A (MODEST) PROPOSAL FOR EXPANDING SOCIAL CITIZENSHIP IN THE EUROPEAN UNION

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Compared to the resounding (if rather vacuous) commitment in the Treaty of Maastricht to **political** citizenship, the European Union (EU) has made only fitful and erratic progress in defining its **social** citizenship. No one should be surprised that there is so little "Social Europe" (Schmitter 1997). If anything, the absence of any substantial commitment by the members of the EU to harmonize, or even to coordinate their social policies is over-determined. So many objective features of what the Euro-polity is **not** -- at least, not yet -- combine with several subjective aspects of the conjuncture in which Europeans are presently living that it is highly unlikely that much progress will be made in this domain for the foreseeable future.

First, the member-states are at different levels of economic development. Their factors of production operate at systematically different levels of efficiency and relative scarcity and, hence, command different levels of income and return on investment. Variations in the social charges, tax regimes and formalities surrounding these different points of departure are important elements in determining the competitiveness of those striving to "catch up."

Second, the member-states have acquired over the past +100 years quite diverse "packets" of social policies and (especially) ways of financing them. Moreover, their mass publics seem relatively firmly (if begrudgingly) committed to their respective national *status quo*s – at least in the sense that they collectively resist reductions in the benefits to which they have become "entitled."

Third, the interest associations that have grown up around (and also within) national social policy regimes vary considerably among member-states. These organizations (especially, trade unions) are notoriously resilient to change and many of their key financial and political resources are tied to the role they play in the institutions of social policy.

Fourth, the influence of neo-liberal ideology with its hostility to state intervention in general and preference for privatized insurance schemes in particular has spread unevenly across member-states and remains a salient issue of dispute within them.

Fifth, even if the above items could be overcome, the EU itself is not close to becoming a sovereign state with its own legitimate powers of enforcement and taxation and, hence, limited both by its dependence upon member-states for the implementation of whatever social policies would be decided and by the reluctance of these polities to provide it with the funds necessary for any major effort at "positive integration" via a common system of social redistribution or compensation.

Finally, the system of representation that has emerged *pari passu* with the European integration process has provided privileged access and accountability to business interests and ineffectual incentives for the organization of "policy-takers," making it even difficult for workers, pensioners, consumers, patients, students, and the impoverished to articulate their demands at the supra-national than at the national level (Schmitter & Streeck, 1991). The European Parliament, where such demands might predictably be expected to focus, has only a limited power of budgetary review and virtually no capacity to determine the policy agenda and even less to legislate new social policies. As long as there is no "balance of class forces" within the policy process and no "effective party system" surrounding the definition of social citizenship at the European level, and as long as capitalists are convinced that such a commitment is not in their interests, there is virtually no chance that major substantive policies in this area will be enacted.

If all this were not enough, monetary unification and the impending prospect of Eastern enlargement will only make the situation worse by introducing new elements of social inequality into this embryonic polity!

A (Modest) Proposal – Incremental and Timely

The fact that so little has been accomplished so far does not mean that nothing can be accomplished in the near future. It just means that, strategically, one should proceed *à petits pas* (as Jean Monnet would have put it) and that, tactically, one should take advantage of emerging "opportunity structures" (as Sidney Tarrow would say). The latter is provided by the impending disruptions of monetary unification and eastern enlargement; the former could be fulfilled by what we propose to call "a Euro-stipendium."

The European Union could begin by declaring as one of its basic purposes: the elimination of extreme poverty within its borders.1 Since most of its member states have already recognized this objective explicitly and many of them already have national programs for this purpose in effect, the major innovation would be to "Europeanize" the commitment – both by basing it upon a Europe-wide statistical calculation and by creating a unique fund to finance this common obligation.2 The means for doing this could consist of a **Euro-Stipendium (ES),** i.e. the payment each month of a stipulated amount of Euros to all citizens

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1 The current debate on a Charter of Fundamental Rights for the EU provides a very appropriate context for the affirmation of this common obligation. Among the ca. fifty items under consideration, one of them might state: "All citizens of the European Union are entitled to a decent standard of living and no citizen of the European Union should have to live in poverty."

2 There is a close relation between this commitment to eliminate extreme poverty and the much debated notion of combating social exclusion within the EU. Providing funds to individuals in the name of the former is likely to have some effect upon the latter, but this policy will not eliminate social exclusion where it rests on such cultural factors as ethnic and racial prejudice, "age-ism," and gender discrimination.

or legal permanent residents (denizens) living within the EU whose total earnings amount to less than one-third of the average income of everyone living within the EU.3 By convention, those falling in this category are classified as "in extreme poverty."4

The total sum of expenditures for this purpose could be set provisionally at a figure approximately corresponding to the combined value of all EU agricultural subsidies and regional/structural funds. As we shall see, this level of expenditure (which one could assume equals the amount that member states are presently willing to redistribute through EU channels) would amount to a very substantial per capita sum if it were devoted entirely to compensating individuals in extreme poverty. Not only would its payment result in considerable income distortion and provide a major incentive for "gaming" on the part of potential beneficiaries – whether persons or countries – but the shock of abruptly ending such well-entrenched EU programs would no doubt generate a strong political reaction.

Therefore, we propose that during an interim period expenditure for the Euro-Stipendium should be set at some proportion of that amount -- with the understanding that over a stipulated period calculated according to the rhythm of accession of new member states this would rise gradually to replace existing EU programs of sectoral and regional redistribution. The total yearly amount of the ES would be adjusted according, on the one

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3 For calculation purposes, the actual unit would be the "foyer fiscal" – the family considered in terms of taxation – with the assumption that the total revenue earned is divided among family members. The specific formula for calculating eligibility would hinge upon applying common criteria to determine the proportional costs of families of different sizes, but we gather some conventions already exist in this regard.

Apparently, experience with a similar experimental program in the United States was judged a failure when it became associated with an increase in the rate of divorce, presumably in order to increase individual eligibility. To the extent that such an income supplement allows persons to escape from relationships they cannot otherwise afford to leave, the net social impact may be more positive than negative. It also seems (to us) that family structures in Europe are less subject to such marginalist calculations. Moreover, since the amount of the ES would be rather minor and vary each year, it is difficult to imagine that it could provoke an effect of such magnitude.

4 See the items in References and Sources for publications using these data. NB that eligibility could also be calculated in terms of one's position with regard to the standard deviation in average European income.

hand, to the funds made available and, on the other, to the total number of persons deemed eligible so that, in no case, would they exceed a pre-determined level of total expenditure – even in the event of enlargement to include a large number of member countries. In other words, provided it were possible to shift the basis of EU "welfare" from payments to agricultural entreprises for producing (or not producing) specific crops and from grants to the governments of designed sub-national regions for coming up with plausible development projects to simple money transfers to individuals, the aggregate cost to the EU and its member countries would be zero![5]

Needless to say, an immediate shift in the *destinataires* of existing funds is not likely to be politically feasible – either because the group interests affected have sufficient clout to prevent a negative redistribution of the EU funds to which they have become "entitled," or because the national and sub-national governments involved would receive significantly less of the *juste retour* than they have become "accustomed" to receive from the EU. It should be possible to "fine-tune" the initiative during an intermediate period so that farmers could become eligible at a lower threshold (say, at one half rather than one third of the EU average income) and that (allegedly) underdeveloped regions and countries might be compensated in those cases where they do not have enough people living in extreme poverty. Nothing should be done, however, to sustain any longer than is absolutely necessary the substantial welfare benefits that presently go to wealthy and productive agricultural enterprises and to consultants and other intermediaries involved in inventing reasons for spending regional/structural funds. And, it is important for symbolic reasons that the amount of the Euro-stipendium be the same throughout the EU and that it be based not on national income distributions, but on the distribution of income at the level of

5 See the Appendix for a calculation of what such a program would cost and how it would be distributed among the member countries, first in the EU with its present 15 members and in future configurations with 22 and 27

EU member countries as a whole.

Not only would such a policy be much easier and less costly to administer than the existing ones,6 but it would also distribute benefits directly to targeted individuals – who, incidentally, have a high propensity for immediate consumption of relatively labor intensive goods and services and, hence, who would generate lots of aggregate demand and additional employment. Moreover, they would do so on a continuing basis since the Euro-stipend would be paid regularly, as long as individuals remained eligible. Over time, as its effects become registered, the very definition of extreme poverty should change and one could envisage its reform by shifting the threshold for eligibility from 1/3 to ½ of the median EU income.

Needless to say, this implies a rejection of most of the various traditional arguments advanced in favor of subsidizing agricultural production within the EU. The only one that has some merit, in our view, is that farmers (provided they use natural and not chemically or mechanically intensive methods) do perform some useful ecological functions -- above and beyond what they would produce competitively for the market. If this is deemed to be such an important public good by any or all of the member countries, then, farmers should be paid a salary according to the amount of effort they put into this activity and the level of remuneration should – *subsidiarité oblige* – be determined by national or sub-national governments. As for the argument that EU regional funds are disbursed not to individuals to spend but to public and private institutions to invest and, hence, to improve their long-run prospects for catching up to more developed regions, where this is really the case, the investments should be forthcoming

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members.

6 Needless to say, the existence of such a policy presumes that the national member states all have the capacity to identify the revenue of its citizens and denizens and to transfer funds to them. Moreover, all governments would have to share certain conventions in the calculation of earned and unearned income, formal and informal work, etc.

(and rewarding) according to market criteria – with, perhaps, some regulatory encouragement from the EU. As it stands, it is questionable whether the disbursements of regional/structural funds have made such a contribution and, especially, whether this contribution is genuinely "additive," i.e. above and beyond what might have been accomplished by private enterprises or local authorities. To the extent that a better justification would be to protect those disfavored by the (hopefully) transitional effects of monetary unification and eastern enlargement, the ES would offer a much more economical, focused and automatically self-effacing means for covering such risks.

Needless to say, as is the case with any social policy, the creation of the Euro-Stipendium provides actors with incentives for "gaming." Member governments might reduce or even eliminate existing programs aimed at the extremely poor in order to qualify more of their citizens for the ES. Here, the solution is simply to get them to agree in advance not to change existing policies and not to count them (or any new national policies) in the calculation of eligibility. Individuals at the bottom income fringes might lower their (reported) income or refuse to take jobs at marginal wages. It should be noted, however, that since the actual sum involved as well as the precise cut-off point for eligibility will not be known in advance, but vary yearly with changes in income generation at the European (as well as the national) level during the previous year, and with eventual changes in EU membership, it will be difficult to adjust one's income accordingly.7 National accounting systems would also have to be adjusted to include existing or new sources of unreported income. Here, the answer is to change the estimate of gross national income (already adjusted to account for purchasing power parity) to include an estimate of the

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7 Hence, we do not foresee generating the sort of problems that currently surround those "630 DM jobs" in Germany where virtually all jobs paying between that sum and approximately 1,000 DM have disappeared since crossing the 630 DM threshold triggers a response in terms of taxation and social benefits. Payment of the ES should be exempted from inclusion in national or sub-national calculations for the payment of taxes or receipt of benefits.

size of the informal economy according to a mutually acceptable formula and include this in the calculation of the eligibility of individuals.

None of these possibilities for gaming militate against trying the experiment as such, but they do suggest the necessity of reviewing the policy after it had produced its intended and unintended consequences.8 Moreover, if the Euro-Stipendium is successful in eliminating (or, at least, alleviating) extreme poverty at a cost acceptable to the European population as a whole, it could easily be extended upward – simply by revising the coefficient of average income at which a citizen or legal permanent resident becomes eligible. It is not even too far-fetched to imagine that this initially "means-tested" welfare policy could eventually be converted into a universalistic one that would provide a minimal basic income to everyone, regardless of his or her earned income (see Van Parijs 1992, 1997; Atkinson 1995).

The political context that makes this "immodest" proposal especially appealing at this moment is formed, first, by monetary unification and, subsequently, by Eastern Enlargement. One predictable effect of a single European currency and interest rate will be increasing income disparities within member countries. The present policy of structural/regional funds is much too rigid to cope with such an eventuality – especially if the increased inequalities at the margin are not concentrated in areas already designed for such funds. The ES would provide a safety net for those significantly and negatively affected, once they fall below the stipulated threshold, and it is not tied to any fixed territorial criterion. Those who slipped into extreme poverty as an indirect and unintended consequence of monetary unification would be protected no matter where they

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8 Actually, there exists a precedent for this type of policy within the EU. We understand that at some point in the mid-1990s, EU funds were disbursed in lump sum payments to eligible citizens in Bulgaria for a short period of time as an emergency measure. It would be instructive to examine the results of this ECHO policy to discover what practical problems emerged and what effects were achieved. Surely, if this effort worked reasonably well in the transitional context of Bulgaria, it will be even easier to apply in well-established EU member states and in the Eastern candidates once they have been admitted.

lived and no matter whether others in their vicinity were similarly affected. Moreover, the compensation would be automatic and not necessitate the (time-consuming, costly and politically contingent) intervention of price-setting committees or project designers.

But the major appeal stems from the anticipated impact of Eastern Enlargement. Everyone recognizes that the existing EU welfare policies of agricultural subsidies and regional grants cannot simply be extended eastwards – without very substantial and politically discriminatory modifications. The sheer fact that all of the immediate candidates (except for Slovenia) have per capita incomes lower than that of the lowest existing member state (Greece) cannot be ignored. The average family-weighted and purchasing power adjusted income in the EU will decline with their entry which, in turn, would be automatically reflected in the calculation of the Euro-stipendium. By eliminating (or sharply re-defining) the existing programs **before** Eastern enlargement and by defining *ex ante* a total sum to be used to alleviate poverty within the EU as a whole, one could set the initial levels of the stipendium at an acceptable aggregate cost – and, then, extend it in the future *au fur et à mesure* as the necessity arises, as experience with the program accumulates, and as dispositions for solidarity within the EU change.

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This proposal for a Euro-stipendium is designed to respect the principle of subsidiarity. It would leave the vast bulk of spending on social welfare and regulating the labor market to member states. These are the policy-making agencies that are closer to the needs of citizens/denizens; these are the units most capable of applying rules and distributing funds in ways that respect national (and sub-national) peculiarities. *A priori,* there is nothing that would preclude applying the notion of a stipendium to eliminating extreme poverty at this level, although the country or region that did so first would suffer some initial competitive disadvantage. Moreover, it is intended precisely to respond to the anticipated externalities generated by the uneven impact of EU policies – first, monetary unification and, later, Eastern Enlargement. Admittedly, should it be extended in the future to cover a wider range of the "disfortuned" population and, especially, if it were to be converted into a basic citizen/denizen wage for all those who live in the EU, then, it might well replace substantial chunks of national welfare policy – but that would represent a very deliberate (and presumably consensual) policy of shifting sovereignty to the supra-national level.

APPENDIX

SIMULATING THE DISTRIBUTIVE EFFECT OF A EURO-STIPENDIUM

Simulating the probable distributive effect of an Euro-Stipendium is not difficult – providing one has adequate data on income expressed in a common currency adjusted for differences in purchasing power parity and on income distribution in each member country. Thanks to the Euro (and adjustments for national PPP), we have the former. Thanks to the Luxemburg Income Study (LIS) and its projection eastward, we have the latter. Here is what they tell us for the present EU-15.

[PLACE TABLE I HERE]

First, the average EU per capita income (in 1997) was Euro 17,650. This means that the initial cutoff point for eligibility for the ES would be Euro 5,295.

Second, the LIS data reveal that there were an estimated 9,929,564 persons in EU-15 who earned less that one third of the average income for the unit as a whole.

Third, Table I, Column 2 displays the location of these "extremely poor" across the member states. Needless to say, some are proportionally worse off than others. Luxembourg, Belgium, Austria, Germany, Italy, the Netherlands, France and Denmark have less than 3% of the respective populations in extreme poverty; Greece, Portugal and Spain have more than 5%. In absolute terms, most of Europe's extremely impoverished inhabitants live in Spain (2,158,408), the United Kingdom (1,400,866), France (1,263,393), Germany (1,179,966) and Greece (1,009,801). All the rest have less than a million. While some of these assessments might change when estimates of unreported income are included, it seems unlikely that they would invert the rankings that much.

According to EU budgetary statistics, total expenditures on agricultural and structural/regional funds in 1997 was Euro 63,139,000,000. If all of these expenditure were simply transferred ***tutto e subito*** to the ES account, each of the 9,929,564 recipients would receive the total annual sum of Euro 6,359 – more than doubling their income! Obviously, that would be neither socially desirable nor politically feasible. While it would have an immediate and direct effect upon aggregate demand and job creation through income transfers to a larger number of eager consumers, it would no doubt encourage a scramble to get in under the Euro 5,295 barrier and it would threaten dramatically the "income relativities" to which the middle class is so notoriously sensitive. It is one thing to justify normatively a policy designed to benefit the manifestly destitute (who are often socially and spatially removed from the bulk of middle-class citizens); it is another to shift "unearned" income to a category that is just adjacent to such a well-organized and politically mobilized segment of the population!

Our proposal is more modest: the level of the stipendium could be initially fixed at Euro 1,000, i.e. at about a 25% net increase in the income of the extremely poor, and this level would be maintained constant as new members join the EU. In order to smooth the transition, each of the current 15 would continue to receive the difference between the total ES funds going to their citizens/denizens and their total receipts from agricultural and structural/regional funds combined. Hence, their aggregate "*juste retour*" would remain unchanged – even though its ***destinataires*** would shift incrementally over time from farmers and regional governments to individuals. The details of all of this are presented in Table I.

[PLACE TABLE II HERE]

Things only begin to get lively when one looks at the potential expansion of the European Union to 22 member states. We have presumed that these "first wave countries" will be the Czech Republic, Estonia, Hungary, Poland, Slovenia, Cyprus and Malta. In EU-22, the average per capita income declines to Euro 16,056 and, more importantly, the absolute number of those earning less than 30% of this figure jumps from 9,929,564 to 25,955,732. Needless to say, this takes a healthy chunk out of each current country's receipts from agricultural + structural/regional funds and slightly less of their own citizens/denizens remain eligible for the ES, but their total EU return funds would stay the same as they were in 1997. This, of course, presumes that no funds from the existing budget would be diverted for these purposes to the seven new members – not a realistic assumption, we admit, but presumably whatever is eventually allocated to them for agricultural subsidies and regional development will have to be gleaned either from the general expected increase in EU revenue or from some explicit increment in this revenue.

The new members all have substantially higher proportions of their population earning less than one third of the European average income, except for the Czech Republic and Slovenia which do better or as well as either Greece, Portugal or Spain. According to the estimates we have found, a whopping 52% of those living in Estonia would become eligible for the ES, along with 35% of Poland and almost 30% of Hungary! According to this scenario, the implementation of such a policy would shift a considerable sum of resources eastward: Euro 17, 557,478,000 for the new 7 as compared to Euro 8,398,254, 000 for the old 15. Of course, the latter would also continue to receive an aggregate transfer of Euro 37,183,300,000 for the residual support of their farmers and poor regions.

[PLACE TABLE III HERE]

Where the redistributive effect really begins to kick in is when enlargement reaches 27, with the addition of five "second wave" countries: Bulgaria, Latvia, Lithuania, Romania and Slovakia. Each of these has a large proportion of its citizens/denizens living in extreme poverty: 67% in Latvia, 64% in Bulgaria, 57% in Romania, 30% in Lithuania and 11% in Slovakia. And Romania (22,334,312) and Bulgaria (8,194,772) are among the more populous of the candidates for EU membership. By extending the ES to them, an additional 21,192,849 persons would become eligible – resulting in a prospective expenditure of Euro 21,192,849,000. The shift in the eligibility threshold from Euro 4817 to Euro 4506 would entail a decline in those receiving the ES from 8,398,254 to 7,528,473 persons within the original 15 and from 17,557,478 to 15,517,487 persons within the first wave of entrants. Overall, the eastward redistribution of EU financial resources would reach Euro 36,710,336,000 compared to the 7,528,473,000 still allocated to extreme poverty in the West. Not only does this seem to us to represent a sensible use of resources (and one that would operate virtually automatically once the initial decision had been implemented), but also it would coincide with an obvious need to revise quite substantially the monies now being devoted to agriculture and regional development. While those countries habituated to receive them would continue to get the same ***juste retour*** in the aggregate (albeit at a level frozen in 1997), their relative importance would have declined to the degree that it should become much easier politically to discuss alternative arrangements that could be extended to all 27 member states. For example, all poor farmers could receive a straightforward income supplement above and beyond their eligibility for the ES. Structural or regional development funds could be allocated more productively and more competitively to improving cross-border transportation and communication systems, especially in peripheral regions where such investments would be less likely to attract private funding, rather than going to internal regional projects at an amount more or less fixed in advance.

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Finally, it should be observed that the data we have exploited to produce these simulations, not matter how accurate they are at the present moment, will not be accurate if and when enlargement actually takes place. The per capita incomes and gross national products of the 15 member states will have changed, and those of the 1st and 2nd wave candidates will have changed even more. It would appear that, on the whole, the latter will increase faster than the former – just as the recent trend within the EU has been for the growth rate per capita in its lesser developed periphery to be higher than that in its core area. While this is good news for an eventual Euro-Stipendium, the bad news is that, if current trends persist, the inequality in income in those Eastern countries will go up even faster – producing a hardcore residual group of persons who will have failed to benefit from the regime transition of the 1990s and who may also be left further behind by the regional integration of the succeeding decades. It is this group in the East, along with the persistently unemployed and socially excluded in the West, who would be the primary beneficiaries of our proposed Euro-Stipendium.

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