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EU - shield or booster in the globalization process?

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1 Introduction

Globalization is creating challenges and opportunities for the nation states, in particular with regard to their ability to intervene in the economy. One possibility of coping with these consequences and chances is regional integration. Therefore, regional integration can either be regarded as part of globalization or as reaction to globalization. In the first view, economic competition is intensified by regional integration, more and more tasks are left to the market, less is done by the state. In the second view, states protect themselves through co-operation, save or regain possibilities to intervene. The strategy chosen depends on how globalization is judged: are globalization consequences considered to be harmful or beneficial to nation states? Harmful consequences would be counteracted, beneficial intensified.

This paper deals – theoretically and empirically - with the question which and why one of the two possible strategies has been chosen by the European Union (as one form of regional integration) respectively by its member states, taking the Lisbon strategy as an example.

In the theoretical part of the paper I will describe three different positions towards globalization followed by analysing why and in which respects they disagree in their judgement concerning globalization. In short, there is broad agreement that economic globalization limits the possibilities of the state to intervene in the economy. But there are different points of view on the consequences: do these limits weaken or strengthen the state’s capability of acting? This disagreement can be explained by different standpoints on the role of the state: Limiting an interventionist state’s possibilities of intervening means to weaken the state’s capabilities but using the same strategy for a liberal state (that is not supposed to intervene) means strengthening of the state. This complex but important relationship between the role of the state, its capability to act and the possibilities to intervene is analysed by reviewing research on globalization. Furthermore, two different understandings of the state’s role are presented which are ideal-types derived from economic theories: Keynesianism (interventionist state) and Supply-Side/ New Classical Economics (liberal state).

Based on this, the answer will be given to my question which and why a specific strategy has been chosen by the EU. Assuming that the understanding of an interventionist state is prevailing, EU policies would rather have been conceived to form a shield than a booster and enlarge the member states’ possibilities to intervene. Assuming the other case the EU would have intensified economic competition thereby restricting the possibilities to intervene in order to strengthen the liberal state. Verification of these assumptions will follow in the empirical part of the paper by taking into consideration the Lisbon strategy and asking if the Lisbon strategy – that is said to be the leading vision of the EU in current years – has been conceived in order to restrict or to enlarge the member
states’ possibilities to intervene in the economy. Furthermore, I will also examine on which understanding of the state’s role the strategy chosen has been based.

Initially, there are some general remarks to be made:

Firstly, it is important to clarify which one of the European ways of influencing the member states shall be analysed. On the one hand, the EU influences member states by indirect effects caused by economic interweaving resulting from the Internal Market, European Monetary Union etc. On the other hand, there is a direct way of influence, that is political co-operation on the supranational level by using guidelines as an appropriate instrument. As I want to know which strategy has been chosen I will analyse the direct method of influence, the guidelines belonging to the Lisbon strategy. The focus is on guidelines¹ that provide clear recommendations for all² member states. I will concentrate on the European Council resp. Council of Ministers and their documents.

Secondly, I will restrict analysis to expenditure policy. This policy can be regarded as the “materialist mirror” of the state’s activities: By (changing) expenditure policy states can exert influence in all three fields of possible state intervention in the economy: allocation, distribution and stabilization. For each I have chosen one policy field: state aids (allocation), social expenditure (distribution), business cycle policy (stabilization). Additionally, I will include public goods, which - depending on their objective - can be assigned to allocation (e.g. infrastructure) or distribution (e.g. health care systems). Choice is based on the dominant aims of the Lisbon strategy: growth, competitiveness, full employment and social cohesion. It is as well reasonable to analyse these policy fields because the European Union does provide guidelines for its member states in these fields that are directed at their expenditure policy.

In a nutshell, my intention is to answer the question if the EU is shield or booster in the globalization process by focusing on guidelines in the field of economic policy. I am interested in finding out if these guidelines were aimed to strengthening the member states’ capability to act - by restricting or enlarging their possibilities to intervene - and if that corresponds to the understanding of the role of the state that can be found in the guidelines.

¹ I want to examine which was the underlying intention by exerting influence on the member states, therefore I do not take into account Community action (e.g. the Community Patent) or fields where only financial incentives are provided for member states (e.g. cohesion fund).
² Country-specific guidelines are not taken into account, only guidelines addressed to all member states. Country-specific guidelines are designed for the special situation in the respective country and therefore have priorities that are perhaps misleading with regard to the understanding of the role of the state.
2 Theoretical part
2.1 Different assessments of globalization

In this section of the paper I want to analyse which relationships are imaginable between the role of the state, its capability to act and the possibilities to intervene. For this purpose, research on globalization will be presented, a field of research where – in contrast to research on Europe – this relationship is explicitly addressed. Research on globalization deals with the consequences resulting from globalization for the nation states, i.e. changes regarding their possibilities to intervene, the capability to act and the understanding of the states’ role. I focus on research that deals with economic policy (which of the economic tasks are facilitated/hampered by globalization), more precisely with policy fields being relevant to this paper.

During the last years, numerous theoretical and empirical studies have been published concerning the question mentioned above. In the following the three most relevant positions for this paper – Globalization Critics, Globalists and Revisionists – shall be elaborated. Their arguments will be briefly described, not discussed.3

**Globalization Critics**

The most pessimistic position is represented by Globalization Critics. Representatives of this position argue that globalization is a phenomenon that “befalls” nation states and restricts their possibilities to intervene – with negative consequences for their capability to act (Narr/Schubert 1994, 13).

The underlying hypothesis is that the nation state retreats (Strange 1996) – which is considered to be a negative development – as the state can no longer fulfil certain tasks (restriction of its capability to act). With regard to the policy fields being of relevance to this paper research mostly concentrates on the *distributive* tasks of states (Tanzi 2000). Nation states are assumed to loose ground in the field of social policy. Causes can be found on the expenditure as well as on the income side of the welfare state. The financial basis erodes as a consequence of tax competition, caused by growing (real or unreal) exit-options of mobile factors of production (Tanzi 1997, 24). The expenditure side gets under pressure as social policy is redefined in the systems competition: from shield against market forces towards accommodation of markets (Streeck 2004). The *stabilizing* function of the state is – following this position - also hampered by globalization. Discretionary Keynesian stabilization policy is restricted from two sides: an increase in demand induced by the state can be satisfied by imports. In this way effectiveness of this kind of politics is reduced for the reason that expansive effects can no longer be nationalised (Altvater/Mahnkopf 1996, 403). Moreover, deficit financing becomes more difficult, among other reasons because of the fact that the potentialities of capital owners to sanction are strengthened and nation states with high deficits fear risk premiums (Held/McGrew 1999, 440).

Concerning the *allocative* tasks, a development towards a “Schumpeterian workfare state” (Jessop 2003, 43 et sqq.) is assumed, but not appreciated. As a consequence of the systems competition the

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3 For a detailed description and discussion see Held/McGrew et al. (1999), De Vries (2001), Genschel (2003).
importance of infrastructure and public services (e.g. education, research) is strengthened, as states have to attract mobile capital (Goldberg 2000, 180). In this field – public goods with allocative functions – new tasks for the nation states emerge.

In conclusion, Globalization Critics basically have a positive attitude towards the state and underline the important role the state plays within the field of economy. They assume an interventionist role of the state, whose possibilities to intervene in the economy and thereby its capability to act are restricted by globalization, especially in the fields of distribution and stabilization.

**Globalists**

Globalists share the belief of Globalization Critics that globalization restricts the nation states’ possibilities to intervene in the economy. The fundamental difference between the two positions is that the restricted possibilities to intervene in this case rather strengthen than weaken the state’s capability to act (Donges/Freytag 1998, 5). According to Siebert (1998) globalization disciplines economic policy in some regards, but that does not constrain the states’ capability to act. With regard to internal economic and social problems globalization forces states to consequently focus on the causes of problems instead of just trying to cure the symptoms (Donges 1998, 6). Thus, it is not the capability to act that is restricted – on the contrary, by unveiling the problems a certain policy can be facilitated – but the possibilities to intervene: certain possibilities do not exist any longer.

Before describing the consequences for the three policy fields in question, attention must be drawn on a fundamental aspect: Contrary to Globalization Critics, Globalists perceive the state of being too interventionist. That is why they prefer a situation where the state’s activities are – due to systems competition – reduced to a level necessary to maintaining an efficient market economy (Donges et al 2003, 110). The necessary adjustments would accelerate the cutback of subsidies in the allocative and social expenditure in the distributive field, i.e. strengthen the capability to act (Caspers 1999, 28).


Concerning the tasks in the field of stabilization, Globalists state – with the same arguments as Globalization Critics – a restriction of the possibilities to intervene. But once again this is not considered to be negative (Siebert 1998, 44), as it leaves the state with less possibilities for “ineffective and unsustainable” economic policy (Donges et al. 2003, 117).

Globalization not only leads to a retreat of the state, but gives rise to new tasks as well. This concerns coping with structural change as well as improving the attractiveness of the Standort (production and investment location). Important new tasks lie in the fields of capital and human capital formation as well as in the creation of a sound framework for investment and innovation (Siebert 1998, 56). These tasks mostly refer to the allocative function of the state.

In sum, Globalists hold the view of a liberal understanding of the state’s role. Their focus is on the allocative function, distributive and stabilizing tasks should mostly be left to markets. In this
perspective, restricting the possibilities to intervene via globalization is positively perceived: it strengthens state’s capability to act as states can concentrate on their basic functions.

Revisionists

Revisionists start from the “Globalist” argument that restricting the state’s possibilities to intervene means strengthening its capability to act. They assume that states consciously leverage this: they actively plan and advance globalization to resolve internal problems (e.g. inflation, deficits). In this view, globalization is “created” and does not “befall” states (Zürn/ Wolf 1999, 276).

The main argument is as follows: restricted possibilities to intervene can be used to justify unpopular decisions, e.g. vis-à-vis interest groups (Vaubel 1986, 48). They can also serve to balance the interest of the elected and their electorate, inside parties or coalitions (Bernhard/ Leblang 2002, 806).

Definition of this motive is “tying-one’s hand.”

With regard to the policy fields analysed in this paper one can basically assume that “in democracies, the scope of government for fiscal restraint is small due to its responsibility to its electorate, and due to the role of rent-seeking lobbies for supporting political decision-makers as well as for the formulation of economic policy” (Rotte/ Zimmermann 1998, 388). The tied-hands strategy is often used within the context of reducing government deficits. It is assumed that states prevent themselves from augmenting or maintaining deficits by legal rules (Rotte/ Zimmermann 1998, 388). Hereby a discretionary stabilization policy is restricted or even rendered impossible. Furthermore, the picture of “tying one’s hand” through globalization resp. systems competition is used to legitimate cuts in social expenditure. This argument could also be used in the field of allocation (state aids).

Most Revisionists are “moderate”: they see further positive effects of globalization (Genschel 2003, 442) and assume that states have not been fully aware of the actual consequences when they tied their hands – although they willingly accepted them afterwards (Rotte/ Zimmermann 1998, 386). Nevertheless it becomes clear that Revisionists prefer a liberal state that engages in systems competition (perceived as positive). That leads to corresponding tasks in the field of allocation. The capability of a liberal state to act is among others strengthened through the restriction of its possibilities to intervene by means of tying one’s hand. In contrast to the Globalists, this position highlights the active role of nation states in the globalization process.

Conclusion

The three positions described above disagree about their assessment of globalization. This can be explained by their different understandings of the state’s role. Globalists and Revisionists come to a positive assessment of globalization as it facilitates the achievement of their understanding of the state’s role (liberal state, interventions mostly with an allocative aim). Globalization Critics on the other hand prefer a state that intervenes actively and discretionary especially in the fields of distribution and stabilization. That is why they regard globalization as something negative.
Consequently, the positions would ascribe different roles to the EU in the globalization process: According to the Globalization Critics the member states have formed the European Union in order to regain possibilities of intervening which have been lost in the globalization process. For the Revisionists co-operation of nation states on a supranational level is aimed at restricting possibilities to intervene and thereby regaining capabilities to act. Globalists would assume that nation states do not try to counter globalization via co-operation, but rather strengthen it, with positive effects for their capability to act.

2.2 Different understandings of the state’s role

As mentioned above, the relationship between the state’s possibilities to intervene and its capability to act cannot be analysed without knowing the underlying idea of the state’s role. To analyse this for the European guidelines, one has to elaborate in more detail what is meant by a liberal resp. interventionist state. I therefore have developed ideal type understandings of the state’s role. Precise details can be found in my PhD thesis, where I have based my construction on three prominent economic theories (Keynesianism, Monetarism, Supply-side economics/ New Classical Macroeconomics). Using these theoretical approaches I have derived their specific attitudes towards the state/ market, the main economic problems and the strategy to cope with them as well as the tasks they ascribe to the state in the fields of allocation, distribution and stabilization. The focus is on expenditure policy. In this paper I will just summarize my results and restrict myself to Keynesianism and Supply-side economics/ New Classical Macroeconomics.

The Keynesian understanding of the state’s role can be labelled “interventionist.” Keynes (1936) mainly dealt with the problem of unemployment which he did not consider to result from inflexible markets or high wages but from a lack of demand. His starting point was to reject the idea of an invisible hand: In his opinion, there is no self stabilization of the market on a level where full employment is provided. On the contrary, for Keynes the state plays a prominent role, especially in the field of stabilization. Allocative as well as distributive policies are perceived to offer stabilization elements, used for reaching a level of demand that makes full employment possible: The demand for investment should be strengthened by aids and public goods (with allocative as well as distributive functions). The distribution of income and social transfers is aimed at increasing private consumption. Nevertheless, the most important part of economic policy is active stabilization via public investment or financial incentives to stimulate private investment. This policy can be pursued in a discretionary way. That includes deficit financing, a direct increase of demand via the state. The task of stabilizing lies with the state as the economy cannot guarantee it by itself and - especially in mature economies - investment has the tendency to fall short of savings.
Contrary to Keynes, *Supply-side economists* as well as New Classical Macroeconomists assume inherent market stability. Their attitude towards the market and its most important actors – the entrepreneurs – is a very positive one whereas the state’s role is of inferior importance (“liberal state”). A short-run, discretionary attempt to stabilize or steer the economy is rejected as being ineffective and harmful. Instead, they focus on the middle and long run perspective: fostering economic growth. Relating to this, a positive role is ascribed to the state while influencing the supply-side of the economy. This shall be done by strengthening market forces (via securing and fostering competition, e.g. by flexibilisation of markets) and setting incentives to increase the willingness to perform. Concerning expenditure policy that mostly comprises the provision of public goods with allocative aims. State aids are said to distort competition and are therefore rejected. The state’s role is essentially seen in creating a positive climate for entrepreneurs and innovation. With regard to distributive policy, social transfers are seen as disincentive for the people to work and for the enterprises to employ and should therefore be reduced. Concerning public expenditure a shift from consumptive (aids, social transfers) to investment expenditure is required. Stabilization of the economy is achieved on the basis of a stable, rule-based monetary and fiscal policy. Following these rules price-stability and stable expectations, prerequisites for investment, growth and employment should be achieved. Deficits should be reduced because of crowding-out effects and the creation of uncertainty. Automatic stabilizers should only be allowed to work if that does not result in excessive deficits. The focus here lies on allocation, distributive and stabilizing policies are not only seen as harmful, but also as unnecessary means: good allocation leads to a stable situation enabling an adequate distribution.

3 Empirical part: The Lisbon strategy

3.1 Intended influence on member states’ possibilities to intervene and their capability to act

The Lisbon Strategy was decided at the European Council in Lisbon in March 2000. Heads of State and Government agreed on a new strategic goal for the Union, “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion” (European Council 2000, cipher 5). To achieve this goal they agreed on an overall strategy to create a knowledge-based economy, to modernize the European Social Model and to apply an appropriate macro-economic policy mix to achieve a sustainable growth path (European Council 2000, c. 5). The strategy is quite broad and covers a wide range of policy fields. To analyse if the Lisbon strategy rather restricts or enlarges member states possibilities to intervene in the economy, I only include those fields which comprise recommendations relevant to national expenditure policy: R&D and internal market policy, macro-economic policies, social and employment policy. The corresponding recommendations will be presented in the following.

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4 Information society, R&D policy, enterprise and internal market policy, macro-economic policies, trade, social, employment and environmental policy (European Council 2000).

5 I just included the recommendations in my analysis, not the introductions etc.
analyse the Conclusions of the Spring Councils (CC), designated to promote, develop and assess the strategy, as well as the related documents: the Broad Economic Policy Guidelines (BEPG), the Employment Guidelines (EMPG), and for the social aspects of the strategy the Open Method of Coordination in the field of inclusion (OMCincl), pension (OMCp) and the integrated OMC on social inclusion and social protection (OMCsoc)\(^6\).

**Macro-economic policies**

Macro-economic stability is seen as a prerequisite to achieve the goals of growth, competitiveness, full employment and social cohesion (CC 00, c. 6\(^7\)). Apart from price stability consolidated budgets are perceived as essential. Therefore, the recommendation given in nearly every document is that of strengthening budgetary consolidation (e.g. CC 00, c. 22, CC 04, c. 13). This is in line with art. 104 EC-Treaty (ECT) obliging member states to respect the 3% deficit and the 60% GDP debt limit and with the Stability and Growth Pact (SGP) demanding for balanced budgets. The SGP is not part of the Lisbon strategy, but often referred to. The logic behind is – among others - to have a favourable impact on interest rates, to strengthen investors’ confidence and to create room for manoeuvre for the automatic stabilizers (BEPG 01, 9). These should work without exceeding the excessive deficit limits (BEPG 02, 10).

Apart from consolidation, member states are asked to better coordinate their budgetary policies “with a view to improve the growth potential of the European economies and to prepare better for the medium-term challenges” (CC 03, c. 16). This is especially recommended for the members of the Eurozone, as asymmetric shocks can no longer be dealt with by exchange rate policy (CC 06, c. 14/55). Finally, there is a recommendation concerning the “quality of public finances.” Without regard to the overall level expenditure shall be redirected from consumptive towards investment expenditure. This mostly means a redirection towards physical and human capital accumulation as well as R&D (cf. IG 05, p. 11).

**R&D policy**

R&D policy is seen as one of the most important fields of action to achieve a dynamic and knowledge-based economy. Here the state shall have an active role in stimulating and financing R&D. This target is specified in some guidelines, e.g. member states should focus on the financing of basic research (BEPG 01, 16) and put “a particular emphasis on technological innovation including environmental technology, on developing human capital through higher investment in education and research” (CC Oct 03, c. 19). In the year 2002 the Barcelona Spring Council set the target of 3% of GDP spent on R&D to be reached in 2010 (CC 02, c. 47). States shall provide one third and set the incentives for the private sector to finance the rest.

\(^6\) There are other guidelines and recommendations corresponding to the strategy, but they do not cover recommendations concerning national expenditure politics, so I do not include them in my analysis.
**Internal market policy**

Internal market policy mostly concerns economic reforms to complete and improve the internal market. In some documents reference is made to infrastructure being an important prerequisite for a functioning internal market. But there are only few - and not very precise - recommendations for member states to spend money in this field.

An important field being relevant to the problem of public expenditure and clear guidelines is the field of state aids. The recommendations here are twofold. On the one hand, it is recommended to reduce the general level of state aids as a percentage of GDP, but there are no concrete reduction figures. State aids are – on the other hand - not seen as being harmful in all respects, that is why a second set of recommendations deals with the redeployment of state aids. They shall be redirected towards horizontal objectives, e.g. employment, environment and training (CC 00, c. 17), research and innovation (BEPG 05-08, guideline 13), economic and social cohesion (CC 02, c. 16).

**Social policy**

Social policy gains in importance in the Lisbon strategy. For the first time there are European recommendations concerning the broad lines of member states social security systems. Their so called “modernisation” has two objectives: first, guaranteeing a certain standard of living for those in need, second, ensuring the financial viability of social security systems as well as the long-term sustainability of public finances. With regard to the first objective it is recommended that “access for all to the basic resources, rights and social services needed for participation in society” is guaranteed (OMCsoc, 6). This includes decent and sanitary housing, basic services, e.g. electricity, water, heating (OMCincl 1, 12) and adequate health and long-term care (OMCsoc, 6). The significance of the second objective increases in the light of the aging society. With the demographic development costs for pensions as well as health care systems will probably increase quite dramatically in the coming years (BEPG 05-08, guideline 2). To prevent a rise in contributions as well as in state debt (as a consequence of rising government subsidies), it is recommended to facilitate access to supplementary pension systems (BEPG 03-05, 9) and to consider public pension reserve funds (BEPG 02, 11). Moreover, benefits shall decrease and the effective retirement age increase (BEPG 03-05, 9).

Finally, states should increase their investment into human capital. The aim is social cohesion or better education (CC 02, c. 39), which is not that different as a job is seen as the best safeguard against social exclusion and education as a prerequisite to create more employment (OMCincl 1, 2).

**Employment policy**

The Lisbon strategy aims at full employment, measured in terms of employment quotas for different groups of society (CC 01, c. 8-9). With regard to public spending three topics can be found to achieve

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7 To simplify the assignment of recommendations to the guidelines I chose – for the empirical part – an unusual form of
this goal: First, the above mentioned investment in human capital, especially education and training systems (this is in line with the knowledge society) (CC 06, c. 24). Secondly, it is recommended to reform benefit systems in order to make work pay, to set incentives especially for women, older and low-skilled workers to stay in/ enter the labour market and to reduce non-wage costs for employers (EMPG 03, 20). Finally it is recommended to improve care provisions to reconcile work and family life. Here, precise figures can be found: member states should “provide childcare by 2010 to at least 90% of children between 3 years old and the mandatory school age and at least 33% of children under 3 years of age” (CC 02, c. 32; BEPG 02, 14).

Conclusion

With regard to the question if the recommendations are designed to restrict or enlarge the member states’ possibilities to intervene in the economy, the picture remains rather mixed. Concerning the allocative function of the state a clear restriction of the member states’ possibilities to intervene in the economy can be found as state aids are forbidden (already by the ECT, which makes it legally binding) and a further reduction of state aids is recommended by the BEPG. The redirection of state aids leaves a certain room for manoeuvre as the definitions of horizontal objectives remains rather broad. Referring to public goods with allocative functions state interventions are extended: more public goods, especially in the field of R&D, education and infrastructure are recommended. It is not clearly said if the state shall provide the goods itself or just finance them, the latter would make the intervention less profound. All recommendations for public goods are part of the BEPG or EMPG meaning that there are some mechanisms to sanction non-compliance.

The recommendations in the field of distribution mostly point at restricting the member states’ possibilities to intervene in the economy. Certain standards of living shall be guaranteed, but the overall aim is to decrease social expenditure, especially benefits. There are recommendations for public goods with distributive functions, e.g. basic services and healthcare systems. But in contrast to those focusing on public goods with allocative functions and on social expenditure they can mostly be found in the OMC documents. Consequently, they are less binding as there are no sanctions. Moreover, only for one public good with distributive functions (childcare) precise figures are given.

Stabilization policy is not explicitly addressed in the documents, reference is only made to automatic stabilizers which are conceived to work properly, but only by respecting the 3% criterion. This “consolidation-recommendation” – which is implemented in the Treaty and therefore legally binding - can be qualified to be a restriction of the member states’ possibilities to intervene in the economy as they are no longer allowed to conduct a Keynesian deficit spending policy with deficits higher than 3%.
Thus, the possibilities of the states to intervene are restricted in the fields of stabilization, distribution and allocation with regard to state aids, but enlarged in the field of public goods, especially with allocative functions.

3.2 Understandings of the state’s role

The question which understanding of the state’s role can be found in the documents shall be answered by applying a qualitative content analysis method (Rustemeyer 1992). For this purpose a category system was derived from the ideal-type understandings of the state (see appendix). This category system covers the following indicators for the state’s role: (i) the attitude towards the state and the market as well as to the budget in general, (ii) main problems/aims and the general strategy to cope with them, and finally (iii) the tasks of the state in the three policy fields.

With regard to the first question the guidelines do not contain much on a general attitude towards the state. It is neither said to have a positive influence, nor are state interventions mentioned as desirable in general. Thus, one can clearly say that the state shall neither play a dominant role nor pursue an active steering or even moderate planning of the economy. In line with that, the budget shall be redirected towards market-enhancing expenditure (CC: 1 out of 7 documents mention it\(^8\), BEPG: 5/5). Contrary to this, the attitude towards the market is clearly positive (CC: 3/7, BEPG: 5/5). Well-functioning markets are said to “increase the growth potential and support the macroeconomic framework by increasing flexibility, factor mobility and adjustment capacity in labour and product markets in response to globalization, technological advances, demand shift, and cyclical changes.” (BEPG 05-08, guideline 5). Belonging to this there is also an explicitly positive attitude towards entrepreneurs resp. entrepreneurship. In nearly every document (CC: 6/7, BEPG: 4/5, EMPG: 5/6) one finds recommendations to encourage entrepreneurship: “Europe needs to foster its entrepreneurial drive more effectively […]. Learning about entrepreneurship through all forms of education and training should be supported and relevant skills provided.” (BEPG 05-08, guideline 15)

The main aims of the Lisbon strategy - growth, competitiveness, full employment and social cohesion - do not indicate a certain role of the state as these aims are hardly ever rejected. To get to know about the understanding of the state’s role one has to focus on problems that – combined with the strategy to cope with them - indicate a certain understanding. These are unemployment, weak growth and public deficits. The employment problem shall be solved by flexibilisation of the labour markets (CC: 4/7, BEPG: 5/5, EMPG: 6/6, OMC: 2/5), wage-moderation resp. decrease in non-wage labour costs (CC: 4/7, BEPG 5/5, EMPG: 6/6) and the setting of incentives, especially by redirecting social expenditure

\(^8\) In more detail: “Member States should, in particular, take the following measures: […] Address incentive effects of benefit schemes, such as conditionality of benefits, eligibility, duration, the replacement rate, as well as availability of in-work benefits and the use of tax credits, in order to make the systems more employment friendly” (BEPG 02, 14)
Sustained wage moderation has allowed employment to increase significantly and unemployment to fall without resulting in a boost to inflation; a greater use of temporary and part-time contracts has contributed to making labour markets more flexible and inclusive; […]” (BEPG 02, 12). Growth shall be fostered by sound and stable macroeconomic conditions, i.e. balanced budgets and price stability (CC 7/7, BEPG 5/5), a good entrepreneurial climate and innovation (see above). The Keynesian idea of the importance of demand to increase growth as well as employment is sometimes mentioned (CC 0/7, BEPG 3/5). But there are no recommendations that states shall actively pursue a demand-stimulating policy, e.g. by more distribution or deficit spending. Budget deficits are the clearest indicator for a certain understanding of the state’s role: a Keynesian understanding would assess deficits as positive if they are used to create more demand in a cyclical downturn. In the guidelines we find the opposite: Excessive deficits are assumed to have only negative consequences (CC: 7/7, BEPG: 5/5), whereas “[s]ound budgetary positions […] have favourable effects on interest rates and contribute to the crowding-in of private investment […] and […] a strengthening of investors' confidence.” (BEPG 01, 9)

As far as question number three - referring to the state’s tasks in the three fields enumerated - is concerned, allocation is clearly in the centre of all recommendations. Aids are rejected for the reason that they are considered to distort any competition (CC: 6/7, BEPG: 5/5) whereas public goods with allocative functions are highly recommended (CC: 7/7, BEPG: 5/5, EMPG: 5/6). Not in order to stabilize demand but in order to form the basis on which economic development can be achieved. Moreover, incentives for entrepreneurs are set. Furthermore, the problem of distribution is not discussed in the sense that it could be used as demand stabilizing tool but in order to improve allocation. The focus is on setting the right incentives, i.e. redirection/ decrease of social expenditure (see above.). A Keynesian stabilization policy is made impossible by the 3% criterion. Automatic stabilizers are – if mentioned - just allowed if they do not violate the 3% criterion (CC: 1/7, BEPG: 5/5).

To conclude, the positive attitude towards the market and entrepreneurship as well as the sceptical attitude towards the state clearly point to a liberal understanding of the state. The same holds true for the strategy to achieve the aims by means of the supply-side and leaving more tasks to the market. That there is no intention to leave out the state completely can be seen by drawing the attention on those tasks which the state is conceived to fulfil in the three fields of allocation, distribution and stabilization. There, in the field of allocation as well as in the field of distribution (to a limited extend) the state still plays a role. Thus, we can say that a supply-side-understanding of the state prevails.

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9 I count one emergence of the respective category per document.
4 Conclusion

The purpose of the paper was to analyse if the European Union has been conceived to be shield or booster in the globalization process. As shown in the theoretical part of the paper, it is undisputed that globalization restricts the nation states’ possibilities to intervene in the economy. In this respect, the European Union could on the one hand protect or (re-)enlarge the member states’ possibilities to intervene in the economy, on the other hand it could restrict them even further. The strategy chosen depends on the understanding of the state’s role: interventionist or liberal?

The understanding of the state’s role that can be found in the documents of the Lisbon strategy – taken as an example in the paper – is quite clearly a liberal one. The strategy to strengthen a liberal state in its capability to act is clearly pronounced and supported by the Globalists and Revisionists: restrict its possibilities to intervene in the economy. This is also the strategy predominating in the documents. There is no intention to counteract the restriction of the possibilities to intervene caused by globalization. On the contrary – and this makes it a Revisionist strategy - the Lisbon strategy mostly aims at further restricting the member states’ possibilities to intervene in the market, especially in the field of stabilization. Only in the allocative field member states are recommended to further intervene in the economy. The latter standpoint of view corresponds perfectly to the liberal understanding of the state derived from supply-side economic theory. Consequently and with regard to the Lisbon strategy, the European Union can be said to be – for its member states - a booster in the globalization process.
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## Category system

<table>
<thead>
<tr>
<th>attitude towards the market</th>
<th>Subcategory 1</th>
<th>Subcategory 2</th>
<th>definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>sceptical (K)</td>
<td>inherent instability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>positive (S)</td>
<td>inherent stability</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>attitude towards entrepreneurship</th>
<th>Subcategory 1</th>
<th>Subcategory 2</th>
<th>definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>very positive (S)</td>
<td>entrepreneurs as important actors for innovation and growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ambivalent (K)</td>
<td>no special mentioning</td>
<td></td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>attitude towards the state</th>
<th>Subcategory 1</th>
<th>Subcategory 2</th>
<th>definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>positive (K)</td>
<td>important role for the state, active economic policy, moderate planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>negative (S)</td>
<td>ineffectiveness, harmful results of discretionary interventions, tasks only in the improvement of the supply-side</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>attitude towards the budget</th>
<th>Subcategory 1</th>
<th>Subcategory 2</th>
<th>definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>increase (K)</td>
<td>especially investment expenditure, as well financed via credits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>reduction and redirection (S)</td>
<td>redirection from consumptive towards investment expenditure, in direction of reduction</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>main problems</th>
<th>Subcategory 1</th>
<th>Subcategory 2</th>
<th>definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>unemployment</td>
<td>caused by a demand deficit (K)</td>
<td>strategy: macro-economic policies to boost demand</td>
<td></td>
</tr>
<tr>
<td></td>
<td>caused by inflexibility and high wages (S)</td>
<td>strategy: wage-moderation, flexibilisation of the labour-market</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>budget deficits</th>
<th>Subcategory 1</th>
<th>Subcategory 2</th>
<th>definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>sometimes sensible (K)</td>
<td>to boost demand via investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>harmful (S)</td>
<td>they cause crowding-out effects, weaken investors’ confidence etc., strategy: reduction of consumptive expenditure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>weak growth</th>
<th>Subcategory 1</th>
<th>Subcategory 2</th>
<th>definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>caused by problems on the demand side (K)</td>
<td>strategy: redistribution of income, increase of social transfers, investment programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>caused by problems on the supply side (S)</td>
<td>strategy: strengthening of incentives and competition, stable macro-economic policies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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<tr>
<th>fields of intervention</th>
<th>Subcategory 1</th>
<th>Subcategory 2</th>
<th>definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>allocation 1: state aids</td>
<td>support/ tolerance (K)</td>
<td>due to political, social and industrial reasons, to stabilize demand etc.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>rejection (S)</td>
<td>due to distortion of market coordination, distortion of competition, burden on the budget</td>
<td></td>
</tr>
<tr>
<td>allocation 2: public goods with allocative function</td>
<td>pro (K)</td>
<td>provision by the state, to stabilize demand</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>---------</td>
<td>-------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>pro (S)</td>
<td>public provision or financing of public goods which are the basis of economic development, e.g. infrastructure, R&amp;D, education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>distribution 1: social expenditure</td>
<td>increase (K)</td>
<td>to stabilize consumption</td>
<td></td>
</tr>
<tr>
<td>redirect and reduce (S)</td>
<td>via a reform of social security systems, to set incentives for unemployed and employers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>distribution 2: public goods with distributive function</td>
<td>pro (K)</td>
<td>to stabilize demand</td>
<td></td>
</tr>
<tr>
<td>medium/ contra: (S)</td>
<td>only if they have strong positive external effects (e.g. education)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>stabilization 1: general</td>
<td>discretionary (K)</td>
<td>reason: inherent instability of the market, state has to act according to the situation, examples: public employment program, public investment programs etc.</td>
<td></td>
</tr>
<tr>
<td>rule-based (S)</td>
<td>reason: inherent stability of the market, discretionary stabilization policy creates crowding-out effects and destabilizes expectations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>stabilization 2: automatic stabilizers</td>
<td>pro</td>
<td>unconditional support</td>
<td></td>
</tr>
<tr>
<td>conditionally</td>
<td>support only if that does not cause excessive deficits</td>
<td></td>
<td></td>
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</tbody>
</table>

(K): Keynesian understanding of the state’s role  
(S): Supply-side understanding of the state’s role