

# 2

## European Public Goods in the Neo-Medieval Model of Governance

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What is the right dosage of market and state is the central question of the European Union governance. Does the EU need a government or could it be ‘governed’ by a market? Each time the EU is hit by a severe crisis, the state-market dilemma is reignited. Today, Europe is on fire! The word ‘crisis’ is repeated in European tabloids so often that it is more appropriate to speak of chronicle illness instead. That illness is the EU governance itself, since it has become unpopular, undemocratic but, worst of all, unresponsive to economic, security and social challenges of the post-Cold War era.

It was the fall of the Soviet empire and the economic power shift from the Atlantic to the Pacific Ocean that left Europe in permanent crisis of performance. The European elites, at first, responded with grandiose integration initiatives—‘Project 1992’, the Single Market and the Euro—to bring back much needed economic growth. The promised growth has never arrived, which gave rise to legitimacy crisis amplified by the elite-drive widening of the EU to include 12 new

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member states, largely ex-communist countries from Central and Eastern Europe. The popular unease with the sluggish growth and the Eastern enlargement was manifested in the Constitutional Treaty debacle. Astonished EU leaders called for a 'period of reflection' which concluded with the ratification of the Lisbon Treaty. Nevertheless, before the EU leaders could grandiosely celebrate the coming into the force of the Lisbon Treaty, a new economic hurricane was taking off in the US real-estate market, which would strike the EU with a devastating blow. The Global Financial Crisis revealed all flaws in the design of the Euro and the very existence of the Euro-area was threatened in the dire Euro crisis. Germany as a group leader of creditor countries took hardliner stance and imposed severe austerity measures on the European periphery. Grexit and the break-up of the Euro-zone have been on the table of countless European Council meetings ever since. However, in the 21st century globalised world, there is no time for endless EU-like inter-governmental summits and meetings. Notwithstanding that the EU had not yet solved its internal economic governance problems, Russian irredentism in the Eastern Ukraine, terrorists attacks inspired by the Islamic State and swarms of migrants put the union's both internal and external security under substantial stress. The migration crisis offered a unique opportunity for the austerity-afflicted periphery to strike back at Germany and other creditor states by free-riding on the migrant problem. The most recent episode in the "EU crisis" series is the Brexit. The UK's citizens have democratically decided to free-ride on the EU, by rejecting to bear the costs of maintaining European public goods but hoping to get free access to the single market. All these crisis in the past 25 years have been nurturing an extremely dangerous trend in European politics: the rise of both left-wing and right-wing populist and extremist political parties in every single EU member state.

When compared with global players USA, China, Japan or Russia, the political impotence of the EU is crystal clear. The EU governance model does not permit swift responsiveness to contemporary challenges. The EU is like one giant institutionalised talk-shop in which decision-making advances by the lowest common denominator. It is in this context that a new governance model is being debated. Federalists and supranationalists argue that the EU can surpass its imbroglio only

by acquiring more state power. Euro-sceptics claim that the crisis is the product of too much control amassed by the EU and advocate for the re-nationalisation of the state control. Postmodernists defend that the best solution is more market, less state. The debate between market and state in the EU governance is served.

Since the end of traditional means of social organisation, markets and states acquired their modern meaning and have been co-evolving as two fundamental institutions of modernity. When modernity broke up traditions, it also 'emptied time' (Giddens 1990: 18) and disembedded private space from the holistic hierarchy. Therefore, markets could develop in abstract spaces where individuals exchange utilities through contracts. Money, as bridge in time, and private property became essential features of the market. However, the separation of time and space created uncertainty and the modern world came to be fundamentally insecure. States, as systems for interiorising the externalities of individualised and decentralised action, took the role of re-instating certainty and correcting market imperfections. States provide the general framework in which markets could efficiently operate. Given the association of power and state, the concept of state has been the subject of continuous contestation and debate (Skinner 2009).

Two theories of state emerged and competed with each other: one in which the authority of state power is located in the government which is separated from and controls the state's body, and the other where the people are the sovereign who authorise the government to act on their behalf. In the last two decades started to predominate what Skinner (2009: 361) calls reductionist view of the state. It indicates that the state is understood as a way of referring to an established apparatus of government, which could be argued to be of slight and diminishing significance in the globalised world. Numerous postmodern models of governance have made their appearances and their focal point has been the European Union, which constitutes market without state. To move to post-modernity means 'that the trajectory of social development is taking us away from the institutions of modernity towards a new and distinct type of social order' (Giddens 1990: 46). One of such postmodern approaches is the new medievalism, or neo-medievalism. This paper proposes to contemplate the neo-medieval paradigm as the model for

European governance. Concretely, this chapter will evaluate whether the neo-medieval model of governance is a viable solution for the provision of European public goods. This is an especially relevant inquiry given that Europe is looking for new and creative solutions to get out of its numerous crisis.

This chapter is divided into two parts. In the first part, I review the theoretical frameworks of public goods and collective action. Concretely, I will try to give answer to following questions: what are public goods?; which public goods do we have on the European level?; and what are the most crucial problems in their provision?. The second part explains the neo-medieval model of governance and then applies on it the theory of public goods to examine the implications in the European context. I argue that neo-medievalism, as a model of governance, is not suited for the provision of European common resource goods. Neo-medievalism implicitly assumes that all public goods are inclusive club goods which has a potential to lead to a greater number and scope of externalities. Lastly, I will conclude with a discussion of the applicability of neo-medievalism and the effectiveness of imaginative theorising.

## Theory of Public Goods

It is generally assumed that markets are the most efficient way of providing private goods. But markets in order to function properly rely on a set of elements that they cannot provide or guarantee themselves, such as property rights, predictability, or safety. Mechanisms are needed to reduce uncertainty and transaction costs. Few of us are capable of imagining a world in which the rule of law is non-existent. In addition, there are goods such as highways and street lights that are of immense utility to all but nonetheless cannot be provided by a single individual or company either because the cost of provision is too high or the means to ensuring that the provider is compensated is inadequate. These goods differ from the private goods we buy in the market, like apples or television. They are called public goods. This section is focused on the concept of public goods. It will try to identify what are the different types of public goods, what problems occur in their provision and what public goods are European.

## What Are Public Goods?

Firstly, it is important to explain the economic concept of good. An economic good provides a utility, that is to say, it is a thing that confers upon individuals certain effect (Collignon 2011: 44). When this effect is positive, we speak of economic goods. When it is negative, we use the term economic bad. The value of the good is its net benefit, that is the difference between costs of production and the conferred effect. Among goods, or bads, are included material objects such as cars, roads and schools as well as intangible things such as government policies, peace, price stability and law. Public goods are generally defined in contraposition to private goods. The key characteristic of private goods is that the property or possession of the good is transferred or denied depending on the payment of its price. Since the supply of private goods is limited, price acts as an exclusion instrument. When one individual consumes a private good, it cannot be consumed by others. You cannot have the same apple that I had just eaten. Private goods are excludable and rivalrous in consumption.

In contrast, public goods are non-excludable and non-rivalrous. After a public good is provided, it is impossible to exclude individuals from its benefits. Similarly, various individuals can consume a public good at the same time without any reduction of their marginal benefits. Public infrastructures such as traffic lights or lighthouses are typical examples of public goods. If one ship safely navigates to the dock thanks to a lighthouse, its utility for other ships is not reduced. There is no rivalry between consumers of public goods. Un-rivalrous goods have an unlimited supply. Everyone can consume them without limiting the consumption of others. Identically, to exclude the usage of the lighthouse would be economically and politically very costly, not to mention that it would be practically impossible. Its benefits are non-excludable. A peace treaty is another example of a public good. When a war is averted and a community is protected from external dangers, all members of the community profit. Similar illustrations can be made for law enforcement or price stability.

So far we have discussed only pure private and pure public goods, but theoretics of public goods (Collignon 2004, 2011; Desai 2003; Kaul et al. 1999) distinguish another two mixed categories of impure public goods. Impure public goods are either non-rivalrous or non-excludable

	Rivalrous	Non-rivalrous
Excludable	<b>private goods</b> <i>(apples, cars, private pool)</i>	<b>club goods</b> <i>(museum, tennis club, cable television network)</i>
Non-excludable	<b>common resource goods</b> <i>(fish stock, oil well, central bank liquidity)</i>	<b>pure public goods</b> <i>(judicial system, financial stability, public infrastructure)</i>

**Fig. 2.1** Typology of public goods

but not both. Most public goods are of the impure type (Desai 2003). The first impure category, called “club goods”, refers to goods that are non-rivalrous in consumption but excludable. For instance, the entrance to the museum is contingent upon payment of an entrance fee. Individuals who do not pay the fee cannot enter and are excluded from its benefits. When one person enters the museum, the museum is not closed down neither is there less of it for other visitors. In addition, club goods are inclusive in a sense that it is advantageous to include more

members in the group provided that the maximum club capacity is not exceeded (Collignon 2004: 918). This is because members' net benefits increase as the group expands. With more visitors coming in, the art gallery is able to raise more funds to acquire new collections and all visitors benefit equally.

The second category of impure goods, called "common resource goods", represents goods that are non-excludable but rivalrous in consumption. Their total benefit is fixed and available to all. When one benefits, there will be less for others. Typical example are common resources that can't be replenished, such as common woods, mineral deposits, fish stocks or interconnected oil wells. Because a lake is common, everyone can come and catch a fish in it. Yet, the lake's total fish stock is limited and when one fisherman catches a fish, others will be getting less. There will be rivalry in consumption among fishermen. Common resource goods, as well as private goods, have an exclusive character (Collignon 2004: 918). When the size of a group that extracts common resources increases, average benefit of every group member falls. Consequently, individuals profiting from common resource goods try to exclude others. Figure 2.1 resumes all types of public goods.

## Externalities and the Role of State

Closely linked to economic goods is the concept of 'externality'. Economic goods, both public and private, pose the problem of externalities. Kaul et al. (1999: xx) define externality as the difference between private and public benefit. Externalities arise when an individual takes an action but does not bear all the costs or benefits of his action. Depending whether these external effects increase or decrease the utility of the affected person, we speak of positive or negative externalities. When one person cleans the snow from the doorway of a communal building, all the occupants of that building stand to benefit. Similarly, if one country builds a dam on a higher part of a river, the countries on lower part are negatively affected by decreased water flow. Externalities are the major source of human conflict. If it was not for them, everyone's needs could be satisfied maximally by efficient markets. However,

this is not possible and human societies need to employ mechanisms to internalise the externalities of human action. Governments have emerged as a central actor in providing collective goods and correcting market failures. Nevertheless, as pinpointed by Collignon (2004: 919), governments do not operate in the vacuum and governmental intervention produces its own externalities which are sometimes more a problem than a solution. This opens the discussion about the most efficient form of governance, which still has not been settled in the political and academic circles.

Historically, human societies have experienced multiple forms of governance with markets and states playing different and altering roles in the provision of public goods. When Samuelson (1954) set analytical foundations for what would become the theory of public goods in his seminal article, the state as an institution was at its highest point. Samuelson (1954) assumed that market and state overlap and he attributed to the state a greater role in the provision of public goods. The provision of public goods was one of the central justifications for the existence of the state (Desai 2003: 63). Nevertheless, Desai (2003) also demonstrated that public preferences for the provision of collective goods by the state have been changing according to socio-economical developments. Prior to the industrial revolution most of the things we now consider as public goods were provided by private actors or not provided at all. The traditional domain of the state was the provision of security and waging of war. The increased demand for the delivery of a vast array of public goods—sanitation, education, water or public infrastructures—by the state occurred only after the Europe's population quickly multiplied and concentrated in cities following the industrial revolution. The negative spillovers caused by crowded populations became too costly for private actors to bear. The 19th century western governments, now seen as agents of the people, gradually became more involved in public life. In the aftermath of the WWII, demands for public goods again increased, which fuelled the rise of European welfare states. However, the 'shaky' seventies, the rise of globalisation and neoliberal politics, undermined the trust in the state as the ultimate provider of public goods. This led to increased prominence of markets, public-private partnerships and club-based provision of collective goods.



In order to assess how markets and states fare in the effective delivery of public goods, it is necessary to look at the peculiarities and problems that affect their provision.

## Problems in the Provision of Public Goods

Desai (2003: 64) described the process of provision of public goods in three steps, also known as the three Ps, as preference revelation, political bargaining, and production (Fig. 2.2). Firstly, a preference revelation mechanism is required through which the individuals can express what goods they prefer in the collective domain and how much they are willing to contribute. Secondly, as individual preferences may be incompatible between themselves, a form of political bargaining is necessary to decide and prioritise which goods and what quantity of those goods are going to be included in the public budget. The last step is the actual production and delivery of public goods realised either by public or private agents. Problems in the provision of collective goods occur especially in the first two phases. How do we collectively aggregate and prioritise conflicting individual preferences into a single public preference? This is the central problem in the theory of public goods (Desai 2003: 71). Every system of governance aspiring to efficiently provide public goods must have concrete mechanisms for revelation and prioritisation of public preference.

For private goods, price operates as an effective mechanism for the revelation of consumer preferences. Consumers react to different prices of various products by adjusting their levels of consumption. Each buyer must reveal his/her preferences by bidding. As a result, markets are able to supply every consumer who is willing to pay the marginal costs, and to exclude those who are not willing or not able to pay the price. However, market fails to disclose individual preferences for public



**Fig. 2.2** The three steps in the provision of public goods

goods. Individuals have incentives not to reveal their preferences (Olson 1965) and, what's more, they derive interdependent utilities from public goods (Wicksell 1958). Samuelson (1954) assumed that individuals have independent utilities through which the aggregation of marginal utilities is realised. This allowed him to avoid the problems with revelation of preferences and prioritisation (Desai 2003). For Samuelson (1954: 388) collective preferences are knowable to a collective mind and constitute the 'ethical observer's optimum'. However, few of us pursue static set of needs without taking into account what others want. The opinion and behaviour of others is important to our decisions. Wicksell (1958) argued that individuals may have interdependent utilities, where each person's benefit depends on what everyone else does. As a consequence, a deliberation and public contestation between individuals or their representatives is needed to establish the balance between marginal utilities of public goods and their price (Wicksell 1958: 82). Collignon (2003, 2004, 2011) sustains that voting and democratic government are one type, however imperfect, of revelation and prioritisation of public preferences. In democratic states, political parties play essential roles in aggregating citizens' preferences and, consequently, in budget allocations (Desai 2003: 74). Every party (ideally) has its own political program which is different from the rest of parties, and citizens by voting for one party reveal their preferences for public goods. After that, it is in the legislative assemblies where elected representatives bargain and negotiate on behalf of their voters.

Mancur Olson and Garrett Hardin, two prominent scholars of the 20th century, showed that the provision of public goods requires also an efficient coercion mechanism to prevent free-riding and degradation of common resources. Olson (1965) proved that unless there exists some coercion device, public goods tend to be underproduced because rational self-interested individuals in large groups do not act to achieve their common interest. In sufficiently large groups where individual contribution makes no perceptible difference to the whole, rational individuals have incentive to act as free riders (Olson 1965: 44). That is to avoid contribution in hopes that others will pay and that the benefits of public good could be enjoyed for free. This decision is individually rational even if the public good is not provided since the free-rider

will bear no costs and avoid the worst case scenario: contributing to something that might not be provided. However, if a large part of the group has the same attitude, the public good will not be delivered. In short, we can say that the larger the group, the bigger the incentive for individuals to free ride.

In a much cited article, Hardin (1968) explained another problem of collective action, 'the tragedy of commons'. This problem is characteristic of common resource goods, such as fish stocks or common pastures. In his (Hardin 1968: 1244) example of a pasture open to all, individual herdsman tries to increase his benefit by keeping as many cattle as possible on the commons. However, what improves his gain, decreases that of the other herdsmen. If multiple herdsmen have this attitude, the common pasture is quickly overgrazed and overall utility of all herdsmen is reduced given that the commons is now depleted and nobody benefits. Numerous tragedies of commons led quickly to privatisation of common resources (where it was possible) or to appearance of coercive bodies regulating access to them.

Despite the fact that a coercive device is required for the provision of pure public goods and common resource goods, it is not indispensable for club goods to be delivered. Collignon (2004) explained that whether cooperation happens or not in the absence of a coercion mechanism depends on the convergence or divergence of actors' preferences. In the case that actors have converging preferences, individual actions are complementary and actors cooperate in the interest of their common good. This is the situation of strategic complementarities and it is characteristic for inclusive club goods (Collignon 2004, 2011). In the other case of diverging preferences, voluntary cooperation does not occur for the simple reason that 'an individual can increase his/her own utility by doing the opposite of what everyone else would like to do' (Collignon 2011: 48). This is the situation of strategic substitutability and is typical for common resource goods and tragedy of commons.

Next, we must consider the provision of public goods in the international arena. The international system is characterised by the absence of coercive authority that could bid actors to cooperate. There is no global state and international organisations like the United Nations have little or no coercive power. Neither are there any international political parties

that could aggregate citizens preferences for the international goods. As a result, public goods can be provided on the international level only through voluntary, non-binding cooperation either by governments or non-governmental actors. However, as was discussed above, the cooperation will only take place in the case of actors' strategic complementarities and stands to be more effective in smaller groups of states. Bilateral cooperation is more successful than multilateral. International clubs and regional integration proliferate, whereas international commons are characterised by long and thorny disputes.

Kaul et al. (1999) identified three key weaknesses in the current arrangement for providing global public goods. The first weakness, the jurisdictional gap, is the discrepancy between the national unit of policy making and the international scope of externalities. In integrated and interdependent markets, there is a growing number of situations where decisions made in one state have repercussions and spillovers in the jurisdictions of other states. This is especially true in the European Union where 'the set of those individuals who are affected by a policy decision and those who are involved in or legitimising these decisions do not coincide' (Collignon 2003: 30). To close the jurisdictional gap, Kaul et al. (1999: xxviii) proposes to strengthen regional and global governing bodies. The second weakness is the participation gap. All actors, including civil society and private sector must have a voice, an appropriate opportunity to contribute and have access to the produced goods (Kaul et al. 1999: xxix). The incentive gap is the last weakness. For a cooperation to be durable and efficient, it must offer appropriate incentives to individual actors. Nevertheless, we learned above that the incentive structure is different for club goods than for common resource goods.

## European Public Goods

What are European public goods? For Collignon (2011: 45) public goods are European when they 'are available for all European residents and they exclude non-Europeans'. It is the scope of their externalities that makes them European. With advancement of the European integration, a large quantity of public goods now have wider and deeper impact

on the continent. Especially since the establishment of the European Monetary Union (EMU), the growing interdependence between national economies within the same monetary framework has led to an increasing range of spillovers into other jurisdictions (Collignon 2003, 2011). The single market, fundamental rights of European citizens, price and exchange rate stability or freedom of movement are examples of European public goods. Collignon (2011) also includes policy areas such as monetary policy, Common Agricultural Policy (CAP), Common Foreign and Security Policy (CFSP), industrial policy, competition and antitrust policies, environment and energy policy. Responsible for a majority of these European goods are either supranational institutions, such as the Commission or the European Central Bank (ECB), and the intergovernmental Council. Nevertheless, there are goods that originate in member states and that have external effects on citizens elsewhere. Control of Union's external borders, training of human capital, national fiscal positions or dealing with cross-border crime are examples of goods that produce spillovers at the European level.

It is clear that the EU faces various, if not all, of the problems in provision of public goods discussed in the previous section. The EU lacks a proper coercive device and, instead, relies on the governmental apparatus of its member states. Its mechanism of preference revelation is ambivalent at least and not-functioning at most. Elections to the European Parliament (EP) are short of the public attention and their outcome has only a limited effect on the delivery of European public goods. Decision making in the Council does not reflect the collective European preference since the participating government officials represent only part of the electorate of their home country. On the other hand, independent technocratic institutions are efficient only in the delivery of public goods which have independent utilities, static public preference and which require a long term commitment. Even in spite of these setbacks, the European integration was able to proceed with voluntary cooperation and a number of European public goods linked to the single market have been delivered. This is because the creation of European communities, the common market, Schengen or the Euro-area can be contemplated as European club goods (Collignon 2004, 2011). We know that 'clubs' are inclusive and that club members' incentives are characterised by strategic complementarities.

Notwithstanding, as showed by Collignon (2011), with the creation of the Euro common resource goods have become dominant within the European Union. In his words (Collignon 2011: 50), ‘the Euro introduces strategic substitutabilities into the interactions of member states and creates political incentives for governments to free ride on their partners’. In a market economy, money operates as the hard budget constraint. The scarcity of money is what ensures that buyer’s market functions efficiently. In Europe the Euro is created by the independent ECB whose primary objective is the maintenance of price stability. Granted that the Euro supply is limited, it is rival in consumption in a sense that when liquidity concentrates in one member state, it is not available in others. The member state which benefits from large liquidity inflows has all the incentives to free-ride by letting its economy to boom while others suffer and by not adopting monetary and fiscal policies which would help to stabilise the Euro-area, the common public good. This has been the case in the painful Euro-crisis when money left the troubled European South (previously the most booming region) to the more secure Northern European countries such as Germany (the former laggard of Europe). All member states would have been worse off had the Euro failed and yet, the national governments were unwilling to cooperate and the collapse was only prevented at the last hour. The unwillingness to cooperate is explained as the product of strategic substitutability that governs the Euro, European common resource good par excellence (Collignon 2011).

## Neo-Medieval Paradigm

One of the consequences of growing globalisation of markets has been the questioning of the state as an appropriate institution for governance in the 21st century. Simultaneously, the belief in complete and efficient markets has been on the rise and terms like transnational networks, self- and co-regulation, output legitimacy, or public-private partnerships have entered the vocabulary of scholars of political economy. Recently, various authors have been advocating “neo-medievalism” as a new form of European or global governance. Neo-medievalism has combined the

belief in the power of market, the disregard of state and daydreaming reminiscence of the Middle Ages to provide an alternative for the future of the European Union. In this chapter I will look more closely at what is “neo-medieval” paradigm, what are its main features and what solutions does it offer for the provision of European public goods.

## What Is the Neo-Medievalism?

Neo-medievalism is a postmodern political theory of modern International Relations. Its defenders argue that the modern world order, premised on the Westphalian nation state, is over and that we are living in a period of ‘the second Renaissance’ which will lead the humanity to a new postmodern world. This world in the eyes of neo-medievalists will be better suited to cope with the economic and political challenges of globalisation and digital revolution. The term ‘neo-medieval’ is used in this context as a metaphor which highlights the similarities between the new emergent order and the one that prevailed in Europe during the Middle Ages. This analogy is what unites and defines all neo-medievalists and distinguishes them from other postmodernists. What neo-medievalists and postmodernists share in common is the abhorrence of the modern state, the interstate world order, territorial sovereignty and central governments. Modernity in their eyes is either a relic of the past or an ‘evil’ which must be contested so that humanity could embrace a new form of (post-modern) governance. Amongst the most significant advocates of postmodern forms of governance are David Mitrany (1943), the father of functional theory of governance principled on independent technocratic institutions, James N. Rosenau (1992), a defender of ‘governance without government’, and Giandomenico Majone (1994), a proponent of ‘regulatory state’.

Neo-medievalism, then ‘new mediaevalism’, got an important scholarly attention for the first time in the 70s when Hedley Bull (1977) discussed it in his classical work *The Anarchical Society* as one of the possible models for interstate order. At the time, for countless intellectuals the combined effect of contemporary features of world politics, such as the regional integration, the disintegration of states, the privatisation

of international violence, the emergence of transnational organisations and the technological integration of the world, heralded a new age of neo-medieval order. Nevertheless, Bull (1977: 265) dismissed it saying that ‘there is no clear evidence that in the next few decades the states system is likely to give place to any of the [proposed neo-medieval] alternatives’. The next hype of neo-medievalism came again in the 90s following the end of the Cold War, and the start of digital revolution driven by the success of the Internet. Stephen J. Kobrin (1999) believed that the world was living a systemic transformation from a modern political economy to a neo-medieval and postmodern digital world economy. Later in the 21st century the 5th enlargement of the EU and the global financial crisis sparked the current generation of neo-medievalists, represented most notably by Jan Zielonka (2006, 2014), a supporter of neo-medieval governance for the EU, and Parag Khanna (2008, 2011), a self-proclaimed global strategist, neo-medieval enthusiast and promoter of ‘mega-diplomacy’.

Jan Zielonka (2006) in his book *Europe as Empire* accomplished the most precise up-to-date formulation of the neo-medieval governance for the EU, which he revamped in 2014 with the title *Is the EU Doomed?*. I will draw from his two books to evaluate the implications of neo-medieval governance for the provision of European public goods. Zielonka’s (2006: 11) principal intention in his first book was to present ‘a workable alternative to a Westphalian type of state in the contemporary European context’. He considers the neo-medieval alternative as better suited for dealing with the current cultural, economic and political pressures in Europe than any European super-state. What’s more, for Zielonka the enlarged EU already resembles more a ‘neo-medieval empire’ than a Westphalian state. His ‘neo-medieval European empire’ is a type of postmodern non-aggressive entity exporting rules to its near abroad. To support his claims, he (Zielonka 2006: 2–3) wholeheartedly refutes the thought of the EU as a state:

The Union is anything but a state. It has no effective monopoly over the legitimate means of coercion. It has no clearly defined centre of authority. Its territory is not fixed. Its geographical, administrative, economic, and cultural borders diverge. And the Union is a very different kind of international actor than any of the states we know from history.



Zielonka identifies three drivers of neo-medievalism in the EU. First, and most essential, is the 5th enlargement, which has fundamentally reshaped Europe. It ‘has resulted in more layers of authority, more cultural, legal, and political pluralism, more diversified and cross-cutting institutional arrangements’ (Zielonka 2006: 3). Enlargement has increased the diversity in the EU and practically has rendered the rise of the European state unattainable. Globalisation, the second driver, makes it difficult for any state to maintain a minimum degree of sovereignty, hierarchy, and order (Zielonka 2006: 15). Expansion of markets and subsequent privatisation of social activity means that a large part of the western public currently demands the reduction of taxes and provision of public goods by more efficient private actors. The last driver is the apparent rejection of the European super-state by European public, epitomised by the failure of the Constitutional Treaty in French and Dutch referendums. Zielonka believes that the idea of European super-state has never been popular among the European electorate. European citizens care less and less about the European institutions and the increases in the power of the European Parliament has been met by decreases of voter turnout.

## Main Features of Neo-Medieval Paradigm

Zielonka (2006) divided the neo-medieval paradigm in three areas of governance: democratic, economic and governance beyond borders. Table 2.1 shows the essential features of these three areas. From the perspective of democratic governance, the enlargement reinforces its neo-medieval character. The power and authority in the EU is shared among various types of political units in a system with no clear hierarchy. This governance system is complex, heterogenous, flexible, multilevel and multi-centred in concentric circles. Jurisdictions and competences of governmental agencies are multiple and overlapping. There is not one Europe but “many Europes: a trading Europe, an energy Europe, an environmental Europe, and so forth” (Zielonka 2006: 138). Subnational actors, regions and cities, as well as supranational actors both increase their functional reach in the European governance. There

**Table 2.1** Main features of neo-medieval governance

Democratic governance	Economic governance	Governance beyond borders
<ul style="list-style-type: none"> <li>• Polycentric power system with no hierarchy</li> <li>• Flexibility and complexity</li> <li>• Non-majoritarian institutions dominant over weak parliaments</li> <li>• Output legitimacy</li> <li>• Multiplicity of identities and cultural heterogeneity</li> <li>• Multiplicity of political actors</li> <li>• No monopoly of law-making; multiple laws</li> <li>• Multiple and overlapping jurisdictions</li> <li>• Divided sovereignty</li> </ul>	<ul style="list-style-type: none"> <li>• Liberalisation, deregulation and devolution</li> <li>• State power increasingly 'privatised' by markets</li> <li>• Flexible rules and regulation</li> <li>• Creative implementation of laws</li> <li>• Autonomous regulating bodies</li> <li>• Spontaneous market adjustments</li> <li>• Voluntary redistribution based on the principle of solidarity</li> <li>• Economic divergence</li> </ul>	<ul style="list-style-type: none"> <li>• Non-aggressive imperialism</li> <li>• Stabilisation of the neighbourhood</li> <li>• Fuzzy borders</li> <li>• Legitimate interventions</li> <li>• Export of European laws and rules to its neighbours</li> <li>• Civilian means</li> <li>• Two power centres (the EU and the US)</li> </ul>

is no monopoly of law-making, neither are all citizens subject to the single law. Non-majoritarian institutions proliferate and dominate the weak European Parliament, but also the increasingly weak national parliaments. Policy output rather than input is the standard of legitimacy. There is no pan-European identity and the European public space is segmented across various cultural and ethnic lines. Sovereignty is divided along different functional and territorial lines, it is neither unified nor exclusive.

With regards to economic governance, Zielonka (2006) asserts that the EU is facing three challenges: internal coherence; tough competition from the Pacific economies; and economic instability in the near abroad. The EU can cope with them in a neo-medieval way by 'stimulating interpenetration of various economic and administrative units through shared ownership and institutional differentiation' (Zielonka 2006: 92). Internal development gaps are tackled by 'spontaneous market adjustments' and redistribution (if any) is realised by different types of solidarity between various transnational networks. The assistance from central EU institutions is scarce and aimed at promoting efficiency

rather than equality. As a result, European economies will diverge and socio-economic discrepancies are likely to increase. More importantly, the neo-medieval EU meets the challenge of global competition with increased liberalisation of markets, deregulation, flexibility and devolution. Rigid rules, such as fiscal constraints, are abandoned. The neo-medieval magic formulae is 'more market—less state'. The Union opts for decentralised and creative implementation of laws and regulations. EU institutions refocus to act as facilitators, mediators, and coordinators. The regulation is dominated by autonomous technocratic bodies carrying out collective tasks on behalf of the Union. The private actors, like municipalities, charitable institutions, and welfare associations extend their role in the provision of European public goods. For each specific class of public goods, economic actors are allowed to freely organise themselves into optimal clubs responsible for their provision. In addition, the EU's economic governance extends to its neighbourhood as the Union exports and imposes its laws and regulations on the unstable neighbours. Consequently, the European economic space expands as more countries participate (often voluntarily) in the common market without being EU members and without having a say in the EU decision making.

Lastly, the EU's governance beyond borders is dominated by non-aggressive imperial politics. The Union does not have an equivalent to a Westphalian *raison d'état* and its prime international objective is not to defend borders against foreign invasion. Its foreign policy aims are to diffuse internal conflicts and pacify the external environment, to which it uses more civilian than military means. The EU continuously exports its laws and rules to stabilise the unstable southern and eastern neighbours. Europe justifies its policies in terms of values and norms and not in terms of power calculations. Foreign and security policies remain largely in the hands of the individual member states, and the CFSP is just one of the many institutional frameworks (Council of Europe, NATO, UN, OSCE) employed by European states to pursue their national interests. Common foreign and security actions are carried out by coalitions of the willing. There exists the 'medieval' duality of competing universalistic claims with the US as the second power centre. External borders of the Union are soft, porous and in flux. Cross-border cooperation flourishes, and the difference between EU

members and non-members is blurred. Intervention in 'domestic' state matters is seen as legitimate in support of certain moral norms or in order to enforce compliance with agreed.

## Problems of Neo-Medievalism

Neo-medievalism, like any other model of governance, is not without its problems and disadvantages. Zielonka (2006) in his self-critique readily points to a number of deficiencies in democratic legitimacy, participation, accountability, social justice, or to a danger of the rising populism. He (Zielonka 2006: 22) affirms that 'the implications of neo-medievalism are anything but clear and it is highly uncertain whether a neo-medieval Europe will be a better place than the Europe of today'. Nevertheless, he is certain that the neo-medieval paradigm will fare better than any type of Westphalian state. I will briefly look at three problems mentioned by Zielonka and leave the issue of public goods, the main topic of this paper, for the next section.

Firstly, few people could imagine how democracy, participation and accountability could work in this complex, flexible and multi-layered system run by democratically unaccountable institutions and networks. Arguably, it is debatable whether neo-medieval governance can still be called 'democratic'. Zielonka (2006: 183), conscious of the fact that his model is undemocratic in the traditional sense of democracy, expects that in a polycentric system of governance with fuzzy borders, 'democracy assumes different meanings and features'. He (Zielonka 2006: 183) goes further by suggesting that democratic 'voice' in the political affairs could be substituted by the liberty of 'exit' as the ultimate source of legitimacy:

Systems with soft borders and thus ample opportunities for exit may well have problems in developing structures of political negotiation, but there is also less need for such structures because individuals can seek fulfilment of their needs outside the borders of the system.

It is not necessary to state that his proposition goes exactly in contraposition to those (Dryzek 2000; Follesdal and Hix 2006) who see democratic legitimacy in terms of the opportunity to participate in

effective deliberation for every one who is subject to collective decisions. European public deliberation in the neo-medieval model is an inexistent feature.

The second serious problem is associated with social justice and solidarity. Zielonka (2006: 99) admits that greater devolution, flexibility, and deregulation will leave some people disadvantaged and that differentiation may imply discrimination against some actors. Redistribution of wealth is supposed to happen only by spontaneous market adjustments. Zielonka dedicates little attention to social justice, does not present any workable alternative, and rather disregards it completely. Therefore, it could be implied that in a neo-medieval world social justice imposed by state is no longer necessary as efficient markets and networks self-adjust and self-regulate themselves to cover all social needs. However, economists still have not proved that markets and networks are efficient, which justifies the existence of the state and its interventions in the market.

Ultimately, neo-medievalism may endanger the internal stability of the Union and give a rise to widespread populism. Zielonka's (2006: 171) most stressing point is that the EU will continuously enlarge for strategic reasons to stabilise its southern and eastern neighbours and to maintain a zone of prosperity and peace in Europe. In short, the EU's overarching objective is the endless stabilisation of neighbourhood by means of enlargement. For Zielonka the 5th enlargement has further opened the doors to the EU rather than closing them. Countries such as Turkey, Russia, Georgia, Israel, Morocco, Lebanon, or Jordan are all conceivable future members of the EU (for strategic reasons). Zielonka (2006: 165) confesses that 'this will stir up public resistance ... and give populist politicians an opportunity to exploit protectionist and xenophobic sentiments across Europe'. However, by him proposed remedy comprised of longer admission process and stricter EU conditionality for new prospective members can be questioned on several grounds. Is it proofed that it will have the same stabilising effect? (think about the stability in Bosnia). Why will it calm down the populism? Will the EU public accept further enlargement to countries whose European credentials are doubted? Without answering these questions, it may be too soon to conclude that neo-medievalism is bound to arrive due to strategic reasons of peace and stability.

## Neo-Medieval Provision of European Public Goods?

What implications has the neo-medieval paradigm for the delivery of public goods and more precisely of European public goods? Zielonka (2006: 18) mentions that it would be difficult to distribute public goods in any organised manner and that flexibility may encourage free riding. However, he does not offer any concrete answers and presumes that flexible networks and self-regulating agencies will take care of provision of public goods. We have learned in the first section of this chapter that any governance system has to deal with two fundamental problems: one associated with preference revelation and prioritisation, and the other with collective action. How does the neo-medieval paradigm deal with these issues? Now, let us apply the developed theoretical framework of public goods.

Firstly, there is the eternal issue of preference revelation for public goods and their prioritisation. How are preferences for public goods revealed in neo-medieval model? Zielonka (2006) circumvents the topic by suggesting that ‘exit’ could be employed as a mechanism by which individuals could reveal their preferences. Here, the market analogy with ‘clubs’ and club goods is evident. If an individual is not satisfied with common goods in one club, he/she can freely leave and join other club that will better satisfy his/her preferences, on the assumption that complete markets will provide clubs for every existing set of preferences. Notice that efficiency of the ‘exit’ option depends upon the completeness of the market. It will work better when there is a club for every possible preference than when there is not. The Brexit example clearly shows that the market of European clubs is incomplete, since there is no “Single Market without free movement of people” which the UK could readily join. Moreover, the logic of ‘exit’ could hardly work with common pool resources. How many rational herdsmen will choose to leave the common pasture, before it is depleted, and search for another if they are not pleased with how this common resource good is being provided? Not to say that common resource goods are mostly limited goods that can’t be provided by the market. People in Greece are highly dissatisfied with how the Euro (European common resource good) is managed. Nevertheless, they have preferred to stay in the Euro-zone and

to suffer painful austerity measures, since no better option is available. There are also those pure public goods, such as peace or financial stability, whose scope includes everyone and 'exit' is not possible. If financial chaos or war were to return to Europe, could any EU member state reasonably hope to isolate itself from negative effects by exiting the EU club? Zielonka dedicates no attention to these drawbacks. It seems that he assumed that there exist only club goods or that other public goods could be converted into them.

Another important source of difficulty with the 'exit' logic is that it assumes that every actor has only independent and functionally separable preferences which do not depend on what other actors do or want. Therefore, Zielonka (2006) attributes no value to public deliberation and inclines towards weak parliaments losing power to non-majoritarian institutions and private actors. This is the weakest point of neo-medieval provision of public goods inasmuch that without public deliberation and contestation, priorities and marginal utilities of public goods (which do have interdependent utilities) could be put in balance only by chance. And from the statistical point of view, that chance is rather low. Similarly, as the Brexit shows, 'exit' is not going to work for interdependent and linked European public goods. Brits decided to exit the EU, nevertheless they expressed their wishes to maintain the access to the Single Market for goods and services while limiting the movement of people from the EU to the UK.

Secondly, how are the problems of collective action overcome in the neo-medieval paradigm? We learned that incentives to cooperate decrease as the the number of actors rises and that they are different in situations of strategic substitutability than in situations of strategic complementarity. Neo-medievalism promotes the multiplicity of actors and Collignon (2004, 2011) proved that since the establishment of the Euro, there is a thick layer of European public goods characterised by strategic substitutabilities. Through subsequent enlargements, the Union now has 28 member states and other actors in the form of regions, cities, transnational group or supranational non-majoritarian institutions have increased their participation in the provision of European public goods. We have learned that larger the group, bigger the propensity to free ride. It is to be

expected that without central coordination and coercion mechanism, free riding will be a frequent practice and common resource goods such as the Euro would be a source of constant friction. The recent events confirm this and free-riding has become an existential issue for the EU. Greece, Spain, Italy, Portugal and Ireland free-rode on the common currency by increasing their borrowing during the boom-times. Poland, Hungary, the Czech Republic and Slovakia openly defied the migrant resettlement program and left the burden of migrant resettlement on other member states.

For Zielonka, who disregards the hierarchical coordination by central institutions, the best option on how to cope with this multiplicity of actors is to completely curtail central coordination and foster a flexible implementation of rules. In neo-medieval paradigm, effective provision of public goods is dependent on the organisation of member states in overlapping jurisdictions. 'Optimal "club size" for individual public goods differs and so does the optimal membership for individual jurisdictions' (Zielonka 2006: 94). Now it is clear that when he speaks of public goods, Zielonka only focuses on 'club goods' and thus is able to avoid the intrinsic problems involved with common resource goods. He either assumes that European public goods have only independent utilities, thus allowing the creation of optimal clubs or independent regulatory agencies, or that European cooperation should occur only in the fields of strategic complementarities. However, we know that at present the majority of European public goods have interdependent utilities and thus independent clubs with overlapping members would only produce conflicts of interests. Even the seemingly independent ECB is dependent on coordination of fiscal policies and wage settlement of member states to prevent destabilising outcomes. Consequently, in an environment dominated by strategic substitutability, more flexibility will only aggravate the tendency of free riding as individual actors would have even greater incentives to bypass the rules. The repercussions of such flexibility or creativity in implementation could be illustrated with



the break of the Stability and Growth Pact celebrated by Zielonka (2006: 103) as 'the triumph of flexibility' and now regarded as one of the main causes of the dire Euro-crisis.

Source of additional tensions in the neo-medieval EU will be public policies originated in one club or one EU member but with European-wide externalities. There is no explanation nor a reason to believe why the multitude of European actors will be willing to minimise and to take responsibility for externalities (the difference between private and public benefit) of their actions. Contemporary situation suggests that in a flexible setting individuals will seek to maximise private benefit at the expense of others and externalities will increase. A number of examples can be given. Germany has imposed the policy of austerity in the Euro-area, which saves the money of German taxpayers but at the same time asphyxiates the Mediterranean economies. Greece and Italy are letting through their 'soft' and porous borders a constant flow of migrants from the Middle East and North Africa, thus putting pressure on countries in Central and Western Europe. Poland and Baltic states are supporting American foreign policy and democratisation of former Soviet republics, which brings the EU on the collision course with Russia. What is clear from these illustrations is that if externalities are not reduced, neither are conflicts. With conflicts there is no stability and no peace.

Finally, in the theory of clubs, every club has a maximum member capacity, which when overreached, the club will start to provide diminishing returns. So do the European clubs, such as the EU, the Schengen zone or the Euro-area, have their capacity limits beyond which the individual members will be worse off since the cons of admitting new members will outweigh the pros. At present, it seems that the capacity has been reached and that it will take a long time to extend it so that new members could come in. This contradicts Zielonka's premise that the EU will become gradually more neo-medieval by enlarging and admitting more members. Rational self-interested actors will oppose the enlargement of clubs beyond the maximum capacity on grounds that it will reduce their individual club benefits.

## Conclusion

This chapter has inquired into the theory of public goods and the neo-medieval model of governance. It tried to show the implications of neo-medievalism on the provision of European public goods. The process of European integration and successive enlargements have increased the number and scope of public goods that affect all Europeans. In addition to pure public goods, which are non-excludable and non-rivalrous in consumption, it is important to differentiate two more groups of public goods: club goods and common resource goods. The former are inclusive goods characterised by strategic complementarities, what facilitates voluntary cooperation. The latter, on the other hand, are exclusive goods distinguished by strategic substitutabilities, what requires central coordination and a coercion device for cooperation to take place. The principal problem intrinsic to all public goods is the issue of preference revelation. Without a mechanism for preference revelation, public goods can't be delivered efficiently. For public goods with independent utilities, voting can function as a preference revelation device. However, when public goods have interdependent utilities, public deliberation is required to establish the balance between their marginal costs and benefits.

Neo-medievalism is a model of governance built upon multiplicity of actors and power centres, overlapping jurisdictions, flexible implementation of laws, self-regulation and soft borders. It has been shown that neo-medieval paradigm would be inadequate and inefficient solution for the provision of European public goods for at least two reasons. The first reason is that the model lacks a proper mechanism for preference revelation. Neo-medieval model, essentially undemocratic, tries to substitute voting for the possibility of exit even though it is not only ineffective but also impractical in many instances. The second reason is that the flexible nature of neo-medievalism, based on voluntary cooperation, can only operate with inclusive club goods and is therefore unsuitable for exclusive public goods with strategic substitutabilities. Neo-medievalism assumes that public goods have independent utilities that would allow the creation of independent non-majoritarian

institutions for their delivery. Notwithstanding, this is not the case in the contemporary Europe and even the seemingly independent public goods such as price stability have interdependent utilities. Similarly, neo-medievalism assumes that all public goods could be delivered by flexible and overlapping networks and clubs through voluntary cooperation. However, this assumption has been refuted by the theory of collective action.

Another possibility can be that neo-medievalism implicitly proposes that exclusive public goods should not be in the domain of European integration. As such, it would be necessary to reduce the number of European common resource goods and decrease the scope of externalities. It would be necessary to abolish the Euro and curtail the effects of national policies on other member states. This practically equals disintegration, and the desirability of such a scenario is questionable. Not to mention that the neo-medieval model would result in an extension of externalities given that the number of actors increase and the borders become more loose. The model is thus not coherent and we may conclude that it is not an efficient alternative for the governance of European public goods. This conclusion is strengthened by the fact that up-to-date not a single society could successfully implement post-modern system of governance where the state, as a modern institution, is no longer necessary and markets are capable of delivering all goods which the public requires. Attempts to cut down the state and to completely liberalise markets, such as those in Chile or Argentina during the Cold War, gave rise to severe crisis and chaos that ultimately led to the reimposition of the state.

To conclude, envisioning and speculating on how the EU could be or would be is a cost-free human activity in which the author can afford to leave blank spots in his blueprint and state that there are some details that must be still thought about. Putting together a working governance system is a completely different undertaking where author has to execute with precision and perfection taking care of every aspect and detail. A model of governance, whatever noble its goals, is of no value if it is not internally consistent, coherent with reality and executable. If any of the aforementioned characteristics are not met, the expected results will greatly diverge from the real outcome. For neo-medievalism to become

more than just a utopian blueprint, it must define carefully its working mechanisms and prove that they are functioning and that the intended results will equal the real ones. Until then it will remain in the realm of theorising and does not deserve any attention in the realm of political practice.

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