

**ECSA SIXTH BIENNIAL INTERNATIONAL CONFERENCE**

Pittsburgh, USA 3-5 June 1999

**The European Union Enlargement:  
A Rational Approach**

**Paolo Dardanelli**

Department of Government  
London School of Economics and Political Science  
Houghton Street  
London WC2A 2AE  
UK  
[p.dardanelli@lse.ac.uk](mailto:p.dardanelli@lse.ac.uk)

Panel Session Seven, 4 June 1999, 16.30 - 18.15

The Politics of Eastern Enlargement: Constructivist Explanations

## 1 Introduction

This paper is an attempt to evaluate the enlargement of the European Union through the lenses of a rational approach to the normative study of politics. Since the EU enlargement is, by definition, a process of increasing the size of a political system, in both territorial and demographic terms, this paper believes that an analysis based on the effect of size on political systems is the most promising. To construct the model presented here, it has thus drawn extensively from the literature on the size and shapes of political units, which includes contributions from both political science and economics. The fundamental purpose of this exercise is to provide a theoretical framework with more analytical power than those currently available, which are almost all based either on an idealistic or on a narrow materialistic approach. The former considers enlargement as a moral duty on the part of the European Union to admit countries which have suffered under communism while the latter is concerned to quantify the economic benefits and costs involved with expanding the Union eastwards. Both do not take full account of the positive and negative consequences of enlargement and are therefore unsatisfactory from a political scientific point of view. Clearly, identifying and evaluating costs and benefits of the eastern enlargement is very difficult and subject to the influence of a large number of biases. Not surprisingly, opinions on the matter differ widely. Paul Taylor and Alan Mayhew are probably at the two ends of the spectrum; according to the former, "the costs of enlargement greatly exceed the benefits" (1996: 139), while the latter states that "enlargement is a win-win situation: all parties will gain in general" (1998: 199).

The study of the size and shape of political systems is at present slightly embarrassing for political scientists for in the recent period there has been a striking contrast between the contributions from political science and those from economics to the literature on these issues. While the political literature has not produced any major contribution since Dahl and Tufte (1973), the economic one has witnessed, especially in the last few years, a number of important works. As a result, there is now a substantial imbalance in favour of economics in the analysis of a category of phenomena which are essentially political. A second, less direct, objective of this paper is then to contribute to a renewal of political scientists' interests in this subject-matter with the aim of correcting the existing imbalance. In so doing, the challenge to students of political science is to incorporate the important insights of the economic strand of the literature into their works and to adapt them to the complexity of real-world political phenomena. An important aspect of this challenge is the existence of a trade-off between the precision of mathematical modelling typical of economics and the explanatory power of political models, which incorporate variables non easily quantifiable.

This paper believes that the loss of exactness can be more than offset by the higher explanatory power a real-world political model has.

An important proviso is that the model presented in this paper has been defined as 'rational' in the sense of assuming self-interested actors rather than in a narrow, materialistic sense. It is well established in the literature that many interests driving political actors' choices are non-materialistic.

The paper is organised as follows. Section 2 introduces a model for conceptualising the optimal size of a political unit by reference to two broad criteria: legitimacy and performance. The model has been constructed with elements drawn from both the traditional political science literature and the recent economic literature on the number and size of nations. Section 3 tests the hypothesis that the EU has tended through successive enlargements to a maximisation of its utility. Section 4 applies the model to the analysis of the forthcoming eastward enlargement in order to identify costs and benefits involved in the process and to assess what form of enlargement, if any, is likely to maximise the utility of the EU and thus of its citizens. Section 5 concludes by demonstrating the fallacy of the prevailing justification of enlargement as a way of increasing stability and security and by arguing that only a limited increase in the size of the EU is likely to increase the Union's utility.<sup>1</sup>

Throughout this paper, the analysis rests on two fundamental assumptions. First, that the EU is a form of confederation rather than an international organisation and therefore is, and tends increasingly to be, an *action* organisation as opposed to a *framework* organisation<sup>2</sup>. Second, that given such nature its *raison d'être*, like that of any other polity, is to maximise the welfare of its members, to be understood in this case as both the individual citizens and the member states.

## **2 Towards a new theory of the optimal size of political units**

The question of the optimal dimensions of polities has always concerned students of political phenomena since Plato and Aristotle. In the modern era, the debate has especially focused on the relations between size of political units and democratic institutions and on the sustainability of small nation-states<sup>3</sup>. This debate has mainly been shaped by the underlying perception, explicit or implicit, that the central issue was some form of trade-off between the advantages and disadvantages of large versus small size or vice versa. What has changed

---

<sup>1</sup> For comprehensive discussions of the Eastern enlargement see, in particular, Bideleux (1998) Grabbe and Hughes (1998), Taylor (1996) and Wallace (1996).

<sup>2</sup> On the distinction between the two types of organisation see Hill (1998).

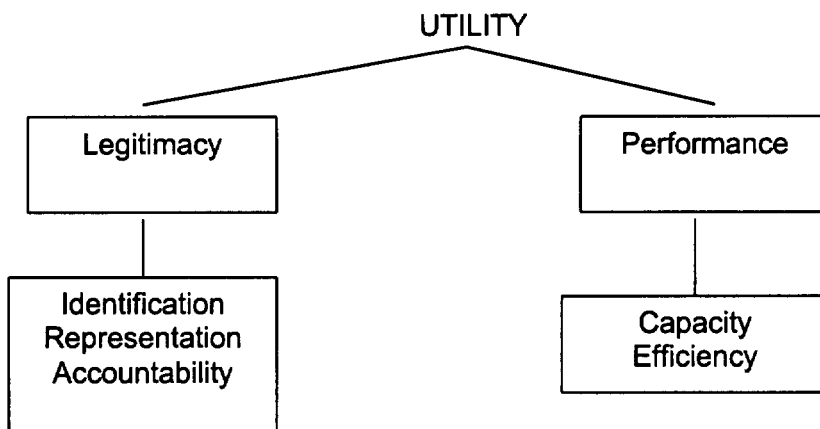
<sup>3</sup> See Dahl and Tufte (1973) for the first point; Anderson (1986) and Alesina et al. (1997) for the latter.

over time and is still far from settled is how to identify these advantages and disadvantages and how to determine the point at which the polity's utility is maximised under the terms of the trade-off. The theory this paper aims to contribute to has both a normative and an explanatory dimension. On the one hand, it seeks to construct a model to be used in determining the optimal size of a political unit. On the other hand, it seeks to explain and to predict changes in the territorial extension of political systems on the basis of the assumptions of rational behaviour.

## 2.1 The criteria

We can think of these advantages and disadvantages as relative to a number of variables, definable as 'criteria', which are affected by changes in the extension of the political unit. The theoretical model of this paper is characterised by five such variables: identification, representation, accountability, capacity, efficiency; grouped under the two headings of legitimacy and performance (see chart below). Let us reformulate then the question of the optimal size of a political unit as follows: an area whose extension reaches an equilibrium point where utility is maximised by some combination of identification, representation, accountability, capacity and efficiency. At that point the marginal utility of a size increase is equal to zero.

Below, let us spell out in detail the characteristics of the two criteria in this model of optimum political area.



### *Legitimacy*

Legitimacy is essentially the degree of abidance, loyalty and feelings of belonging a system is able to command from its citizens. It is possible to identify three separate elements of legitimacy: identification, representation and accountability<sup>4</sup>.

---

<sup>4</sup> The aspects of legitimacy considered in this paper are only those relevant for the discussion about the optimal size of political units. For a full discussion of legitimacy in relation to the EU, see Beetham and Lord (1998).

The first one relates to the degree to which the territorial extension of the polity is coterminous with the territorial collective identity of the citizens. Although developed with reference to the establishment of national states, it is also valid for other kinds of political units<sup>5</sup>. Identification with a political system is also a function of the degree of heterogeneity in values and preferences among citizens. In a highly heterogeneous society the distance between each citizen's values and preferences from those of the median voter is bigger and, as a result, it is more difficult to perceive a direct connection between one's own values and preferences and the public ones (which tend to reflect those of the median voter). In turn, heterogeneity in values and preferences is generally determined by the degree of diversity which, following Dahl and Tufte (1973), is essentially of two kinds: cultural diversity (ethnicity, language, religion, historical memories, geographical location) and socio-economic diversity (income, occupation, education). In sum, the lesser the heterogeneity variance among values and preferences, the higher the identification with the system. In sum, identification is reduced by heterogeneity and by 'cultural' and 'political' territories not being coterminous.

The second and third aspects of legitimacy, representation and accountability, refer to the extent to which citizens are able to determine and control policy-makers' behaviour and decisions. In a sense they are the ex-ante and ex-post checks on the activity of the government. Representation relates to the process by which in a liberal-democratic polity citizens participate in the choice of representatives and in the formulation of public policies. It thus refers to the phase before a given public policy is implemented. Accountability is the degree of control citizens have on the public policies enacted by the government authority and, more generally, on the activity of the people exercising political authority. It is then the ex-post phase of control when policy-makers are held accountable for their actions and decisions.

### *Performance*

This paper uses the term 'performance' to refer to the system's ability to deal in an efficient way with all the issues that affect citizens' interests and consequently to provide a number of public goods. This implies having both the capacity to deal with these issues and the ability to do so more efficiently than alternative providers, be they other political units or indeed non-governmental providers.

---

<sup>5</sup> It has also been expressed as "The question of the appropriate political units for expressing one's identity as a member of a community" (Dahl and Tufte 1973: 3) or "Individuals who are close to each

Two of the most important public goods a government is usually expected to provide are security and the promotion of economic growth.

## 2.2 Size and utility

Let us now consider the relationship between size, to be understood both in geographical and demographic terms, and the two criteria explained above.

### *Smaller political units*

The first item we mentioned under legitimacy, coincidence between territorial extension of the polity and that of collective identity is not significantly related to size. As Dahl and Tufte have observed, the geographical distribution of territorial collective identities is mainly determined by historical factors rather than by bare dimensions (1973: 31-3). Likewise, though to a lesser extent, cultural heterogeneity seems to be more a function of historical factors than of territorial extension or population size. On the other hand, the degree of socio-economic heterogeneity tends to be more correlated to the size of the jurisdiction. We normally observe that the smaller a country the more homogeneous is its population. For the reasons mentioned before, then, we expect citizens of a smaller political unit to feel a stronger identification with it.

Turning to representation and accountability, we face a substantial problem. Although this paper, following a substantial body of literature<sup>6</sup>, argues that smaller political units are likely to be more representative and more accountable, there is no conclusive empirical evidence to sustain this assumption. This is due to, on the one hand, a lack of empirical studies in this field and, on the other hand, the difficulties associated with quantitative testing of these variables<sup>7</sup>. The superiority of smaller jurisdictions as far as representation and accountability are concerned is a result of several factors. The quality of information and knowledge about political issues in a small polity is likely to be higher, as is the communication between leaders and voters. More homogeneity of values and preferences among voters is likely to increase participation and make the decision-making process easier and more transparent.

---

other in terms of preferences would like to form a country together" (Alesina and Spolaore 1997: 1030).

<sup>6</sup> Most of the theoretical literature in political science and virtually the whole economic literature on the size and shape of political systems assume that smaller jurisdiction are more accountable than larger ones. For general reviews of the two strands of the literature, see Dahl and Tufte (1973) for political science and Bolton et al. (1996) for economics. The same assumption is at the basis of the principle of subsidiarity which states that a higher political level should not perform tasks that can be more efficiently performed at a lower level on the understanding that the latter is more accountable and more legitimate, see, among others, Höffe (1996), *Making Sense* (1993), Alesina and Wacziarg (1999).

<sup>7</sup> For example, Dahl and Tufte found a correlation between sense of citizens' effectiveness and size of political units within countries but not among countries (1973: 65).

The economic literature, in particular, points out the ability of small units to better satisfy the preferences of a larger number of citizens<sup>8</sup>. In order to maximise legitimacy the policies implemented at the central level should be consistent as much as possible to the policy preferences of the population. The greater the variance within these policy preferences, the larger the mismatch between the two and the lesser legitimacy.

In sum, this paper argues that in smaller political units we have a higher probability of observing a close relation between policy-making activity and citizens' expectations as regards identification, representation and accountability. It follows that a smaller political unit is likely to enjoy a higher level of legitimacy than a larger one.

As regards the second criterion, performance, we observe that the position of smaller political units is much less favourable. Particularly so in the case of capacity for a smaller political unit may lack the resources for providing an adequate level of a given public good when the latter has a high 'threshold' cost. A familiar example is that of defence, but the list is potentially rather long, ranging from university education to space exploration<sup>9</sup>. In the case of efficiency, however, the situation is less clear-cut. On the one hand, many public goods are more expensive to produce for a small number of users and therefore are provided in a less efficient way in smaller jurisdictions. On the other hand, a small political unit, for the reasons mentioned above, is also more likely to enjoy a greater ability to act and a more efficient decision-making process due to lower administrative and transaction costs.

On the economic side, small political units suffer from the constraints a small market places on economic growth and face the difficulties of conducting an autonomous monetary policy in a world of floating exchange rates. However, in some cases monetary policy can be more efficient in a small political unit as the latter is more likely to constitute a single economic region unaffected by asymmetric shocks. One would therefore observe that although in some cases smaller political units can be more efficient than larger ones, their performance is usually inferior.

On balance, then, smaller jurisdictions tend to score comparatively better on legitimacy and worse on performance.

### *Larger political units*

As mentioned in the previous section, the degree of identification of citizens with a political system is not significantly correlated with size. Particularly so in the case of territorial

---

<sup>8</sup> "In a large country with a diverse population it is more difficult for a single government to satisfy the preferences of everybody" (Alesina et al. 1995: 754) and small countries allow for "policies that are closer to the wishes of a majority of voters" (Bolton and Roland 1997: 1058).

<sup>9</sup> For example, Luxembourg does not have a national university system. Likewise, many defence and space exploration expenditures afforded by the USA are beyond reach for any European country acting independently.

identification and of cultural diversity. However, we observe that socio-economic diversity tends to increase with geographical and demographic dimensions. A higher degree of heterogeneity is likely to reduce the cost of dissent thus favouring tolerance, competition, innovation and to make more difficult for minority interests to dominate the decision-making process. These factors can to a certain extent improve the degree of representation and accountability of the system thus partially offsetting the loss of legitimacy involved in a larger size<sup>10</sup>.

In terms of capacity, larger jurisdictions have the obvious advantage of commanding greater resources through taxation than is the case for small units. As mentioned above, if some public goods have a very high 'threshold' cost, the availability of enough financial resources can make the difference between being able to provide a given public good or not. It is particularly important in the case of defence, as security is widely considered to be a fundamental need of any political system. Even though the degree of security enjoyed by a given polity is heavily related to factors other than size, it is nonetheless highly likely that a larger jurisdiction is better able to provide security to its citizens than a smaller one. In this case, however, as in the case of market size discussed below, much depend on the size of the other actors to which the political system interacts<sup>11</sup>. A related benefit of territorial expansion of a political unity is the security and stability provided by the substitution of the rule of law for inter-state anarchy over a larger area. However, this benefit comes at the price of increasing the internal heterogeneity of the political unit and thus of reducing its legitimacy and, to a certain extent, its performance<sup>12</sup>. In economic terms, the internalisation of hitherto external problems reduces external transaction costs but increases internal transaction costs (Wittman 1991: 27).

The other most important advantage of a larger political unit is the size of the market in which economic actors based in the unit operate. A larger market by allowing economies of scale ultimately increases the chances of economic growth. However, this advantage of larger jurisdictions is weakened by an increase of free trade among political units for the latter removes barriers between different markets<sup>13</sup>. An additional advantage of large political systems that seems to be especially relevant for the European situation is the possibility of expanding monetary stability across a wider area and insulate it better from international instability.

---

<sup>10</sup> On this point see Dahl and Tufte (1973: 13-4).

<sup>11</sup> As Alesina and Spolaore put it, "the optimal size of a country and the optimal amount of its public good 'defense' clearly depends upon the size of other countries" (1997: 1045). For a similar point concerning free-trade areas see Baldwin (1994: 68-79).

<sup>12</sup> On this point see Dahl and Tufte (1973: 13).

<sup>13</sup> "With increasing economic integration...the equilibrium size of countries shrinks: more economic integration and freer trade should be accompanied by political separation" (Alesina et al. 1995: 754)



On the other hand, as a larger jurisdiction tend to be more culturally and socio-economically heterogeneous it is more likely to develop policies of internal redistribution as a way of reconciling diversity over policy preferences. These policies constitute a significant cost to taxpayers and are often source of political conflicts<sup>14</sup>.

The second aspect of the performance criterion, efficiency, is mainly related to the economies of scale achievable by a large political system in the provision of public goods. When the costs of public goods is divided by a larger number of taxpayers, the per capita cost of it clearly diminishes and thus increases taxpayers' utility. It is also more efficient for economic actors to operate within a single regulatory regime than with several. Since regulatory barriers tend to coincide with jurisdictions even in a free trade environment, this factor, unlike the size of markets, is largely unaffected by economic integration and trade liberalisation. In sum, then, larger political units have better performance but less legitimacy than smaller ones.

Overall, we can see that the determination of the optimal size for a political unit depends on a trade-off between legitimacy and performance. The former appears to be a negative function of size while the latter tends to be a positive function of size<sup>15</sup>. However, it has to be borne in mind that there are both upper and lower limits to these correlations, beyond a certain size performance does not improve and below a certain size, legitimacy is reduced.

It follows that as size increases one has to trade legitimacy for performance. The optimum (equilibrium) point is determined by the preferences of citizens over what combination of legitimacy and capacity delivers maximum utility. There are two important observations to be made in this respect. First, perceptions of utility vary over time and according to circumstances. Therefore the optimal size of a political unit should change when the environment in which the political system performs its functions changes. Second, as a system's performance depends on the specific public good considered, optimal sizes vary depending on which public good is concerned. It follows that, as Dahl and Tufte (1973: 28) pointed out, an optimal political unit for some tasks may not be optimal for other tasks. Hence, the need to structure political systems over an hierarchy of layers or concentric circles each of which should be optimal for the specific task assigned to it and which all together are able to maximise citizens' utility. This observation links us to the literature on

---

and "In the ... extreme of a complete open economy, the size of the country is irrelevant for economic activity because it doesn't determine the size of the market" (Alesina and Spolaore 1997: 1040).

<sup>14</sup> According to Alesina et al., "fiscal issues in general, and redistributive issues in particular, are important determinants of decisions concerning secession, confederations and border drawing" and "to keep relatively large countries together one needs a redistributive scheme which is very difficult to implement" (1995: 752-4).

subsidiarity, which is specifically concerned with determining the optimal allocation of powers on a hierarchy of political jurisdictions<sup>16</sup>.

Determining the optimal size and shape of a political system involves therefore a two-level analysis: vertical and horizontal. On the one hand, at which level a given policy is best exercised, on the other hand which is the optimal size of that level.

### 3 Previous enlargements and the theory of optimal size

We now attempt to test our theory by applying its second dimension, the explanatory and predictive one, to the evolution of the territorial extension of the European Union. We thus briefly consider whether the European Community/Union has tended through its successive enlargements<sup>17</sup> towards an equilibrium point of optimal size where marginal utility equals zero and therefore there are no more incentives to further enlargement. We start with the hypothesis that as democracy together with economic and political liberalism spread, political systems increasingly act as rational actors aiming at maximising their utility. This is so because they face much less constraints, both internally and externally, in their process of territorial expansion or contraction than the nation-states in the 19<sup>th</sup> century. We then expect modern political systems to approach more closely a model of rational behaviour and we postulate that the European Union, a quintessentially modern political system where absorption and secession are normally accepted<sup>18</sup>, should provide some support to the hypothesis.

Looking at the effects of previous enlargements on the benefits/costs balance of the Community/Union we can detect the following consequences. On the negative side it has seen financial redistribution grow as a way of managing the increase in values and preference heterogeneity, has had to accept a more difficult decision making-process and, to a certain extent, an erosion of legitimacy<sup>19</sup>.

---

<sup>15</sup> In Alesina et al's view , "the critical trade-off is that the benefits of large political jurisdictions come at a cost, due to the necessity of keeping together individuals with different interests, preferences, culture and history" (1995: 753).

<sup>16</sup> See references mentioned in note 4. It is also widely present in the economic strand of the literature which has repeatedly pointed out the necessity of multi-layered political systems if citizens' utility is to be maximised.

<sup>17</sup> 1973: UK, Ireland, Denmark; 1981: Greece; 1986: Spain, Portugal; 1990: former East Germany; 1995: Austria, Finland, Sweden.

<sup>18</sup> Norway is a well known case which twice rejected membership through referenda. As regards secession, even though the EC/U treaties have never mentioned it nor provided a legal way to put it into practice, it is a *de facto* acceptable option as the case of Greenland shows.

It has also failed to make significant advances in the area of foreign and security policies again perhaps as a result of increased values and preference heterogeneity, despite circumstances seemed more favourable than in the past. On the positive side, it has acquired a bigger market and implemented EMU thus acquiring greater economic influence in the world and increasing the economic wellbeing of its citizens. The institutional and decision-making reforms necessary to bring about these developments show that the increase in values and preferences' heterogeneity has not been as great as to deprive the Community/Union of the capacity to act more efficiently than alternative sources of governance. On balance we would argue that the benefits have outgrown the costs and therefore we can affirm that the EC/U has increased its utility through successive expansions.

The current existence of significant pressures in favour of another enlargement seem to indicate that the EU's utility has not yet been maximised. The rest of this paper, however, is concerned with showing that is far from clear that the next expansion will really maximise EU's utility.

#### **4 The Eastern enlargement and the new theory of optimal size**

In this section we apply the normative part of the theory, i.e. the model introduced above, to the issue of the forthcoming Eastern enlargement with the aim of ascertaining which form of expansion, if any, will maximise the European Union's utility. Following what has been previously discussed, the central issue is that a territorial extension of the Union modifies the distribution of costs and benefits and that beyond a certain point the former starts to rise faster than the latter thus reducing the overall utility of the polity. This point would signal the limits of the expansion process if the EU's interest is to be maximised and the resulting size we shall call it the optimal dimension of the European Union. To put it simply, should the EU expand and, if yes, where should the process of expansion end?

As mentioned in the previous section, a rational assessment of the optimal size of the European Union would require a two-level analysis in order to determine which competences should be exercised at the Union level and, subsequently, to determine which is the optimal territorial extension over which these policies should be exercised if the collective utility of the Union's citizens is to be maximised. However, this paper only deals with the second level of

---

<sup>19</sup> The main redistributive policy, the so-called Structural Funds, have grown from non-existence in 1972 to commanding 35% of the Union budget in 1999. On the erosion of legitimacy, see Franklin (1994).

the analysis as the first one is extensively discussed in the literature on subsidiarity. Moreover, the current division of competences between the Union and the member states is unlikely to change dramatically in the medium term in connection with territorial expansion. This paper therefore assumes the present policy prerogatives of the Union as given. It also assumes that the enlargement will involve the following countries: Cyprus, Czech Republic, Estonia, Hungary, Poland, Slovenia and Bulgaria, Latvia, Lithuania, Romania, Slovakia.

### *Benefits of enlargement*

There are essentially one legitimacy benefit and three performance benefits. The Eastern enlargement has a potential wide ranging effect on identification. The European Union suffers from a very limited degree of political identification of its citizens with the Union. A major factor of this is the existence of a mismatch between the territorial extension of the idea of Europe and that of the EU<sup>20</sup>. The former has evolved through time but has consistently coincided with the extension of Western Christianity while the latter does not include many countries which are part of that cultural tradition<sup>21</sup>. In this respect the enlarged EU would better coincide with the territorial extension of the idea of Europe and should therefore contribute to turn the identification of the citizens with the Union away from a purely 'materialistic' to a more 'emotive' one<sup>22</sup>.

A larger EU will have more resources with which to pursue its objectives. In particular, it will increase its influence on the world arena both in political and in economic fora. However, its ability to provide an adequate level of defence will only be increased very slightly extent because the overall endowment of resources will not rise much and because the European Union's ability to defend itself is more dependent on political commitment than on resources. The expanded Union will also constitute a bigger market and a more extended area of monetary stability which will stimulate more trade and more economic growth. According to Baldwin, it "would imply double digit growth in EU exports to the CEECs for decades" (1995: 476).

---

<sup>20</sup> Following the prevalent usage in Western Europe, I use the word 'Europe' as meaning 'Western Europe'. On the role of identity in the legitimacy of the EU see Beetham and Lord (1998) and the references cited in Dardanelli (1998). For a critical perspective on the connection between cultural identity and EU enlargement see Neumann (1998).

<sup>21</sup> On the role of the border between Western and Eastern Christianity in defining ideas of Europe see Wallace (1990) and Delanty (1995). A similar idea was expressed by Margaret Thatcher in her famous Bruges speech (1988): "The European Community is one manifestation of that European identity. But it is not the only one...We shall always look on Warsaw, Prague and Budapest as great European cities".

<sup>22</sup> On the difference between the two forms of identification, also referred to as 'utilitarian' and 'affective', see Anderson and Kaltenthaler (1996), Gabel and Palmer (1995).

### *Costs of enlargement*

There seems to emerge two legitimacy costs and three performance ones. Citizens' identification with the European Union will heavily depend on the new members' approach to further integration. There exists the distinct possibility that the Eastern European countries will not share the integrationist ethos of most of the present EU member states, notably the 'Carolingian' six, because they have only just regained full independence. This is particularly so in the case of the Czech Republic, Slovenia and Estonia whose history as independent states is extremely short<sup>23</sup>. Indeed, according to Grabbe and Hughes, for "countries that are building new nationhood as independent states, such as Slovakia, Slovenia and the Baltic states, acceptance by international organizations is often seen as an affirmation of their independence and sovereignty" (1998: 7). Which is quite the opposite of the original integrationist idea of precisely limiting these prerogatives of the nation-states. These countries are thus likely to perceive the EU as a 'framework' rather than as an 'action' organisation.

Legitimacy of the Union will also depend on whether the new countries will adopt a 'materialistic' identification with the Union as opposed to an 'emotive' one. As Grabbe and Hughes have pointed out, countries that have joined the EU for purely economic reasons have consistently experienced greater difficulty with the idea and practice of integration than countries that did so out of some form of 'emotive' attachment to the European 'idea' (1998: 8). Now, economic reasons seem much more important than political ones in the applicant countries' willingness to join<sup>24</sup>. It may then be the case that in a post-enlargement Union, there will be more rather than less 'materialistic' identification with the EU.

The second legitimacy cost of enlargement will be the increase in the degree of cultural and socio-economic heterogeneity within the Union<sup>25</sup>. Assuming, after Alesina et al. (1995: 755), that income dispersion (as measured by GDP per head) is a good estimator of preferences' dispersion we can gauge the potential impact of the Eastern European countries on the preferences' distribution within the EU. On average, the applicant countries have a GDP/head about 30% of the current Union average. This will make the mismatch between the policies implemented at the central level and the preferences of the citizens bigger. More

---

<sup>23</sup> On the potential problems the applicant countries may encounter with further limitations of sovereignty see Grabbe and Hughes (1998), Jovanovic (1998), Senior Nello and Smith (1997: 22-3).

<sup>24</sup> For the applicant countries, "economic reasons seem to be much more important than political ones, a conclusion borne out by national polls" (Grabbe and Hughes 1998: 84).

<sup>25</sup> An important aspect of cultural heterogeneity is the conception of citizenship. According to Bideleux (1998), who considers this issue the single most important problem in the enlargement process, Eastern countries have an overwhelming 'ethnic' conception of citizenship as opposed to the 'civic' one prevalent in Western Europe.

heterogeneity in the Union will increase internal transaction costs and reduce the Union's legitimacy. This would arise as a result of two factors. First, the decision-making process will be made more complicated by the increase in heterogeneity and by the probable tendency of the Eastern countries to form a minority bloc with a 'deviant' voting behaviour relative to the Union's average<sup>26</sup>. Second, the present voting system in the Council of Ministers and the allocation of seats in the Parliament, which is unlikely to be dramatically changed to cope with enlargement, seriously underrepresent the larger countries and hence the majority's of the Union's population. The accession of the applicant countries which are, apart from Poland, small and very small countries, will thus exacerbate the problem of representation and accountability in the EU and seriously undermine its legitimacy<sup>27</sup>.

On the performance side, the increased heterogeneity of values and preferences implied by the enlargement, will make the Union's decision-making process much more difficult and weaken what Hill (1998) has called its 'actorness'. This would probably have serious consequences on the Union's ability to put into practice an effective foreign and security policy. As Hill has made clear, this ability is to a large extent a function of political cohesion (1998: 278). Given that political cohesion seems to be a negative function of heterogeneity, the prospect of achieving the foreign and security policy's objectives will probably be reduced by the enlargement<sup>28</sup>. The problem will be compounded by the rise of internal transaction costs as a result of incorporation of conflict-charged situation such as the division of Cyprus and the Russian minority in Estonia.

The increase in heterogeneity will also bring about two economic performance costs. The first one is the likely rise in the importance of redistributive policies such as the CAP and the ERDF which already constitute a significant burden for EU's taxpayers<sup>29</sup>. The second one, is that monetary policy would become less efficient as the mismatch between decisions taken centrally and widely differing local conditions will grow. Finally, in terms of efficiency, the enlarged EU will not greatly benefit from economies of scale since it will need to provide

---

<sup>26</sup> The electoral behaviour in Germany, a sort of microcosm of the European enlargement, shows that Eastern deviation has grown since reunification rather than diminish, see McKay (1999). On the voting power of an hypothetical 'Eastern coalition' see Winkler (1998: 400).

<sup>27</sup> On the likely consequences of Eastern enlargement on the policy-making process in the Council of Ministers, see in particular Widgren (1994), Winkler (1998), Raunio and Wiberg (1998); also Baldwin (1994: 187-9).

<sup>28</sup> For a different opinion see Baldwin (1994: 194).

<sup>29</sup> Structural funds and CAP spending are a form of intra-regions transfers and would therefore be a function of the disparity in GDP/per head and agricultural employment between the new and the old members of the EU, see Leibold (1995).

public goods to a greater number of citizens but their ability to pay for them will not increase much. In terms of resources per capita it will be about 12.5% worse off<sup>30</sup>.

	<b>Benefits</b>	<b>Costs</b>
Legitimacy	More cultural identification	Less integrationist More materialistic identification More heterogeneity Less representation Less accountability
Performance	More resources Increased world influence Larger market Larger monetary stability area	Less efficient policy-making External policy more difficult More internal and external instability More redistribution Less efficient monetary policy

From this very concise examination of the benefits and costs of the enlargement, summarised in the table above, it emerges that on the legitimacy side costs far outweigh benefits while on the performance side, benefits and costs are more balanced. The loss of legitimacy seems not to be compensated by sufficient performance gains. It follows then that it would not be in the Union interest to expand eastwards. However, the crucial point is how policy-makers perceive the gain or loss of utility attached to each benefit or cost. We discuss this issue in the following section.

## 5 Conclusion

Before deciding whether it is in the interest of the EU to expand eastwards we need to investigate the nature of the main forces driving the enlargement process. There are two such forces: on the one hand, the desire for increased stability and security and on the other hand, the drive towards bigger markets and higher economic growth<sup>31</sup>.

In a sense they are the same issues that lay at the foundations of the European integration project almost fifty years ago. These forces have peculiar characteristics that have installed in the European Community/Union an in-built bias towards an ever larger size. The bias has two main dimensions: political and economic. Starting with the political one, we observe that there exist internal and external pressures to greater size.

<sup>30</sup> The first wave of the enlargement (excluding Cyprus) would increase the EU population by 17.5% and the EU's GDP by 3%, see Senior Nello and Smith (1997:73).

<sup>31</sup>The most frequently stated reason for enlarging the EU is to provide security and stability across the continent, see Burghardt and Cameron (1997: 7), Grabbe and Hughes (1998: 4); see also Pinder (1992), Neumann (1998).

Internally, the countries at the borders of the Union have an incentive to territorial expansion because they are eager to stabilise their borders and to transform a hitherto peripheral position into a more central one. Externally, the countries bordering the Union face the greater incentive to join to share the benefit of the Union. Once inside, the latter will be in the position of the former and push the process of enlargement further. The ever-larger bias is at work. The economic dimension is similar to the previous one. Economic actors have an interest in increasing the size of the markets in which they operate. They will then push for a territorial extension of the EU political system and, by implication, of its market. As the EU market gets bigger it exercises an ever powerful attraction to economic actors outside the Union, as the latter will increasingly find themselves at a competitive disadvantage<sup>32</sup>.

As we have seen, the Union faces powerful internal and external pressures to keep widening. What this paper believes is needed therefore is to emphasise that increases in size far from being cost-free always carry disadvantages. The rational analysis conducted in this paper has showed that size increases are strongly associated with legitimacy costs. Since the legitimacy and democratic deficit is one of the most important questions confronting the European Union, this problem deserves the utmost attention. Here we would like to draw the attention to some further points.

First, the very logic of enlarging for the sake of extending stability and security is fundamentally flawed for expansion will only marginally increase stability and security *outside* the EU while it will significantly reduce stability and security *inside* the EU. Any expansion, short of including the whole world, will always leave some areas external to the Union. The countries which will border the EU after the enlargement are by no means more stable and more secure than the countries at the present EU border. Moreover, many sources of conflict that are currently relatively remote from the Union will pose a much more direct threat to it<sup>33</sup>. So, on the one hand, the level of external security and stability of the Union will remain the same if it would not get worse. On the other hand, including Cyprus and, to a lesser extent, Estonia and the other countries of the second wave (with the possible exception of Slovakia) would internalise problems that are at present external and would therefore significantly reduce stability and security within the EU.

Second, the necessity to have the applicant countries inside the Union in order to reap the benefits of bigger markets and higher economic growth is vitiated by two factors. On the one

---

<sup>32</sup> This is the so-called 'domino theory' of regionalism; for a full discussion of it see Baldwin (1994: 68-79) and Baldwin (1993).

<sup>33</sup> Moldova is a case in point.



hand, the progressive liberalisation of trade with Eastern Europe will go a long way towards expanding markets without involving legitimacy costs for the Union. On the other hand, the development gap between the existing and the prospective new members will pose a serious dilemma to the Union: either allow very long transition periods, which perpetuate market segmentation, or impose harmonisation, which will remove the main comparative advantage of the Easterners. In both cases the enlargement effect on economic growth will be very limited.

Third, some, such as Alan Mayhew (1998: 188), have argued that an increase in heterogeneity and in the number of problems internalised does not necessarily constitute a cost for the Union and could actually work at its advantage. We have mentioned above that heterogeneity can foster tolerance, competition and innovation and, to a certain extent, increase representation. There is also a substantial body of opinion behind the view that problems are best dealt with in an institutionalised framework rather than in an 'anarchic' environment. We do not want here to deny the merit of these arguments; we only want to draw attention to the fact that their being an advantage or a disadvantage depends on the situation in which they exist. In this respect, it is important to recall the distinction made above between 'action' and 'framework' organisation. It is very likely that in an 'action' organisation ability to decide is a key resource whereas in a 'framework' organisation is more important comparison and competition within diversity. Since ability to decide seems to be a positive function of homogeneity and cohesion, it follows that these two factors are vital for an 'action' organisation. An increase in heterogeneity and conflict will thus make much more difficult the evolution of the EU towards the model of an 'action' organisation, most notably in the area of foreign and security policy.

Fourth, since enlargement has mainly been driven by idealistic assumptions, potential alternatives to full membership for the Eastern countries have not been properly evaluated. In this respect, a combination of economic association and Nato membership for the countries left outside the Union on a temporary or permanent basis appears to be the most efficient way to support economic development and enhance security throughout Western and Eastern Europe while minimising the negative effects associated with full membership<sup>34</sup>. This could be an appealing alternative to full incorporation of some of these countries in the

---

<sup>34</sup> According to Richter, "If Nato accession by the countries concerned took place before their EU accession, most but by no means all political motivations for full EU membership would vanish" (1995: 345).

Union as it would allow for a significant growth in trade without burdening the Union with increased legitimacy costs<sup>35</sup>.

Given the balance of costs and benefits discussed above, the present institutional arrangement of the European Union and the available alternatives, we would then conclude that a full enlargement is not currently in the interest of the EU. A limited enlargement including Czech Republic, Hungary, Poland, Slovenia (and possibly Slovakia) is probably the second best option that minimises negative consequences for the Union. Inclusion of Bulgaria, Estonia, Latvia, Lithuania, Romania, and most notably Cyprus, would in all likelihood imply a significant reduction in the Union's utility for the foreseeable future.

### Acknowledgements

I am grateful to Karen Smith and the other participants in the European International Politics workshop at the London School of Economics for valuable comments and encouragement.

### References

- \_\_\_\_\_. 1993. *Making Sense of Subsidiarity: How Much Centralization for Europe?* London: CEPR
- Alesina Alberto and Spolaore Enrico. 1997. On the Number and Size of Nations. *Quarterly Journal of Economics* 112/4: 1027-56
- Alesina Alberto and Wacziarg Romain. 1999. *Is Europe Going Too Far?* Working paper 6883. Cambridge, Ma, Usa: National Bureau of Economic Research
- Alesina Alberto et al. 1997. *Economic Integration and Political Disintegration*. Working Paper 6163. Cambridge, Ma, Usa: National Bureau of Economic Research
- Alesina Alberto et al. 1995. Together or Separately? Issues on the Costs and Benefits of Political and Fiscal Unions. *European Economic Review* 39/3-5: 751-8
- Anderson Christopher and Kaltenthaler Karl. 1996. The Dynamics of Public Opinion toward European Integration, 1973-93. *European Journal of International Relations* 2/2: 175-99
- Anderson James. 1986. On Theories of Nationalism and the Size of States. *Antipode* 18/2: 218-32
- Baldwin Richard. 1995. The Eastern Enlargement of the European Union. *European Economic Review* 39/3-4: 474-82
- Baldwin Richard. 1994. *Towards an Integrated Europe*. London: CEPR

---

<sup>35</sup> On the feasibility of alternative solutions, see Baldwin (1994: 206-24).

- Baldwin Richard. 1993. *A Domino Theory of Regionalism*. Working Paper 4465. Cambridge, Ma, Usa: National Bureau of Economic Research
- Beetham David and Lord Christopher. 1998. *Legitimacy and the European Union*. Harlow: Longman
- Bideleux Robert. 1998. *Can the European Union Overcome Europe's East-West Divide?* Paper presented at the 'An Ostpolitik for Europe' conference. London: South Bank University. 19-20 November
- Bolton Patrick and Roland Gérard. 1997. The Breakup of Nations: A Political Economy Analysis. *Quarterly Journal of Economics* 112/4: 1057-90
- Bolton Patrick et al. 1996. Economic Theories of the Break-up and Integration of Nations. *European Economic Review* 40/3: 697-705
- Burghardt Günter and Cameron Fraser. 1997. The Next Enlargement of the European Union. *European Foreign Affairs Review* 2/1: 7-22
- Dahl Robert and Tufté Edward. 1973. *Size and Democracy*. Stanford, Ca, Usa: Stanford University Press
- Dardanelli Paolo. 1998. *Identity and Legitimacy: A European Dilemma*. Paper presented at the Second European Urban and Regional Studies Conference. Durham: 17-20 September [available from the author]
- Delanty Gerard. 1995. *Inventing Europe: Idea, Identity, Reality*. Basingstoke: Macmillan
- Flam Harry. 1995. From EEA to EU: Economic Consequences for the EFTA Countries. *European Economic Review* 39/3-5: 457-66
- Franklin Mark. 1994. Uncorking the Bottle: Popular Opposition to European Unification in the Wake of Maastricht. *Journal of Common Market Studies* 32/4: 455-72
- Gabel Matthew and Palmer Harvey. 1995. Understanding Variation in Public Support for European Integration. *European Journal of Political Research* 27/1: 3-19
- Grabbe Heather and Hughes Kirsty. 1998. *Enlarging the EU Eastwards*. London: Royal Institute of International Affairs
- Hill Christopher. 1998. Closing The Capabilities-Expectations Gap? In John Peterson and Helene Sjursen (eds.), *A Common Foreign Policy for Europe?* London: Routledge
- Höffe Otfried. 1996. Subsidiarity as a Principle in the Philosophy of Government. *Regional and Federal Studies* 6/3: 56-73
- Jovanovic Miroslav. 1998. Does Eastern Enlargement Mean the End of the European Union? *International Relations* 14/1: 23-39
- Leipold Helmut. 1995. The Eastward Enlargement of the European Union: Opportunities and Obstacles. *Aussenpolitik* 46/2: 126-35
- Mayhew Alan. 1998. *Recreating Europe: the European Union's Policy towards Central and Eastern Europe*. Cambridge: Cambridge University Press

McKay Joanna. 1999. *Electoral Behaviour in Eastern and Western Germany: Convergence or Divergence?* Paper presented at the 49<sup>th</sup> PSA Annual Conference. Nottingham: 23-25 March

Neumann Iver. 1998. European Identity, EU Expansion, and the Integration/Exclusion Nexus. *Alternatives* 23/3: 397-416

Pinder John. 1992. The Future of the European Community - A Strategy for Enlargement. *Government and Opposition* 27/4: 414-32

Raunio Tapio and Wiberg Matti. 1998. Winners and Losers in the Council: Voting Power Consequences of EU Enlargements. *Journal of Common Market Studies* 36/4: 549-62

Richter S. 1995. Advantages, Disadvantages and Dilemmas. Considerations on the Accession of the Central-and Eastern European Countries to the European Union. *Acta Oeconomica* 47/3-4: 343-56

Senior Nello Susan and Smith Karen. 1997. *The Consequences of Eastern Enlargement of the European Union in Stages*. Working Paper RSC No. 97/51. Florence: European University Institute

Taylor Paul. 1996. *The European Union in the 1990s*. Oxford: Oxford University Press

Thatcher Margaret. 1988. *A Family of Nations*. Text of the speech given at Bruges on 20 September. London: Conservative Party Central Office

Wallace William. 1996. *Opening the Door*. London: Centre for European Reform

Wallace William. 1990. *The Transformation of Western Europe*. London: Pinter

Widgrén Mika. 1994. Voting Power in the EC Decision Making and the Consequences of Two Different Enlargements. *European Economic Review* 38/5: 1153-70

Winkler Michael. 1998. Coalition-Sensitive Voting Power in the Council of Ministers: the Case of Eastern Enlargement. *Journal of Common Market Studies* 36/3: 391-404

Wittman Donald. 1991. Nations and States: Mergers and Acquisitions; Dissolutions and Divorce. *American Economic Review* 81/2: 126-9