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

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

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

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

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

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

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

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

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

A (Modest) Proposal – Incremental and Timely

The fact that so little has been accomplished so far does not mean that nothing can be accomplished in the near future. It just means that, strategically, one should proceed *à petits pas* (as Jean Monnet would have put it) and that, tactically, one should take advantage of emerging "opportunity structures" (as Sidney Tarrow would say). The latter is provided by the impending disruptions of monetary unification and eastern enlargement; the former could be fulfilled by what we propose to call "a Euro-Stipendium."[1]

Its primary objective is to embody the European Union's commitment to social citizenship with a policy that is "European" in scope and substance, and "transparent" and "simple" to administer. Moreover, its total cost is easy to contain and, if implemented gradually in conjunction with a decline in agricultural subsidies and regional funds, it would not even entail any additional expenditure. Finally, as we shall see, it would provide a politically secure and ethically justifiable mechanism for redistributing resources both to new member states and to potential victims of monetary unification in present member states.

1 The use of a Latin term seems appropriate since it avoids an association with any one of the many languages in the EU and highlights the novelty of the policy.

As a first step, the European Union should declare as one of its basic purposes: the elimination of extreme poverty within its borders.2 Member states should find it all the easier to subscribe to this aim since they have promised „to recognize the basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity" almost a decade ago (Council 1992a).3 Thus, since the member states have already recognized this objective explicitly and many of them already have national programs for this purpose in effect, the major innovation would be to "Europeanize" the commitment – both by basing it upon a Europe-wide statistical calculation and by creating a unique fund to finance this common obligation.4

The means for doing this would consist of a **Euro-Stipendium (ES),** i.e. the payment each month of a stipulated amount of Euros to all citizens or legal permanent residents (denizens) living within the EU whose total earnings amount to less than one-third of the average income of everyone living within its borders.5 By convention, those falling in this

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2 The current debate on a Charter of Fundamental Rights for the EU provides a very appropriate context for the affirmation of this common obligation. Among the ca. fifty items under consideration, one of them might state: "All citizens of the European Union are entitled to a decent standard of living and no citizen of the European Union should have to live in poverty." Other documents that support our idea are the Council recommendations about „combating social exclusion" (1989), „sufficient resources" (1992a) and „convergence of social protection" (1992b).

3 There is a close relation between this commitment to alleviate extreme poverty and the much debated notion of combating social exclusion within the EU. Providing funds to individuals in the name of the former is likely to have some impact upon the latter, but this policy will not eliminate social exclusion where it rests on such cultural factors as ethnic and racial prejudice, "age-ism," and gender discrimination (Room 1990; Room et al. 1993). Our proposal by re-focusing the financial dimension of poverty is more 'modest' in scope but at the same time more transparent and less problematic in targeting the 'poor' than the social exclusion agenda.

4 Our insistence on the need of explicit 'Europeanization' of the commitment to eliminate extreme poverty reflects our reading of the failure of the (in financial terms rather insignificant) EU Poverty Programs (Room 1995). This Program ceased to exist because of a row between the Council and the Commission about its budget, supranational policy competences and the assessment of its efficiency (Bauer 2000). Once agreed upon the Euro-Stipendium would be much less sensitive to such EU politics.

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

category are classified as “in extreme poverty.”

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

Therefore, we propose that during an interim period expenditure for the Euro-Stipendium should be set at some proportion of that amount -- with the understanding that over a stipulated period calculated according to the rhythm of accession of new member states this would rise gradually to replace existing EU programs of sectoral and regional redistribution. The total yearly amount of the ES would be adjusted according, on the one hand, to the funds made available and, on the other, to the total number of persons deemed eligible so that, in no case, would they exceed a pre-determined level of total expenditure – even in the event of enlargement to include a large number of member countries. In other words, provided it were possible to shift the basis of EU “welfare” from payments to agricultural enterprises for producing (or not producing) specific crops and from grants to the governments of designed sub-national regions for coming up with plausible development projects to simple money transfers to individuals, the aggregate cost to the EU and its

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appendix the equivalent income is adjusted for differences in household size and the unit is the individual (Rainwater 1997; Rodrigues 1993).

member countries would be zero!

In the Appendix to this article, we have calculated what such a program would cost initially and how its benefits would be distributed among the present 15 member states. Then, we have simulated future configurations of the EU with 22 and 27 members and how this enlargement would affect the distribution of the ES.

Needless to say, an immediate and complete shift in the *destinataires* of existing funds is not likely to be politically feasible – either because the group interests affected have sufficient clout to prevent a negative redistribution of the EU funds to which they have become "entitled," or because the national and sub-national governments involved would receive significantly less of the *juste retour* than they have become "accustomed" to receive from the EU.

The primary losers in such a policy shift would be those farmers presently receiving EU subsidies. We are aware that they constitute a well-organized constituency that has repeatedly shown its willingness to engage in disruptive, even violent, action whenever its privileges are threatened. We are also aware that most of these subsidies presently go to wealthy, relatively efficient and even "corporate" producers. The success of our strategy depends on the simultaneous presence of three conditions: (1) that virtually everyone recognizes that the present Common Agricultural Policy action programs cannot be sustained unmodified with Eastern Enlargement; (2) that persistent conflicts with non-EU members (especially, the United States) and recent decisions of the WTO have also raised the political cost of these policies; (3) that it should be possible to "fine-tune" the ES so that poorer agricultural producers would become eligible at a lower threshold (say, at one half rather than one third of the EU average income). If done in this fashion, those farmers who really need subsidization will actually receive more in additional income from the ES than they previously received from the Common Agricultural Policy.

The second "victims" of the ES would be those (allegedly) underdeveloped regions and countries that do have aggregate per capita incomes less than ¾ of the EU, but do not have enough people living in extreme poverty. The benefit of the ES would go to those individuals really in need, regardless of where they lived. Also, the ES would be distributed directly to them and not to national and sub-national governments (where, incidentally, a considerable proportion of the funds allocated actually go to consultants and other intermediaries whose primary professional activity involves inventing projects eligible to receive regional/structural funds). As we shall see in the Appendix, there would still be quite substantial EU funds left over once the ES was paid out and, therefore, there would be no immediate collapse of the income flowing to these agencies. Gradually, however, with enlargement these would diminish *seriatum* and it would be up to the national and sub-national governments concerned to support those projects that really contribute to improving aggregate productivity and the quality of life.

For symbolic reasons, it is important that the amount of the Euro-stipendium be the same throughout the EU and that it not be based on national definitions of poverty or national distributions of income. The threshold for ES eligibility would be established and change in the future according to variations in average income and its distribution within the EU as a whole. Moreover, payment of the ES should come straight from the EU and not pass through either national or sub-national governments (whose only role would be to determine through their respective fiscal agencies those who are earning less than 1/3 of the average EU income and how they can be reached). Not only would such a policy be much easier and less costly to administer than existing ones,6 but it would also distribute benefits directly and precisely to targeted individuals – who, incidentally, have a high propensity for immediate consumption of relatively labor intensive goods and services and, hence, who would generate lots of aggregate demand and additional employment. Moreover, they would do so on a continuing basis since the Euro-stipend would be paid regularly, as long as individuals remained eligible. Over time, as its effects become registered, the very definition of extreme poverty should change and one could envisage its reform by shifting the threshold for eligibility from 1/3 to ½ of the median EU income and, eventually, introducing a basic income for everyone.

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

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

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

Needless to say, as is the case with any social policy, the creation of the Euro-Stipendium provides actors with incentives for "gaming." Member governments might reduce or even eliminate existing programs aimed at the extremely poor in order to qualify more of their citizens for the ES. Here, the solution is to get them to agree in advance not to change existing policies in an opportunistic fashion. The *quid pro quo* would be that these national or sub-national policies (as well as any new ones) would not be included in the calculation of eligibility for the ES. Nothing would prohibit governments from pursuing poverty alleviation schemes of their own, provided these policies did not affect who would be eligible for the ES.

Individuals at the bottom income fringes might lower their (reported) income or refuse to take jobs at marginal wages. It should be noted, however, that since the actual sum involved as well as the precise cut-off point for eligibility will not be known in advance, but vary yearly with changes in income generation at the European (as well as the national) level during the previous year, and with eventual changes in EU membership, it will be difficult to adjust one's income accordingly.7 National accounting systems would also have to be adjusted to include existing or new sources of unreported income. Here, the answer is to change the estimate of gross national income (already adjusted to account for purchasing power parity) to include an estimate of the size of the informal economy according to a mutually acceptable formula and include this in the calculation of the eligibility of individuals.

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

The political context that makes this "immodest" proposal especially appealing at this moment is formed, first, by monetary unification and, subsequently, by Eastern Enlargement. One predictable effect of a single European currency and interest rate will be increasing

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

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

income disparities within member countries. The present policy of structural/regional funds is much too rigid to cope with such an eventuality – especially if the increased inequalities at the margin are not concentrated in areas already designed for such funds. The ES would provide a safety net for those significantly and negatively affected, once they fall below the stipulated threshold, and it is not tied to any fixed territorial criterion. Those who slipped into extreme poverty as an indirect and unintended consequence of monetary unification would be protected no matter where they lived and no matter whether others in their vicinity were similarly affected. Moreover, the compensation would be automatic and not necessitate the (time-consuming, costly and politically contingent) intervention of price-setting or quota-fixing committees or of project designers.

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

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

APPENDIX

SIMULATING THE DISTRIBUTIVE EFFECT OF A EURO-STIPENDIUM

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

TABLE I – A Euro stipendium confined to the EU 15

Countries	Population	Extreme Poor (%)	Extreme Poor (abs.)	CAP+SF Subsidies	ES per country	Remaining CAP+SF
Austria	8139299	1.4	113379	1450	113	1337
Belgium	10182034	0.9	90175	1481	90	1390
Denmark	5356845	2.2	118796	1463	119	1344
Finland	5158372	1.8	93002	785	93	691
France	58978172	2.1	1263393	11511	1263	10248
Germany	82087361	1.4	1179966	9486	1180	8306
Greece	10707135	9.4	1009801	4925	1010	3915
Ireland	3632944	4.3	155859	2907	156	2751
Italy	56735130	1.6	916891	7248	917	6331
Luxembourg	429080	0.4	1789	35	2	33
Netherlands	15807641	2.1	333531	1805	334	1471
Portugal	9918040	8.2	815392	3608	815	2792
Spain	39167744	5.5	2158408	10289	2158	8130
Sweden	8911296	3.1	278317	719	278	440
UK	59113439	2.4	1400866	5431	1401	4030
EU15	374324532	2.7	9929564	63139	9930	53209
million Euro 1997; CAP = Common Agricultural Policy; SF = Structural Funds						
Data used to produce these figures taken from LIS, World Bank, and the European Commission.						
The average GNPpc EU 15 is 17650 Euro which sets the 30% threshold to 5295 Euro.						
More details can be obtained from the authors.						

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

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

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

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

Our concrete proposal is more modest and it contains two distinct components. First, the level of the Euro-Stipendium would be set initially at Euro 1,000, i.e. a level that represents an approximately 25% net increase in the income of the extremely poor. This level would be maintained constant as new members join the EU and, hence, provide an automatic mechanism for compensating the citizens and denizens of these poorer countries. This is likely to be a far less controversial (and more controllable) expenditure than to extend even a revised (and, hence, resented) version of existing agricultural and regional policies to them. Moreover, direct payments of this sort are easier to monitor and probably more likely to generate widespread support for the EU itself.9

Second, in order to smooth the transition, each of the current 15 member states would continue to receive the difference between the total ES funds going to their citizens/denizens and their total present receipts coming from agricultural and structural/regional funds combined. Hence, their aggregate "*juste retour*" would remain unchanged – even though the *destinataires* would shift incrementally over time from farmers and regional governments to individuals. The details of all of this are presented in Table I.

TABLE II – Expanding the Euro-Stipendium to the EU 22

Countries	Population	Extreme	Extreme	CAP+SF	ES	Remaining
		Poor (%)	Poor (abs.)	Subsidies	per country	CAP+SF
Austria	8139299	1.3	103137	1450.1	103.1	854.0
Belgium	10182034	0.8	82029	1480.5	82.0	871.9
Denmark	5356845	2.0	108064	1463	108.1	861.6
Finland	5158372	1.6	84601	784.5	84.6	462.0
France	58978172	1.9	1149263	11510.9	1149.3	6778.9

9 Although the precedent of CAP is there to suggest that the more a given group is privileged by EU policies, the less that group supports the EU. Hopefully, the direct and transparent payment of a Euro-Stipendium will avoid many of the abstruse controversies surrounding the fixing of subsidies and setting of quotas.

Germany	82087361	1.3	1073373	9485.8	1073.4	5586.3
Greece	10707135	7.4	796707	4924.6	796.7	2900.2
Ireland	3632944	2.9	106667	2906.5	106.7	1711.7
Italy	56735130	1.5	834063	7247.5	834.1	4268.1
Luxembourg	429080	0.4	1627	34.6	1.6	20.4
Netherlands	15807641	1.9	303401	1804.9	303.4	1062.9
Portugal	9918040	6.3	628842	3607.5	628.8	2124.5
Spain	39167744	4.1	1598987	10288.7	1599.0	6059.1
Sweden	8911296	2.8	253175	718.7	253.2	423.3
UK	59113439	2.2	1274318	5431.2	1274.3	3198.5
EU15	374324532	2.2	8398254	63139	8398.3	37183.3
1st Wave						
Czech Rep.	10280513	3.0	312324		312.3	
Estonia	1408523	51.8	729138		729.1	
Hungary	10186372	28.9	2945091		2945.1	
Poland	38608929	34.6	13358315		13358.3	
Slovenia	1970570	6.9	136659		136.7	
Cyprus	754064	5.0	37383		37.4	
Malta	381603	10.1	38568		38.6	
Total 1 Wave	63590574	27.6	17557478		17557.5	
EU22	437915106	5.9	25955732		25955.7	
million Euro 1997						
Data used to produce these figures taken from LIS, World Bank, and the European Commission.						
The average GNPpc EU 22 is 16056 Euro which sets the 30% threshold to 4817 Euro.						
Note that in our simulation the only contributors to CAP and SF are the EU 15.						

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

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

TABLE III – Expanding the Euro-Stipendium to the EU 27

Countries	Population	Extreme Poor (%)	Extreme Poor (abs.)	CAP+SF Subsidies	ES per country	Remaining CAP+SF
Austria	8139299	1.2	96473	1450.1	96.5	434.1
Belgium	10182034	0.8	76729	1480.5	76.7	443.2
Denmark	5356845	1.9	101082	1463	101.1	437.9
Finland	5158372	1.5	79135	784.5	79.1	234.8
France	58978172	1.8	1075009	11510.9	1075.0	3445.7
Germany	82087361	1.2	1004022	9485.8	1004.0	2839.5
Greece	10707135	6.1	658066	4924.6	658.1	1474.1
Ireland	3632944	2.7	99775	2906.5	99.8	870.0
Italy	56735130	1.4	780174	7247.5	780.2	2169.5
Luxembourg	429080	0.4	1522	34.6	1.5	10.4
Netherlands	15807641	1.8	283799	1804.9	283.8	540.3
Portugal	9918040	5.1	507471	3607.5	507.5	1079.9
Spain	39167744	3.4	1336416	10288.7	1336.4	3079.8
Sweden	8911296	2.7	236817	718.7	236.8	215.1
UK	59113439	2.0	1191983	5431.2	1192.0	1625.8
EU15	374324532	2.0	7528473	63139	7528.5	18900.2
1st Wave						
Czech Rep.	10280513	2.5	254948		254.9	
Estonia	1408523	46.6	655978		656.0	
Hungary	10186372	25.2	2566414		2566.4	
Poland	38608929	30.7	11866296		11866.3	
Slovenia	1970570	5.8	114333		114.3	
Cyprus	754064	3.8	28829		28.8	
Malta	381603	8.0	30689		30.7	
Total 1 Wave	63590574	24.4	15517487		15517.5	
EU22	437915106	5.3	23045960		23046.0	
2nd Wave						
Bulgaria	8194772	63.6	5208540		5208.5	
Latvia	2353874	67.4	1586839		1586.8	
Lithuania	3584966	30.4	1089830		1089.8	
Romania	22334312	56.8	12695718		12695.7	
Slovakia	5396193	11.3	611923		611.9	
Total 2 Wave	41864117	50.6	21192849		21192.8	

EU27	479779223	9.2	44238809		44238.8	
million Euro 1997						
Data used to produce these figures taken from LIS, World Bank, and the European Commission.						
The average GNPpc EU 27 is 15018 Euro which sets the 30% threshold to 4506 Euro.						

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

* * *

Finally, it should be observed that the data we have exploited to produce these simulations, no matter how accurate they are at the present moment, will not be accurate if and when enlargement actually takes place. The per capita incomes and gross national products of the 15 member states will have changed, and those of the 1st and 2nd wave candidates will have changed even more. It would appear that, on the whole, the latter will increase faster than the former – just as the recent trend within the EU has been for the growth rate per capita in its lesser developed periphery to be higher than that in its core area. While this is good news for an eventual Euro-Stipendium, the bad news is that, if current trends persist, the inequality in income in those Eastern countries will go up even faster – producing a hard-core residual group of persons who will have failed to benefit from the regime transition of the 1990s and who may also be left further behind by the regional integration of the succeeding decades. It is this group in the East, along with the persistently unemployed and socially excluded in the West, who would be the primary beneficiaries of our proposed Euro-Stipendium.

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