union remains weak. This is variably specified as a low visibility of the European Union, a feeble European identity, a flagging interest in European affairs, low trust in European institutions and widespread ignorance of the supplementary European citizenship introduced through the Maastricht Treaty. All of these circumstances conspire to the persistence of a stubborn "democratic deficit".

  Again, the lessons from nation-building and state-building are perfectly clear. If an entity wants to function as a coherent, effective and legitimate political body, it cannot refrain from making serious investments in **political cohesion.** Constitutional development is crucial to enhance responsiveness and accountability. The recently concluded Convention has made a number of suggestions along these lines. But there is also a need to embed the formal institutions in a democratic infrastructure, allowing them to operate in touch with civil society and with independent media.

  The key problem in the European setting is that this infrastructure is still largely self-contained within each Member State, or language area. There are as yet only contours of a common European "public space". Yet to attain political cohesion there is need for a whole range of supportive measures to break down these barriers. Of crucial importance is the sphere of mass communications. EU contributions to the widening of this public space could usefully be channelled to conquering the language barriers by different forms of transfrontier media. Common ventures in European television have made their modest beginnings with Euro-News which could usefully be expanded to cover further languages. A cultural channel (a "Euro-Arte") has been proposed by Lionel Jospin, and a European political channel (a "Euro-Phoenix" or a "Euro-C Span") would seem to be equally useful. With the plenary discussions in the European Parliament already interpreted into all the official languages of the Union, it would be quite inexpensive to broadcast them throughout the continent.

Summing up this argument, there are good reasons to question the present concentration of Structural Policy interventions to certain limited segments of social and economic policy. If the objective of cohesion is taken seriously and targets are sought out that would give maximum impact for the resources invested, more attention would be due to its cultural and political dimensions. The challenge of forging cohesion in the emerging European polity cannot be reduced to the shrinking of regional imbalances and the equalisation of living standards between different areas.

5 STRUCTURAL POLICY AND ALL THE OTHER OBJECTIVES

Judged solely on the merits recorded in the previous chapters, the solid achievements of EU Structural Policy might appear a bit thin. Continued compensation payments for yesterday's predicted losses that eventually did not materialise, probable but not fully proven contributions to the reduction of regional disparities and a limited but not too significant contribution of this partly propelled convergence to the goal of "economic and social cohesion" are not killer arguments for the annual transfer of close to € 40 Billion.

But before we arrive at the bottom line in an assessment of the results of EU Structural Policy, there are many other positive elements to take into account. Whether intended or unintended, whether explicit in the original framework decisions or recognised only later in evaluation reports and analytical studies, there have always been side-objectives and side-effects in EU Structural Policy. These cannot be neglected in a comprehensive evaluation of the record.

An aspect already mentioned is the symbolic dimension of Structural Policy as an expression of solidarity. Gestures indicating commitment and support may have an intrinsic value to both donors and recipients even if their material scope and impact are quite limited. But there are also more tangible outcomes of the various interventions.

While convergence and cohesion remain the principal arguments for EU Structural Policy, Commission presentations of its positive contributions are much more inclusive. In its 2003 Progress Report on Economic and Social Cohesion (EC 2003a p.23), it suggested the following list of "Community value added", abstracted from speeches by participants in the Urban programmes:

- assistance which is closer to people and their problems, offering an integrated approach to economic, social and environmental questions;

- effective and highly visible operations dealing with matters of importance to the Community;
- a high degree of partnership embracing not only the local authorities responsible for programme management but also other public and private parties, including those most concerned, the local inhabitants;
- an on-going learning process allowing the testing of innovative approaches and networking to exchange experiences.

In another attempt to define the benefits of Structural Policy, the Commission added further elements: the redistributive effect, the leverage impact on the private sector, the implementation of Community priorities of a trans-national character, and the spread of sound practices of programming, partnership, control, monitoring and evaluation (EC 2002b).

A further ambitious effort to sum up all the effects of the Structural Funds has been undertaken by the IQ-net, a group of analysts and practitioners engaged in programme management authorities across Europe. This network distinguishes five different types of benefits (Bachtler & Taylor 2003):

Cohesion added value stands for the reduction in social and economic disparities through contribution to economic development such as the creation or safeguarding of jobs.

Political added value is the enhanced visibility of the EU and the increased participation of sub-national economic development actors, business and citizens.

Policy added value includes the additional expenditure on regional development: national and sub-national co-financing, private sector leverage, policy innovation and the higher profile of regional policy.

Operational added value is subdivided into a long list of methods, techniques and institutional arrangements which have been diffused through the implementation of Structural Policy. Central in this sphere is the principle of partnership which is considered to have brought along enhanced transparency, co-operation and co-ordination to the design and delivery of regional development policy. Frequently mentioned virtues of this concept are an improved vertical coherence, stronger involvement of local actors and greater awareness of "the bigger picture".

Learning added value stands for the exchange of practical experience, the dissemination of good practice and the institutionalisation of a "learning reflex" as part of the routine delivery of regional economic development policy.

Apart from these testimonies from the Commission and from practitioners in the field, the panoply of side-effects is dealt with extensively in many contributions to the incipient discussion on the future of Structural Policy. A large number of statements and opinions by regional actors and interest groups are conveniently accessible through the home page of DG Regional Policy. And so are also the early positions and non-papers of most governments presented in preparation of the Informal Ministerial Meeting on Regional Policy and Cohesion at Halkidiki on 16 May 2003.

Bachtler & Taylor (2003) present the following summary of the messages in these official contributions:

- Several countries (Finland, France, Germany, Greece, Italy, Portugal, Spain) emphasise the value of Structural Policy as a tangible expression of **solidarity** between the richer and the poorer parts of the Union.
- Another recurrent theme is the policy's positive impact on **regional development,** underlined by Austria, Belgium, France, Greece, Portugal and Spain. Particular aspects mentioned in this context are the maintenance of local employment, the acceleration of diversification and the improved consideration of environmental issues.
- A third element is the knock-on effect on the very **process** of regional development, mentioned by Austria, Greece, Italy, Sweden and the United Kingdom). According to the Austrian Länder, innovations in strategic planning, integrated develop-

ment, partnership, long-term financial planning and high-quality evaluation have all contributed to the professionalisation of regional development.

- Lastly, EU regional policy is considered to have produced added value by facilitating **co-operation and exchanges** of experience (Finland, France, Germany, Italy, Netherlands, Sweden).

These positive remarks do not prevent several governments from taking relatively cautious positions as far as the future Structural Policy is concerned. The Netherlands, Sweden and the United Kingdom advocate a reduction of the budget and a "national approach". The discussion is far from over. What is clear, however, is that a strong mobilisation is under way to defend and extend present commitments.

There is no lack of constituencies in favour of continued or increased efforts in this field. This fact is regularly reconfirmed whenever the Commission (DG Regional Policy) organises one of its great conferences on the future priorities of the Union. In its Second Progress Report on Economic and Social Cohesion (2003), we learn about the following events:

- **A seminar on the Union's priorities for the regions** was attended by 600 participants from the Member States and the candidate countries. General agreement emerged on the importance of cohesion, the need for priority to be given to the least developed regions but also on the necessity of continued action outside those areas and a reserve for contingencies and continuing co-operation between regions.
- At a **seminar on priorities linked to employment and social cohesion** there were reminders of the role of human capital and life-long learning as well as calls for a better co-ordination of efforts for social inclusion through the Structural Funds.
- A London **seminar on urban areas** was attended by over 600 people involved in the Urban programmes, including many mayors. Here there was broad consensus on the need for con-

tinuing and increased attention to the problems of the cities. The mayors suggested that the Structural Funds might give more attention to urban problems and called on the Commission to make the cities a main partner in their policy dialogue.

- Lastly, 500 participants from the Member States and the candidate countries met to discuss **the Community and mountain policies** in the context of the International Year of the Mountain. This seminar underlined the need for specific projects, more cross-border co-operation and better coordination between Community policies in favour of mountainous areas.

The various groups of beneficiaries are thus all supportive of the particular programmes aimed in their own direction. And they are not alone. Similar positive views have also been expressed recently by the three official representative bodies at the European level.

In an opinion adopted on 6 November 2002, the **European Parliament** affirmed its support for a strong, mutually-reinforcing and inclusive cohesion policy and sustainable development, promoting regional cohesion and the polycentric, harmonious and balanced development of the Union. No less than 0.45 % of GDP should be devoted to these programmes, according to the Parliament.

The **European Economic and Social Committee** has expressed its support for the continuation of Objective 1 grants of aid after 2006 and the establishment of a particular resource to stabilise regional income and overcome the statistical impact (i.e. the fact that some regions move above the 75 % line as a consequence of the enlargement). The ECOSOC wants to raise the 0.45 % ceiling.

The **Committee of the Regions** took a similar position in its opinion of 10 October 2002, emphasising the need for continued support to both Objective 1 and Objective 2 regions and particular attention to the statistical impact.

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In conclusion, there is widespread recognition of the Structural Policy added value in several different areas. The many testimonies in praise of the Fund interventions seem to confirm Robert Schuman's famous statement that solidarity between the peoples of Europe comes about gradually, through many small common undertakings. Even if the aggregate results are difficult to ascertain, there are many favourable comments on the particulars. Vocal constituencies advocate continued support, and many participants in the policy-making process are prepared to confirm that Structural Policy has given a boost to enterprises, regions, sectors, policies, particular aspects, institutions and the visibility of the European Union.

There are also dissonant voices complaining about excessive bureaucracy, distorted priorities and skewed competition resulting from selective subsidies. In addition, there is a considerable amount of less articulate grumbling blended with the general criticisms of the European Union. This is hardly surprising: for every satisfied beneficiary of a targeted programme there are always a certain number of more or less dissatisfied non-beneficiaries. In the geographical areas not covered by the various Objectives and among non-recipients in the targeted areas, there is clearly a certain diffuse scepticism towards Structural Fund interventions, but so far these sentiments remain largely unmobilised.

6 GOAL CONGESTION AND THE FUTURE OF STRUCTURAL POLICY

> *If planning is everything, perhaps it is nothing.*
> *Aaron Wildavsky*

There are a wealth of success stories about Structural Policy interventions. In the well laid-out home-page of DG Regional Policy, they are sorted according to countries and topics. On offer here are ample narratives about the many ways in which Structural Policy has intersected and interacted with EU ambitions in different areas: transport, environment, research and innovation, promotion of small and medium-size enterprises, employment, fisheries, agriculture, tourism, culture, competition, urban affairs, spatial planning and peace.

The little plaque with the European flag has become a modern "Kilroy was here" sign, reminding passers-by all over the continent of the Union's involvement in countless infrastructure investments. With its imprint in so many places, there is no doubt that the Structural Policy has helped make the European Union visible to its citizens. This is gratifying and encouraging, but also a bit breathtaking. What price ubiquity?

The very *omnipresence* of Structural Policy makes it difficult to pin down and evaluate. An additional reason compounding this difficulty might be called its *multifinality*. Structural Policy is very rich in goals, not only the well-known Objectives 1, 2 and 3, etc. defining the eligibility to various forms of assistance, but also the **three layers of purposes** surveyed in this study.

In a first layer, discussed in Chapter 2, we find the **compensation** and *juste retour* considerations that have so frequently influenced modifications in both the rules and the volume of Structural Policy. While well-known both to the decision-makers themselves and to the analysts and students of EU policy-making, these motives seldom find their way into the written texts, except in the most paraphrastic, euphemistic and circumlocutory form.

The second layer consists of the twin concepts of **convergence** and **cohesion**. Though sometimes confused or understood as analogous and interconnected objectives, they are more often portrayed as two distinct steps in an integrative process. In the generally accepted diagnosis, the problem at the outset is defined as a range of wide disparities between the poor and the wealthy parts of the European Union. Convergence implies a reduction of these gaps, which will in turn lead to a greater cohesion in the Union. Chapters 3 and 4 have indicated a number of disputable points in this standard analysis.

In the first place, there are reasons to contend that *the gaps in European living standards have long been overstated* and that the problem to be dealt with is therefore less serious than generally believed, at least within the EU15. At the heart of this flaw is a well-established practice of duplication or "double counting". In spite of the emphatically asserted principle of additionality, implying that EU contributions should come on top of national efforts and under no circumstances replace them, the design of EU Structural Policy disregards the very extensive redistribution carried out by the Member States through regulation, taxes, transfer schemes and public consumption. Accordingly, the Union tries to achieve once again what has already been at least partly achieved through national policies.

A second problem is connected with *the place of convergence in the Structural Policy discourse.* In spite of much research and theorising in several disciplines, we do not know exactly how reduction in disparities comes about and how growth processes between different areas interconnect. But there are strong indications that convergence is a long, drawn-out evolution influenced by many different factors, including cultural preconditions, national policies and the size and vitality of markets. The contribution of Structural Policy interventions to convergence appears to be relatively limited and is at any rate difficult to assess within the short time span of the separate perspective plans. If the specific and concrete products of Structural Policy are easy to measure, its aggregate impact is much more intractable to evaluation and analysis. The pursuit of convergence as a policy goal is by all appearance a rather thankless enterprise.

A third issue is *the moot relationship between convergence and cohesion.* The increased sense of community needed to strengthen the European identity as well as the democratic functioning and the legitimacy of the European Union require efforts in many different areas, but a very limited segment of these is in effect addressed by the putative cohesion policy of the European Union. While convergence may have some role to play in attaining this goal, it is certainly not the only route leading in this direction and neither the most cost-effective one. A cohesion policy worth its salt would have to be based on a much broader analysis of the issue and encompass investments targeted also towards political and cultural objectives.

The final layer of motives for Structural Policy discussed in Chapter 5 includes a whole range of **institutional and attitudinal side-effects,** such as institutional development, the diffusion of new working methods to local and regional government, the widening of horizons for many participants in the process and the greater involvement of sub-national authorities and some segments of business and civil society in European co-operation. In this sphere we also find the mutual interaction between Structural Policy and EU aspirations in many other areas. On the one hand, as emphasised by the Commission, it seems obvious that the initiatives and activities of many DGs have their own impact on the reduction of regional imbalances and the boosting of economic development in poor areas. On the other hand there is also a reverse connection, with the cornucopia of the Structural Funds and the Cohesion Fund serving to supplement the meagre direct appropriations to the various sectors in the EU budget. In the evolution of the European Union, there have been many occasions on which speedy action in new priority areas has been possible only through the flexible recourse to these funds.

6.1 The problem of goal congestion

Discovering so many ambitions compressed into one single policy, we are entitled to ask whether such an advanced form of multifinality can ever be efficient. A classic challenge was always, how many persons can you squeeze into one Volkswagen? Using several instruments to reach several objectives creates confusion and inefficiency, a point well made in the recent Sapir report (2003). The political masters of the European Union have squeezed so many tasks into Structural Policy that we have reason to be concerned about its own coherence and cohesion.

What we see here is a prime example of **goal congestion.** While academic analysts, auditors and evaluators normally advocate monism and purism in the choice of policy instruments, predicting maximum efficiency if one single tool is selected for one single goal and vice versa, political realities are seldom so immaculate. Normal politics proceeds by compromises and combinations. Since different motives tend to influence different actors, most major decisions come about through agreements in which a suitable balance is struck.

In this process, there are many different and sometimes shifting arrangements of means and ends. The line between these two categories is in fact drawn in water: what is instrumental to one actor may well be *finalité* to another one. Four observations may illustrate this point:

- Many statements of objectives refer to both *proximate* and *distant* goals. The former are often portrayed as instrumental in the pursuit of some ultimate finality, as concrete means leading to more abstract goals. While the long range is important for some participants in the policy process, the short range is more crucial to others. In order to rally support for specific measures or courses of action, it is customary to legitimise policy proposals in the name of the more far-reaching and comprehensive purposes that they might ultimately serve.
- Another salient tendency in EU policy-making is the practice of *barter over time.* In the Council of the European Union, a

minister will frequently make demands related to an acute political problem that has arisen in his country. If the knot can be untied without creating perilous precedents and excessive costs to the other member countries, he will often receive a sympathetic response from his colleagues and find them willing to make a friendly gesture. Solidarity and team-spirit certainly inspire such generosity, but another motive may be the expectation that next time around someone else will be in need of assistance.

To function efficiently in committees, members therefore tend to accept decisions favourable to others in order to accumulate a capital of indebtedness that they themselves can draw on when other issues arise. A golden rule is to keep quiet on most matters that are not important to yourself. The decision reached may thus be in tune with the self-interest of one country only, while the prime motive of the fourteen others is to remain on good terms with this particular country and be able to count on its co-operation in the future. For the indifferent majority, the true objective of the decision is not so much substantial as relational. Compromises are made through a form of exchange over time, with credits and debts building up. Scholars analysing this type of decision-making sometimes refer to it as "government by committee" or "government by amicable agreement" (Wheare 1955, Steiner 1974).

- A third well-known motivational dichotomy is that between *demand-side* and *supply-side* incentives. Some actors may be in favour of a given policy because it provides them with coveted goods, services or economic support, while others are more interested in its effect in boosting such desiderata as employment, careers, institutional status, or commercial profits. Where demand-side analyses of policy development focus on consumer interests, supply-side studies pay more attention to the provider interests of politicians, bureaucrats, enterprises and labour involved in public procurement. As demand and supply condition each other, the same policy may be of mutual interest to both sides of this equation.

- A fourth distinction frequently made in political analyses is that between *substantive, institutional* and *personal* motivations. When particular policy decisions are examined, we may find one analyst emphasising the economic impact of its substantive outcome, another one more concerned with its effect on the balance between the institutions involved, and a third analyst more preoccupied with the role of political leadership and factional rivalries in bringing about policy changes. Since any of these three perspectives may shed light on the policy process, there is no *a priori* reason to regard them as mutually exclusive.

A common denominator in these examples is the observation that a combination of various goals may be crucial to the attainment of consensus. Policy-making is not the domain of the like-minded and the single-minded, but a field where actors with *different* objectives manage to agree on a particular set of rules or course of action. Yet not all such motives leave traces in the written texts. Some goals are explicitly recognised in preambles and similar statements, while others are given no formal expression. Even if it is obvious to everybody that a given decision is based on the stubborn insistence by one or a few governments and a mixture of solidarity, indifference and compensation expectations exhibited by most of the others, we do not expect to find this background candidly enshrined in the introductory declaration of an act adopted by the Council.

The three layers of motives examined in this study offer a graphic illustration of this point. The compensation concessions dealt with in Chapter 2 are seldom if ever reflected in the solemn preambles of EU legislation on Structural Policy. The concepts of convergence and cohesion discussed in Chapter 3 and 4 are all the more frequent in these texts and also in the Treaties. When it comes to the numerous side-effects treated in Chapter 5, they were not really part of the original design but have later obtained a high profile presence in the various official reports and presentations covering the results and achievements of Structural Policy.

6.2 Three Options for 2006

What attitude should we take to the phenomenon of goal congestion?

Probing into the multiplicity of objectives that have shaped present policies is crucial to gain an understanding of the dynamics of European integration. In such a wide and complex political space as the European Union, it should not surprise us that some horse-trading takes place, that *combinazioni* are a natural part of the system of governance and that imprecise objectives are often employed as the glue required to keep fragile agreements together. When a whole army of evaluators is then dispatched into the quagmire of implementation to find out whether these objectives have actually been attained and return with rather vague tidings about impact and outcomes, they also deserve our sympathy and understanding.

But recognising goal congestion as a fact of political life is not tantamount to accepting this mixture of explicit and implicit ambitions as a rational base for future policy. Nor can we regard the faint praise produced by the evaluation reports as satisfactory justification for continuing along the beaten track. An expensive policy that makes such a weak contribution towards attaining its official primary objective cannot be vindicated simply on the grounds that it has fulfilled a lot of other useful functions. In preparing for the 2006 agreement on the next multi-annual budget plan, a lot of dubious reasoning ought to be cleaned out of the Augean stables of European Structural Policy. There is a need to look thoroughly not only at the *means* chosen to pursue this policy, but also at the *ends* it is supposed to serve.

The analysis presented in this study purports to stimulate this enterprise. The forces now gathering under the banners of "status quo" or "more of the same" seem to be very strong, but a simple prolongation of present policies with only minor adjustments would be a lost opportunity for many different causes. The resources involved are considerable, both in absolute terms and as a share of the EU budget. This makes it all the more important not to accept continued "business as usual" simply to maintain political peace and quiet in the newly extended family.

The "business as usual" version that seems most plausible at present would consist in some administrative streamlining and an application of a slightly modified version of the current rules to the new composition of the Union, with some phasing-out arrangements for the present cohesion countries and for the regions claiming to be the victims of the "statistical effect". As far as the present cohesion countries are concerned, it remains to be seen whether the net contributors will gently remind them that the whole scheme is already working on over-time. When the Cohesion Fund was introduced as a temporary device in 1993, the purpose was to help the countries concerned to fulfil the Maastricht criteria, and this objective was even dutifully repeated in 1999 when the arrangement was given an extended lease of life, notwithstanding the fact that it had already fulfilled its purpose.

Besides "business as usual", what other options are conceivable? The following three merit particular attention:

1. Bringing the Member States back in. The spectre of "re-nationalisation" is often conjured up as a horrendous step backwards in the integration process, but as we have seen above (3.3), this term is a bit of a misnomer. Most regional policies and other policies with a regional impact were always incumbent on the Member States, as was the bulk of aggregate territorial redistribution. There may have been a smaller range of such policies in poorer countries and consequently in the countries now acceding the Union, but even these states attain a considerable degree of equalisation through their fiscal systems and social transfer mechanisms.

According to the subsidiarity arguments advanced for this option, a shift back to greater national responsibility would allow for a more flexible adaptation of regional policy to the particular needs of each country. The flip side would be a loss of the European dimension which in some contexts has proven valuable. But if this option is interpreted as a stricter enforcement of the "European value added" criterion in the selection of programmes and projects, only those resources would be brought back to the Member States that are presently used without obvious trans-national benefits.

2. A second option would be to **reallocate Structural Policy resources within the EU budget to other important needs.** With the EU agenda in constant evolution, resource constraints have become a serious obstacle to the Union's leverage in many different fields. A reallocation in favour of topical priorities would go some way towards relieving the growing and increasingly embarrassing imbalance between the strong regulatory power and the weak budgetary power of the European Union.

The lop-sidedness of the EU budget towards transfers and the under-funding of the Union's own activities have long been serious problems. There are ever-increasing demands for common action in many fields, some of which are already or may soon be quite costly. An obvious case in point is the emerging Common Foreign and Security Policy, which requires more and more interventions in different parts of the world. A further development of EU support to the immediate neighbours appears quite likely. But there are also many other areas where there are no means available to match consensually established priorities, including environment, risk surveillance, research and internal security.

The Structural Policy envelopes have long played an important role in this context, as reservoirs in which money could often be found for various acute needs. If there was a will, there was always some flexibility. But the problem with this indirect or lateral funding of sectoral activities was nevertheless the additional constraints imposed by "double hatting". Tapping the Structural Funds or, in particular, the Cohesion Fund for investments in environmental protection has of course been very useful for the Union's environmental policy, but spending for this purpose could certainly be more balanced and rational if there were instead a substantial budget envelope for environment. Many other DGs might also be able to operate more efficiently if they were released from the straitjacket of Structural Policy conditionality.

3. A third option, to be outlined in the following section, would be to undertake radical internal reforms within Structural Policy **by downgrading or even abandoning convergence as a policy objective and making cohesion the principal purpose of policy interventions.** This would imply a discontinuation of certain elements in the present policy package but a continuation and development of others. Above all, it would imply the suppression of subsidies aimed at satisfying exclusively local needs in favour of projects and programmes having a clear trans-national or European dimension.

6.3 A New Policy for Cohesion

The idea of convergence is attractive at first sight and European politicians have found it easy to rally around it. We all wish lagging economies to catch up and gaps to be bridged. But forging a political objective out of this desire and choosing policy instruments to pursue it is not as easy as it seems, and the record of our efforts so far is only mildly encouraging. Some convergence has no doubt occurred but probably to a large extent because of factors other than Structural Policy, not least national policies and the expansion of markets due to liberalisation reforms. The whole process of reducing disparities is exceedingly slow and protracted, and hence not too appropriate for energetic spurts within the limited lifetime of single legislatures, Commissions, or budgetary perspective plans. Speeding up convergence through quick fixes is simply not a very promising enterprise.

The fuzzy relationship between convergence and general economic growth is another matter of concern. Growth is a key priority for the European Union, anchored in a range of recent texts, such as the 1997 Stability and Growth Pact and the Presidency Conclusions of the 2000 Lisbon and 2001 Göteborg Councils. The pursuit of convergence is partially compatible with this goal in so far as it seeks to stimulate growth in lagging regions, adapt manpower to new demand and support the modernisation of various distressed areas. But from the limited point of view of convergence it would not be bad news if growth were to slacken in the wealthier parts of the Union. How the two ambitions interact is at best uncertain. Siphoning off resources from the areas and enterprises with healthy growth and transferring them to the periphery where most of the production is less efficient is not necessarily adding to the aggregate expansion of the European economy. The ultimate outcome of this exercise will depend very much on the quality of the investments supported and on their long-term impact.

As discussed above (3.3), economic and social science theory does not provide any unambiguous guidance on how to handle this policy dilemma. Some research findings suggest a process in two stages where expansion in a growth centre might subsequently give a boost to its hinterland. In this light, we might expect an initial concentration in economic agglomerations to be beneficial even from a regional policy perspective eventually. Other studies concentrate on the immediate impact of various policies, interpreting any reduction in territorial disparities as a step towards equalisation in regional GDP and living standards. The European Commission, keen to report results of its efforts, is drawn towards the latter hypothesis. Yet given the considerable uncertainty about sequences and spill-overs, it seems advisable to reserve judgement on this matter and retain an open, empirical and experimental attitude when it comes to concrete policy choices.

A final question to be asked concerns the rank of regional convergence in our scale of priorities. Equality is a central value in the European political tradition, but it is a goal with many different facets: income equality, gender equality, inter-generational equality and equality between people with different ethnic background, sexual orientation and ability or disability status. Approaches emphasising territorial disparities may capture some of these aspects as well, but it is not self-evident that this particular type of gap should be given absolute preeminence in the pursuit of equality. To the inhabitants of a poor region or country, its economic progress in absolute terms may seem more important than its position on a European ladder. If you ask yourself whether you are well off, your parents' and your own situation yesterday would appear to be a more relevant comparison than the living conditions in, say, Hamburg.

On the basis of these considerations, it seems doubtful whether **convergence** is such a well-chosen priority for European policy. A final argument against its present elevated position at the apex of common values is its relatively limited contribution to **cohesion**. There is a respectable symbolic element in the narrative of continental solidarity, but the hardly perceptible, long drawn-out actual process of shrinking regional disparities cannot possibly give much of a boost to the sense of community and shared fate.

The very objective of cohesion should in contrast be taken quite seriously and deserves all the attention it has received, and much more. What it merits, first of all, is to be liberated from the restrictive connotations by which it has long been imprisoned. A genuine cohesion policy cannot be reduced to a specific line of subsidies for transport and environment. It cannot even be reduced to the formula of "economic and social cohesion" which is so prevalent in the European political discourse.

As suggested in this study (chapter 4), there are several important dimensions of cohesion which were decisive in the evolution of the nation state and which are also very important to consider in the present and future development of the European Union: social, economic, cultural and political. They all call for public policies, but to different degrees at different levels of the governance. The fact that a particular form of cohesion is crucial to the European social and political model does not necessarily imply that its promotion is a mission for the European Union. Here, as in all other political fields, the principle of subsidiarity must apply. The scarce means of the European Union should be jealously protected and reserved for challenges with a genuinely European dimension.

This should lead to a radical pruning in the present programmes. Huge resources are currently committed to subsidies that have local effects only. Local effects may be highly desirable, but if there is no European value added and no outreach to other countries, then there should be no European funding. Pouring Structural Policy resources into small and medium-size enterprises simply to "create jobs" or "maintain jobs" should come to an end. None of these tasks have been adequately defined, and the contribution of this effort to the grand objectives of growth, employment and regional convergence is too tenuous to merit common European financing.

A Structural Policy that tries to be everything becomes nothing. But a Structural Policy with one or a few well-defined goals could become quite potent. With European value added as the key criterion for support, there would still be room for several of the programmes and initiatives now funded over the Structural Policy budget, in particular those with horizontal or trans-frontier ingredients. Investments in the trans-European transport network could be covered as well as many forms of environmental protection. Diffusion of European standards through institutional development in the new Member States should also qualify under this objective.

Moving from the present formula of "cohesion through economic convergence" to a new formula of "cohesion by the most cost-effective means available" would give added prominence to investments in the non-material sphere. With such a cohesion policy, more resources would be devoted to promoting the common public space and to embedding the European political institutions in an appropriate democratic infrastructure. There would be more support for exchange and mobility programmes facilitating trans-national meetings between groups and individuals and for efforts to enhance the awareness of our common heritage and common policy problems.

Since education, culture and mass communications would be crucial arenas in this pursuit, it is important to underline the need for pluralism and diversity. Europeans have seen far too much of *Gleichschaltung* and *agitprop* to tolerate any relapse into authoritarian practices. Far-reaching decentralisation of the distributive decisions might be the best way of averting this risk. A positive element of the current Structural Policy worth retaining is the broad involvement of people at the local and regional levels. This dimension should be preserved and generalised in a re-launched cohesion policy, perhaps through the channelling of some resources to each and every local authority for their own independent decisions on cohesion-building activities with a trans-national touch.

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Structural Policy is an arena in which precious achievements have been made and precious experience has been gained. The various Funds have made historical contributions to the process of European integration. But there is a time for everything, and the time for Structural Policy in its present form is now running out. Some of its goals were finite and have already been completed, others are so infinite that they never will be. This is why the discussion already under way to prepare for the next strategic decision must focus not only on the means, but also on the ends of this policy.

The current form of Structural Policy and the three options briefly outlined in this section can be blended in different ways, but there are strong reasons to give particular attention to measures promoting human contacts and shared frames of reference. After the three initial stages of European integration – the Common Market, the Internal Market and the Monetary Union – the next step might now be the creation of “a Citizens’ Europe”, built on an enhanced sense of community and an increased awareness that we share not only a common legacy and common values but also common challenges and common opportunities. Advancing in this direction requires a new European policy for cohesion.

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REINVENTING COHESION: THE FUTURE OF EUROPEAN STRUCTURAL POLICY

The European states have set themselves the task of building "an ever closer Union". Does the EU Structural Policy serve this purpose? Yes, but at high costs given the limited results. Creating a Citizens' Europe requires a new policy for European cohesion.

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