

# SOLIDARITY 2.0

Marjorie Jouen | Adviser, Jacques Delors Institute



## SUMMARY

Cohesion policy by its very nature is the most elaborate expression of European solidarity in its myriad forms. This is due at the same time to its weight in the European budget, to the variety and content of the projects and schemes associated with it, and because it benefits all of Europe's citizens, most frequently through local and regional authorities tasked with steering territorial development.

Territorial cohesion may be enshrined in the Lisbon Treaty but, since 2007, the concept of European solidarity has weakened to the point of vanishing almost completely. The legitimacy of the EU as a whole is at stake. The current framework regulation provides the most support to underdeveloped regions in relation to the convergence objective, less finance to other regions in order to stay with the EU 2020 Strategy objectives, and even less subsidies to support territorial cooperation.

It becomes clear that the important contribution of cohesion policy to public investment and the achievement of the goals laid down in the EU 2020 strategy will not be enough to convince national policy-makers and European citizens that maintaining funding for all regions is in their own interest. Consequently, if we want to ensure cohesion policy's continued existence, we must substantially reform it.

In the programming period beginning in 2020, cohesion policy will therefore have to respond, both in its ambition and its content, to the dual problem of adapting to geopolitical, socio-economic, technological and environmental change and renewing forms of solidarity. Given its visibility in the daily lives of citizens, it is no exaggeration to argue that public support for the pursuit of other major European projects depends on the ability of cohesion policy to rise to this challenge.

The first part of this paper begins by reviewing the theoretical basis for the notion of solidarity, outlining its uses in cohesion policy over successive programming periods as well as presenting the current challenges to solidarity and the need to promote it within the EU (Part 1).

The solidarity characterising the European Union is of a functional kind: in order to last, its justification needs to be constantly renewed over time. It can be insurance-based or take the form of a reciprocity or co-responsibility pact, as in the case of cohesion policy. By presenting cohesion policy as a "flanking policy" to the Single Market, a new, more programmatic dimension was added, but the latter has faded over time.

Today, there are thus four types of needs that call for the reconfiguration of European solidarity:

- External and collective protection at a European level;
- The cushioning of stresses linked to European decisions with territorial unequal effects on the meso (i.e. regional) level;
- Socio-economic convergence at the (sub-regional or local) level of daily life;
- Awareness of future risks with a view to constructing a European common good.

The second part of the study examines various ways of reconstituting cohesion policy by putting forward a series of proposals for the future. It gauges the extent to which the specificity of cohesion policy can provide an efficient response to the need for solidarity or whether other sectoral policies are better equipped to address certain expectations and at governance levels other than those put into play by cohesion policy:

- Reaffirming the vocation of cohesion policy leads to the conclusion that extra or intra-European migration, internal or external security, exogenous economic shocks or (supposedly) natural shocks require a priori a unified European response or a response at national level that is coordinated between member states. Nevertheless, taking into account the importance of the territorial implications of these challenges, governance structures need to be revised in order to involve regional and local authorities more closely via the European Committee of the Regions.
- Reactivating “programmatic” functional solidarity in the context of completing EMU seems highly relevant, given that this project will increase pressures on the most vulnerable low-growth regions of the euro area countries, notably in Southern Europe. Moreover, the powerful agglomeration dynamic which is set to continue will likely lead to the further marginalisation of certain regions. For the deepening of EMU to obtain the consent of citizens, a “tailor-made” approach to those regions likely to be at risk of being left behind in the future is needed, which takes into account each region’s specific productive profile.
- Reducing territorial inequalities in a way that is noticeable for citizens necessitates the adaptation of the convergence objective if the identity issues that are undermining social cohesion in Europe at all levels are to be tackled. Cohesion policy should help regions to increase their resilience by boosting the social and technical innovation capacity of private enterprises, the social economy and services to the public by improving amenities, developing local endogenous potential and ensuring a high level of social cohesion and well-being. A better sub-regional territorial balance should be one of the axes of future regional development programmes, including, of course, rural areas. Cooperation should become more of a structural obligation for the allocation of ESIF. There should be scope for genuine delegation contracts where regions have sufficient legal competences and technical capacity. Given that the sole focus on GDP per capita no longer offer an adequate picture of the strengths and weaknesses of regions, a new regional or sub-regional eligibility grid should be developed by incorporating other criteria such as the existing composite indexes.
- Constructing and protecting the European common goods associated with the ecological, energy and demographic transitions presupposes that cohesion policy becomes part of a long-term endeavour of transforming our welfare states into “social-ecological states”. In line with the changes inaugurated by the Energy Union and the United Nations Sustainable Development Programme, pursuing the objective of European territorial convergence remains crucial. However, it may be necessary to alter the modalities of identifying beneficiary regions by paying greater attention to a number of criteria other than GDP per capita.

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## INTRODUCTION

**T**he world has changed ...

Since European cohesion policy first came into existence<sup>1</sup>, numerous changes have taken place in Europe and the wider world, by no means the least of which was the fall of the Berlin Wall followed by membership for most of those European countries that had been under Soviet domination until that moment. But changes have not occurred only in geopolitical terms. They have also had an impact on the Europeans' way of life, on manufacturing and production processes, on the structure of the global economy, on technological progress and also on the magnitude of the challenges facing the environment, which several experts had already forecast, but the urgency and extent of which had been largely underestimated.

Moreover, each new phase in the construction of Europe inevitably brings with it constraints for the more fragile regions. Success depends intrinsically on the belief of European citizens, wherever they may live, that the European Union (EU) will take the new situation into account. Their approval is in direct proportion to their perception of the extent to which the EU is mobilizing the resources required to mitigate any potential negative impact that the change may have and the extent to which it offers them new opportunities to play their full role in the community. In other words, solidarity continues to be the Union's adhesive in the face of the risk of fragmentation within the Union and of the paralysis of national governments weakened by populist forces, as European Commission President Jean-Claude Juncker stressed in his address on the State of the Union in 2016. In his view, even if it is already mentioned in the founding texts and regularly solicited in the form of financial transfers or of mutual aid actions, far greater solidarity is going to be required to respond to urgent situations and to new challenges.

Cohesion policy by its very nature is the most elaborate expression of European solidarity in its myriad forms. This is due at the same time to its weight in the European budget, to the variety and content of the projects and schemes associated with it, and because it benefits all of Europe's citizens, most frequently through local and regional authorities tasked with steering territorial development.

In the programming period beginning in 2020, cohesion policy will therefore have to respond, both in its ambition and its content, to the dual problem of adapting to geopolitical, socio-economic, technological and environmental change and renewing forms of solidarity. Given its visibility in the daily lives of citizens, it is no exaggeration to argue that public support for the pursuit of other major European projects depends on the ability of cohesion policy to rise to this challenge.

This paper begins by reviewing the theoretical basis for the notion of solidarity, outlining its uses in cohesion policy over successive programming periods as well as presenting the current challenges to solidarity and the need to promote it within the EU (Part 1.). The paper then examines the various possible ways of renewing cohesion policy by putting forward proposals for the future (Part 2.).

1. In this study, the term "cohesion policy" is generally used to refer to programmes co-financed by the ERDF, the ESF and the Cohesion Fund, including the ESIF for the 2014-2020 programming period.

# 1. Solidarity and Cohesion Policy: How to strengthen weakened bonds in the face of contemporary challenges

## 1.1. A review of the theory of solidarity

According to the original approach embraced by Durkheim<sup>2</sup> and the founders of modern sociology, there are two kinds of solidarity:

- the kind of solidarity practised by peers within a family or a tribe, which they dubbed organic solidarity;
- the kind of solidarity binding very diverse members of a heterogeneous community based on relations of interdependence and complementarity, known as functional solidarity. Unlike the former kind, this solidarity is not automatic but the product of an awareness by the members of the need to build it in order to ensure the community's survival. This is the kind of solidarity that characterises the European Union. In order to last, its justification needs to be constantly renewed over time.<sup>3</sup>

Traditionally there are two reasons, striking different chords, for building this kind of solidarity:

- the first is protection against casual risk. Solidarity in this case is perceived as a kind of insurance policy for each and every one of us, because no one can know in advance whom the risk is going to strike;
- the second is a fully-understood interest in countering centrifugal forces. Solidarity in this case is a kind of reciprocity or co-responsibility pact. The strong members in a group consider themselves responsible for its weaker members. They help them in order to prevent the community from breaking up, or in order to avoid being delayed in their own progress by the latecomers and slowcoaches. In exchange, the beneficiaries accept a form of responsibility which consists in changing their *modus operandi* and in accepting a certain discipline in order to be able to catch up with and join the community rather than getting left behind. In adopting regulations and then following them, in changing their conduct or their practices, the weaker members evince their desire to be part of the group. In this case the exercise of solidarity is often accompanied by terms set to the beneficiaries.

In such instances, it is hardly surprising that European solidarity should be conditional. Yet this conditionality cannot be declined and extended *ad infinitum*. European solidarity cannot be flexible or intermittent any more than can membership of the EU. Both are whole, indivisible and constant (except the cases of temporary exclusion in Article 7 in the TEU).

The longevity of the solidarity pact thus defined is guaranteed primarily by the exemplary conduct of the pact's beneficiaries, but also by the observation of its real impact on the group's members as a whole. This impact generally takes the shape of convergence, but it can also take the shape of an inversion of trade flows due to a reciprocity effect. Convergence can be economic and social, but it can also be societal (the change of consumer or social conduct), physical (improving the landscape, depolluting the environment, the condition of roads and so forth) or political (gender equality, less corruption and so on). In any event, it bolsters interdependence and, as a consequence, a sense of belonging among the players involved.

Historically, it was through the national welfare states that the most comprehensive schemes of solidarity came to be realised in Europe. This may explain the optimistic wager of the EU's founding fathers. They considered that economic integration should be organised at European level, stimulating economic growth and producing bottom-up convergence, while social policies within each member state would redistribute the fruits of economic progress. According to Rinaldi and Vandenbroucke, they created a twofold approach to solidarity—one pan-European and the other national—that constitutes the current European social model<sup>4</sup>.

2. Émile Durkheim, *The Division of Labour in Society*, Basingstoke, Palgrave Macmillan, 1984 (orig. ed. 1893).

3. See the publications of the Jacques Delors Institute's collaborative project "A test for European solidarity" (2011-2012), in particular Jérôme Vignon (2011) "Solidarity and responsibility in the European Union", Brief No. 26; Sofia Fernandes and Eulalia Rubio (2012) "Solidarity within the Eurozone: how much, what for, for how long?", Policy Paper No. 51.

4. Frank Vandenbroucke and David Rinaldi (2015), "Social inequalities in Europe: the challenge of convergence and cohesion", Policy Paper No. 147, Jacques Delors Institute

However, the facts partly invalidated the initial positive view of integration mechanisms. Moreover, with the development of the *acquis communautaire* on the one hand, and new responsibilities for the welfare of individuals devolved to regional and local authorities on the other, it has become less straightforward to determine the locus of democratic accountability. This may account for the growing role of cohesion policy as an instrument of European solidarity.

## 1.2. The development and drift of the cohesion policy

Almost exactly 30 years ago, on 15 February 1987, Jacques Delors, who was then the President of the Commission, delivered a famous address to the European Parliament entitled “The Single Act: A new frontier for Europe”. He explained the fundamentals of the cohesion policy before it was launched in June 1988: “The economic integration brought about by the Large Market will entail considerable economic benefits. However, all regions of the Community ought to be able to share progressively in these benefits... It is for this reason that the “transparency” of the large market should be facilitated by supporting the efforts of regions with ill-adapted structures and those in the throes of painful restructuring. Community policies can be of assistance to these regions, which in no way absolves them from assuming their own responsibilities and from making their own effort. The Commission has conceived the ‘structural’ policies in this spirit, firmly resolved that they should have a genuine economic impact and that they should not consist merely of budget transfers, which would be far too costly and inadequate as well [...] To put it plainly, Community instruments must cease to be seen as mere elements in a system of offsetting payments. Their role is the central one of bringing about the convergence of economies alongside and in harmony with national and regional policies”. Thus the cohesion policy was intended to combine support for regions that are weak or suffer from belated development, with the goal of convergence (already enshrined in the preamble to the Treaty of Rome<sup>5</sup>) and aid for fragile areas or regions facing new challenges triggered by the Single Market and by major economic, industrial or agricultural restructuring. It is this second aspect of the cohesion policy that justified aid to areas suffering from industrial reconstruction or declining rural areas under objectives 2 and 5b.

Presenting the cohesion policy as a “flanking policy” to the Single Market project<sup>6</sup> in order to offset the imbalances that the project would create added a new, dynamic and developmental dimension to the functional solidarity described above. This programmatic component consisted in giving fragile members, rather than simply weaker members, the means to adapt in order to prepare their economies for the asymmetrical shock that the EMU would entail, and then new members’ regions once the enlargements of 2004 and 2007 kicked in. The adoption of pre-accession instruments in the early 2000s to facilitate adaptation in the social and economic spheres (SAPARD and ISPA) and in the political and institutional spheres (PHARE) was in fact part and parcel of that philosophy.

Yet the 2007-2013 programming period marked a turning point, because it was conceived in response to the Sapir Report that had criticised the cohesion policy (and the Common Agricultural Policy with it) as being a policy of the past fated to disappear. The maintenance of funding for wealthier regions was only accepted at the cost of changing the cohesion policy’s goals, abandoning its programmatic component in order to focus on the goal of convergence. Thus the field of convergence was expanded to include areas covered by the Strategies of Lisbon and of Gothenburg, earmarking innovation and R&D as well as the environment. And that approach was confirmed further down the line. The cohesion policy’s contribution to the implementation of the EU 2020 Strategy almost led to cancelling the goal of reducing inter-regional inequalities when negotiations got under way in 2012-2013, the first drafts of the regulation not even mentioning them.

Shorn of its programmatic solidarity component, the cohesion policy today rests on particularly fragile conceptual bases inasmuch as its legitimacy is rooted outside the circle of its beneficiaries, who are chiefly local and regional authorities. As things stand today the policy works in a hybrid fashion. On the one hand, most subventions are awarded on a GDP-per-inhabitant basis, which is a criterion of economic weakness rather than a criterion of fragility in respect of some future asymmetrical shock, as the initial concept behind the cohesion policy meant it to be. On the other hand, the way the funding is shared out in each individual regional

5. “Anxious to strengthen the unity of their economies and ensure their harmonious development by reducing the gap between the different regions and the backwardness of the least-favoured regions.”

6. Tommaso Padoa-Schioppa, *Efficiency, stability, and equity: a strategy for the evolution of the economic system of the European community*, Oxford, Oxford University Press, 1987

development programme is determined by the differences observed with the expected levels required to achieve the eight targets in the EU 2020 Strategy.

It is obviously possible to justify the use of the GDP-per-inhabitant criterion for allocating funds in terms of economic effectiveness, making it possible to reduce the performance gap in respect of European sectoral goals. But it is far more difficult to see in these calculations a display of intra-community solidarity associated with the pursuit of a common integration project. Reference to access to the Single Market may sound a little old-fashioned to young Europeans because it dates back 25 years for some regions (Italy, Spain, Greece, Portugal...) and about ten years for others (Poland, Romania, Bulgaria...)<sup>7</sup>. The other projects, too numerous and poorly prioritised, lack visibility.

In addition, the predominant share of national GNI in the resources of the European budget has emboldened Eurosceptics to resort to an erroneous semantic shortcut by publicly denigrating cohesion policy as a complicated mechanism of redistribution from 'rich countries' (with high GNI) to 'poor regions' (with low GDP per capita).

There is no extant example to support the view of the cohesion policy's critics who argue for a reduction in its budget on the grounds that it would incite the beneficiaries to laziness or put in place a mechanism of endless financial dependence. On the contrary, the flaws or shortcomings of this policy lead to very few demands for increased financial support. Populist movements, particularly noticeable in the electoral campaigns of the United Kingdom, France, Austria and the Netherlands, did not call for more European solidarity but for its dismantling and replacement by national solidarity alone.

This exaggerated reaction points to the existence of another worrying issue for cohesion policy: its loss of popularity among elected representatives or socio-economic actors, who are increasingly put off by its complexity. Despite recurrent commitments to simplify the programming and implementation of funds, the policy appears to be caught in a vicious circle resulting from the mistrust of beneficiaries and the open questioning of their ability to make effective use of the funding. Each new period comes with new conditions, which in practice create new barriers to accessing funds and carrying out projects. This leads to delays and ultimately under-utilisation of appropriations, which seem to justify the initial fears of donors or their assumptions about excessive grant-giving. Instead of representing a new source of opportunity to build innovative projects responding to local or regional needs, European funds and their complicated management have become a matter of specialist technicians who prefer low-risk procedures.

While the cohesion policy may no longer speak to the hearts of citizens or political decision-makers, it could still speak to their minds. Yet nothing could be less certain. The main reason for continuing to sustain this solidarity, which has become a one-way process, is its "indirect return"<sup>8</sup> in the shape of public markets for the economies of countries that are net contributors of funds paid out to regions and countries benefiting from the cohesion policy. But that mechanism does not benefit all net contributors, and the irony of it is that it primarily benefits one member state alone, namely Germany, which is certainly not the last to question the cohesion policy's continuation<sup>9</sup>. In focusing on the cohesion policy's effectiveness gauged through an increase in GDP-per-inhabitant in the less developed regions and through economic convergence, the cohesion policy is also perceived by the man in the street as an endless remedial course. Taken together with quantitative indicators, it seems increasingly less equipped to meet aspirations that have become more qualitative in nature<sup>10</sup>, in a world characterised by the digital revolution and by energy- and environment-related transition processes. It does not succeed in reducing sub-regional and local disparities, which are considered as unfair when they remain and grow. More generally, it is struggling to improve living conditions beyond the provision of a minimum level of public services and facilities.

The Barca Report<sup>11</sup> in 2009 made it possible to reaffirm the specific nature of the cohesion policy as the EU's territorial development policy, but it did not succeed in triggering a redefinition of its goals. This, because

7. Even if 80% of Europeans are in favour of the four freedoms (Eurobarometer, October-November 2016).

8. Jörg Beutel, (2002) *The economic impact of objective 1 interventions for the period 2000-2006*, DG REGIO, European Commission; Lukas Skrok (2010) *Evaluation of benefits gained by EU-15 states as a result of the implementation of cohesion policy in Poland*, Ministry of Regional Development, Warsaw; Visegrad Group (2016) *How do EU-15 member states benefit from the cohesion policy in the V4?*

9. Marjorie Jouen (2014) "The single market and cohesion policy dyad: battered by the crisis and globalisation", Policy Paper No. 110, Jacques Delors Institute

10. Isabelle Cassiers et al. *Redéfinir la prospérité, jalons pour un débat public*, La Tour-d'Aigues, Editions de l'Aube, 2011.

11. Fabrizio Barca, *An agenda for a reformed cohesion policy—a place-based approach to meeting European Union challenges and expectations* (2009).

proposing it as a territorialised social agenda<sup>12</sup> for the complete integration of the policy's economic, social and territorial aspects was not properly understood, unless of course it was simply discarded because it clashed with the sectoral interests of the administrations tasked with its implementation.

In the wake of the financial and monetary crisis, and with the most badly hit member states curbing their budget expenditure, the cohesion policy seemed to regain a certain legitimacy by taking up the task of pursuing investment programmes decided on before the crisis. European funds which accounted for an average of 2.1% of public investments in 2007 shot up to 18.1% in 2013. In detail, they accounted for 85%, 80%, 74% and 72% of public investments respectively for Slovakia, Latvia, Hungary and Bulgaria<sup>13</sup>. But this argument becomes weaker when it is projected beyond 2020.

### 1.3. The need for solidarity in the EU in the face of challenges

With the evolution of the European project, geopolitical, economic and technological transformations as well as societal changes, the demand for European solidarity takes on new forms. In some cases it is expressed through the search for greater territorial justice and a better understanding of the meaning of current and future transitions (see Appendix).

The EU's loss of legitimacy has been the subject of much research and of much political posturing for at least the past ten years. Their angle of analysis may vary but they all converge in systematically identifying two major fault lines:<sup>14</sup>

- A deficit of democracy associated with the EU's nature as a supranational institution and with what it has become, i.e. a vast geographical assemblage currently uniting 28 very different member states.
- A deficit of results in connection with the policies pursued, with the modalities of intervention and with the decision-making process.

Until a short while ago the long time-frame involved in tackling the first of these deficits had prompted Europe's leaders to focus on resolving the deficit of results in the shorter term. Yet the financial crisis since 2010, and more recently the migrant crisis, have changed the situation: criticism targeting effectiveness is now fuelling political questions and undermining the EU's democratic legitimacy through a snowball effect.

But aside from criticism of the EU in its capacity as an institutional and political construction, Europe's citizens collectively face the challenges of the digital revolution, extra-continental migration and the ecological and energy effects of our development model which call into play their values as outlined in the Treaty of the European Union<sup>15</sup>, based on Europe's cultural, religious and humanistic heritage.

A cartographical analysis of the vote in the Brexit referendum and the US and French presidential elections brutally confirms what people had intuited, namely the growing importance of localisation in the expression of public opinion.

This new situation is a product of the link between perception of territorial inequality and the existence of political resentment<sup>16</sup>, which is undermining social cohesion. It suggests extending the argument of Barca or of the OECD<sup>17</sup> in favour of territorialised economic development policies and pleading for integrating in those policies other policies capable of contributing to development.

12. Marjorie Jouen, "A Territorialised Social Agenda to guide Europe 2020 and the future EU cohesion policy" in E. Marlier and D. Natali, eds., *Europe 2020, towards a more social EU?* Brussels, Peter Lang Brussels, 2010.

13. European Commission, (2014), *Investment for jobs and growth*, Sixth Cohesion Report.

14. According to Pascal Lamy, "the disaffection of Europeans has two causes: an outcome failure and an emotional letdown", *Quand la France s'éveillera*, Paris, Odile Jacob, 2016.

15. Article 2 of the TEU: "The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the member states in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail."

16. Olivier Nachtwey describes new forms of identitarian behaviour in which "resentment enables one to regain a measure of self-assertion" in Heinrich Geiselberger, ed., *The Great Regression: an international debate*, London, Wiley, 2017.

17. OECD (2016) *Regional Outlook 2016, Productive regions for inclusive societies*.

Over the past three decades, the gaps between member states in terms of GDP-per-capita have been declining and a dynamic of interregional convergence has been widely observed, even though the crisis has abruptly halted this process, even setting some regions back 15 years<sup>18</sup>. However, this progress does not concern disparities at sub-regional or sub-urban geographical levels, which are widening. Labour income differentials are increasing, mainly due to a drop in the lowest incomes as a result of technological change and globalisation.<sup>19</sup>

For the past twenty years or so, on the basis of the “new geographical economy”<sup>20</sup> theory, the benefits of urban agglomerations and metropolises have become the subject of a lively political and academic debate hailing the economic merits of concentration and interconnection<sup>21</sup>. By contrast, “the rest” of the territory has been devalued, partly as a result of certain intellectual biases<sup>22</sup>, which threaten to undermine the feeling of belonging to a community.

The democratic divide of the “inner peripheries”<sup>23</sup> appears either to be already a fact or to threaten all member states. These areas are often fairly large, though rarely regional in size, and their populations feel trapped by the combined interplay of external factor, whether those factors are the result of public policy or of adverse changes in the economic climate. Quite apart from their personal social and economic situation, people develop a collective sense of frustration linked to their place of residence.

This phenomenon coincides with the end of the upward social mobility which has characterised economies in their catch-up phase. The inability of public policies in the fields of education, housing, social diversity and employment to achieve their objective of greater equality of opportunity is deeply worrying. It creates a climate of mistrust of the institutions among the population.

But highlighting local problems and dynamics does not mean that the remedy needs to be exclusively local, on the one hand because the territory is simply the receptacle of the combined impact of policies at a higher (national, European or even global) level and of events triggered elsewhere; and on the other, because the feeling of injustice is sparked precisely by comparison with others.

Moreover, given that the 20-year olds of 2030 are already born, and based on numerous trend analyses, it is possible to envision the problems likely to threaten social cohesion. What beckons are not so much clear breaks as a series of readjustments and progressive adaptations. Hence the frequent recourse to the term “transition” to characterise them. The coming demographic, energy and ecological transitions require an “inverted” inter-generational solidarity. Indeed, solidarity between generations has traditionally been invoked to draw attention to the plight of its older members.

While calls for a “Europe that protects” are given consideration at the highest political level during emergencies, they are rarely heeded when it comes to medium- or long-term issues. However, citizens have just as much of a right to expect public authorities to develop adequate resources to protect them. Some future environmental and health risks are already the subject of corrective or compensatory measures but preventive action remains rare. They do not only call for supportive solidarity fostering convergence and buttressing shock-absorption capacities but for a transformation of the EU’s mission with a view to the constructing and preserving a quasi-continental common good, while remaining respectful of the principle of subsidiarity. In other words, managing intergenerational risks, which are no longer solely understood in economic or social terms but henceforth encompass the environment, health and food, is only possible if the sophisticated budgetary and regulatory apparatus on the European and national level is complemented by interventions at the regional and local level.

There are thus four types of needs that call for the reconfiguration of European solidarity:

- External and collective protection at a European level;
- The cushioning of stresses linked to European decisions with territorial unequal effects on the meso (i.e. regional) level;

18. European Commission (2014), *Ibid.*

19. Eurostat 2016, *Income inequalities Paper*

20. Promoted by Paul Krugman et Anthony Venables

21. Successive Cohesion Reports ; OECD Regional Reports ; Philippe Askenazy et Philippe Martin (2015), *Promouvoir l'égalité des chances à travers le territoire*, CAE n°20, Paris.

22. OCDE 2016, *ibid.* ; Olivier Bouba-Olga et Michel Grossetti (2014) *La métropolisation, horizon indépassable de la croissance économique ?*, Paris, HAL.

23. Christophe Guilluy (2011) “Les métropoles et la France périphérique—une nouvelle géographie sociale et politique”, *Le Débat* 4, n°166 (2011).

- Socio-economic convergence at the (sub-regional or local) level of daily life;
- Awareness of future risks with a view to constructing a European common good.

It is now necessary to assess the extent to which cohesion policy—with its specific modalities and objectives: the pursuit of territorial development, multiannual programming and partnership implementation—can provide an effective response to these needs. While some expectations are likely to be better met by sectoral policies and at levels of governance other than those put into play by cohesion policy, others will require a new architecture and a transformed content. Indeed, this exercise goes far beyond the question of the budget allocations. It is a matter of determining the scope of the reform and its ambition of territorial development, identifying the territories or actors to be targeted (and according to which criteria), and proposing a mechanism of implementation and the instruments necessary for it.

## 2. Exploring new ways to rebuild Cohesion Policy

### 2.1. Reaffirming the vocation of cohesion policy

Extra or intra-European migration, internal or external security, exogenous economic shocks or (supposedly) natural shocks require a priori a unified European response or a response at national level that is coordinated between member states, although their impact on regional territories may be considerable. Even if regional and local authorities are called upon to contribute to the implementation of policies and interventions, these fields do not exactly fall within the remit of cohesion policy. In some respect, they may even be seen as distorting it. Just because something unfolds at the regional or local level does not necessarily mean that it should be addressed by cohesion policy.

Indeed, drawing on classic economic analysis, one could argue that the main function of cohesion policy is allocation, while other policies or instruments are better able to function as stabilisers. The role played by cohesion policy in maintaining a satisfactory level of public investment in the countries hardest hit by the financial and monetary crises must not create confusion as to the primary purpose of the structural funds. They are not intended to be counter-cyclical or stabilising. Rather, as their name implies, they aim to help states or regions suffering from structural problems to overcome them, even though such weaknesses are often brought to the fore in the wake of an asymmetric shock. Structural funds enable the beneficiaries to progressively acquire the capacities they lack in order to seize opportunities hitherto reserved to wealthier regions or states without necessarily following exactly the same path.

In light of these clarifications, the debate on the need for greater flexibility in the European budget, in which cohesion policy is sometimes included, should be reframed. It must not be used to provide a pretext for member states opposing the creation of genuine instruments of (sectoral, regional or national) shock absorption.

According to Rinaldi and Ferrer, the EU budget already contains some tools to fulfill this task, even though they remain limited and at most partially effective.<sup>24</sup> The authors consider that the financial envelope dedicated to the absorption of shocks and emergency measures, which combines assistance to natural disasters (€ 500 million per year), aid for addressing labour market imbalances resulting from trade shocks and economic crises (150 million euros per year) and the fight against deteriorating levels of youth employment (910 million euros per year, half of which provided by the ESF), amounts to 10.95 billion euros for the period 2014-2020.

To come back to the need for solidarity, in the case of the migration crisis, the reception of migrants poses above all a challenge at the local level. Local authorities and regions are under pressure and must frequently take urgent measures that will provide migrants with medical treatment, housing, an education and ultimately a job prospect. European solidarity is unquestionably needed here but mostly as a matter of insurance. Assistance to countries, regions or cities is directly linked to the number of migrants they receive and the costs associated with the provision of services to them. It is an integral part of an international policy that,

24. David Rinaldi D. and Jorge Núñez Nunez-Ferrer (2017), *Towards an EU budget with an effective stabilisation function* (FIRSTRUN WP3 sub-task 1.2).

within the EU, should strive to work in tandem with national policies. Nevertheless, the effectiveness of these policies on the ground requires governance modifications: the territorial impact of national and European decisions and agreements must be assessed beforehand and regional and local authorities must have a say in at least some of them.

To deal with natural disasters such as earthquakes, the eruption of a volcano, storms, floods, droughts, or (less natural) forest fires, an insurance-based system of solidarity (see above) has been put into place. The European Union Solidarity Fund (EUSF) was set up in 2002. Its legal basis (Article 175 (3) TFEU) is also strongly linked to the concept of economic, social and environmental cohesion, even if, given that the latter constitutes a specific action, it is not exactly identical to the notion of cohesion marshalled by the Structural Funds (Article 175 (1) TFEU). An analysis of the functioning of the EUSF leading to its reform in 2014 has shown that the insurance approach does not exempt the public authorities from the need for implementing accompanying measures concerning risk prevention, the mitigation of costs or public information aimed at nudging people to change certain investment or consumption behaviours.<sup>25</sup> In order to limit the cost of such solidarity while also making it more equitable for the populations of the less affluent countries, the EUSF should be implemented in a coordinated way alongside the ESIF, which can play a greater role in risk-reducing investments. Taking into account only the level of wealth (GDP per capita) to compare the vulnerability of member states and deduce their eligibility for a preferential regime would be misleading: when explaining why some member states are paid more out of the budget of the EUSF than others, the geographical and geological situation is a major variable, as is the size of a country. The functioning of the EUSF leaves room for improvement insofar as the allocation of funds comes at the end of a rather complex and sometimes lengthy procedure, which is problematic given that this is an instrument supposed to address an emergency.

The purpose of the European Globalisation Adjustment Fund (EGF), which as late as 2006 was the tool available to only respond to trade shocks, was revised in 2009 to include the negative consequences of the economic crisis and other similar events in the future. The main shortcoming of this instrument is that it is not part of the multiannual financial framework, which means that each application is subject to a lengthy decision-making procedure involving the European Parliament and the Council. Its financial impact is relatively low, although the qualitative assessment made over the period 2007-2013 was positive: the average implementation rate during this period was on average 55%<sup>26</sup>. Its relative disconnectedness from certain aspects of cohesion policy can be explained by its peculiar status within the financial framework. This cannot be justified as a matter of principle, as will be shown later. Globalisation appears as a 'disaster' only in the absence of prior assessments of the impact of certain agreements and anticipatory measures. This question is explicitly raised in the European Commission's discussion paper on how to harness globalisation.<sup>27</sup>

The European Defense and Security Union is a major project which aims for greater security on our continent. After the fall of the Berlin Wall, the reorganisation of military activity, the restructuring of the defense industry, the downsizing of professional armies as well as budget cuts have had a wide-ranging economic and social impact on several European regions.<sup>28</sup> However, it is anything but certain that the reversal of this trend initiated by calls for closer EU defense and security co-operation will lead to legitimise European support dedicated to the regions.

According to the President of the Commission and the conclusions reached during several intergovernmental meetings, the operational implementation of the overall EU strategy, including its security and defense policy, would take the form of:

- A coordinated operational and legal action against terrorism and greater police and military cooperation, including the pooling of resources by those member states willing to commit to a framework of closer collaboration.
- The creation of a European Defense Fund to support investment in joint research and the joint development of defense equipment and technologies. Initially the budget of the European Defense Fund would be 25 billion euros to finance collaborative research and innovative technologies.

25. Virginie Duvat et Alexandre Magnan (2014) *Des catastrophes ... « naturelles » ?*, Paris, Le Pommier, 2014. The authors argue that much of the damage caused by natural disasters originates in the increasing fragility of the sophisticated technologies that are at the heart of our public and private infrastructure and, due to the greater mobility of the population, a collective memory loss regarding the risks associated with certain places. Public policy can and must take into account these two causes.

26. European Commission, (2015) *Ex-post evaluation of the European Globalisation Adjustment Fund*. Final report elaborated by ICF International for DG for Employment, Social Affairs and Inclusion.

27. European Commission, Reflection Paper on Harnessing Globalisation, COM(2017) 240, 10 May 2017.

28. The objective of the KONVER Community Initiative set up in mid-1990s was to offer ERDF support to affected regions and to help them adopt innovative measures.

- The establishment of a European Solidarity Corps by 2020, which creates the opportunity for 100,000 young volunteers to help their fellow citizens in crisis and emergency situations, whether it is a natural disaster, a health crisis, the aftermath of a terrorist attack or to facilitate the reception of migrants.

To a significant extent, security and defense are local issues. Even so, the stereotype according to which security and defense are of interest only to external border regions has lost much of its purchase. This is as much a consequence of recent terrorist acts as it is the result of the transformations brought about by digital technologies. Due to well-researched cluster effects, increasing military expenditure may benefit regions where research centers or production sites are located, while not harming the regions bypassed by investment flows. Yet assuming that European and national budgets remain more or less constant, these non-affected regions, while not being harmed directly, will notice that a rise in spending on security and defense automatically reduces the amounts devoted to regional and urban development.

## 2.2. Reactivating the functional “programmatic” solidarity as part of completing EMU

The intervention of the EU (and the public authorities) is legitimate when one of its constituent parts—a city, region or member state - is faced with an asymmetrical shock and forced to react quickly without being able to rely on its own financial, technological, social or societal resources (see above). It can also be justified as a means to “overcome” a particularly difficult moment (a crisis, in other words) but to alleviate the pressures of adaptation. It consists either in softening the immediate blow and giving the affected territories time to reorganise, or in providing them with the external means that will allow them to react effectively.

### BOX 1 ► Slowing down clocks for an easy adaptation

That public authorities play a beneficial role as stress absorbers and agents capable of slowing down disruptive processes has been the subject of a considerable body of compelling economic research since the 1930s. More recently, Tommaso Padoa-Schioppa has applied these insights to a European context<sup>29</sup>. Analysing the anti-poverty legislation in the UK in the late eighteenth and early nineteenth in the UK, Karl Polanyi was the first to stress how crucial public authorities are for society.<sup>30</sup> Today, albeit in a different context, the development of the social and solidarity economy (SSE) provides another example. In the context of a marked trend towards the privatised provision of services of general interest, a new European and national framework has facilitated their outsourcing to the SSE, which, given the complexity of European competition rules, nonetheless presents a certain number of risks.<sup>31</sup> The development of the SSE reflects the strong adaptive capacities of our societies, which strive to meet new needs in a qualitative manner and without increasing the budgetary cost. However, this adaptability cannot be mobilised in emergency situations, since it fundamentally resides in the local community. It follows the pace of societal change and socio-economic development; it takes seven, ten, or fifteen years to come to fruition. The emerging outlines and harbingers of a new kind of social economy have been in evidence since the mid-1990s. But it took a decade for this economy to gather momentum to the point where it now affects virtually all European states.

Similarly to the 1992 objective of the Internal Market, the completion of the Economic Union is likely to produce winners and losers. The most fragile (individuals and territories) should be helped to modify their practices, thus preventing the cohesion of the EU from being jeopardised by this latest stage of European integration.

There can be no doubt that completing the EMU, which is one of the Juncker Commission’s 10 priorities, with a detailed roadmap laid down in the Five Presidents’ Report, constitutes a major project.<sup>32</sup> For the euro area to gradually evolve towards a genuine Economic and Monetary Union by 2020, “it will need to shift from a system of rules and guidelines for national economic policy-making to a system of further sovereignty sharing within common institutions”. It is to be expected that this process will have considerable implications for the economies concerned both on a national and regional level.

The authors of the report are adamant that parallel progress must happen on four fronts: towards a genuine Economic Union, a Financial Union, a Fiscal Union and a Political Union. Of the four projects, the implementation of the Economic Union is expected to pose the biggest problems for the regions and may weaken them further. Indeed, according to the authors, the project involves moving from measures designed to boost competitiveness and facilitate structural convergence toward a binding mechanism based on benchmarks to be

29. Ibid.

30. Karl Polanyi, *The Great Transformation*, New York, Farrar & Rinehart, 1944.

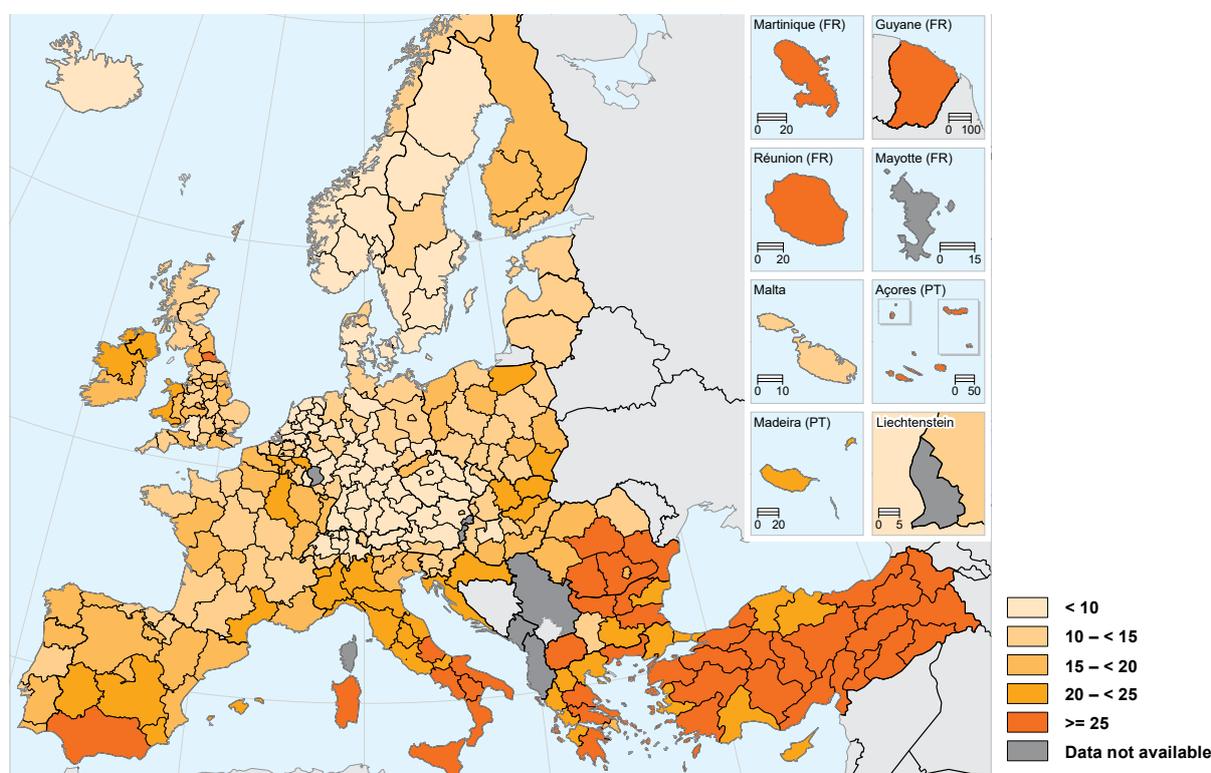
31. European Parliament, *Research for REGI Committee - Services of General Interest in the Funding Period 2014-2020* (2016).

32. Jean-Claude Juncker, Donald Tusk, Jeroen Dijsselbloem, Mario Draghi, Martin Schulz, *Completing Europe’s Economic and Monetary Union* (2015).

met by 2020. This includes: setting up national Competitiveness Authorities in the euro area; a more robust Macroeconomic Imbalance Procedure; a greater focus on employment and social performance; closer coordination of economic policies.

The aim is to achieve resilient economic structures, with both the analysis and the mechanisms envisaged remaining at the national level, following either a macro-economic or regulatory approach. The preferred tool to accomplish this is the European Semester. Irrespective of the 2008 crisis regional discrepancies in employment and education<sup>33</sup> levels as well as access to healthcare<sup>34</sup> have persisted in individual countries since 2002, and, in some cases, even worsened, indicating that an approach limited to the national level will not suffice.<sup>35</sup> It is striking that in 2015 the regional map of 18-24 year-old “NEETs” in Europe coincided exactly with the cartography of unemployment for persons aged 15-74 years: young people are confronted with a social, societal and structural problem which they perpetuate through their

MAP 1 ► Share of young people aged 18–24 neither in employment nor in education or training (NEETs), 2015 (in %)



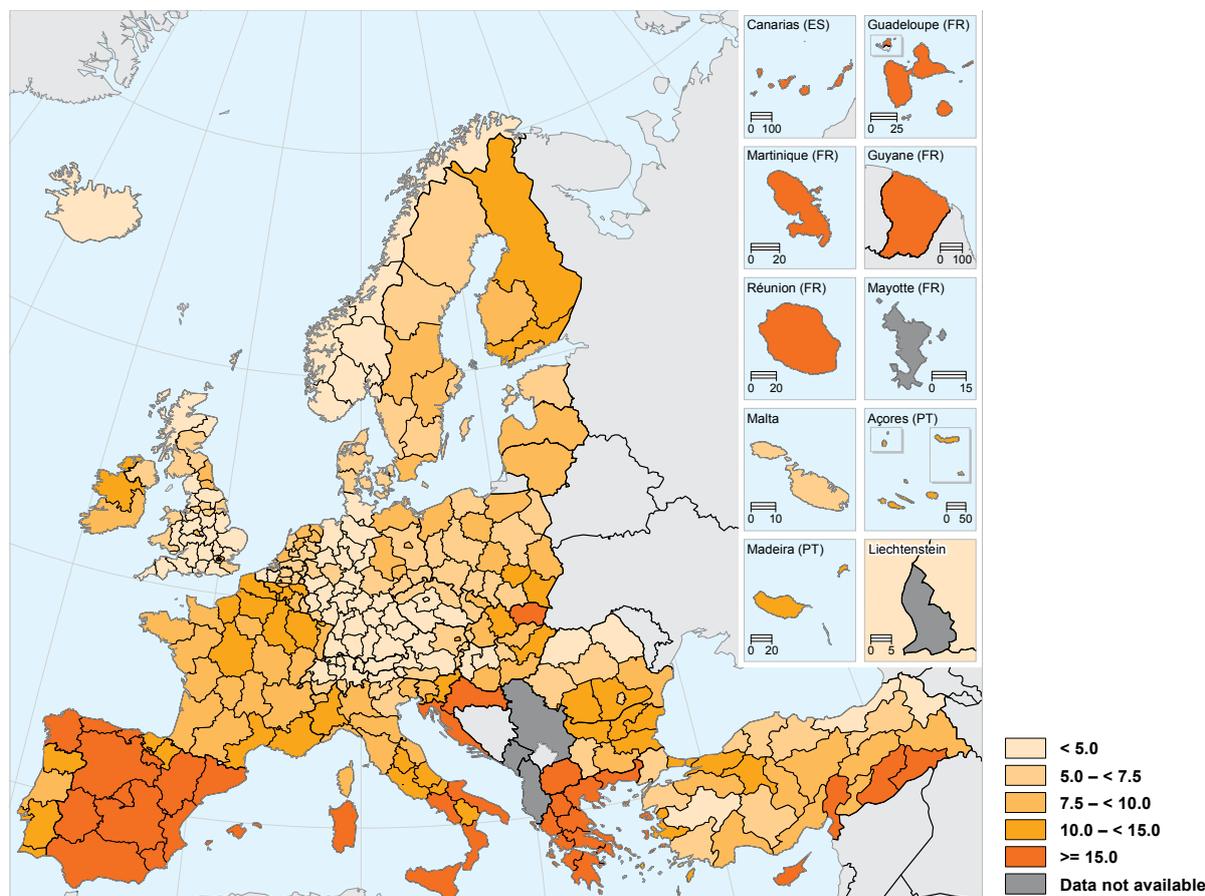
Source: Eurostat

33. Eurostat Regional Yearbook 2016, 87, 104.

34. The number of hospital beds per 100 000 inhabitants varies by up to a 100 percent across regions in Romania, Poland, Greece and Portugal, but also in Belgium, the Czech Republic and France. In most cases, the best conditions can be found in capital regions. Eurostat Regional Yearbook 2016, 62.

35. Marjorie Jouen (2014) “The single market and cohesion policy dyad: battered by the crisis and globalisation”, Policy Paper No. 110, Jacques Delors Institute

MAP 2 ► Unemployment rate, persons aged 15–74, 2015 (in %)



Source: Eurostat

The necessary democratisation of the process requires above all a reorganisation of both the governance structure and the substance of the European Semester, which has already been partially realised<sup>36</sup>. Furthermore, greater care must be taken not to mix recommendations involving different temporalities. In addition, an adequate approach to the Southern member states of the euro zone suffering from low growth rates should be developed. By contrast, the Eastern member states display lower wealth levels while enjoying rapid catch-up growth<sup>37</sup>.

The debate is not new: the triilogue preceding the adoption of the Multiannual Financial Framework 2014-2020 almost stalled because of disagreements over the macroeconomic “conditionalities” attached to the ESIF<sup>38</sup>. After determining that it was not based on sound economic foundations, the proposal to establish an additional condition linking national recommendations, regional program priorities and overall results (especially in the case of the ESF) was finally abandoned. The European Court of Auditors has already considered the funds’ focus on the 11 thematic objectives highly prescriptive. In a recent special report, the Court, awarding full marks for this orientation, provides a comprehensive account of the current situation.<sup>39</sup> It states that, with a total allocation of 349.4 billion euros to the ERDF, ESF and Cohesion Fund for the period 2014-2020, “cohesion policy is the main investment policy of the EU”. It concludes that “Partnership Agreements have proven to be an effective instrument for ring-fencing ESI funding for thematic objectives and investment priorities and supporting the focus on the objectives of the Europe 2020 strategy for growth and jobs”. But “the achievement of the strategic results established for the programming period will require a substantial contribution from the national budgets beyond ESIF spending, but also additional regulatory measures and

36. European Parliament, (2016), Report on the European Semester for economic policy coordination: implementation of 2016 priorities (resolution 2016/2101(INI)).

37. European Commission (2017), *Competitiveness in low-income and low-growth regions - The lagging regions Report*, SWD (2017) 132 final 10/4/2017.

38. Marjorie Jouen, “The macro-economic conditionality, the story of a triple penalty for regions”, Jacques Delors Institute, March 2015

39. European Court of Auditors, *The Commission’s negotiation of 2014-2020 Partnership Agreements and programmes in Cohesion: spending more targeted on Europe 2020 priorities, but increasingly complex arrangements to measure performance*, Special Report (2017).

structural reforms. This illustrates that the Commission makes increasing use of the programming of ESI funds to influence overall economic governance in the member states.”

While some areas such as taxation would greatly benefit if convergence gave way to harmonisation or perhaps even to the definition of common standards, others do not lend themselves particularly well to this exercise. The reasons accounting for the fact that, for more than a decade, there was neither real progress nor convergence in the labour market should be carefully analysed. Have the political commitments been accompanied by adequate support measures? Do they encounter resistance or insurmountable obstacles linked to the great diversity of regional, even sub-regional situations? In that case, should we not proceed differently? It should be acknowledged that the countries where “flexicurity” yielded positive results are sparsely populated or have a population that is highly concentrated in particular regions (e.g. Denmark, the Netherlands and Sweden). In larger countries with pronounced regional socio-economic disparities, such a mechanism may reinforce professional segmentation or tend to generate precarious situations that undermine social cohesion. The content of the European Pillar of Social Rights was presented in April 2017<sup>40</sup>. It aims to reaffirm a number of key principles for ensuring the smooth functioning of the labour markets and the fairness of social protection systems in the euro area. It could fundamentally rebalance the excessive emphasis on cost-competitiveness that is characteristic of the European Semester and other economic convergence mechanisms.

A tailor-made approach geared toward the sociological or geographical characteristics and the specific productive profile of each region—already initiated by the requirement of regional strategies for smart specialisation—remains nevertheless necessary. Establishing the Economic Union, it will be crucial to identify the most vulnerable regions. They are the ones who need support in order not to lose out.

The five scenarios proposed in the framework of the Commission’s White Paper on the future of Europe show that each of them can have different consequences for territorial cohesion in the EU.<sup>41</sup> This confirms the need to highlight these implications before making decisions, but also to adopt measures to narrow territorial gaps that otherwise risk growing wider. Indeed, this much has now become obvious to most researchers: contemporary trends of socio-economic development often increase territorial imbalances. “Those who want more do more”, the third scenario in which the EMU will be deepened, is likely to lead to greater disparities between the regions of the “core” states—which favour greater integration beyond the existing EMU—and those situated on the “margins”—where national governments will join few if any European ventures for closer cooperation. Within the EMU itself, in the absence of a specific mechanism for upholding territorial cohesion, regional differences will continue to follow the same divergent and powerful paths (agglomeration dynamics).

### 2.3. Reducing inequalities and pursuing the objective of territorial convergence by adapting it to the challenges of the 2020s

Confronted with tensions over identity that undermine social cohesion in Europe at all levels, political decision-makers should place greater emphasis on the “popular” nature of cohesion policy<sup>42</sup>. Alongside the concept of political citizenship (and the rights it affords), monetary policy and environmental policy, it is the EU’s only structural policy that benefits European citizens unconditionally: entitlement to all others is dependent on a particular form of employment (for instance in agriculture), age or educational attainment (e. g. students or apprentices), membership of a specific group (e. g. Roma, workers, the unemployed) or one’s status as a consumer or user (in the case of medical standards applicable to drugs). This is partly explained by the fact that cohesion policy provides public goods at local, national or European level. Instead of deploring, as some economists do, that political leaders have a tendency to prefer the provision of local public goods to that of European public goods, it should be stressed that this aspect of cohesion policy is precisely one of its strengths for it lays the foundations for genuine territorial convergence<sup>43</sup>. It pertains not only to economic and social dimensions but also encompasses issues of democratic governance and the environment (sustainable development).

40. European Commission Communication (2017), Establishing a European Pillar of Social Rights, COM(2017)250 26 April 2017.

41. Kai Böhme et Maria Tóptsidou (2017) *The future of Europe and its territories? A response to the EC White Paper on the future of Europe*, Spatial Foresight Brief 2017-7.

42. While public confidence in local political institutions (councils and local authorities) remains higher than trust in national and European institutions, the overall trend over the past decade points nonetheless.

43. Thiess Büttner et Michael Thöne *The Future of EU-Finances*, Tübingen, Mohr Siebeck, 2016.

Until now, cohesion policy has tended to focus more on the economy and communities rather than on citizens. What might appear to be a lesser evil—given the visibility of infrastructure projects - has become problematic insofar as several mechanisms ceased to work. In addition to infrastructure saturation, there is growing discussion of these initiatives' environmental impact; one can no longer assume an automatic link between construction projects and job creation; the employment of posted workers potentially raises tensions. Finally, cohesion policy is of little or no concern to wealthy regions (in Germany, only 14% of municipalities are beneficiaries).

In light of the available financial resources—although historically EU funds sometimes accounted for a non-negligible share of GDP in the least developed countries and regions -, cohesion policy is not intended to be an instrument of redistribution but rather a mechanism of allocation, even if European funds did in fact account for a significant share of GDP per capita or national public investment in the countries most affected by the crisis. The focus should lie on identifying the regions in need and using the most effective levers of development. Notwithstanding some exceptions in the peripheral regions, heavy infrastructure is no longer a catalyst for development. Policy should turn to more intangible investments in health and education. The thrust of 2014-2020 programming must be confirmed and continued to build resilient regions, rather than exhausting their energies in the race for competitiveness.

This does not mean that the objective of competitiveness, either for the European economy as a whole or individual members, should be abandoned. Rather, it means that such an objective cannot be applied indiscriminately to all regions and municipalities according to a nested doll principle.<sup>44</sup> Arguments of political and economic efficiency clearly demonstrate this. Multi-level governance is far more complex than a rigid pyramid scheme: each level and even each regional or local entity contributes in a different way to the construction of the whole.<sup>45</sup> Moreover, regional economies rarely have the critical size to decisively alter their level of competitiveness. Competitiveness is increasingly gained by virtue of the quality of external relations and the interdependencies between the various entities and sub-regional actors. In order to help regions, it is therefore more useful to increase their resilience, boosting the social and technical innovation capacity of private enterprises as well as the social economy and services to the public by improving amenities, developing the endogenous potential and ensuring a high level of social cohesion and well-being.

The challenge is twofold: to strengthen the institutional capacities of the various levels of governance, which so far remain both diverse and are beset by unequal development, so as to enable them to withstand the populist tide; to give each citizen the opportunity and the will to act for the good of all.

In order to improve the resilience of regions to shocks such as economic crises, support should continue to be provided for individuals and socio-economic actors, particularly in the area of social inclusion, while also taking into account, for the sake of greater spatial justice, the form and the size of cities. This insight calls for a better sub-regional territorial balance which should be one of the axes of future regional development programmes, including, of course, the development of rural areas.

In the 2014-2020 programmes, territorial cohesion policy relies on various new instruments for integrated territorial development, ITI and CLLD, as well as on continued European territorial cooperation. Hampered by highly complex regulations, over-regulation by national administrations and disproportionate controls, these non-mandatory tools are difficult to operationalise. Still, they have the capacity to reach an extremely high number of European citizens directly (at least one in two). The positive qualitative impact of such programs on the local fabric can hardly be in doubt.<sup>46</sup> This is why several evaluations have given rise to the gradual extension of the local development approach in rural areas (LEADER) to coastal areas undergoing reconversion (FARNET) and subsequently to all zones (CLLD).

As for the future of these instruments, two options can be envisaged: either, having considered them to be ineffectual because they are too underfunded to create a significant impact, they will be discontinued; or they are given more weight since they are the only partnership instrument available to the EU today to yield concrete improvements in the lives of European citizens. In the latter case, the operating rules associated with these

44. The brutal imposition of such a model ruined the Romanian society and economy in the 1960s and 1970s.

45. Michael Keating (2017), "Contesting European regions", paper presented at the PRRIDE Conference "Europe with the Regions: Regionalization and democratization in the EU", Tübingen, 11-13 May 2017.

46. Marjorie Jouen, Katalin Kolosy, Jean-Pierre Pellegrin, Peter Ramsden, Péter Szegvari, Nadège Chambon, *Cohesion policy support for local development: best practice and future options* Report for DG REGIO (2010).

instruments, which have become mandatory, should be substantially revised. There should be a strong connection between these instruments and support for building institutional capacities.

Launched in 2012 under the banner of “equality of territories”, the French experience holds lessons that should also be heeded at the European level.<sup>47</sup> Refusing to pit rural against urban areas, both of which needed stronger public support, the policy inspired by this notion tended to provide unified answers. However, lacking adequate financial resources and an appropriate legal framework, the policy, multiplying short-term and small-scale experiments and recycling existing sectoral measures, has disappointed many and has not achieved significant results. Finally, it was not viewed favourably because many saw it as generating a standardised response for territories already concerned about losing their specific identity.

Putting regional territories at the heart of the reconstruction of the social bond is not a new idea; experimental pilot schemes conducted in both small towns and big cities have been yielding impressive results for more than twenty years (see in particular the work of URBACT I, II and III as well as the LEADER network of European communities). The problem, however, is how to move beyond a plethora of good practices and successful case-studies. So far, the latter have been put to good use in regional marketing drives but only rarely do they influence the general outlook of official policies for regaining democratic control of cities and serve as counter-models to prevailing socio-economic tendencies such as the privatisation of public spaces or the focus on cars as main mode of transport. On the basis of solid statistical studies that show the correlation between uncivil behaviour, psychological problems and distrust of institutions on the one hand, and the relational poverty of citizens on the other, Stefano Bartolini<sup>48</sup> suggests encouraging local authorities to implement “relational policies” inspired by international research on well-being.<sup>49</sup> These include creating non-commercial venues—places, green spaces, pedestrian zones, sports-centres –, prioritising collective or “soft” modes of transport to get people out of their vehicle, and reaching out to children and young people. They are applicable to both towns and villages. To go beyond the experimental stage, cooperation in the form of networks bringing together local (urban, coastal or rural) and regional authorities and all types of territorial actors must become more of a structural obligation (a new prerequisite?) for the allocation of ESIF under the main programmes and not only within the framework of specific programmes or initiatives.

The more systematic use of financial engineering techniques, repayable advances or loans instead of subsidies seems rather to run counter to the new dimensions of convergence that should be promoted. If the capitalistic vocation of European funds associated with cohesion policy is shifting towards a more holistic approach to socio-economic development based on regional and local resilience, the distinction between the ESIF and the EFSI will be even clearer.

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#### **BOX 2 ▶ The Cohesion Policy and the European Strategic Investment Fund**

The EU Investment Plan aims to boost European growth by attracting private investment. It is based on the European Strategic Investment Fund (EFSI), which is meant to generate 315 billion euros worth of investment, of which 116 billion euros have already been raised in 2016. The objective is to provide at least 500 billion euros by 2020. Judging by the thrust of numerous debates between and within the European institutions, including the two advisory committees (EESC and CoR), and the opinion of the plan’s sponsors, it has been designed and will be deployed as a complement to cohesion policy. Indeed, project applications are ranked according to selection criteria such as quality, excellence and their ability to generate knock-on effects regardless of their geographical location. There should be no competition between the two instruments, which are not substitutable, nor must there be any ambiguity regarding their overall aims. This also means that cohesion policy should not be reduced solely to the thematic objectives of the EU 2020 Strategy if it is not to jeopardise its very existence beyond 2020.

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Analysing multi-level governance arrangements for regional development, the OECD distinguishes three types of contracts: empowerment contracts, delegation contracts and task-sharing agreements.<sup>50</sup> The empowerment contracts are typical for the cohesion policy in the 1990s. They have been the most successful for emerging regions. The relevance of such contracts must be placed in the greater historical context of European governance. After 25 years of implementation of regional economic development and regionalisation policies, their “diminishing returns” are hardly surprising. They should have been progressively transformed into contracts

47. Claudy Lebreton, Marjorie Jouen et Clara Boudehen, *Une nouvelle ambition territoriale pour la France en Europe*, La Documentation Française (2016).

48. Stefano Bartolini (2013), *Ibid.*

49. See especially Council of Europe (2009), *Well-being for all. Concepts and tools for social cohesion*.

50. Claire Charbit et Oriana Romano, *Governing together : an international review of contracts across levels of government for regional development*, Provisional paper, OCDE (2017).

of delegation and task-sharing agreements, when regions became able to fulfill new competences. Indeed, the transition from an empowerment contract to the other two types of agreement is anything but obvious since resistance at a national level, where authorities fear losing their competencies, needs to be overcome. In continuing to propose the same type of contract to all regions, the EU makes a mistake which may also explain, at least partly, why the cohesion policy had little impact on the most developed or the most autonomous regions.

The extent of decentralisation and management capacities vary widely across the regions of the member states. The governance instruments of the cohesion policy should take into account this diversity, as well as the amount of funding and the size of gaps to be overcome in order to attain the objectives. Task-sharing contracts might be taken up more frequently in the context of the EU 2020 strategy (with each level contributing its share to achieve the common objectives), but it would invariably lead to sectorisation which is not the main purpose of an integrative policy such as the cohesion policy.

After 25 years of practical experience, the time has come for the next generation of regional agreements on cohesion policy to adapt to the diversity of institutional situations. There should be scope for genuine delegation contracts where regions have sufficient formal skills and technical capacity to implement a strategy ensuring economic, social and territorial cohesion. Such modalities would make it possible to modify oversight mechanisms and procedures according to the sums allocated: the more developed regions receiving modest funding and focusing on human resources (mainly ESF) would then be freer to engage in highly innovative projects. As part of a genuinely European dynamic, they could play a leading role vis-à-vis the less developed regions, recreating a strong sense of solidarity rather than egoistically going it alone and inciting fierce intra-regional competition.

As a measure, GDP per capita is insufficient when it comes to identifying the strengths and weaknesses of regions and can no longer serve as an exclusive criterion for the allocation of funds. As population and institutional capacity data are increasingly recognised as key to explaining the prosperity or decline of a given territory, continuing to work with categories of regions that are based on a single indicator is problematic. The existence of composite indexes, such as those of UNDP or Social Progress<sup>51</sup> makes it possible to draw on their insights to develop, from 2020 onwards, a suitable new eligibility grid in line with the new regional development objectives.

## 2.4. Building and protecting the European common goods for the transition period

In light of the “reverse” inter-generational solidarity problem that will have become a reality by 2030, the notion of burden-sharing contained in the reciprocity pact usually implemented at European level cannot be applied at all or only with great difficulty.

For a growing number of researchers and policy analysts, the multidimensional nature of the 2008 crisis has sounded the death knell of the “public efficiency framework of the neoliberal state”<sup>52</sup>. A new paradigm has emerged in which the State (in the broad sense of the term that includes the EU institutions) should be recognised as a force of innovation, an “entrepreneur” and a guarantor and producer of the common good<sup>53</sup>. Eloi Laurent proposes the continuation of the welfare State as—or rather its metamorphosis into—a social-ecological State<sup>54</sup>. He stresses that “the most valuable [common] good of European states is the tradition of solidarity among citizens” and they must not sacrifice it.

Until now, as far as policies are concerned, the European Union has shown relatively little interest in research on common goods and how to make the most of them.<sup>55</sup> However, peace and (social and territorial) cohesion are central issues for European integration. The principle of subsidiarity represents a key method of bringing this

51. The EU-Social Progress Index tracks 50 social and environmental indicators in 272 regions (NUTS II) along three axes: basic human needs (nutrition and basic medical care, water quality, housing, security), well-being (access to elementary education, information, health, the ecosystem and sustainability) and opportunities (individual rights, individual freedom and choice, tolerance and inclusion, access to higher education).

52. Pierre Muller, (2015) *La société de l'efficacité globale*, Paris, PUF.

53. Mariana Mazzucato (2015) *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*

54. Eloi Laurent, (2014) *Le bel avenir de l'État-providence*, Les Liens qui Libèrent, Paris

55. Elinor Ostrom, *Governing the commons—the evolution of institutions for collective action*, Cambridge, Cambridge Press University, 1990.

process to life. To rise to the challenge of a “solidarity 2.0”, an excursus on the concepts of the general interest and/or the European interest and their recent evolution is necessary.

While the European reference to the “social market economy” seems compatible with these “common goods”, the quasi-universal invocation of market mechanisms for interpersonal relations (and the reference to *homo oeconomicus*) is in many respects counterproductive. For the last two decades, the general interest (and the services which refer to it), rather than being seen as the greatest common factor, has been reduced to transactional arbitrations aimed at finding a median position between conflicting interests. This is a very restrictive view of the role that public authorities possessing the power to constrain, underestimating that it can play beyond the commonly accepted minimal norms, in engaging energies.

While this minimalist approach may sometimes appear as a “lesser evil” increasing acceptance of new regulations, it all too often represents the lowest common denominator at European level. This is unsatisfactory for the most advanced member states, regions, etc., which have no motivation whatsoever to go further, even getting the impression that their impetus is being stifled. Nor is it to the liking of many others who, forever condemned to “catch up”, often see the imposition of a single model as inappropriate for their needs. More generally, the lowest common denominator approach is even more harmful insofar as it devalues the virtues of pooling resources at the European level, which is consequently rejected as a questionable and ineffectual practise.

In relation to the solidarity issue, the welfare state is above all an insurer that substitutes the certainty of solidarity for the hazards of individual existence. The nineteenth-century idea of public “welfare” implied that humans had to be protected from the risks of natural (diseases) and social life (accidents at work, among other things). Now, in the age of the Anthropocene, humans have become an integral part of the “natural life”. Social policy could therefore be reconceived as an environmental proximity policy pertaining to the social conditions of life (family, work, leisure) as well as to access to environmental amenities and to all environmental factors which have an influence on health and well-being<sup>56</sup>.

Until now, the economic and social damage potentially associated with natural risks was conceptualised as a fatality. Everything changes if these events are understood as human catastrophes for which, by way of our consumption, production or habitation patterns, we bear individual responsibility. More importantly, such a perspective suggests that we have a collective capacity to protect ourselves by taking proactive and preventive measures. Indeed, advances in our scientific understanding of ecological crises are ushering in a historical moment that, as far as social risks are concerned, resembles the post-war period: responsibility will replace the notion of fatality, and environmental uncertainty that of socio-ecological risk<sup>57</sup>.

As to whether private or public pooling of risks is preferable, a comparison between the current costs of managing private insurance and public healthcare systems leaves little doubt<sup>58</sup>. A decade after the outbreak of the crisis, the neo-liberal arguments should be dismissed. Contrary to the claims of its detractors, in the past decades there has been no compelling evidence showing that welfare-state provisions breed idleness, encourage fraud and devalue work or entrepreneurialism. The welfare state has never caused an economic crisis. It furthers human capacities, improves public health and increases life expectancy while strengthening social cohesion. Without it, the so-called “merit” goods—education and health—would not exist as we know them. Life expectancy increased by 35 years between 1900 and 1999, whereas it had increased by only 7 years between 1000 and 1900. In the long run, it costs nothing and Europe shown for over four decades that prosperity through solidarity is possible. It does not drain financial resources; it distributes between one quarter and one third of economic wealth among members of the national community. “The welfare state is the most effective institution ever created in the long history of human cooperation... The welfare state does not disempower individuals; it shifts blame away from them”<sup>59</sup>. According to the OECD, social policy in its member states has halved poverty levels. The welfare state has dampened the negative impact of the big recession on European households, reducing it by a factor of four.

56. François Lafitte, *Social policy in a free society*, Birmingham University Press, Birmingham, 1962.

57. The IPCC divides climate risks into four categories: virtually certain (e.g. temperature rise); very probable (e.g. rising ocean levels); likely (greater precipitation and more violent cyclones); likely (heatwaves and retreat of glaciers)

58. In the early 1990s, the much-quoted crisis of the Swedish model was not the result of excessive social protection but of poor macroeconomic management and the inability to prevent a banking crisis. In spite of this, the Swedish example has served as a justification for lowering levels of social protection. Advocates of a continent-wide trimming down of the welfare state continue to refer to it.

59. Eloi Laurent, *ibid.*

The establishment of a social-ecological ‘state’ as an extension of the welfare state would represent an ambitious new departure for the European Union, since the consolidation and protection of such a common good (encompassing both the ecological and the energy transition) requires to articulate multi-level public policies following the subsidiarity principle. In fact, climate change mitigation requires a global or continental effort but adaptation can only occur at a local level. Similarly, the institution of new taxes and resources should be dealt with at the European level but the redistribution should be organised at the national or regional level.

With a view to realising such a common European project, European funds associated with cohesion policy could easily be mobilised in the regions well beyond what was decided in 2014 or is currently envisioned under the auspices of the Energy Union. To a significant extent, the human factor—land use (agriculture, infrastructure and urbanisation), population growth and the economic wealth accumulated in some areas—explains the extent of disasters. There is a panoply of public policies available at all levels, which do not only concern disaster relief and compensation but also prevention and adaptation. Moreover, this project opens up the interesting prospects for the younger generations (jobs, skills, research, health, food, housing, etc.), regardless of their place of residence. It allows everyone to reclaim the future without compromising on European values.

The Commission has already adopted a number of communications in order to affirm the EU’s commitment to implementing global agendas, both for its internal<sup>60</sup> and external policies, that is to say in its cooperation with third countries.<sup>61</sup> With its far-reaching and multidimensional ambition, illustrated by the 17 Sustainable Development Goals (SDGs), the United Nations’ 2030 Agenda for Sustainable Development could easily have become a new strategic framework for EU policies following the Europe 2020 strategy.

However, some member states have by now become exemplary global reference points. It is therefore unlikely that the SDGs will have a unifying power for the EU as a whole. To be sure, they can offer minimum obligations for member states that are as yet far from achieving these objectives, but they will hardly be able to mobilize regions or states that are more focused on their competitiveness. Still, to the extent that the commitment to the UN Sustainable Development Program can be reflected at the regional level, it should encourage a broadening of the criteria for assessing convergence between countries and regions in the EU.

The Commission has for its part fielded a new proposal on energy and climate policy governance, which should make it possible to apply these ideas effectively to Europe’s regions. The objectives of greater energy efficiency and mitigating climate risks are sufficiently broad and multifaceted to engage all regions. The outline of the map showing vulnerable regions changes according to the aspect under investigation (energy self-sufficiency, reduction of GHGs, renovation of buildings, energy mix, mobility, fuel poverty, etc.).<sup>62</sup> A prime opportunity for solidarity through convergence, the proposal’s implementation is well under way for the programming period 2014-2020. In its special report<sup>63</sup>, the Court of Auditors also points to a substantial increase in planned investment in energy efficiency compared to the period 2007-2013. This, however, appears to come at the expense of other similar thematic objectives (risk prevention and preservation of natural resources, sustainable transport). Continued regional investment beyond 2020, which is a prerequisite for making the EU a carbon-free and more energy-efficient economy, would need to shower greater awareness of regional disparities (natural climatic and geographical conditions, manufacturing sector, energy mix, housing stock etc.) rather than focusing narrowly on GDP.

Thus, the Energy Union and the United Nations Sustainable Development Program make it more necessary than ever to pursue the objective of convergence, while recalibrating its focus to include criteria other than GDP per capita to determine which regions are in need of support.

60. European Commission Communication, *Next steps for a sustainable European future - European action for sustainability*, COM(2016) 739, 22 November 2016.

61. European Commission Communication, *Proposal for a new European Consensus on Development. Our World, our Dignity, our Future*, COM(2016) 740, 22 November 2016.

62. Eurostat *Regional Year Book 2016*

63. European Court of Auditors (2017), *ibid.*

## CONCLUSION: A RESTRUCTURED COHESION POLICY MORE NECESSARY THAN EVER

From 2007 onwards, despite the addition of territorial cohesion in the Lisbon Treaty, the notion of EU solidarity associated to cohesion policy weakened and disappeared, damaging EU legitimacy in the process. The current framework regulation provides the most support to underdeveloped regions in relation to the convergence objective, less finance to other regions in order to stay with the EU 2020 Strategy objectives, and even less subsidies to support territorial cooperation.

As the specter of the financial crisis recedes, it becomes clear that the important contribution of cohesion policy to public investment and the achievement of the goals laid down in the EU 2020 strategy will not be enough to convince national policy-makers and European citizens that maintaining funding for all regions is in their own interest.

Consequently, if we want to ensure cohesion policy's continued existence, we must substantially reform it to convey to all European citizens that cohesion policy offers them support regardless of where in Europe they live. It enables them to tackle new challenges and remains the best instrument for exercising European solidarity.

The reform of cohesion policy should follow several directions simultaneously:

- Revisit the convergence objective in the light of new challenges. Considering the widening of sub-regional disparities rather than inter-regional ones, and the various kinds of inequalities, the eligibility criteria should be diversified (GDP per capita, social and environmental indicators, indicators related to democracy and human rights). The kind of socio-economic model that is desirable for the EU citizens by 2030 should also be questioned, highlighting the value of the European way of life as such (peaceful, democratic, tempered, relatively equal, etc.). Bearing in mind that the regions and the local authorities are the best placed to nurture the European lifestyle, the CP post-2020 should aim at building resilient regions along five axes: socio-economic (competitiveness and innovation), environmental, democratic, territorial balance (and interdependence rural-urban), and human development (culture, education, health).
- Make it clear to regions with strong internal, territorial and social inequalities that they have a special responsibility to ensure social and territorial cohesion by providing better access to well-being services and improved physical but also intangible (in the fields of culture, digitisation, education, health, food, energy) interconnections between the most dynamic and prosperous areas and those lagging behind. This is a prerequisite for the sustainability of a balanced and harmonious spatial development. Implementing this type of responsibility at sub-regional level is a crucial first step for re-establishing an active European solidarity between inhabitants and socio-economic actors, whether they live in mountain areas or in valleys, on islands, in coastal communities or in the hinterland. It concerns rural areas just as much as urban neighbourhoods.
- Deepen work on regional/local public resources, on institutional capacities and smart specialisation strategies in order to conjoin outward-oriented and local endogenous potential development.
- Offset the impact of the deepening of EMU, which is likely to put an additional structural strain on fragile regions, by extending support to these regions along the lines of the 1992 objective for the internal market. Within the framework of cohesion policy, the question of whether completing EMU, a far-reaching project, will be accepted by European public opinion hinges on the availability of this support.
- Intervene for ensuring "reverse" intergenerational solidarity centred on the construction and protection of "common goods", in relation to the environmental, energy, climate and demographic transitions by 2030.

Finally, if solidarity should once again become a priority for the EU, the relationship with the competitiveness objective must be revised. Cohesion policy can no longer be reduced to a mere complement to the extension of the Single Market to new economic and trade sectors. On the contrary, any further extension of the Single Market and new projects' prospective impact on the territorial equilibrium should be assessed ex-ante. In the event that the evaluation arrives at the conclusion that the existing spatial balances and solidarity mechanisms (existing public solidarity policies) will be threatened, the desirability of the project in question should be seriously questioned.

## APPENDIX: NEW EXPECTATIONS OF SOLIDARITY AND TERRITORIAL JUSTICE IN EUROPE

### 1. The EU and the European citizens facing the challenge

#### The legitimacy of the EU is weakened

For more than twenty years, the legitimacy of the European Union has been called into question, on the grounds of its democratic practice as well as its achievements in the socio-economic field.

As a supranational institution still comprising 28 member states, the Union is criticised for its inability to create a fully-fledged European demos<sup>64</sup> or to shed a top-heavy bureaucracy based on mutual distrust among the institutions and, above all, among the different levels of governance. It pays the price for its evolution towards post-democracy that affects all developed countries<sup>65</sup>. According to Colin Crouch, in such a system the interests of a powerful minority outweigh those of the majority. The form of democracy is respected but not the substance, which in the past granted ordinary citizens a decisive say in public affairs.

In the eyes of many Europeans, since the 1990s the EU has failed to honour the pledge of prosperity (unemployment, job insecurity, worsening poverty are the obvious signs of this failure) and instead exacerbated the external pressure of globalisation.<sup>66</sup> This civic challenge provides the starting point for the European Commission's discussion paper on harnessing globalisation, which acknowledges that some European regions are more vulnerable than others, with several rural areas at risk of being left behind altogether.<sup>67</sup> Regulation and peer governance impose excessive demands on certain member states (management of the monetary crisis, multi-speed Europe) and also slow down numerous initiatives. In emergency situations, the governance structure does not react quickly enough and decisions, once taken, often prove inadequate or too weak to have a protective impact.

#### Identitarian challenges

In addition to the institutional and political critiques of the EU, the socio-economic and geopolitical context has crystallised three types of challenges that need to be addressed by Europeans committed to the values espoused in the Treaty of the European Union.<sup>68</sup>

- a challenge in appropriation and control: the digital era is spawning thousands of innovations which we have no idea how best to use in a context of respect for our values (democracy, private life, human dignity) yet without wasting them. This accelerated tension towards the future, while an intimate part of the construction of our Western identity<sup>69</sup>, is a source of anxiety for a demographically ageing population<sup>70</sup>;

64. Joseph Weiler (1999) *The constitution of Europe*, Cambridge University Press.

65. Colin Crouch (2004) *Post-democracy*, London, Polity.

66. Stefano Bartolini (2010) *Manifesto per la felicità*, Rome, Donzelli.

67. European Commission (2017), Reflection Paper on Harnessing Globalisation, COM(2017) 240, 10 May 2017.

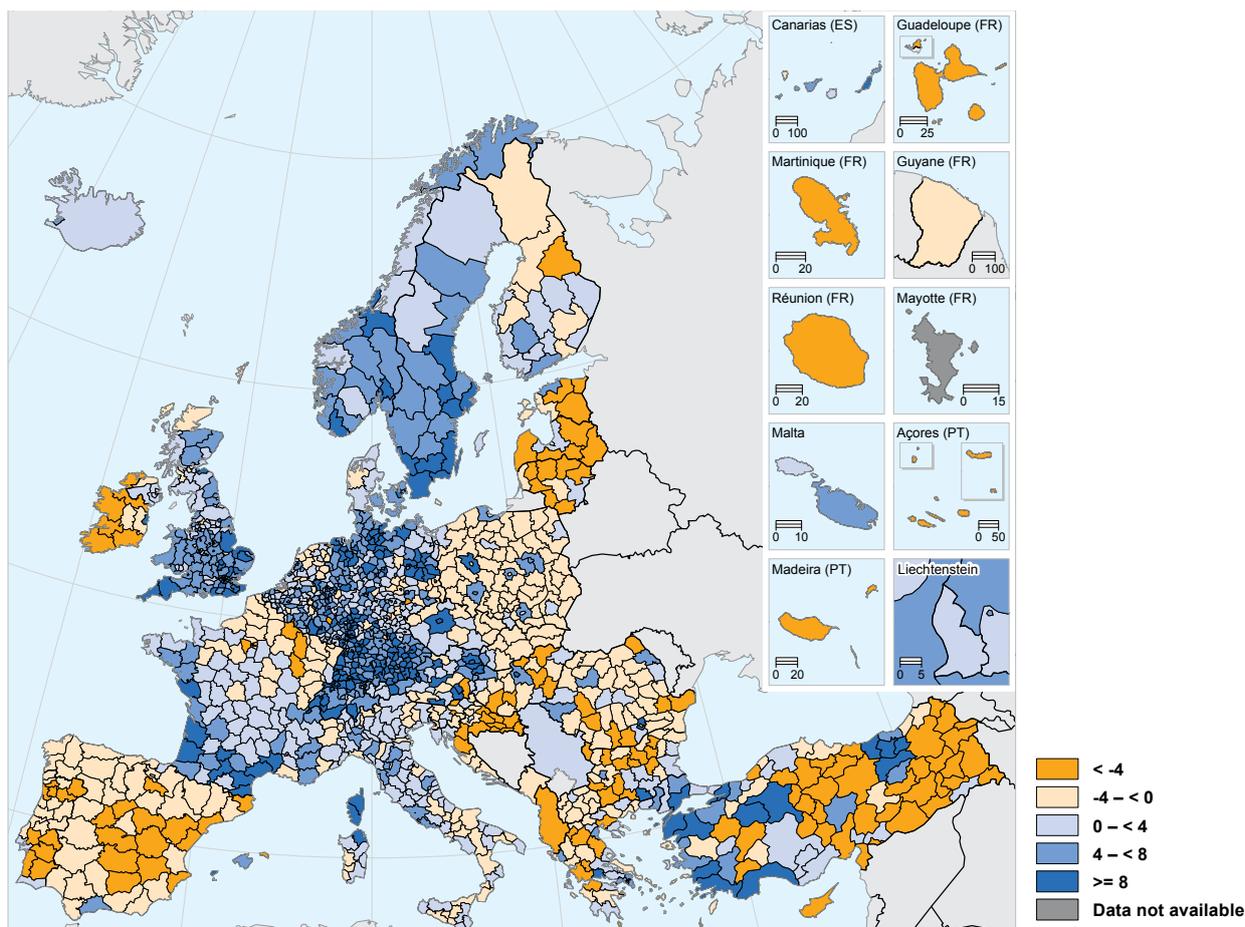
68. Article 2 of the TEU : "The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the member states in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail."

69. Hartmut Rosa (2010) *Alienation and Acceleration. Towards a Critical Theory of Late-Modern Temporality*, Aarhus, NUS Press.

70. We find ourselves in a situation of social disarray reminiscent of Karl Polanyi's analysis of an English rural society that had lost its bearings as a result of its forced entry into the market economy in the first half of the 19th century or of the disarray of the colonized populations subjected to new social rules imposed by the Western empires.

- a challenge in reaction and projection: non-European peoples are moving en masse towards Europe for political, economic or climate-related reasons. We are incapable of organising their intake or of ensuring their integration while preserving our own values (gender equality, tolerance) and our own social organisation (welfare, education and so forth), or of devising effective prevention mechanisms (economic development in the least developed countries, the mitigation of climate change, monitoring countries of origin, rescue at sea and so forth);

MAP 3 ► Crude rate of net migration (plus statistical adjustment), 2014 (per 1 000 inhabitants)



Source: Eurostat

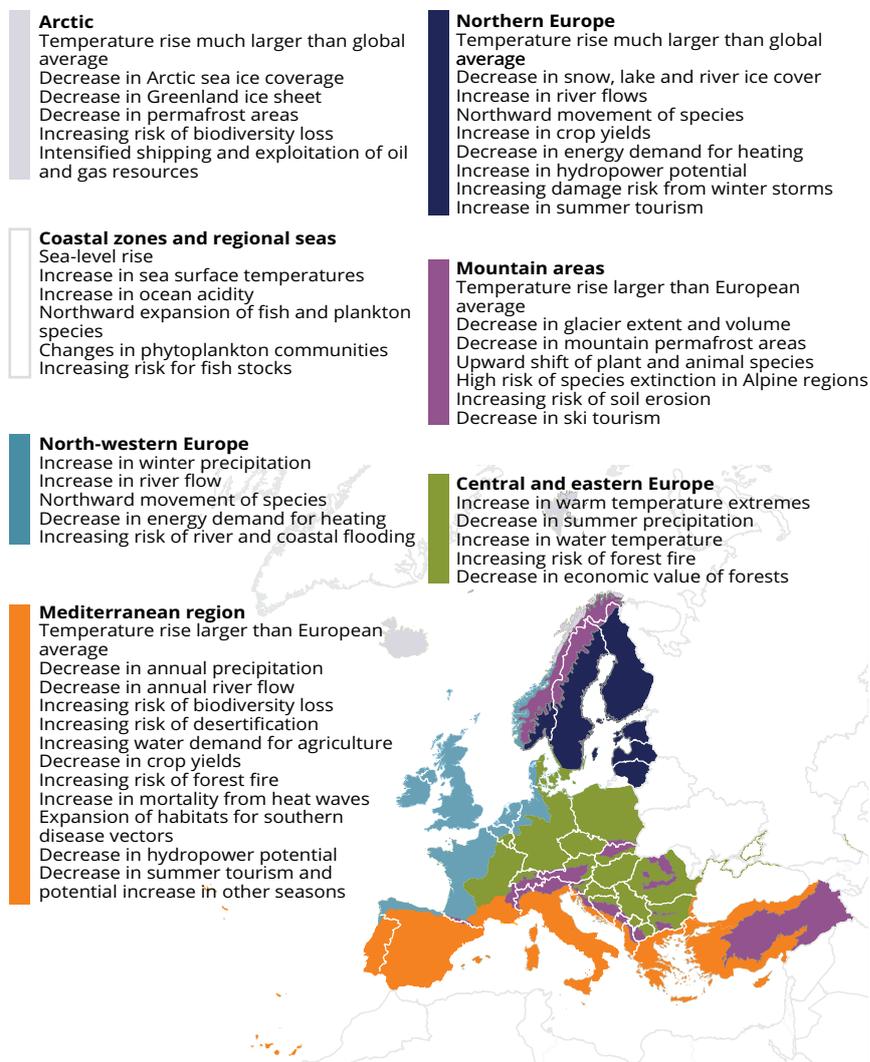
- a challenge in democratic governance<sup>71</sup>: global warming, the loss of biodiversity, population growth and the depletion of natural resources are all threats to the survival of the human species in the next few generations unless our mode of development is substantively redirected. This turning point requires the invention of new public policy tools<sup>72</sup> to change individual and collective conduct on the basis of a democratic process<sup>73</sup>.

71. Nancy Fraser insists on the necessity to refuse the "choice between progressive neoliberalism and reactionary populism", in Heinrich Geiselberger, ed., *The Great Regression : an international debate*, London, Wiley, 2017.

72. Marjorie Jouen (2017 to be published) *Pour moderniser l'action publique, les leviers du changement social*, Paris, Futuribles

73. Eloi Laurent et Philippe Pochet (2015) *Pour une transition sociale-écologique, quelle solidarité face aux défis environnementaux ?*, Paris, Les petits matins / Institut Veblen

**MAP 4** ➤ Significant observed and expected effects of climate change in the main European regions



Source: EEA, 2012

**An increasingly distant and antagonistic public opinion**

There was a clear change in the way Europe’s citizens viewed the EU between 2006 and 2016<sup>74</sup>: positive opinions plummeted from 50% to 35% while negative opinions, which had been hovering around the 15% mark for a long time, shot up brusquely to 25% in 2012-13 and remain at that level since then.

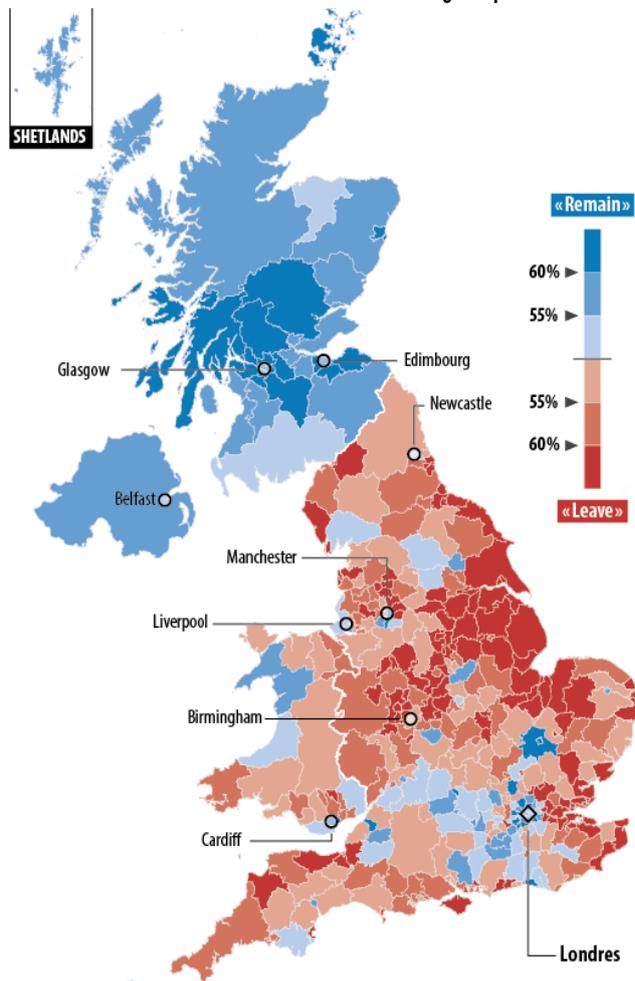
Free circulation and peace tie at 56% as the EU’s best achievements, followed by Erasmus and the euro with 20% and the welfare sector with 19%<sup>75</sup>. Of the EU’s projects and achievements, the free circulation of people and goods positively triumphs with 80%. The EU is urged to adopt a more proactive approach, on the other hand, in the fields of common defence (75%), energy (73%), migration policy (69%), foreign policy (66%), the digital economy (60%) and the EMU and the euro (58%). Support for the EU falls below the midwater mark in connection with trade agreements and enlargement.

74. Eurobarometer October-November 2016

75. Jacques Nancy (2016) *Main change in the public opinion towards EU*, Exploratory study for the European Parliament

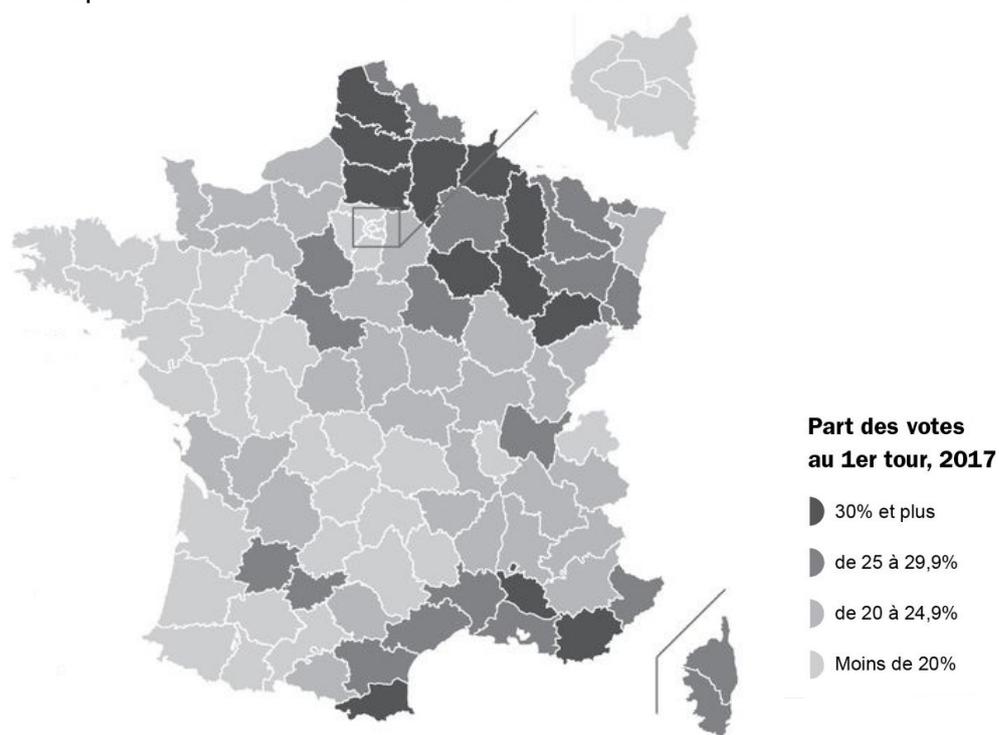


MAP 6 ► Results of the referendum in the United Kingdom per electoral division



Source : Wall Street Journal

MAP 7 ► French presidential election: vote share for the Front National in the first round

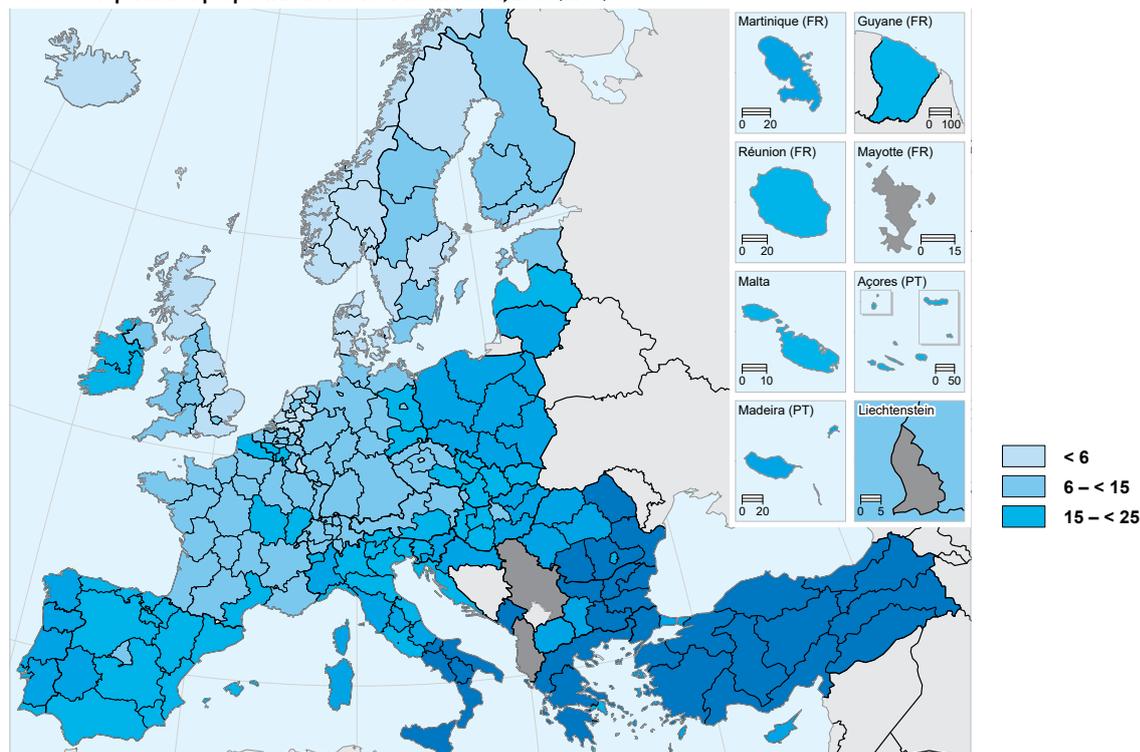


Source : Visactu, Ministère de l'Intérieur

For a long time, fluctuations were explained chiefly by membership of a given social group based on gender, age, level of education or profession (income levels being correlated to this). Localisation was considered a constant given akin to physical features, cultural, economic or religious heritage and so forth<sup>77</sup>. In fact, Eurobarometer analyses of electoral behaviour (abstention) or opinions favourable to the EU continue to be marked primarily by national determinism, and more weakly by citizens' levels of education or age. They have difficulty shedding light on other explanatory variables at the European level<sup>78</sup>.

On a general level, the feeling of injustice is fuelled by the observation of excessive and irreparable inequalities. This triple trigger of injustice—observation, excess and the absence of any possible remedy (fatalism)—takes root in particular at the local level, in people's daily lives. Thus regions or cities with a high level of tension are often those that show a larger gap between income and lifestyle, and this is aggravated when populations fail to mix in geographical terms<sup>79</sup>. The digital revolution also stokes the phenomenon, first of all because it blatantly reveals the inequalities to all and sundry thanks to the broad circulation of information and through the social media, which bring individuals closer together in virtual terms and facilitate comparisons (and frustrations) with extreme material conditions<sup>80</sup>. And second, because it allows individuals to earn extremely large sums in conjunction with the financialisation and globalisation of trade (copyright, patents).

MAP 8 ► Proportion of people who never used the internet, 2015 (in %)



Source: Eurostat

Research has pointed to the democratic withdrawal of the “inner peripheries”,<sup>81</sup> which seems to affect almost all member states. In these areas, which can sometimes be quite large but rarely of regional size, the inhabitants feel trapped by the combination of external factors, public policies and the vagaries of the economic cycle. In addition to their socio-economic plight, these populations harbour collective sense of frustration directed at their place of residence.

77. Thus, in the beginning of the 20th century, the “granitic conservative France” was frequently opposed to the “progressive France of the chestnut”. The “read south belt” was often evoked to talk of several southern regions with many farm workers and in the small industry

78. Jacques Nancy (2016) *Ibid*

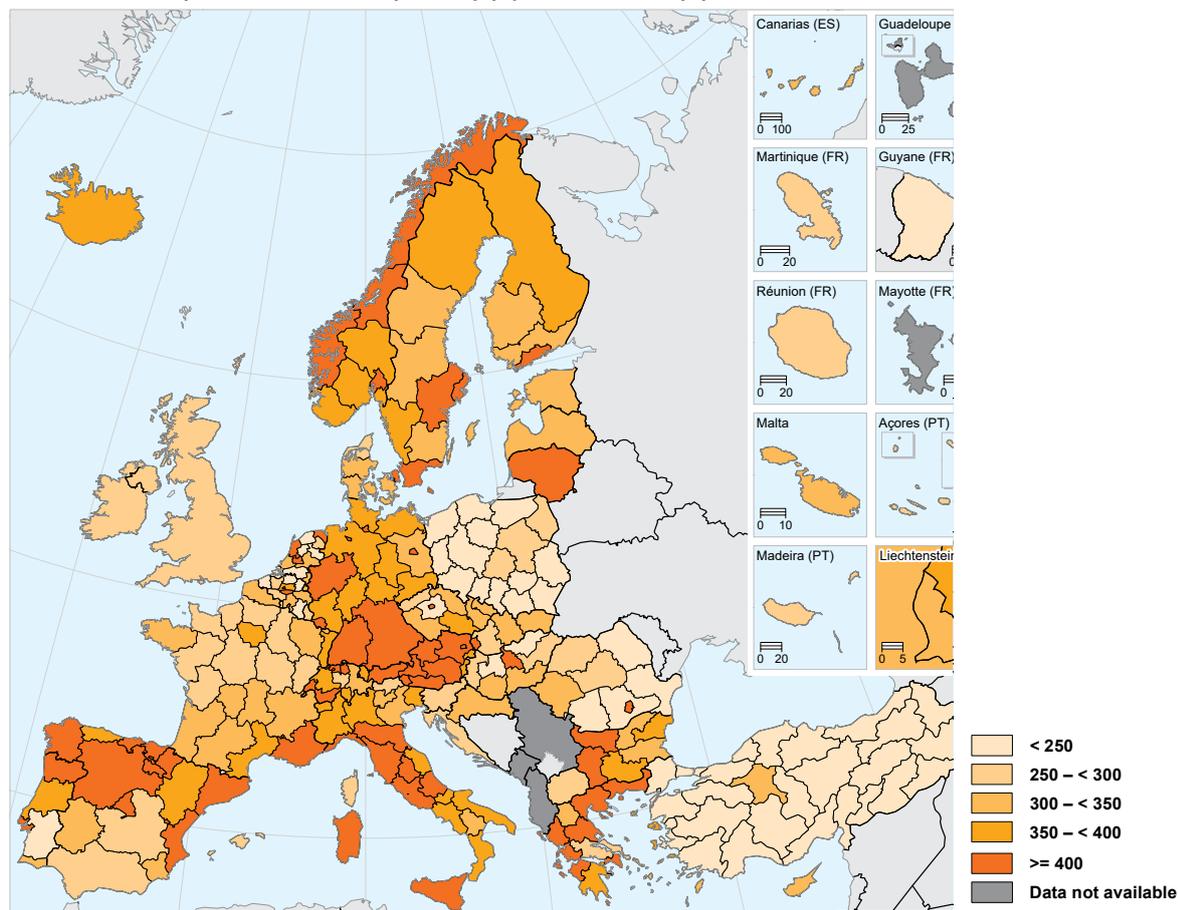
79. Territorial expelling behaviours are developing, mostly initiated by the richer social groups

80. These drifts and their social consequences, leading to widening emotional and compassionate collective behaviours, have been studied for the last decade.

81. Christophe Guilluy, « Les métropoles et la France périphérique—une nouvelle géographie sociale et politique », *Le Débat* 4, n°166 (2011).

This may result in an unhealthy choice of voluntary localisation (“exurbs”<sup>82</sup>) or of social determinism linked to the phenomenon of spatial segregation (derelict inner cities or suburbs). Thus these areas are similar in terms both of their mediocre social and economic performance and of problems in the spheres of public facilities and access to services, albeit without necessarily being the worst. In the long term, certain areas or regions are clearly moving down a path of decline.

MAP 9 ► Healthcare personnel – number of (practising) physicians relative to population size, 2013



Source : Eurostat

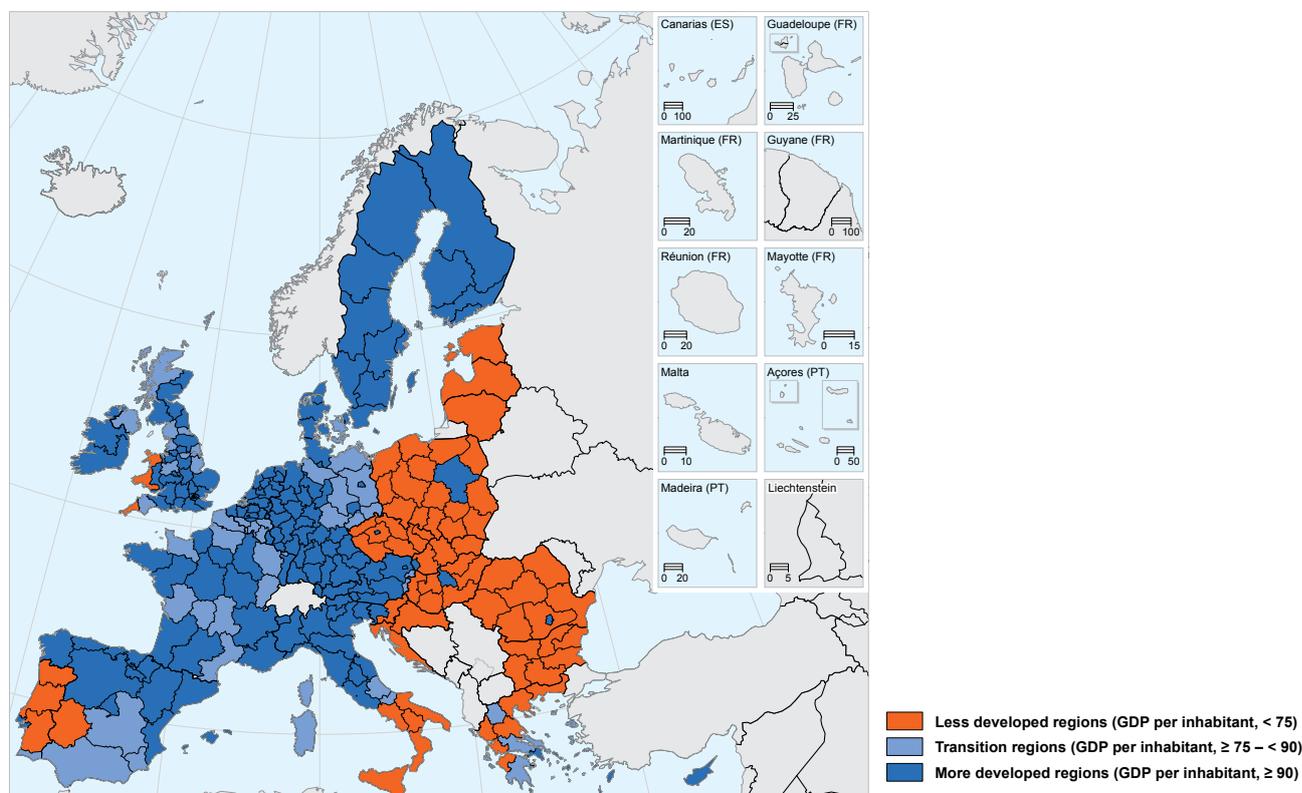
This phenomenon is a long-term affair, although the crisis has increased its visibility with extremist, xenophobic and populist parties achieving major scores in national or European elections. It coincides with new social behaviour such as intermittent absenteeism linked to the indecisiveness<sup>83</sup> or extreme commodification of interpersonal relations<sup>84</sup>, but more especially with the cap on the upward social mobility that was once a feature of economies in the process of catching up. Thus it tends to have more of an impact on regions with weak growth rates, in particular in the EU-15, rather than those with a weak development level, although it would be a mistake to consider per capita GDP a reliable indicator. It is not the economy so much as anthropology, sociology and political science that allow us to gain a better understanding of the sources of this malaise.

82. See Michael Storper.

83. According to the Eurobarometer analyses, the abstention in European elections has been increasing since 1979, though there are pronounced national differences. While abstention implicitly favours populist parties that are hostile to the EU, it is not possible to posit a straightforward correlation between Eurosceptic voting pattern and a geographical analysis of unemployment or other socio-economic data.

84. This commodification, described as “reification of the other” by Tim Kasser (*The High-Price of Materialism* (2002) Cambridge, MIT Press) and which, according to Zygmunt Baumann (*Liquid Modernity* (2000), London, Polity) comes at a high individual and social costs, leading to an increase in capital expenditure and running costs, partly as a result of a general judicialisation of relations. By contrast, in a society based on trust much of this expenditure could be avoided.

MAP 10 ► Eligibility of regions for cohesion funds based on gross domestic product (GDP) per inhabitant (in PPS), the programming period 2014–20



Source : Commission Européenne, DG REGIO

It directly calls into question the ineffectiveness of cohesion mechanisms and demands the reactivation of multi-dimensional convergence, which incorporates economic considerations (business, employment, research and innovation), improvements in the natural and built physical environment, education, training, health, food, etc.

### 3. The uncertain fate of those who will reach adulthood in 2030

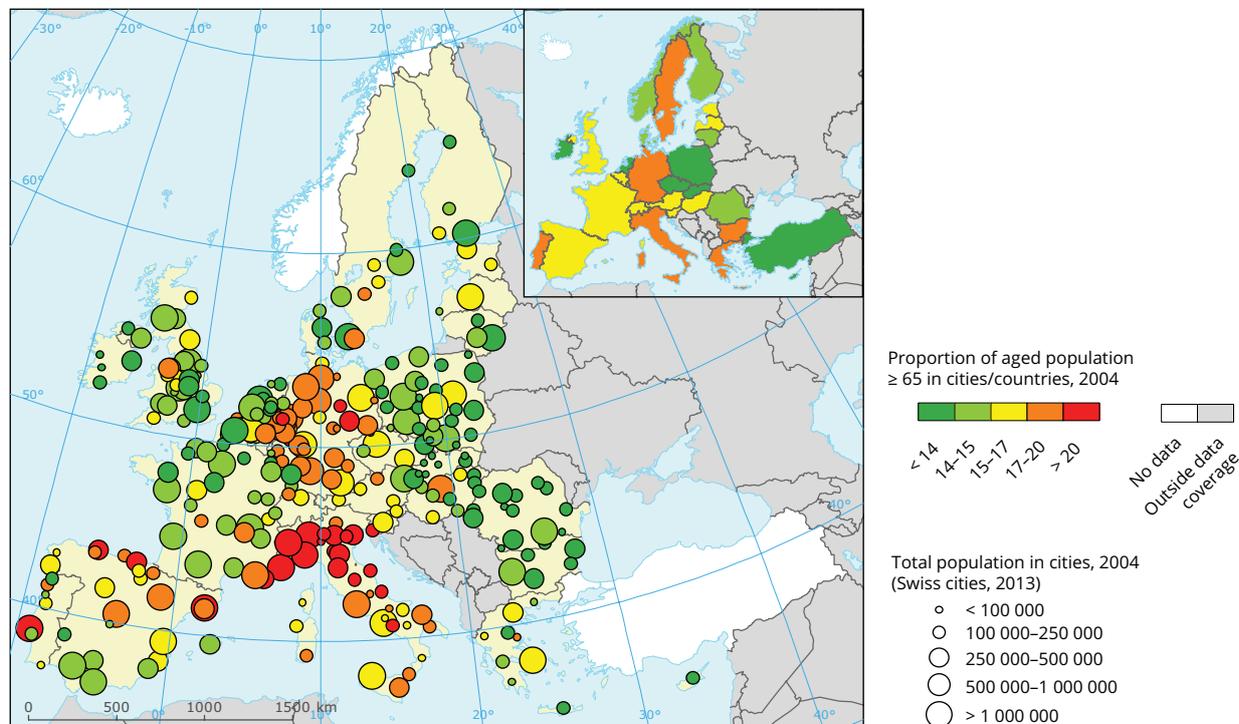
It is always risky to indulge in predictions about the future: they too easily resemble exercises in science fiction. Nevertheless, if one extrapolates certain trends and takes into account international commitments extending to 2030 or even 2050, there is already a significant amount of instructive data available. In terms of intergenerational solidarity, even since the 1960s attention has focused on the situation of the elderly. As a result, more was done to address the risks associated with the end of the working life and, more recently, with personal dependence. However, over the last decade, child poverty and the problem of young adults struggling to enter the labour market have emerged as important issues. In some member states, proactive policies have been adopted to tackle them, but their scope remains limited insofar as their success depends on deeper social reforms.

The living conditions of those who will be twenty in 2030 raise crucial questions that go beyond social policy. According to the European Environment Agency, each year air pollution causes the deaths of no fewer than 524 000 Europeans, and 87% of the urban population is exposed to this risk.<sup>85</sup> Particulate matter pollution is responsible for 43,000 premature deaths in France, and close to 60,000 in Germany and Italy. Scientists point to new epidemiological risks, the effects of which may be only felt in the long term (e.g. those related to endocrine disruptors), even if some substances are banned sooner. As scientific progress has greatly reduced the epidemiological risks associated with communicable diseases, the environmental dimension of health can no longer be overlooked for two thirds of deaths are now due to chronic diseases related to our behavior and environmental conditions. Generally speaking, environmental inequalities outweigh other iniquities. Thus, in the United States, the Gini coefficient is 0.47 for social inequality (about twice that of the EU), compared to 0.76 for environmental

85. European Environment Agency, Annual Report (2015).

inequality. In OECD countries, the number of people at risk of flooding has risen from 1.4 million in 1970 to 2 million in 2010. In 2013, the worldwide costs for disasters, which killed 25000 people, amounted to 13 billion dollars.

MAP 11 ► Share of the urban population de la population urbaine aged 65 or more



Source : EEA, 2012

There is a strong and cumulative link between social and environmental inequalities and their impact on physical and mental health, crime levels and environmental sustainability.<sup>86</sup> From a microeconomic point of view, studies show that the wealthier the rich, the more they consume and the more harmful their behaviour for the planet. Moreover, the increase in inequalities complicates the sensitisation of the most disadvantaged individuals to the ecological stakes. From a macroeconomic point of view, inequality increases the need for economic growth that is potentially harmful to the environment, with natural resources constituting the true heritage of the less wealthy. Ultimately, inequalities increase the social damage caused by ecological shocks and reduce the resilience of societies.

While calls for a “Europe that protects” are given consideration at the highest political level during emergencies, they are rarely heeded when it comes to medium- or long-term issues. However, citizens have just as much of a right to expect public authorities to develop the capacity to protect them from environmental risks as they do in the case of social or so-called natural risks. According to Rogers and Laffoley, the “technical means to achieve the solutions to many of these problems already exist, but [...] current societal values prevent humankind from addressing them effectively”.<sup>87</sup>

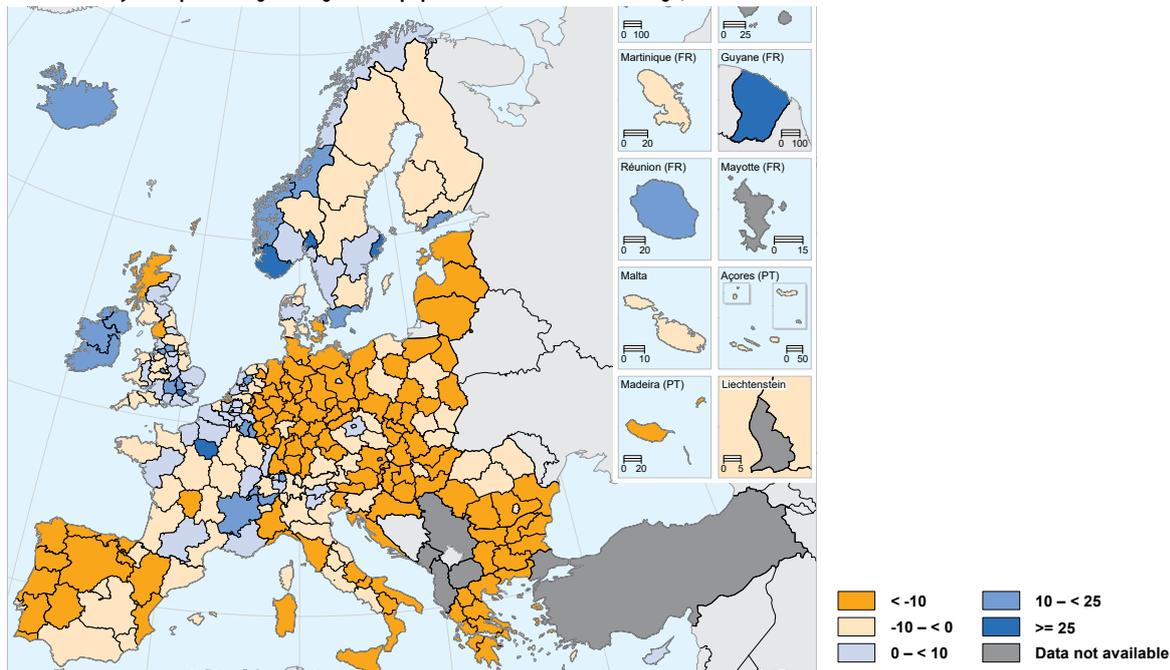
Another long-term challenge for which the continent seems ill prepared is the demographic transition, and more specifically the tension between the demographic decline in our aging societies and the migratory pressure exerted by the least developed countries. According to Eurostat, by 2050, 69 regions will experience a substantial natural population decline (i. e. above the European average) while simultaneously receiving an above-average number of migrants (compared to other European regions)<sup>88</sup>. These regions are spread across almost all EU countries but are mostly concentrated in a large area that includes Northern Italy, Southern Germany and Western Romania.

86. Eloi Laurent and Philippe Pochet (2015), *ibid.*

87. Alex Rogers and Dan Laffoley, “International Earth system expert workshop on ocean stresses and impacts”, Summary Report, IPSO Oxford (2011).

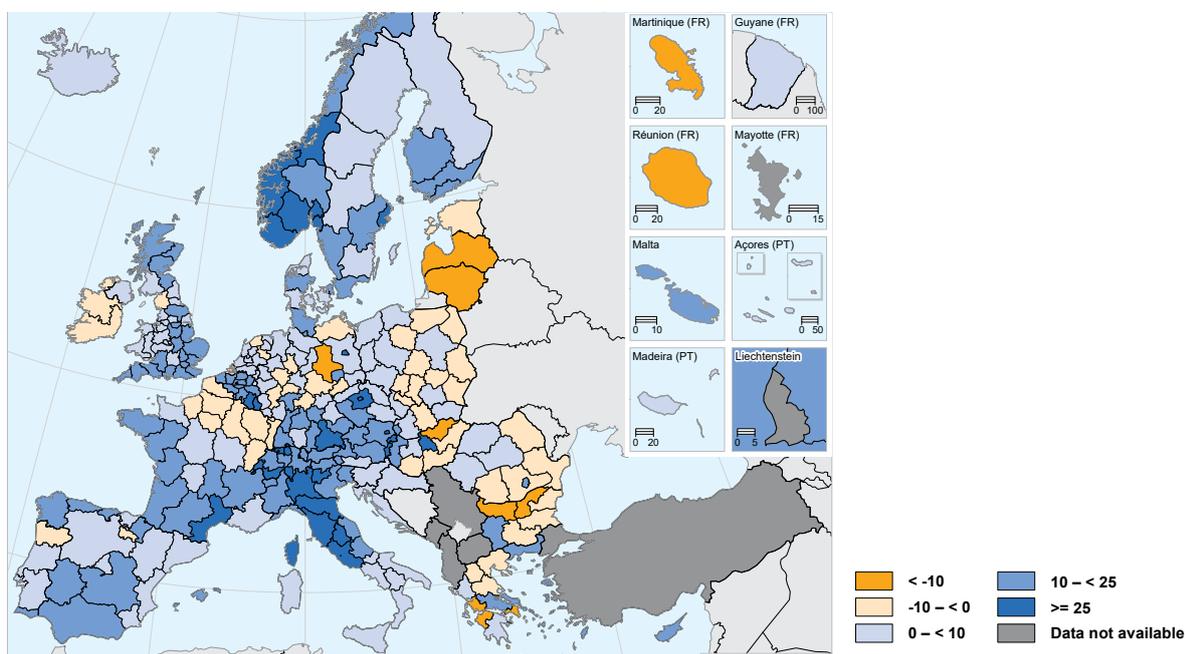
88. Eurostat Regional Year Book (2016).

MAP 12 ► Projected percentage change of the population due to natural change, 2015-2015 (in%)



Source : Eurostat

MAP 13 ► Projected percentage change of the population due to net migration, 2015-2015 (in%)



Source : Eurostat

#### 4. Daunting territorial developments: between dynamism and inequalities

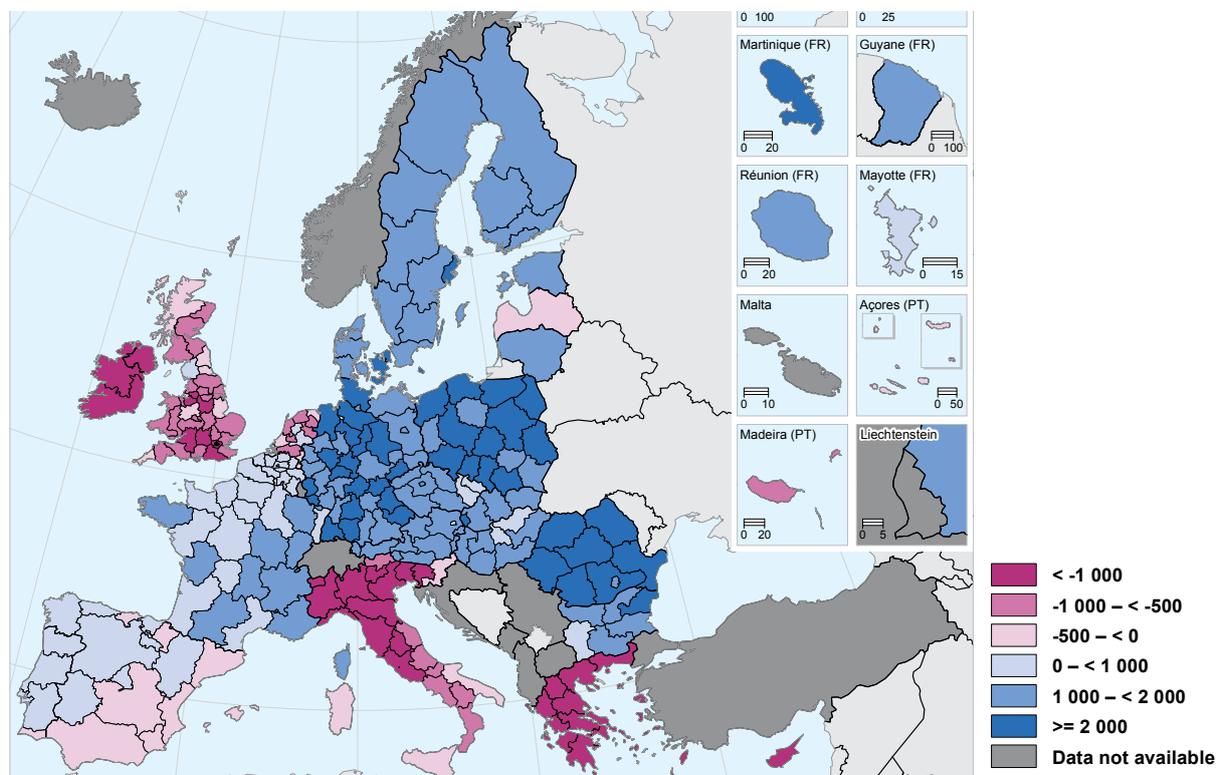
Previously territories were classified according to three distinct economic profiles: industrial, tertiary and rural-agricultural. Now a further distinction needs to be made between attractive tertiary regions having more in common with thriving big cities and the coastline and those suffering from a languishing manufacturing sector. Demographic and employment trends are closely linked, although it is not always clear what is cause and what

effect. Furthermore, the rise of face-to-face jobs should be taken into account: clusters of people tend to attract more people.

Productive specialization is a crucial factor<sup>89</sup>. But opinions about the ideal economic profile vary widely. On the one hand, the OECD accounts for part of the economic plight of the least developed regions by drawing attention to the weakness of the “tradable” sectors—whether it is agriculture, fishing, manufacturing or services (tourism)<sup>90</sup>. It advocates a regional development policy aimed at restructuring regional economies. On the other hand, Daniel Cohen warns that the relocation of services will not automatically compensate for the disruptive dynamics of global value chains that have characterised industrial production and especially manufacturing since the beginning of the century<sup>91</sup>.

Other researchers argue that, traditionally, disposable income in a given territory has been linked to production (GDP) but that since the 1980s, it was increasingly determined by social (public) and other (private) transfer payments<sup>92</sup>. The sectors driving the economy (IT, services, research) are far less upstream than downstream (subcontracting). In territorial terms, this translates into a concentration of production factors and GDP in the central areas. Attractive regions capture, to the detriment of other territories that continue to “lag behind”, the income growth from which individuals benefit (pensioners gain from public redistribution mechanisms, tourists and second-homes owners from private redistribution). What is novel about the productive-residential dichotomy is that it can operate not just within a region or in adjacent regions but over long distances (for example linking the Ile de France region and the Provence-Alpes-Côte d’Azur region, or England and Andalusia). In today’s world, economic, human, social and cultural interdependencies stretch across territories or regions and thus necessitate a rethinking of interregional cooperation in Europe. The sole focus on proximity and neighbouring regions, which was at the heart of, among other things, cross-border cooperation, is no longer enough.

MAP 14 ► Change in disposable income of private households relative to population size, 2008-2013



Source : Eurostat

89. Commissariat général à l’égalité des territoires (CGET), *Observatoire des territoires* (2016); European Parliament, *Investing in regions to boost jobs: Cohesion Policy and job creation*, In-Depth Analysis (2016); Eurostat, *Regional Year Book* (2016).

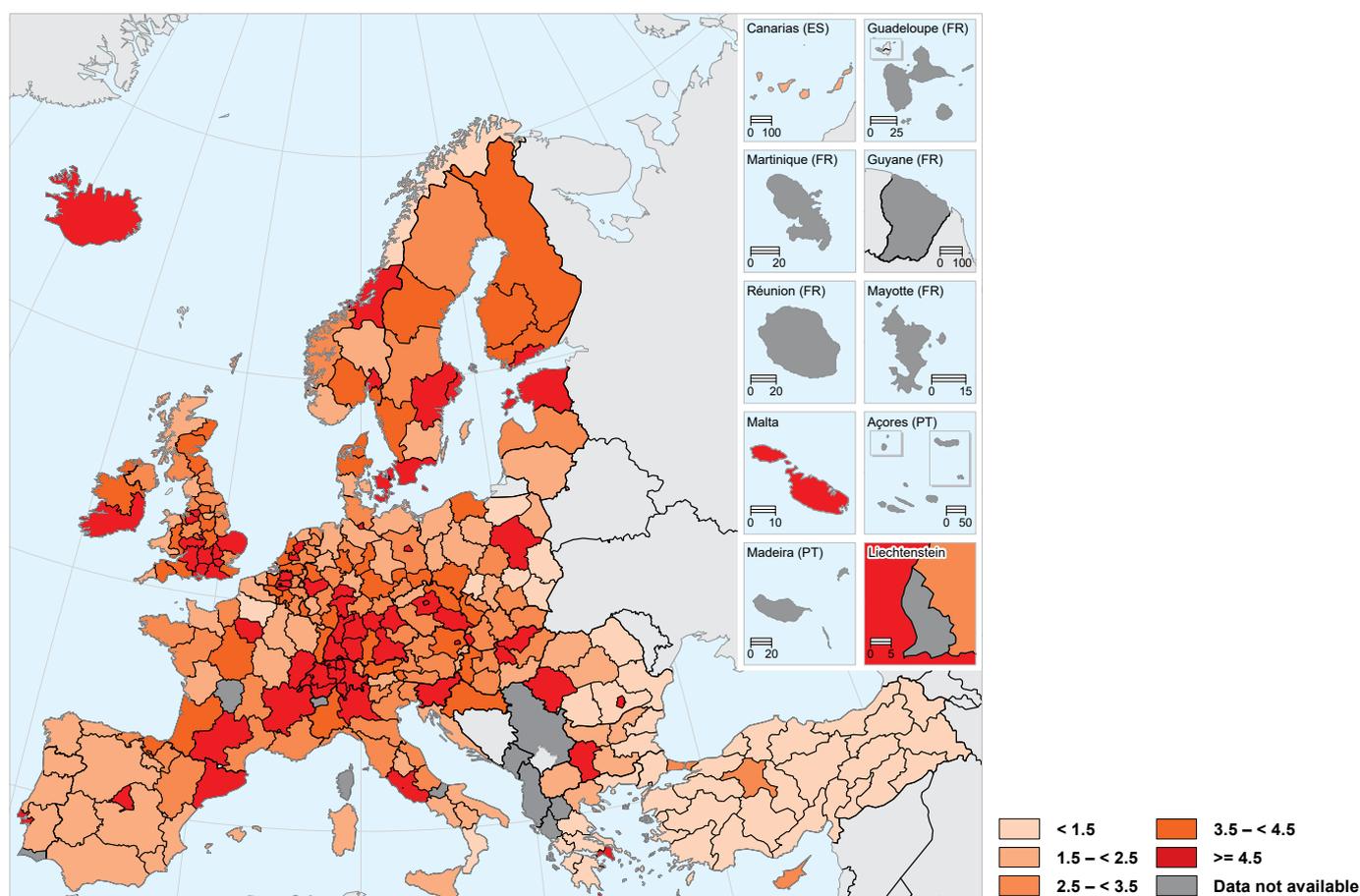
90. OCDE 2016, *Ibid.*

91. Daniel Cohen, *Sortie de crise - Vers l’émergence de nouveaux modèles de croissance*, report of Conseil d’analyse économique, La Documentation française (2009).

92. Laurent Davezies et Thierry Pech *La nouvelle question territoriale*, Terra Nova (2014); Laurent Davezies et Magali Talandier *L’émergence des systèmes productivo-résidentiels*, La Documentation française (2014).

According to Michael Storper, in the early twenty-first century we are witnessing a “great inversion” that breaks with the pattern of “urban flight”, so prominent during the years 1970-1990. This evolution had led to the decline of large urban centres and a demographic recovery in rural areas. But today, big cities (metropolitan areas) are experiencing once again strong population growth, reaping the rewards of rapid economic development linked to digitisation, while mid-sized cities are decaying. The metropolises no longer live off their hinterland. They do not drain their human resources; they feed off supranational and even global material and immaterial flows.

MAP 15 ► Share within total employment of employment in high-tech sectors, 2014



Source : Eurostat

Politically, the populations of the less affluent regions are pushing for less free trade and an end to untrammelled mobility for they consider themselves the victims of these processes. This pits them against affluent regions, which are not just winners of globalisation - they would not exist without it. We could be moving towards greater territorial conflict in Europe for regions that suffer (real or perceived) disadvantages still make up 50% of national wealth, as the OECD has shown.

Moreover, some scholars are beginning to think that the phase globalisation which began after the Second World War might come to an end<sup>93</sup>. In this scenario, a variety of factors are in play: a reorientation of the Chinese growth model in favour of the country's domestic market, a reversal of global value-chain integration and the increasing hostility of societies rejecting the growing inequalities associated with globalisation. Policies to reduce energy consumption are also expected to permanently reduce the dynamism of the hydro-carbon industry. Foreign direct investment is beginning to value local production over international trade.

93. Michel Fourquin et Jules Hugot *La régionalisation, moteur de la mondialisation*, Lettre du CEPII n°365, (Mai 2016)

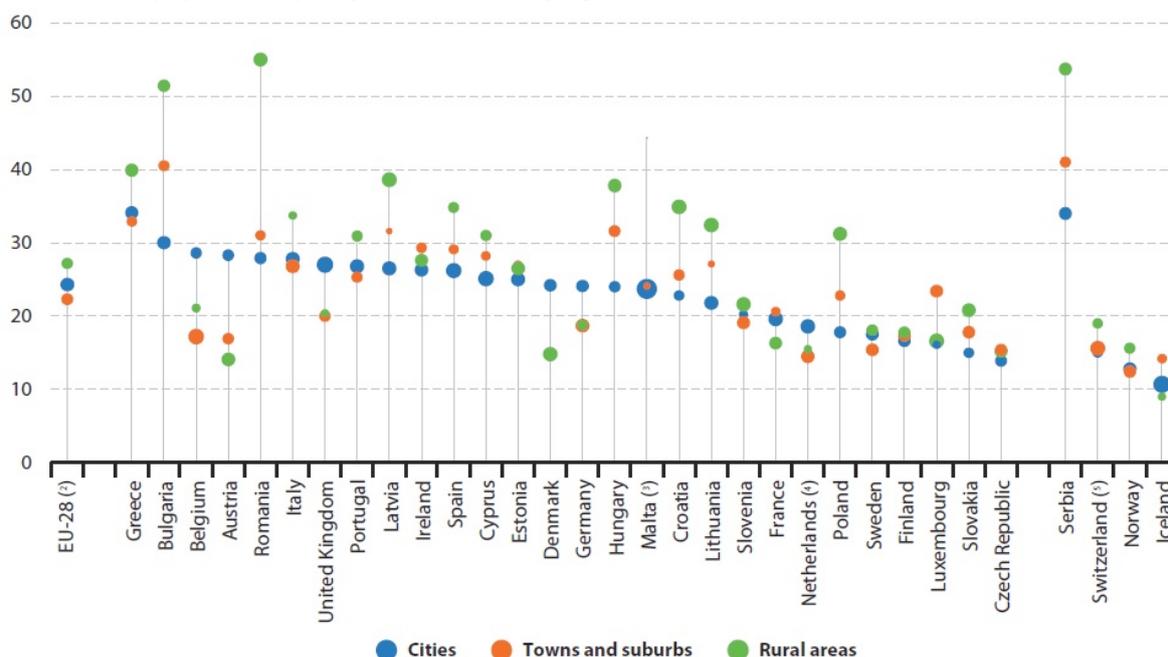
This situation underlies the Commission's recent discussion paper on harnessing globalisation<sup>94</sup>. From a territorial policy perspective, yet another adjustment of public policy is needed: it is necessary to abandon the idea of equal opportunities or equal outcomes in order to fulfil the development potential of each territory, while allowing for a more evenly distributed form of development (geographical balance). Its implementation requires an effort to explain and support measures aimed at local and regional authorities in order to identify worthwhile territorial development projects and adapt the working methods accordingly. It is therefore regrettable that the introduction of ex-ante conditions in 2014, which marked the recognition of different and unequal starting points for regions, was followed only by punitive treatment. In this regard, the smart specialisation approach seems to be willing to go only half the way: each region is encouraged to follow its own trajectory but there is no positive reward for non-standard trajectories. At least implicitly, there are good strategies and bad ones.

## 5. Discrepancy between the urban reality and the image projected by cities

Anxious to demonstrate to their constituency that they are the most agile actors in the face of far-reaching transformations of public policy, the political leaders of the cities often produce a discourse that sits uncomfortably with the detached attitude of the urban population towards technological progress. Not all cities are champions, some large cities are indisputably in decline. Rather than constituting a vanguard force, cities are just often exposed to the tough realities of the frontline<sup>95</sup>.

The extent of the psychological shock of the depopulation in the Central and Eastern European Countries resulting, from the late 1990s, from the transition to a market economy has probably been underestimated. The EU-12 regions experienced a severe rural exodus, the collapse of industrial regions and the rapid growth of capitals at the expense of most other cities. As world markets imposed themselves and consumption patterns were transformed beyond recognition, the inhabitants of cities witnessed an explosion of speculative property projects.

GRAPH 1 ▶ Share of people at risk of poverty or social exclusion, by degree of urbanisation, 2014



Source : Eurostat

94. European Commission (2017), Ibid.

95. Marjorie Jouen, *L'arrière, une vision alternative pour les campagnes*, Lettre n°59, Paris, Sol et civilisation (2017) ; Saskia Sassen "Les villes ont le pouvoir d'agir face à l'urgence climatique", *Le Monde*, 20 November 2015.

Almost everywhere in Europe, shopkeepers are driven out of city centres and have to choose between relocating to shopping centres in the urban periphery or shutting down their business entirely. Much commercial activity is generated by services rather than through the sale of low-priced products manufactured on other continents and purchased on the internet. The alternative option of acquiescing into the gentrification and ‘museification’ of inner cities is just as disturbing.

From an economic point of view, living in ever bigger cities is not a panacea. This is what emerges from a comparative OECD<sup>96</sup> study which shows that productivity and income gains in big cities are generally wiped out by the additional costs of living (transport and especially housing). However, the advantage of living in a city derives from certain urban amenities, its more educated citizenry and local policies striving to develop these amenities (for instance in the cultural sector).

Furthermore, the OECD has recently highlighted a negative correlation between inequality, growth and city size, especially since the onset of the economic crisis. An analysis<sup>97</sup> comparing three categories of cities (less than 500 000 inhabitants, between 500 000 and 1 500 000 and more than 1 500 000 inhabitants) has established that the smaller the city, the lower the levels of inequality. The harm inflicted by social inequalities is now widely acknowledged. In some respects, this comparison suggests that the uncontrolled expansion of agglomerations exacerbates the situation<sup>98</sup>.

96. OECD, *Does it pay to live in big(ger) cities?*

97. *Income inequality, Urban size and economic growth in OECD Regions*

98. Richard Wilkinson et Kate Pickett, *The Spirit Level: Why More Equal Societies Almost Always Do Better* (2009); Joseph Stiglitz, *The Price of Inequality: How Today's Divided Society Endangers Our Future* (2009).

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