

# Nations and International Integration Processes

## Нации и международные интеграционные процессы

### 国家和国际一体化进程

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#### Abstract

This paper is about the role and the future of the nation. They are analysed in the context of current development of international integration. The starting point is theoretical, which is based on the proposal of a more comprehensive, extended and organic version of integration theory than that suggested by mainstream schools. It considers *international integration* as a complex and multi-dimensional process, which is *composed primarily of the global and interstate regional integrations* (e.g., EU and ASEAN). The national-level integrations remain the basic components of the process.

#### 摘要

这是一篇有关国家的作用以及其未来的文章，以当前国际一体化发展的背景下对它们进行分析的。其出发点是基于比主流学派所建议的更全面、更广阔和更有机版本的建议的整合理论。它认为国际一体化是一个主要由全球和洲际区域一体化（如欧盟和东盟）所组成的复杂和多维度的过程，而国家层面的整合仍然是过程的基本组成部分。

#### Аннотация

Эта статья о роли и будущем нации. Они анализируются в контексте современного развития международной интеграции. Отправная точка - теоретическая, основанная на предложении более всеобъемлющей, расширенной и органичной версии теории интеграции, чем та, которую предлагают обычные школы. Она рассматривает международную интеграцию как сложный и многоплановый процесс, который состоит в основном из глобальных и межгосударственных региональных интеграций (например, ЕС и АСЕАН), в то время как интеграции на национальном уровне остаются основными компонентами процесса.

## I. On National Integration

### Theoretical frameworks

A semantic interpretation of *integration* presents no particular difficulty. Expressed in the *most general way, integration is a process of unification and amalgamation, the merging of parts into a whole, becoming a unit, fitting together, melting into one another, linking up.* It can be understood as the cooperation of the parts, the harmonization of their operation, their reciprocal influence and their interconnectedness and interdependence. There is a large literature defining the integration along these lines.

Nevertheless, the interpretation of integration as unification or merging together is rather superficial, and means more-or-less quantitative approach. Therefore, I prefer to choose the more extended and comprehensive version, i.e., a qualitative definition. The *dual character of the concept of integration* should be stressed from the beginning. There is a broad agreement in the theories that integration can and should be conceived *as a process and a state of affairs.* In short, by social sciences' terminology, I propose to define integration as a *process of creation, development, transformation and reproduction of different type of community based social organisms. As human communities, they can take the form of socio-economic, political, cultural, spiritual, or any type of social entities. Integration, as a state of affairs, qualitatively represents evolving/emerging/functioning socio-economic organisms of expanding potentials, rendering and providing widening range of functions and services. During the history, they structurally and functionally became increasingly complex; and in terms of their performance more efficient.* Our focus is primarily on political and economic integration, and we refrain from analysing of community/integration concepts of other sciences like anthropology, biology, ethology, or mathematics.

There is no integration/community *without purpose*; it offers a wide range of *benefits*, while in its implementation and operation *it assumes costs as well. Integration does make sense, if advantages (benefits) exceed disadvantages (costs).* “We have argued that the benefits of a larger community must outweigh the costs before people will form one, or join an existing one.”<sup>1</sup> The other condition is that the benefits should be ‘fairly’ distributed, based on a broad range of interest harmonization and coordination. „It is important for the community, that all of its members get a share from the acquired goods, because the community can survive only this way, although it is possible that in a given situation only one or some people produced all of these something available for consumption. There are several rituals, rules, which regulate the distribution of goods. Real community can evolve and operate normally only, if its members are ready to place their personal interests behind the community interests.”<sup>2</sup>

*Integration is understood as a historical process*, it seems evident to claim that this process did not begin recently (i.e., a few decades ago). The history of integration started many thousands of years ago, with the very first families that lived in tribes, in villages and later organised in cities, nations or – more recently – global society. As a result, we can extend our theoretical analysis into

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<sup>1</sup> Johnson, and Earle, (2000): p. 141.

<sup>2</sup> Csányi, (2018): p. 30.

historical dimensions.

The integration is historically determined process; it is embedded into the given socio-economic structures. In these respects, there are two factors, which play an important role, and give the framework and character of integration at all of its stages:

1. Techno-structures, technical bases, infrastructures;
2. Character of social and power relations and socio-economic stratification (property, social controls and distribution).

I refrain from discussing the generalized and in many respects simplified *five basic social formations* of Marxism. I particularly reject the ideas of any historical “spiral”, which indicate the return of the primitive communism into a “modern” communistic society. In reality, during many thousand years of human history, we experienced thousands of *social formations*, existing parallel or following one after another. While they can be sharply differentiated, they overlapped or complexly interacted, both in time and in space.

The generalization on integration, in these respects, can be considered as a special dimension of human history:

1. Hunting and gathering archaic nomadic societies with families and tribes as community frameworks;
2. Agrarian societies, based on slavery or feudal relations, settling in villages or cities, often expanding into larger imperial states;
3. Industrial revolution – capitalism – and national integration;
4. Information and communication society – global capitalism – international integration.

Certainly, this historical arch is fairly rude and superficial, and several other stages and framework of the historical development of humankind can be suggested.

The questions, which immediately arise: how the integration processes evolve into different levels of integratedness; and at which point and under what conditions can we speak about the emergence of an integrated organism? Answers to these questions can be sought by applying a structural analysis of the integration process along its main components.

Due to the complexity of the issue, I propose to define these components, primarily along the dimensions of socio-economic structures or formations:

- Intensity, depth and structure of division of labour (trinity of cooperation, specialization and competition); intensity of cooperation (trade and communication); interconnectedness – interdependence (related indicators give picture about the *level and state of real-economic integration*);
- Regulatory frameworks, system of social, economic or political governance (rule obedience, market coordination, institutions and policies);
- Socio-economic, cultural or emotional (spiritual) cohesion, solidarity and interest harmonization;
- Identity or identification, myth, beliefs (religion), devotion or loyalty to the given community;

- Culture of the community (rules, norms, values, symbols).

The existence of “real” community, the definition and measurement of the state of any integration can be made *along these attributes and related parameters*. It seems that it would be reasonable if we make *a distinction between forms of looser organizations and integrated organisms*. In pre-integration stages, the cooperation can take looser organizational forms, while by intensification of the cooperation this can evolve to organisms meeting the criteria of integration.

At first, attention by integration theories and policies was mostly given to political and economic integration, and primarily to Europe. For political communities, the major aim was *peace and security*. An ideal “political community” can be defined “as one in which there are limitations on the violence of group conflicts.”<sup>3</sup> Satisfactory, effective and democratic governance came only later.

In economic terms, the increase of *efficiency and welfare* were considered as the major priorities: first as the optimization of the division of labour and trade (see Viner on trade creation and trade diversion), and later on as the global or regional optimization of the allocation of resources and production. Integration organisations growingly have become *service providers*. Discussions on social, cultural and other aspects started only subsequently.

Integration is a *highly structured process*. In general, the formation of different sets of organisms or communities is a multi-layered, multi-levelled, multi-functional and multi-dimensional process. The integration as community-formation covers a great number of integrating communities converging into a unified whole. These communities are in the process of continuous integration (re-integration); nevertheless, they also co-exist with one another. They are overlapping, interacting and interdependent. In every society; there is a great variety of such communities, but their number and complexity tends to grow in parallel with socio-economic development. They cannot be separated; the process, performance or success of integration is dependent on all of its components.

Integration can be either *an enforced or an organic process*. Historically, it is a combination of both. Enforced integration is the characteristic of an oppressive society, while organic integration is related to democratic processes. Enforced integration is imposed upon society by community rules or individual persons, through the operation of the state or the market; it might be based on tradition or physical or subjective constraints. Community formation can be enforced by several external factors. One such typical factor is a defence against external threats (invaders) or disasters (wild animals, fires, floods, hurricanes or earthquakes), either on a permanent or an occasional basis.

On the other hand, *organic integration* is based on internal driving forces; it is a structured process with close interaction between the different components. Organic integration is characterised by coherence, and it is performance-oriented. The organic concept of integration places questions into context; it raises issues in their complexity. Organic integrations presuppose democratic decision-making and the normal functioning of market forces. The proportions and

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<sup>3</sup> Haas, (1958): p. 6.

relations of organic and enforced elements of integration *have constantly changed throughout history. It might be claimed that the foregrounding of organic factors (and the subsequent backgrounding of enforced elements) are more characteristic of contemporary integration processes.*

In general, integration is a *multi-actor process*; nevertheless, *individual human agents* are viewed *as the primary and the principal actors of integration. The history of mankind is the organisation of individuals in different communities.* According to the organic concept of integration, individuals are free to act as they wish, and thus associate and unite voluntarily and democratically, in harmony with their will and interests. Depending on the composition of different communities, the role of individuals can be *direct or indirect*. In a broader integration process, the community as a whole, particularly in legal terms, can play the role of principal actor. This is the case even if communities only act as secondary agents, since in the end they represent the peoples of the particular community itself.

In the contractual integration of the *EU, the nation states (governments) have been regarded as the principal actors*, and in legal terms, the main institutions and decision-making processes have been shaped accordingly. From the point of view of recognition of individuals as political and legal actors, the adoption of the EU Charter of Fundamental Rights in 2000 (binding on EU countries since 2009) was an important milestone. Human dignity, freedom, democracy, equality, the rule of law and respect for human rights as basic European values, were embedded in the EU treaties. EU policy includes: promotion the rights of women and children, minorities and displaced persons; opposing the death penalty, torture, human trafficking and discrimination; defending civil, political, economic, social and cultural rights. Formally, from points of view of recognition of the legal status of individuals, the *European citizenship and the right to vote in the direct elections of the European Parliament* were important steps.

The term *multi-functionality* characterises all communities or social organizations. Families are primarily biological communities for bringing up children, but they are also welfare communities, cultural communities (in the sense of teaching the mother tongue or acting as the bedrock of moral values) or security communities. As any other communities, families have fundamentally changed during the history. The functions of nations are more complicated and cover all the main fields of social life. International integration puts this issue into even broader contexts.

The integration is based on division of labour, or *exchange of activities*. They can be *direct or indirect*, which mark different levels of integration.

The main framework of *direct (natural) exchange of activities* are *families* (in economic terms: households) or *workshops, factories or any type* (cultural, social or sport) *organisations*. Historically, in nomad and agricultural societies, direct production integration was closely linked to families, tribes or other small organizations (guilds). The industrial revolution brought the birth of modern production organisations, such as manufactures or factories. Simply put, in this case, we can speak about *micro-integration*. According to *ethology, due to their size, mutual devotion and intimacy of relations*, in fact, these types of social frameworks can be considered as *“real communities”*.

The exchanges of activities can be indirect, which are transmitted through market mechanisms and money. At a certain stage of human development, the market becomes a basic form of social organization, which already transcends classical “community” relations. Market as a set of indirect relations, is the basic framework and form of macro-integration. The market was an important factor of promoting abstract thinking and of the birth and development of *Homo sapiens*. The man, among others, is a trading animal.

The development of integration, however, proved, that the two level approach needs precision and extension. Several fields of integration fell outside of them, or have mixed character. There are spheres and sectors, where the individual’s participation and operation are both direct and indirect character. These spheres or sectors have intermediary or transmission roles. To mark them, I decided to introduce the notion of *mezzo-integration*.

Accordingly, the recent integration processes can be structured in the following way:

*Macro-integration:*

- International integration: global integration and interstate regional integration;
- National integration;

*Mezzo-integration:*

- Transnational company networks;
- Global city networks;
- Religions - churches.

*Micro-integration:*

- Families;
- Workshops, factories and individual companies in the different fields of socio-economic activities,
- Political, socio-economic associations, NGOs, civil organisations or great number of informal associations.

Market actors strive for gain (profit), therefore, they are efficiency oriented. Gains, however, can be obtained from breaking the community rules. Therefore, the market should operate on the basis of moral, legal and democratic principles. This assumes broad legal and social regulation. Beyond efficiency, economy should render a broad range of functions, let they serve social, environmental, security or any other objectives. These are the main reasons, why *markets always should be directed and regulated*. Markets exist under special social conditions; the character, the forms and the depth of regulation are determined by these given conditions. The normal operation of the market largely depends on the quality of that intervention and regulation.

Economic integration, therefore, starts with integration of markets, which assumes a broad range of liberalization as first steps. But due to the above circumstances, they, from the beginning, assume broad elements of regulation. It is not by surprising, that one of the *basic distinctions* of

integration theories is *between market and policy integration*.

The difference between market liberalization, the removal of “artificial barriers”, and the integration of economic policies is expressed by Jan Tinbergen through the introduction of the concept of *negative and positive integration*. “It appears useful to make a distinction between *negative and positive integration*. By the former we mean measures consisting of the abolition of a number of impediments to the proper operation of an integrated area. By the latter we mean the creation of new institutions and their instruments or modification of existing instruments.”<sup>4</sup> Thus, “negative” integration simply equals liberalization, whereas “positive integration” is concerned with institution-building, referring partly to the development of new institutions and mechanisms, and partly to the modification of existing mechanisms and policies.

In the last about half a century, the major components of international integration are the *interstate regional integrations*. According to WTO data, there are dozens of them (ASEAN, Mercosur, etc.), which can range from free trade areas to economic unions. With some few exceptions (such as North Korea or Cuba) all of the ca. 200 countries of the world participate in at least one regional integration organisation.

There are several attempts to measure integration, both in its global (Globalization Indices – KOF or Ernst and Young) or regional dimensions (a project of “indicator-based monitoring of regional economic integration” – supported by UNU-CRIS, Bruges). Several years ago we proposed a methods of measurement, which we called drawing “*integration profiles*”. By it, we tried to avoid primarily the constraints of averaging and aggregating parameters, which were necessary for making rankings among the countries. What we attempted was rather creation of a picture, which based on several mosaics of information, and can be composed in a way of making this picture relevant and instructive. And instead of strict rankings, through these mosaics, we created clusters which then can be put together as mosaics of a larger picture.

The drawing of integration profiles was proposed in four dimensions: 1. Real economic integration (integratedness); 2. Institutional and regulatory integration; 3. Comparative performances; and 4. Convergence and divergence. Later, we succeed to draw this picture in some dimensions and for some regions (Hungary and Central Europe). But a broader and more complex testing of the method failed for financial (acquiring financial resources for collecting large amount of statistical data and information) and technical (bringing together a larger staff) reasons.

For our present analysis, we use our study about Central Europe and Hungary, and focusing only on real economic integration.<sup>5</sup> In this study we chose seven parameters:

- “Trade integration: flows, stocks, intensity;
- Structure of trade relations;
- Sub-regional concentration and interconnectedness;
- Intra-sector trade, place in value chains;
- Factor integration: flows, stocks, intensity;

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<sup>4</sup> Tinbergen, (1965): p. 76.

<sup>5</sup> Palankai and Miklos (2017) pp.95-133.

- State and characteristics of financial integration;
- Transnational company sectors.”<sup>6</sup>

On the basis of scoring countries along these parameters, we ranked the countries (on a 100 per cent scale) into five clusters (extremely high, high, medium, low and no integration). “If the trade share in GDP is below 10%, it indicates no external dependence, as structurally closed economy, and lack of intensity. We propose to speak about low intensity between 10-30%, medium intensity between 30-50%, high intensity between 50-70%, and very high intensity (dependence and openness) above 70%. This scaling can be of course disputed, but in accordance with literature, we accept 10% as a minimum dependency threshold, and 50% as a high dependence threshold.”<sup>7</sup>

In a summarising study for the EU, “the data indicated a high level of real-integration among the majority of EU members. Out of the 27 countries, 20 fall into this category.”

In the “*extremely highly integrated*” category, there are 8, mostly small developed core and some East-Central Europe countries (AU, CZ, EE, HU, IE, LU, NL and SK). In the “*highly integrated*” are 12 large and some of the small developed countries.

The “*medium level integrated*” 7 countries come from the South of the EU (EL, CY, PT and ML), the 2 Baltic countries (LT and LV), and Bulgaria. In some cases, the performance can be low or marginal (the trade integration of Cyprus or Greece).<sup>8</sup> On the whole, there are no EU countries in the low and the no integration category. On the other hand, one can note that in other interstate regional integrations, the trade integration intensity falls into the low category.

In terms of institutional and regulatory terms, the 19 members of the Eurozone qualify for high level integration.

The *EU, with its high integratedness, is in unique position*: 1) it is based on a high intensity of relations, interconnectedness and relatively balanced interdependences; 2) it is the only form of integration with a *tight-knit, complex single internal market* and a *single currency* (the 19 members possessing 77% of the total GDP of the EU); 3) it has extended the *principle of cohesion to the level of the Union*; 4) it commands *certain political identity (polity)* with *several elements of supra-nationality*; 5) it aspires to becoming a *global power*; and 6) the EU is considered as a *model for regional integration*.

Presently, *global integration* can be considered as the other major novel phenomenon of international integration. I do not wish to take a position with regard to the history of globalisation. I would not like to question the global outstretch of large historical empires such as the Mongols or the Romans, either. There are also convincing arguments about dating the globalisation process from the discovery of America or the industrial revolution. What is important here is that in the decades following World War II, globalisation turned into global integration. I agree with David Held distinguishing four main stages of globalisation: pre-modern globalisation (9-11 thousand years); early modern globalisation (1500-1850), modern globalisation (1850-1945); and

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<sup>6</sup> Ibid. p. 101.

<sup>7</sup> Ibid. p.103.

<sup>8</sup> Palankai, (2018) p. 9.

contemporary globalisation (after 1945).<sup>9</sup> According to my opinion, global integration is related to this latest “contemporary” phase of globalisation. Thus, what is really new here is global integration and not globalisation.

The relationship between global integration and globalisation has been broadly analysed, but in general, most of the international literature fails to make a clear distinction between the two. „The economic understanding of globalization sees process as an essential feature. The term is associated with activity of integration and transformation. An interesting, though unresolved, question is the extent to which there is a global end-point, where the process of change ends and a truly global economic system exists. Economic interpretations see globalization as a process that involves the integration of once-discrete markets into a broader system of relations where geographic and political constraints have diminishing significance for the allocation of resources. Under globalization, resources are distributed through the exchange of goods and services, the movement of capital in search of return, and the relocation of peoples pursuing employment and material advancement, all eased by the rapid flow of knowledge and information.”<sup>10</sup>

Globalisation as integration is more explicitly defined by J. N. Bhagwati: „Economic globalization constitutes integration of national economies into the international economy through trade, direct investment (by corporations and multinationals), short-term capital flows, international flow of workers and humanity generally, and flows of technology.”<sup>11</sup> Global integration is basically market integration, exerting an impact on all sectors of social life. “Globalization is defined in what follows as integration of economic activities, via markets. The driving forces are technological and policy changes – falling costs of transport and communication and greater reliance on market forces. The economic globalization discussed here has cultural, social and political consequences (and preconditions).”<sup>12</sup> “By many standards, then economic integration had become a hallmark of globalization, deliberately promoted by governments, corporations, and international organizations alike.”<sup>13</sup>

Equating globalisation with global integration has been, however, criticised by some of the scholars. D. Held, discussing the issue, points out the following: „Integration too has a very specific meaning since it refers to processes of economic and political unification which prefigure a sense of community, shared fortunes and shared institutions of governance. As previously noted, the notion of globalization as the precursor to a single world society and community is deeply flawed.”<sup>14</sup>

Nevertheless, globalisation has been regarded as a process and not as a *fait accompli* by the vast majority of the scholarly literature. It can hardly be denied as a process, while integration as a state of affairs, especially on a global level, is still lacking in many ways (this applies in many respects to regional integrations as well); and only the foundations have been laid down at this point. Global integration is still asymmetric in nature and it has not fulfilled its any major properties. „Today, at the beginning of the third millennium, the world economy has not yet reached the state of national economic integration even of a normally developed capitalist country (having no unified labour

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<sup>9</sup> Held, (2005).

<sup>10</sup> Bisley, (2007): p.19.

<sup>11</sup> Bhagwati, (2004): p. 3.

<sup>12</sup> Wolf, (2005): p. 19.

<sup>13</sup> Lechner and Boli, (2005): p. 158.

<sup>14</sup> Held, (2005): p. 28.

market, and even in the international flow of capital and goods there are still obstacles).”<sup>15</sup> Globalisation is burdened by serious contradictions, which can be the source of dangerous conflicts.

By international integration *the national integration processes enter into a new stage*. Internationalisation of national economies, started right from the beginning of national integration already about 2-3 hundred years ago, but this internationalisation recently became highly intensive. National and world markets developed hand in hand; of course, their relations were differing depending on the level of development, size and structures of economies.

The new quality of relations among nations can be defined as *integration*. The process, however, has *external and internal dimensions*. Besides the external integration of nations, it assumes *internal adjustment, transformation and re-integration*. In the age of international integration, these *external and internal dimensions* give the *dual character of national integration processes*. In regulatory terms, that is nothing else than alignments of the two basic elements (“legs”) of multi-level governance structures (national and international). The understanding this duality of external and internal dimensions of national integration is a strategic issue from the points of view of development and long-term consolidation of the whole European integration process.

### **Birth and development of national states**

Historically, there were great variety of roads, how the present nations have been created. But in this respect, we have to make a *distinction between creation of national states and the emergence and development of national integration processes*. The two are closely related, and mutually dependent on each other. But we have to distinguish between acquiring independent legal status (statehood) on the one hand and the process of national integration on the other hand.

Historically, no doubt, that in emergence of nations the existence and development of *state frameworks* played a crucial role. „As due to enlightenment, the consciousness on nationality in Europe began to spread, and it penetrated into politics. Only the state offered for it broad space of operation. There was quite large difference between peoples, who were reached by the nationalizing wave of enlightenment, living in independent and unified state, and those, where the state organization was still missing.”<sup>16</sup> The famous Hungarian historian formulates the importance of state framework more poetically by saying: “Without state we are, nor people, neither nation, only – dissolved sheaf – today, scattered chaff – tomorrow.”<sup>17</sup>

The creation and emergence of *modern nation states is product of a long and complex historical process*. It was widely determined by the socio-economic development of different peoples. “*In the author’s view, the national idea has been an integration ideology which has emerged in most European countries in the last third of the 18<sup>th</sup> century.*”<sup>18</sup> These types of state frameworks were secured already in the second half of the 18<sup>th</sup> century in France, but in case of

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<sup>15</sup> Szentes, (2002): pp. 23-24.

<sup>16</sup> Szekfü, (1942): p.146.

<sup>17</sup> Szegfü, (1942): p. 372.

<sup>18</sup> Dupcsik, (2019) p. 121.

Germany and Italy only a century later.

Many of the present nation states have their *identifiable historical, medieval ancestors* (city states, principalities, kingdoms or empires), but there are some newcomers. “My point of view is “*modernist*” (that is, it supposes that “the nation” has emerged in the process of modernization), but I have to emphasize that very often the idea of nation and the practice, the policies, the institutions which refer to the nation have *premodern antecedents* (for example, in the case of Catalan, Irish, Polish, and Hungarian nationalism).”<sup>19</sup> The modernization meant not only technological progress or economic restructuring, but it covered the social and cultural spheres or the institutions and governance as well.

The popular historian dates nations much earlier, their roots reaching down deeply in the history of emerging the Babel of written cultures of communities speaking different languages: “humanity has a very long history and nationalism has been around for just a short period out of it. Humans have existed for more than two million years, Homo sapiens 200 thousand years old. Human culture is 17 thousand years old. Nations appeared maybe 5000 years ago. And if you look at today's nations, no nation today has existed five thousand years ago. And no nation today will exist five thousand years from now. So in the long duration of time, and of human time, nations are an ephemeral phenomenon. Still, in the present day, it's a very important phenomenon.”<sup>20</sup> Taking the perspectives of the global community speaking only one language, it is far away enough not to care too much about the future of the nation.

The Hungarian state was established in 1000, and by crowning Stephen I., it gained full international recognition. The country, in the more than 500 years was one of the leading powers of Europe (till 1526). In the next about 460 years, the country lost its sovereignty, due to the Turkish occupation (for 150 years), and later in varying degrees it was limited due to Habsburg, German or Soviet rule or control. The country could restore its full sovereignty only after 1990. And then, she immediately started intensively integrating and sharing sovereignty with the European Union. The detailed analysis of history of nations (in most cases also troubled), is beyond the scope of this paper.

The official international recognition of nation states dates back to the 1648 Westphalian system. International recognition is a crucial element of their existence. „A new state becomes a real state, and actor of the international life, only when this state or formation, which declare itself as a state, acquires the recognition of the main actors of the international life, which naturally today and for a long time in the future are states, namely the other most influential states, the big powers and the neighbours.”<sup>21</sup> The position of excluded countries depends on their strength and importance (Taiwan), and for some (Kosovo or Ossetia), the non-recognition is a serious limiting factor.

The emergence of the nation states on the American continent and in Western Europe largely was completed by the end of the 19<sup>th</sup> century. The USA as a modern nation state was consolidated after the civil war in the 1860s, and the same applied to Canada, which obtained dominion status in 1867. The independent Latin-American states emerged during the 19<sup>th</sup> century,

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<sup>19</sup> Dupcsik, (2019): p. 123.

<sup>20</sup> 444.hu. Interview with Yuval Noah Harari on May 8 of 2019.

<sup>21</sup> Ószi, (2005):p. 172

after their successful independence wars. The parallel creation of national markets, monies, infrastructural developments or cultural and social cohesions, all prove that these countries can be considered nationally integrated, although if they achieved it on diverging degrees.

In Western Europe, the process was marked by the Italian (1861) and the German unification (1871), and the nation state building had been consolidated by the end of the 19th century. In fact, in this respect the only remarkable developments, which occurred in the 20th century, where the dissolution of the Norwegian-Swedish Union in 1905, and the United Kingdom-Ireland separation in 1921.

We do not venture into the analysis of Asian national developments, but by the end of the 19th century, Japan also can be considered as an integrated nation state. The same applies to Australia and New Zealand.

The majority of the present about 200 nation states in the world were created during the 20th century in three major waves: after the First, then the Second World War, in the process of decolonization and recently after 1990 due to the collapse of Soviet type of regimes.

In 1914, there were only 65 independent states in the world (26 in Europe, 22 in America, 8 in Asia, 3 in Africa and 3 in Oceania). At present, on the planet called Earth, there are about 200 independent states, which are partly or fully recognised internationally. (The number of UN members is 193.). From them, 3 were created recently after 2000 (East Timor in 2002; Kosovo in 2008 and South Sudan in 2011). Kosovo is recognised only by 60% of the UN members, and it is not yet the member of the United Nations.

Such countries as Taiwan, North Cyprus, Abkhazia, South Ossetia, Nagorno-Karabakh, Puntland, State of Somalia or Dniester Republic (Transnistria) have only limited international recognition.

Among the people fighting for their independent state, particularly the Kurds and the Palestinians have to be mentioned. But in foreseeable future only the Palestinians have some chance for that. The independence or autonomy of the Kurdish people is a more complicated issue, they are dispersed in about half a dozen neighbouring countries, and their future largely depends on the chances, how peace can be established in the region.

In the Eastern European region, the creation of national states took place in two main waves. They were born after the First World War, as a result of the collapse of the Ottoman and the Habsburg empires, and then after 1990 by the disintegration of two Socialist federations (the Soviet Union and Yugoslavia). The Second World War did not create new national states in the region; it rather changed their status, affiliation (Baltics, the division of Germany) and the territory of some of the countries (Germany, Poland or Soviet Union).

Consequently, in the last decades, all the major ethnicities of Central Europe, Baltic and the Balkan countries acquired national statehood. (Except the Roma who, however, do not have such an ambition.) Accordingly, now there are 28 nation states in the region.

If we look *beyond Europe*, it is clear, that the process of national state building is much more contradictory. In many cases, the process of national integration is far from complete, and

there are large differences in the stability of the national state frameworks.

In the last half century, we can experience a *remarkable political and economic development of a great number of countries*. Among them, we can mention the “Asian Tigers”, which not only produced impressive rapid growth, but achieved remarkable successes in several sectors in the global markets. The number of “*emerging*” (among them Central and Eastern European) or “*break out nations*” is quite high, and it would be long to list all of them. The acronyms, like *BRICS* (Brazil, Russia, India, China and South Africa), *MIST* (Mexico, Indonesia, South Korea and Turkey) or “*Gold Coast economies*” (Mexico, Peru, Chile and Columbia) are well known from the daily newspaper headlines.

Based on their rapid (often two-digit) growth rates, these countries have succeeded in improving their global ranking in per capita GDP and other parameters of development (among others in indebtedness or in competitiveness). They have achieved substantial structural change, and have proved to be able to create sectors or companies, which successfully compete in the global market. We can observe in these countries the development of infrastructure and the level of education, the creation of welfare systems and the establishment of democratic political institutions and structures. All of these can be considered remarkable, even if we can experience big differences in performance among these countries and in different periods.

The question remains how far these quantitative developments are enough for global convergence of these nations or the difficult qualitative changes cannot be avoided. “The super-long view inspires some of the most influential forecasts of our time, which look back to the overwhelming economic might of China and India in the seventeenth century as evidence that they will re-emerge as dominant global powers in 2030 or 2050. In 1600 China accounted for more than one-fourth of global GDP, and India accounted for just under a fourth. Though their shares have fallen dramatically since then, the super-long view skips past the messy recent centuries. The reasoning seems to be that seventeenth-century performance offer some guarantee of future results. Sweeping extrapolation has become a staple argument for many companies, politicians, and high-profile public intellectuals who believe we are entering a Pacific Century or even an African Century”<sup>22</sup>. He adds immediately his doubts. “As much as we all love the speculative titillation of futurology, no one can forecast the next century with any credibility and more important, to held accountable to it.”<sup>23</sup>

The development of emerging nations is still dependent on technology and innovation capacities, resources and markets of the developed parts of the global economy. The gaps are even greater if we look at levels of social and political developments. The US and Europe can easily lose it leads in production potentials. Their technological and innovation capacities are another question. One can ask, could it be a country leading world power without democratic social and political structure and culture, like China? Or should it remain only a “super power” as the Soviet Union was? It is another question, how far the US and Europe make enough to preserve their present global positions? The EU has all the economic, financial, intellectual capacities to be a real global actor. What is missing? It is the political will and strategy, and the necessary political cooperation

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<sup>22</sup> Sharma, (2012): p. 1

<sup>23</sup> Ibid. p. 2.

capacity among the present members.

Many scholars speak about an “African Century”, but at least in the foreseeable future, its prospects remain contradictory. Africa still sticks to underdevelopment, external dependence and indebtedness, and lacks of resources for accelerating their economic development. Africa rather faces the challenges of environmental degradation, the excessive growth of its population (producing millions of potential migrants) and dis-integration of the even existing national states. The question applies to the region as well. It is not easy to tell proper forecast about the future.

### **Principles of nation building**

At the moment, the about 200 national states in the world are organized along very different principles. Their development, character and performance are based on several factors, primarily on political, economic, geographical, historical, cultural, or many others. Among them the *territorial, the ethnic and the political factors* have particular importance. The different concepts of nation are primarily attached to these considerations. “According to the present terminology and interpretation, the nation is a historically evolved permanent human community, which is connected and distinguished with different characteristics from other communities.” It has two basic types: “One is definitely characterised by belonging to a common territory, and same legal-political and economic frameworks, namely to a state, while the other by sameness of language and culture, the myth or reality of common origin.”<sup>24</sup> In the first case, we can speak about *political or state nation*, in the other about *culture nation*.

The concept of “*political or civil nation*” was formulated in the second half of the 18<sup>th</sup> century, in the ideological discussions of Enlightenment, preceding the French revolution. It is about the creation of nation states based on democratic principles. It recognises that the nation means one territory and one state, and it is created *by the common will of its citizens*. That was a radical break with monarchic concepts of the medieval states, which were represented by the king and its power was based on the grace of the God. The *modern nation state was conceived as a political community, guided by the interests and the will of its citizens, rendering them with freedom, security, equality and broad democratic rights*. The political nation is accepted principle of French Constitution and political system of many countries.

The *acquisition of territories* was an important part of national state forming, both in strict economic terms and from the point of view of state sovereignty (marking of borders and rights of taxation). “Westphalian sovereignty held that each state would exercise supreme, comprehensive, unqualified and exclusive rule over its territorial jurisdiction.”<sup>25</sup> The *territory* for industrial societies was important, both as *a resource and as a market*. Till the 1960s, in most of the countries, the mining and the agriculture remained important sectors of the economy. The rule of the territories was a basic political issue; in fact, it was the major manifestation and symbol of political power and sovereignty. The territory can be emotionally important for the individuals, as a homeland or “motherland”. This concept of *nation state* is defined, as based primarily on territorial principles,

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<sup>24</sup> Romsics, (1998): p. 9.

<sup>25</sup> Scholte, (2005): 188. p.

while it recognises the regional pluralities, and accepting the ethnic differences.

The dominant trend of national integration was to create a *culturally and ethnically homogenous nation state*. The concept of *ethnic nation* stresses such community forming factors as a common origin, common cultural and language heritage, certain common attachment to a dominant religion, or common historical and political fate. The *cultural or (language) nation* means peoples speaking a common language, with individuals with a common cultural background, but regardless of which state's territory they live.

The medieval state forms were based on dynastic rulers, usually stressing their divine authorization. In spite these states were named along any ethnicity (French, Hungarian, Russian, etc.), the ethnic identification played only fairly limited role. In fact, on the contrary, along imperial thinking, the preference of multi-ethnicity was rather stressed. As the power and greatness of a king was based on how many people or territories could he rule, identification and connection to one specific people would have been considered as a limitation. That was well represented already in the policies of Hungarian King Stephen I. right from the beginning. He tells in his "admonitions" ("Sixth") to his son: "on the basis of royal honour, the guests and newcomers deserve this place, because already the Roman Empire had become powerful through the arrival of many wise and noble men from foreign countries. Also today, these hospites make the kings great, because they bring many kind of habits, language and weapons – so much as a country with only 'single' language and habits is weak and fragile."<sup>26</sup>

The idea of *homogenous nation state* is largely an attempt to *bring the dominant ethnic groups into monopolistic position*. These try to subordinate the others, like the territories. The policies towards minorities living in a nation state have ranged from assimilation or expulsion, or even to extermination. The assimilation, as a main form can be declared ("melting pot"), can be spontaneous ("natural"), which was the dominant way, and can be enforced. Later can be connected with ethnic cleansing or religious persecutions as the extermination of aborigines (Indians or Maoris) or series of ethnic genocides, even if these states otherwise claim to be "democratic" ones. It was the source of oppressive national policies that the dominant ethnicity tried to enforce its religion as a state religion. It often leads to international conflicts, when a given nation state tries to acquire or "protect" its ethnic minorities living in neighbouring countries.

Others oppose the ethnic homogeneity, and see multi-ethnicity as a source of strength and development. They stress *the unified state frameworks and the territorial integrity*, as basic attributes of a nation. The same characterize the imperial nation concepts.

As indicated by the UN University data: "on our planet about 5000 ethnic groups exist, who according to UN Charter can claim national self-determination. From them about 400 would be able to create an independent state, and about 80 are actively fighting for that aim."<sup>27</sup> Taking into account, that on the one hand, in the about 200 independent states, the boundaries of ethnic integration far not coincide with that of national states, while on the other, one can hardly speak about ethnically homogenous nations. In fact, at present, all of the traditional "nation states" have a smaller or a larger number of ethnic minorities within their borders, while most of the ethnicities

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<sup>26</sup> Szekfű, (1942): p. 33.

<sup>27</sup> Simai, (2007) : p.59.

live inside borders of several different national states.

As the data indicate, there are several ethnicities, which own the capacities for independent national statehood, but they have only limited chances for that or not even aspire for that. The capabilities for self-determination far not cover the prerequisites of building national states or that national integration. The difference between the national (ethnic) integration and the national state building is one of the major source of conflicts and contradictions of the international systems of the modern history.

The multinational state is reality, and there is no basis to question its viability and potentials. In Western Europe, within the framework of the broader democratisation of the last decades, there has been an extension of minority and nationality rights, and in many regions, the changes in local autonomies and self-determination have often been exemplary. After many years of bloody conflicts, para-military organizations fighting for partition such as an IRA or ETA have been disbanded.

„At the turn of the 18th and 19th centuries, the population of East-Central and South-Eastern Europe was composed of 24 larger and more than dozen smaller ethnic groups. Most of them were Slavs.” They „were subjects of three big multi-ethnic political units, the Ottoman, the Habsburg and the Russian Empires. All the three empires showed considerable insensibility towards national principle; their main cohesive force was the dynastic loyalty and the religion.”<sup>28</sup>

In Eastern part of the continent, the developments after 1990 prove that „in the nation states the number and the scale of minorities did not decrease, but rather increased. It was also verified that in this region the homogenous nation states in spite the large political fragmentation can be created only with difficulty or not at all.”<sup>29</sup> Although, it is controversial, “at the moment, only six states can be considered as homogenous nation states, where the share of minorities does not reach 10%. Although in many cases, these shares of minorities are disputed, Albania, Poland, Hungary, Armenia and Czechia are such homogenous nation states.”<sup>30</sup> These “10%”-s, however, both theoretically, and factually (due to statistical manipulations and distortions) are broadly questioned. Their composition has also drastically changed. At the beginning of 1990s, the largest minority in the region were Hungarians (3 millions), but by now the Russian took over this position (by 15-16 millions).

In the region, in spite of redrawing borders and broad democratization, the minority problems still prevail. Except some ethnic civil wars (Yugoslavia and former SU), open conflicts were mostly handled, but the restriction of minority rights and the rejection of otherwise legitimate claims for local or cultural autonomies have remained acute problems and potential causes for both internal and external disputes. Obsolete nationalistic mentalities do revive from time to time, and in the region, we are still far away from European value-conform solutions of the 21<sup>st</sup> century. „All these mean that the minority issue, namely the disharmonic system of relation of nation, nationality and state – partly in similar, partly in changing forms – remained one of the basic problems of East-

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<sup>28</sup> Romsics, (2018): p. 22.

<sup>29</sup> Romsics, (1998): p. 361..

<sup>30</sup> Brunner (1995),p. 20

central and South-eastern Europe.”<sup>31</sup>

Addressing and settling the disputes of ethnic autonomy and minority rights, therefore, has always been important factors of stability in national integration. In this respect, the countries have differed in their performance, and this is the case until recently. In the process of democratisation of the last decades, it was often argued that besides securing the general democratic frameworks, there is no need for minority rights. This is, however, unacceptable, and rather brought tensions onto the surface. In fact, *the shortcomings of minority rights appear now, as one of the most serious democratic deficits of nation states all over the world*, but also in the European Union.

One of the special dimensions of the integration and the minority issue is *the diaspora*. Historically, according to the Bible, diaspora meant dispersion and forced movement of Jews from Israel or later those Jews who live outside Israel (Babylon, Egypt or Roman Empire). In general, it is scattering of peoples from their home country to other places. Diaspora can be defined as “a group of people who spread from one original country to other countries, or the act of spreading in this way.”<sup>32</sup> In New York, the largest are Jamaican, Caribbean, Indian, Jewish, Ukrainian, Irish, Armenian, Greek, Chinese, or Korean diaspora. From the end of 19<sup>th</sup> century, there was a numerous Hungarian diaspora in the city of Cleveland, but it melted away due to assimilation. There are *two main types of diaspora: ethnic and religious* ones.

While large parts of minorities are characterized by dispersion even inside different countries, contrary to its original meaning, several diaspora are organized into certain *integrative frameworks*. They are based on close and intensive business connections, characterized by high level of cohesion and strong identification with their own community. Even the territorial dimensions of integration can be captured. In many cases, the diaspora lives in certain districts, usually in large cities, and legally owning large parts of the grounds of that district. Diaspora can control certain sectors or trade of the region, and in some cases with substantial influence in the given fields. Their legal position can be differing in the various countries, but in many developed countries they just have to comply with the local legislation.

Diaspora can have broad influences, and what is important it can largely enhance the international position and influence of its home country. Israel and Armenia, by size, are small countries, but through their large diaspora they can exert strong influences for asserting their national interests in several international dimensions. In certain ethnic, religious or political questions the diaspora is often more chauvinist than its home country.

### **Evolution of national integration and nation building**

In general terms, national integration is a community building, which is much broader than creation of national states. “According to the present terminology and interpretation, the nation is a historically evolved permanent human community, which is connected and distinguished with

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<sup>31</sup> Romsics, (2018): p. 33.

<sup>32</sup> Cambridge Academic Content Dictionary © Cambridge University Press. Cambridge. 2017.

different characteristics from other communities.”<sup>33</sup>The process assumes all the dimension and prerequisites of integration processes, and the state framework are only one of them.

Historically, national integrations have emerged in the last two - three hundred years. *Structurally, they have been related to the industrial revolution; in social-political terms they could be connected to capitalist transformation.* In the birth of the concept of modern nations, however, several factors played a role. Culturally and ideologically already from the 16<sup>th</sup> and 17<sup>th</sup> centuries, the Renaissance and the Reformation should be mentioned. Approximately, from the middle of the 18<sup>th</sup> century, the ideas of Enlightenment played crucial role in shaping the emerging nations.

In economic terms, national integration was based on the intensification of local economic cooperation, generated by the industrial revolution. Industrialization busted trade, and led to the creation of national markets and monies. Gyula Kautz, wrote in 1860: “at the beginning of the modern times”, we could experience “the complete transformation of the economic life of mankind, and in the economic life of peoples with the fundamental changes and movements of the intellectual, religious, state and social culture, new forms and grounds were created.” As result of these, “the division among the economic sectors, the employment of credit facilities, measures of supporting the transport, keeping contacts, postal connections, public roads and shipping got increasing importance, the commodity transport and the traffic became more rapid and more complex.” “The medieval natural economy was replaced by money economy of modern times.”<sup>34</sup> “The introduction and consolidation of money economy (at least partially) could be attributed to the fact, the division of labour reached such a high level, the capital grew to such an extent, such an industrial and trade prosperity appeared, which formerly never was even guessed, such a wealth of nations was created, which during the millennia of history was never known.”<sup>35</sup> The economic stagnation of the previous ages of the human history was replaced by *economic growth*.

Based on national markets, the national states took broad regulatory functions (modern taxing or customs duties), the main institutions of policies (treasuries or national banks) have been created. The regulatory roles of the national states showed long evolution from free competition capitalism to the *emergence of the recent models of regulated market capitalism*.

The emergence of bourgeois, mass societies was an important and decisive development. „Farer a people was from the bourgeois form of life, only more slowly and with difficulty was able to realize the Enlightenment and the concept of nation in its heart: mountain herdsman, serfs or poor village people are not proper medium for national self-consciousness.”<sup>36</sup>

The medieval states were characterized by a low level and efficiency of state administration. Their role was rather tax collection, instead of governing, the given countries or regions were rather only ruled. The nation states gave rise of efficient state bureaucracies that could govern large groups of people impersonally, and efficiently impose and apply the law through the bureaucratic state machinery. Frederick the Great of Prussia is widely considered as the founder of modern state bureaucracy.

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<sup>33</sup> Romsics, (1998): p. 9.

<sup>34</sup> Kautz, (2005): p. 180.

<sup>35</sup> Ibid. P. 181.

<sup>36</sup> Szekfű, (1942): pp. 150-151.

In general, in nation forming, communication played a special role, and from “technical” point of view, the invention of printing (Guttenberg) was a turning point. The process was accelerated by the national media – national journalism and the educational systems. The typical stages of this process were: “1. creation of new literary language, and its codification with help of vocabularies, grammars and different literary works. 2. evocation and propagation of the ‘glorious past’ with help of historiography, ethnography and different arts and finally 3. establishment of such institutions (academies, museums, associations, theatres) and networks of schools, which took care with predestination and great efficiency about the wide ranging dissemination of the above created intellectual connective materials”<sup>37</sup> The extension of the use of literary or official languages was particularly important. According to historical data, at the time of the French revolution at the end of 18<sup>th</sup> century, only about half of French spoke French language, and this number was much lower in Italy before unification.

The birth of nations coincided with the *birth of science of national economy* (in fact, *with emergence of economic sciences*). It was marked by such big thinkers of 18<sup>th</sup> century as Fernando Galiani, Antonio Genovesi, Cesare Beccaria, Francois Quesnay, Anne-Robert-Jacques Turgot, David Hume, Josiah Tucker, James Stuart or Adam Smith. „The necessary precondition of such science as national economy is the long line of economic development and conditions.” Therefore, „in reality the science of national economy we can examine only in industrially and economically highly developed modern times.”<sup>38</sup> It was “a rich era in movements, which coincides with American and French state transformation, the extension of the industrial and social and cultural interests, the emergence of the notion of the world and with first vibration of those immense humane and freedom ideas and aspirations, which in reality gave the first great push through which the genial British Adam Smith could come to foundations of the magnificent philosophical system of economy, employment and trade.”<sup>39</sup>

With the emergence of capitalist societies, national integrations have taken an increasingly organic character. Contrary to former oppressive societies, such as slavery or medieval serfdom, labour and capital relations were marketized, and in general, socio-economic relations were organised by the market and democratic principles. Due to class and ethnic conflicts, the element of enforcement in national integrations, however, remained strong from the beginning.

Besides the internal factors, the external threats, the varying degrees of national conflicts assumed repressive state structures. The character and extension of these structures depended on several internal (state of democracy) and external (security threats) factors, but they remained strong until recently.

### **Diverging ways of national integration – Case of Eastern Europe**

The processes of national integration and emergence of national states were differentiated not only regionally, but also in time and in character. As far as the Eastern part of the European continent is concerned, due to their different and socio-economic developments and structures, the

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<sup>37</sup> Romsics, (2018): p. 24

<sup>38</sup> Kautz, (2004): p. 35

<sup>39</sup> Ibid. p. 36.

development of nations took different route. Two factors played determining role: 1. *The belated industrialization and modernization*; and 2. *The dependent and semi-colonial status of most of the countries of the region*.

The belated industrialization and capitalist development of the region was analysed by several Hungarian historians (Pach Zs. Pál, Berend T. Iván, Ránki György, Petó Iván etc.). Long list could be quoted from the other countries of the region, as well. The region was characterised by substantial difference in development. “The Austrian and Czech territories of the Habsburg Monarchy, although belatedly, but followed the direction of Western European development, which by the end of 19th century in terms of expansion of large-scale industries brought radical transformation of economic structure. In the Eastern territories of the Monarchy, inside them, in Hungary, in the Polish territories belonging to different empires and in the Russian Empire, the economic development showed differing characteristics. Besides the large delay, at the turn of 19<sup>th</sup> and 20<sup>th</sup> centuries, the economies of these countries was characterised by a special industrial revolution, based largely on foreign direct investments, and in spite of development of infrastructure, and emerging the agrarian-industrial structure of economy, the birth of Western type of modern industrial countries remained unaccomplished. On the Balkan even the Russian – Polish – Hungarian type of special industrial revolution failed. The Balkan was not able to move out of its traditional agrarian backwardness.”<sup>40</sup>

The increasing constraints for transformation and modernization calling for integration from the second half of 19<sup>th</sup> century found the region in imperial framework. Consequently, the process of integration started in these imperial structures. This „*imperial integration*” in the second half of 19<sup>th</sup> century“ in general, “embraced countries of very different character and development into one artificial unit, and these imperial frameworks from the 70-80s years, with policies of protective tariffs, emerging industrial markets and trade in itself led to formation of a special economic integration”.<sup>41</sup> “All this meant that the modern economic development as a matter of course, at the largest territories of Central and Eastern Europe started not in national frameworks, but in special, large imperial units, namely as non-modern 20th century type of economic integration.”<sup>42</sup> After the First World War, these “imperial units” disintegrated, for decades followed an inward looking nation building, but the new nation states inherited many of the properties (institutional, infrastructural, cultural or social) necessary for modern integrated nations.

Hungary, in many respects, was among relatively favourable circumstances. “In Central Europe, virtually only the Hungarians were in such position: that by the end of century (18th.), they were able to produce their own unified nationalism, as they started the fight for pushing aside the resistance of Viennese government towards full and immediate interaction between the state and the language. As it is known, by the 40s years of 19th century, they succeeded.”<sup>43</sup> The Hungarian became “official language” in 1844, replacing primarily the Latin. In spite of limited political, legal independence, which many respects remained even after 1867, rapid cultural (language reform and development of a national literature and other arts), social and economic nation building (industrialization and development of national capitalistic relations) started and progressed.

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<sup>40</sup> Berend (1968): p. 309

<sup>41</sup> Berend (1968): p. 309

<sup>42</sup> Ibid p. 310.

<sup>43</sup> Szegfü (1942): p. 147.

According to András Gerő, the 1848/49 „revolution” from points of view of social development and nation building was an “emancipation breakthrough”. „In our history, 1848/49 was Hungarian bourgeois state founding. The content of founding of the state was emancipation in several dimensions. In Hungary, in 1848-49, in about one and half year every such happened, which then and there, in this respect could happen, a real breakthrough happened.”<sup>44</sup> The most of the other nationalities were in a less favourable situation, but many of them (Poles or Romanian), rather with some delay, showed similar developments.

Consequently, in spite that they achieved statehood only after 1918 or 1990, the emergence of such nations as Croatia or Estonia does not date from 1990, but much earlier than that. In different type of imperial framework, these ethnicities acquired their own national identity and cohesion and could develop the economic bases and those human, cultural or political infrastructures, which are the necessary prerequisites of a nation state.

Similar development characterised many other nations. The “imperial integration” frameworks, in spite that they represented an enforced and inorganic integration; as it was proved by other colonies or dependent countries all over the world; they practically were rather fermenting the national integration processes. „The concept of modern nation-state, the national ideas, and with them the strong nationalism took roots in all countries parallel with the colonialization and with the presence of Europeans. The peoples of Southeast Asia, as the other subordinated peoples of the world kept natural to follow the example of Western Europe, and in this feeling and will they were convinced by the exceptionally rapid and efficient modernization of Japan producing the only Asian success story of that time. Their conclusion was unambiguous: the progressing ahead, having worthy human life, achieving and up holding sovereignty can be only secured through creation of independent nation state. In addition, it became clear, that in the 19<sup>th</sup> and 20<sup>th</sup> centuries, the modernization and democracy is inseparably connected to nation state. All these set new requirements to social reformers: creation of new national structures, common language, and national homogenization in a unified and centralized state.”<sup>45</sup>

Besides all of its negative impacts, colonialization contributed to building and linking up local and national markets, the creation of local national bourgeoisie and the resistance against colonialization generated internal cohesion of the societies, all over the world. As a result, the new nation states inherited many of the properties (institutional, infrastructural, cultural or social) necessary for modern integrated nations. This pattern of development was characteristic all over the world, particularly in de-colonialization processes following the Second World War.

One important point in comparison between Western and Eastern Europe should be particularly stressed. The Western nations were born in fight *for freedom and democracy*, and that created strong democratic foundations for their national integration. In Eastern Europe, the nations were to a large extent created in the fire of their fight for national independence. The *freedom and independence* meant different emphasises of national integration, and the democratic principles got less attention. Of course, this is a rough generalization, and the historical traditions and several other factors could play a role (Finland, Ireland or Italy). This historical heritage still to date has its impacts on the concepts and aspirations of the different members of European Union.

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<sup>44</sup> Gerő (2019): p. 17.

<sup>45</sup> Balogh (2018) p.486

## Mixed integration performance of national states

There are several established and highly integrated nations, but it would be not easy to define and select a perfectly integrated nation, a perfect model of a real nation or nation state. With high probability, we hardly can find such an existing model, particularly in light a changing conditions and challenges which nations face and with which they have to comply from time to time.

At the same time, there are “nation states”, which so far have achieved only limited levels of national integration, neither in terms of a real national economy and regulatory structures, nor in cultural, social or political cohesion of their societies. In these respects, we can speak *about partial, defected, deformed or failed integration*.

The failure of national integration can be explained by many reasons. It was an unfortunate development that after World War II several artificial nation states were created by arbitrary borders drawn by the former colonial powers. This arbitrary division led to the separation of ethnic groups, which then culminated in ethnic and tribal conflicts. In organic national integration processes, these local communities or tribal differences simply blend together, and can be tamed into folkloristic or tourist curiosities. In enforced national integration systems, however, such arbitrary divisions lead to bloody tribal wars, which was the case in Africa and in the Middle East. The main cases of the defective or deformed nations are those based on enforced integration.

According to the literature, the artificial or “failed” nations mean countries, with the loss of control on their territory, weakening of their legitimate authority, their failure to provide public services or acting in international relations. To draw a line between them would be difficult, particularly as there are large numbers of states with contradictory status.

All these indicate that the national integration is not only an *unfinished process, but it is burdened with a broad range of deficiencies and deficits*, and they cope with them with varying successes. These *deficiencies or deficits* can be attached to *any elements of socio-economic structure or formation, and even the stable nations are not exempt from them*.

From points of view of stability and development prospects of a nation, the state of *cohesion* is crucial. The cohesion can be undermined by ethnic, social or class conflicts, which can be the main factors of its longer stability or instability. Policy mistakes can greatly contribute to them. Again, we can find great differences in political performance of different nations, and they change from time to time. The most dramatic forms of political failures are armed ethnic conflicts, civil wars or rule of armed gangs. The recent crisis had broad impacts on cohesion, in fact, we face a cohesion crisis on all levels (national, EU or global) of integration.

The deficits and failures can be *structural*. One extreme case can be a small, less developed country with mono-cultural production and export structures. In its case, we can hardly speak about any social or economic sovereignty, and its economic development and welfare is beyond of its own national control. But in the present age of international integration, even the larger developed and diversified economies and societies are exposed to external factors. They have a large scope of control over these processes, but as the recent economic crisis proved; even the largest and the

strongest can fail in coping with them.

The *regulatory* deficiencies are equally important, and less dependent on the levels of development and potentials. These can originate from defects of the general socio-economic model (constructional ones) or just for policy mistakes (operational defects). Corruption is a very general form. In times of international integration, the success or failure of harmonization of external and internal national integration policies has a critical role

If we look at the *global map of national integrations*, we find *a fairly mixed, in many respects discouraging and even disappointing picture*. National integration with the creation of new nation states remained part of the global integration process, and for many the crises indicate uncertain future.

To draw an exact map about the state of national integration would be an almost impossible venture. Such measurement depends on the theoretical approaches, the chosen parameters, the methods of calculations and many other uncertain factors. So when we quote the “Fragility Index of States” for illustration, we offer it with serious reservations.

“Fragility Index of States” of 2018 makes a ranking among 167 nations.<sup>46</sup> It puts countries into ten main categories: very sustainable, sustainable, very stable, more stable, stable, warning, high warning, alert, high alert and very high alert.

In very sustainable category, we find, such countries as Finland, Norway, Switzerland and Denmark, and in the sustainable category Iceland, Ireland, Australia, Sweden, New Zealand, Canada, Germany, Austria, Netherland, Portugal and Belgium. In the very stable group there are 11, in the more stable 17 and in the stable 12 countries. All together in the sustainable and the stable group count 56 countries, from the 28 EU members, except Cyprus, all fall into these categories. Hungary, leading the stable group, is the 45<sup>th</sup> among these countries. These groups take just 1/3 of the whole.

There are 79 countries in the warning (45%) and 32 in the alert group (less than 20%). Among the first 13 “most fragile” (very high alert) we find South Sudan, Somalia, Yemen, Syria, Central African Republic, Democratic Republic of Congo, and (in the high alert): Sudan, Chad, Afghanistan, Zimbabwe, Iraq, Haiti and Guinea.

It seems that only about 1/3 *of the present nation states can be considered as relatively established and integrated nations, while about 1/5 belong to “failed” or unstable nations.*

This situation is one of the *main destabilizing factors of global order and integration*. At present, *the intra- or interstate national conflicts are contributing factors to the destabilization of the global community*, in some respects, threatening even the cohesion of the European Union.

## **Nation and nationalism - nation tainted**

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<sup>46</sup> Fund for Peace, 2018. Fragility States Index.

Nationalism is a complex notion, which is defined as an ideological, political or economic program, a movement, a system of values, expression of individual loyalty and devotion to a national state and community. As a movement, it is dating back to the end of 18<sup>th</sup> century, and since that it is generally recognized as one of the dominant sentiments pervading the private and public life of the society. In Europe or America, it dominated the history from the 19<sup>th</sup>, while it spread to Asia and Africa mainly in the 20<sup>th</sup> century. It means attachment to the native soil, to common ethnicity, to historical traditions or to a glorified past. It claims that each nationality should form a state, and that state should include all the members of the nationality. The former loyalties to a city state, to a feudal lord, to a dynastic state or a religion are largely replaced by attachment to a national community or state. It means identification with such shared social characteristics as culture, language, religion, politics, tradition and belief in a common history and to promote national unity or solidarity. In the modern history, state and civilization became identified with the nation.

Nationalism is characterized by the promotion of the interests of a particular nation. It aims at gaining and maintaining sovereignty, self-determination, maintaining control over territory and state. Nationalism is often connected with very strong expression of related emotions; it demands sacrifices to the nation as a community. One can distinguish among ethnic, economic, political, religious, territorial, racial or even sport nationalism. It is widely held, that one of the main functions of nation state is defense against external threats, while providing important services for its citizens.

The twentieth century globalization is growingly accompanied with profound distrust towards nationalism. Nationalism is considered by many as main source of war, and history seems to support this with large number of examples. The assumption of peace through war is considered false, even if the threat of nuclear war, recently, proved to be a relevant deterrent.

The representatives of the most extreme examples of nationalism are the *fascist* (“*nazi-type*”) *states*. They are prioritizing ethnicity and among others, conceptually they are based on “race theory”, which distinguishes between the superior and inferior races.

We know, there is only one human race, there are no such “races” as Hungarians and Germans, or “Whites”, “Blacks” and “Yellows”. The superiority often is supported with mystification in the past, assuming as if glorious past would give any particular legitimatization. These arbitrary distinctions generally are accompanied by political exclusion or discriminatory policies, and often with ethnic cleansing or genocide. In term of later one, the holocaust committed by German National-Socialists or by their followers and allies, was the most shocking example. The list of genocides just in the last one hundred years, would be quite long. Such developments mean that national states are criminalized, and in spite of loud nationalistic rhetoric, they have disastrous consequences for the given nation.

Nazism proved to be a dangerous illness, and aberration leading to self-destruction. „The nation should not be understood in terms of the French nation at the Revolution or the German nation in its twentieth-century frenzy. For those were nations gone mad, in which the springs of civil peace had been poisoned and the social organism colonised by anger, resentment and fear. All Europe was threatened by the German nation, but only because the German nation was threatened

by itself, have caught the nationalist fever.”<sup>47</sup>

The Nazis have raped, high jacked and compromised “nation”. “Nationalism”, through them, got pejorative connotation, and in political discussions, and in public thinking it became fixed as a negative concept and project. The concept of the nation has been tainted and any disinfection seems complicated.

„In the following, we would like to refrain from any kind of evaluating remarks and to present nationalism as an intellectual-political trend, existing in real politics, which sees the national state and the nation as a central value and to which the individuals owe high loyalty. This is not good or bad, but it is an expression of the natural, human demand, which on the basis of common history, language and culture, feels identity with a given group, with own people. The nationalism, of course, can appear in different forms. It is appropriate to make the difference between patriotism and chauvinism. The tolerant ‘patriotism’, respecting the otherness of minorities is a positive phenomenon. It meets the natural need for belonging to a group, as it exerts substantial integrative impacts on the society and it puts national identity into the narrower or a wider framework of identities, which extend from the family or profession through the homeland to Europe, to Western civilization, and perhaps even to the universal human community. Beyond that, in Eastern Europe, patriotism can play another very important role as it can free energies, useful for prosperity of the peoples, which are so much needed to overcome the huge difficulties in transition to legal state democracy and social market economy. Contrary to that, intolerant ‘chauvinism’, hostile to minorities and despising human value, is a negative phenomenon. It contests the need for national identity from other peoples, while requiring passionately, actually often violently for themselves. In addition, in Eastern Europe, the chauvinism is often hostile even towards modernization, and it opposes the necessary economic and political reforms.”<sup>48</sup>

Many argue that patriotism “is the loyalty of citizens, and the foundation of ‘republican’ government; nationalism is a shared hostility to the strangers, the intruder, the persons who belongs ‘outside’. I feel some sympathy for that approach. Properly understood, however, the republican patriotism defended by Machiavelli, Montesquieu and Mill is a *form* of national loyalty: not a pathological form like nationalism, but a natural love a country, countrymen and the culture that united them. Patriots are attached to the people and the territory that are *their by right*; and patriotism involves and attempt to transcribe that right into impartial government and a rule of law. This underlying territorial right is implied in the very word – the *patria* being the ‘fatherland’, the place where you and I belong. Territorial loyalty, I suggest, is at the root of all forms of government where the law and liberty reign supreme.”<sup>49</sup>

On November 11, 2018, a number of world leaders came together in commemoration of the 100<sup>th</sup> anniversary of the end of First World War in Paris. There were bilateral meetings, among other between Emanuel Macron and Donald Trump, and as it could be expected the usual exchange of blows between the two leaders were again repeated. On the same day, Macron wrote on his Tweeter: “Patriotism is the exact opposite of nationalism. Nationalism is a betrayal of patriotism. By putting our own interests first, with no regard for others, we erase the very thing that a nation

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<sup>47</sup> Scruton, (2004) : p. 3

<sup>48</sup> Brunner (1995): pp. 14-15. (Own translation - T. P.)

<sup>49</sup> Scruton, (2004) : p. 4.

holds dearest, and the thing that keeps it alive: its moral values.”

Not surprisingly thousands of notes were provoked. But it is clear that a distinction should be made between the declaration of the hegemonic type of nationalism, and the expression and assertion of priority of national interests by legitimate national politicians in democratic partnership relations through coordination and compromises. Angela Merkel told in the Bundestag on November 21 2018: “it is not patriotism, but the most pure form of nationalism, if somebody believes that can solve everything alone, and must not care about others, but the patriotism is when besides German interests we take into account other interests as well.” (Index, 2018.11.22.)

Jean-Claude Juncker, the President of EU Commission speaks in the same spirit, adding his views on future of a United States of Europe. “The enthusiasts of stupid nationalism will have a price to pay for this. I respect nations. I’m not a Euro-federalist and I don’t believe in a United States of Europe, a copycat U.S. European citizens don’t want a construction like that, a melting pot where their character and feelings are no longer recognizable. You can’t build a European Union against the will of nations, but you can build it against stupid nationalism. What we need is sound patriotism. And that we have.”<sup>50</sup>

No doubt, one possibility is to find relevant synonyms of the notion. In fact, the *discussions about nationalism contra patriotism* go back to the second half of 19<sup>th</sup> century, raised by the labour movement in context of relation between nationalism and class struggle. Later, in Eastern Europe, “patriotism” was a broadly used term of Bolshevik propaganda, and was a certain parallel notion to “proletarian internationalism” or “fraternity”, as rejection of any national feelings (“bourgeois nationalism”). In Hungary, for decades, people could vote on elections on the candidates of the Patriotic Peoples Front, in this respect the cover organisation of the Communist one party system. Not surprisingly, in the public opinion in the region, from the beginning, “patriotism” was taken with suspicion and reservation. As the political struggles showed in the region, after 1990 it did not prove attractive and it hardly had equal mobilization force and sympathy as the term of nationalism. Recently, some of the ultra-nationalists claim themselves as real “patriots” (Heinz-Christian Strache). In fact, we can say there is a danger that the elevated notion of patriotism gets also tainted.

One can sympathize with the proposals on “patriotism” contra “chauvinism” or irredentism.

Chauvinism is „the extreme form of nationalism, which with extreme prejudice proclaims its own superiority against other nations. It is characterized with emotional politicisation, ideologized declaration of national superiority, overemphasis on national interests, and sometime stirs hatred against other nations with anti-minority incitation and harassment.”<sup>51</sup> According Cambridge Dictionary it is “the strong and unreasonable belief that your own country or race is the best or most important.”. Chauvinism as a notion is a narrower concept than nationalism, but as a policy it is more exclusive, radical or intolerant.

While the Nazism is based on ethnic or racial prejudice, the Bolshevism is characterised by *class chauvinism*. “However, if the nation is divided into classes, the national interests cannot be above classes, independent of them.”<sup>52</sup> These chauvinisms are highly divisive and undermine the

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<sup>50</sup> There will be a price to pay for stupid nationalism” Interview with Jean-Claude Juncker. HVG. May 2, 2019. p. 7.

<sup>51</sup> Magyar Nagylexikon, (2003): p. 192

<sup>52</sup> Andics, (1949): p. 28.

cohesion and integration of a community or a nation. According to these views, the real representatives or guardians of the nations are certain groups or classes of the society (white Arians or just the working class), while the others, in the best case are only secondary citizens (even if there are no formal legal discrimination against them), or they can be stigmatized as enemies of the nation (Jews or Kulaks).

The other types of chauvinisms (*religious, political or cultural*) are equally harmful and divisible. The declaration of the “Christian” or “Islamic” nation can only be a value statement, but even in case of lack of any political or legal discrimination, it may create division or emotional and psychological harassment in the other group. The political chauvinism can mean demonization or criminalisation of parties (opposition), political or ideological trends (“Neo-liberalism”) or persons (Gülen). The stable and integrated nations should be democratic, recognizing the multi-colourity, as a source of development and prosperity.

The other possibility for distinction is adding different of adjectives, like “good” or bad”; “positive” or “negative”; “inclusive” or “exclusive”.

“The positive form of nationalism is tied to self-confidence and openness and the concept of the public goods. Negative nationalism is dependent on fear and anger and a desperate conviction that one nation’s rights exists by comparison with those of another nations, as if in competition that produces winners or losers.”<sup>53</sup> According to the prominent historian: “I would be careful about both extremes: on the one hand we should avoid this extreme nationalistic thinking, that my nation is the only important thing in the world and everything and anything can and should be sacrificed for the nation. This is the road leading to fascism, to war, to genocide. But we should also avoid the other extreme, of thinking that nationalism is bad and evil, and that anybody who loves his country or raise a flag is a fascist. No. Briefly I would say that nationalism is not about hating foreigners. It's about loving your compatriots. That evil side of nationalism has to do with hating foreigners. But the good side of nationalism is about taking care of it, like paying your taxes honestly and having a good health care system, a non-corrupt health care system. This is the good side of nationalism.”<sup>54</sup>

The use of “inclusive” and “exclusive” adjectives also helps distinction. “The gradual divergence between an inclusive nationalism, which assumed some compatibility with the existence of multiple identities, and an exclusive nationalism, which promoted egoism, assimilation policies and a mono-ethnic predominance, marked the construction of identities in Europe as whole. However, in some areas, the process was particularly painful when boundaries between identities were vague, undetermined and debatable.”<sup>55</sup>

The dilemma seems to remain about the perceptions of nationalism, and due to its revival it feels not easy to overcome the more or less fixed and prejudiced consensus. *In the age of international integration, present revival of nationalistic populism and ultra-nationalism*, the issue has become of utmost importance.

Nationalism is a highly marketable notion. It proved to be a very attractive subject to

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<sup>53</sup> Ralston, (2005) : p. 245.

<sup>54</sup> Interview with Yuval Noah Harari on May 8 of 2019.444.hu

<sup>55</sup> Bianchini, (2017) : pp. 25-26.

manipulation. “It’s true that political salesmen can market mythology and iconography that entice people into privileging a religion, ethnicity, or a nation as their fundamental identity. With the right package of indoctrination and coercion, they can even turn them into cannon fodder. That does not mean that nationalism is a human drive. Nothing in human nature prevents a person from being a proud Frenchman, European, and citizen of the world, all at the same time.”<sup>56</sup>

## **Challenges facing nations in the age of international integration**

The present societies are often called „post-national”, which is broadly meant that national states gradually lose their sense, and are melting in the process of globalization. “In summary, declinists argue that globalization presents the traditional state with a set of profound challenges which seriously question that institution’s appropriateness to contemporary circumstances. Economic forces are said to render the state unable to act except for slight manoeuvres around the fringes. Forces from above are challenging its monopoly on authority; they limit its capacity and transnational threats reveal its manifest inadequacies.” „The declinists’ argument involves three core propositions: (1) state autonomy has been undermined because global forces impose punishingly high costs on states that deviate from the basic neo-liberal model; (2) in key sectors the state no longer has the power and authority to alter outcomes; and (3) the state lacks the resources and structures to resolve the kind of security and social problems it had in the past.”<sup>57</sup>

There are several new trends and developments, which had fundamental impacts on character, role and future possibilities of nations.

1. The recent decades are marked by the *Information and Communication Revolution (ICR)*. Connected to it, in the last decades *the knowledge and information became the most important production factor*. In industrial societies traditionally they have been based on three main production factors (land, capital and labour). The major preoccupation of economists was rational allocation and utilization of these “scarce resources”. This scarcity was present till the 1970s, which was dramatically expressed theoretically in “Limits on Growth” (Meadows – 1972). This radically changed by ICR. “Information and knowledge are new production factors. They are unlimited, renewable, infinitely interchangeable and reusable resources.”<sup>58</sup> Drucker is more explicit and introduced the notion of “knowledge work” and the “knowledge worker” already in the 1960, and defined productivity and innovation as the main sources of value creation.<sup>59</sup> The success in the acquisition of ICR has become a *basic factor of competitiveness* of a national economy.

2. Parallel, the economic *structures were also radically transformed*. The share of primary sectors, connected to the territory or land (mining and agriculture), was radically reduced, they lost dynamism and were marginalized. Just following the war, even in the developed European countries the share of agriculture was around 25-40%. By now it is only about 2-4%, while from mining comes less than 1% of GDP. At the same time, from points of view of production and influences the information was upgraded, and became the most important factors of efficiency.

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<sup>56</sup> Pinker, (2018): p. 450.

<sup>57</sup> Bisley, (2007): p. 63.

<sup>58</sup> Kahane, (2006): p. 24.

<sup>59</sup> Drucker, (1994): p. 6.

“What is new that a growing chunk of production in the modern economy is in the form of intangibles, based on the exploitation of ideas rather material things, the so called ‘weightless economy’?”<sup>60</sup>

3. The structural changes of economy were accompanied *with drastic social restructuring and transformation of the whole political arena*. Due to transformation to service economy, the classical class conflicts were replaced by need for more cooperative social and political attitudes. The “knowledge worker” assumes, in place of simple implementation, more innovative and entrepreneurial capabilities and attitudes, and the traditional class frontlines have been blurred. Besides, the importance of the owners of physical and financial capital, the role of the “human capital” has been up valued. In spite of extreme power concentration in the hands of narrow business circles, the number and the importance of the middle class has greatly increased, and in the outcomes of political struggles (election results and prospects) their role have become decisive. That meant erosion of traditional political parties (not only Communists, but also Social or Christian Democracy), while the consolidation of new political forces and structures is still delaying. *The traditional political landscape divided to right and left, has greatly lost its relevance*. The new division is rather between the moderate centre and the extreme populist parties (Pro-EU contra Eurosceptics; democrats contra authoritarians; integrationists contra discriminators and protectionists), while the differences between the ultra-right and ultra-left are hardly discernible. Among others, these changes pose new challenges to the stability of national states.

4. The growing range of activities is organised globally and get outside the scope and possibilities of control and regulation of national state. “Many material conditions in the current globalizing world have made statist governance unviable. Computerized data transmissions, radio broadcastings, satellite remote sensing and telephone calls do not halt at customs posts. Internet use by trans-border criminal networks present states with major challenges. Electronic mass media also detract from a state’s domination over language construction and education. Nor can a state exercise complete authority over transplanetary associations or global companies. With the development of global currencies, credit cards, even the most powerful state has lost unqualified authority over money supply and exchange rates. Nor can a state successfully assert supreme and exclusive rule over the global financial flows that pass through its jurisdiction (or do they?) Electronic commerce, intra-firm trade, offshore financial centres, derivatives and hedge funds have all substantially compromised state abilities to raise tax revenues. Transworld ecological developments such as ozone depletion and biodiversity loss have similarly contradicted the material territorialist preconditions of state governance.”<sup>61</sup>

5. Due to international integration and interdependence, the basic economic processes (growth, inflation, employment or equilibrium of the economy) and policies have become determined by external forces, and possibilities of influencing them by the national states have been drastically shrank. The operation, performance and welfare of nations are conditioned increasingly by global competitive forces. That was demonstrated particularly in the present financial crisis. “After the debt binge of the last decade, which lifted all nations, the new area is one of moderate, uneven growth, with much wider gaps in performance between rival economies and markets. It’s a tough age, but also very fair in the sense that there is no global tailwind for any

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<sup>60</sup> The Economist, 23 September 2000, p. 29.

<sup>61</sup> Scholte, (2005): 189. p.

nation, no matter whether it is developed or emerging. Now everyone has to row.”<sup>62</sup>

6. The operation of the *global markets represents a disciplining force* against national states, and they are often supported by international institutions (IMF or World Bank) or policies of transnational companies. “Market discipline is said to have dramatically reduced the range and character of economic policy making. Its core is a deregulated open economy, in which tight fiscal policy is the order of the day, social welfare spending is kept to minimum, the taxation regime is firm-friendly, non-progressive and structured around indirect mechanisms, such as consumption taxes, the labour market must be flexible, and monetary policy is run by an independent central bank fixed on a low-inflation target. Attempts to deviate from this minimalist model will result in global markets imposing severe penalties.”<sup>63</sup> In fact, these strict limits to policies of national governments, both socially and politically (democratically) are highly controversial. At the same time, it can be acknowledged, that they can exert a positive disciplining force towards irresponsible and corrupt government policies.

7. The new technologies and structural changes were associated with *increased mobility and flexibility of societies and economies*. One important factor were the “*low cost flights, high speed trains, Internet connection* and innovations in IT communication technologies, which radically compress space and time, strengthening nomadism against previous fixity.”<sup>64</sup> The ICR had broad impacts on everyday life. One typical example is the “*medicine*, whose modern advancements impacts lifestyles, family planning, family organization (hetero or homo), traditional cultures and habits.”<sup>65</sup> „In summary, globalization is characterized by change in political, economic, military and environmental life due to reorganization of spatial relationships in which geography and territory no longer play the kind of determinative role that they played in the past.”<sup>66</sup> This is often called as “deterritorialization”, *affecting one of the basic attributes and factor of strategic position of a nation*.

8. There are broad ranges of *new, social, political and cultural developments*, which challenge the traditional concept of the nation. We can see, that “human societies have increased in complexity and interdependence. The liquefaction of pre-existing social links is indisputable. Traditional habits, family setting, class relations, urban/rural geography, gender relations, the perception of neighborhood – all of these are undergoing drastic transformation, affecting the predominant discourse based on imagined homogeneity, *one* standardized language, *one* predominant religion, *one* defined territory with *fixed* population, and a well-defined ‘cultural recognition’ between rulers and ruled.”<sup>67</sup>

9. The changes call for *new structures of governance*. From points of view of national governance, the process is characterized by two opposing tendencies. On the one hand, we can experience the transfer of competences and sovereignty down to local and regional levels. On the other hand, the competences and the regulation are shifting upwards to the levels of interstate regional and global integration. It means the appearance of *multi-level governance, which is a*

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<sup>62</sup> Sharma, (2012): p. 281.

<sup>63</sup> Bisley, (2007): 59. p.

<sup>64</sup> Bianchini, (2017): p. 257.

<sup>65</sup> Bianchini, (2017): p. 256.

<sup>66</sup> Bisley, (2007): p. 21.

<sup>67</sup> Bianchini, (2017): p. 291.

*product of international integration and growing interdependence.* It tries to respond to the challenges of control and regulation of a multi-actor system, and to harmonize and compromise among the interests of interested. Adjustment to the requirements of international integration and multi-level governance calls for fundamental changes in system of objectives and tools, the institutional and regulatory structures of the traditional national policies. They assume increased and large scale openness and cooperation capacities.

Nations, however, still represent one of the most important components of present-day integration processes. “At the beginning of the 21<sup>st</sup> century, states have remained as the basic ‘building blocks’ of international order; governments are the basic actors and shapers of the world order.”<sup>68</sup> In a certain sense, we can even talk about the upgrading of the roles of nations. „Rather than killing off the state, the chapter concludes that globalization is changing the environment in which it operates, both domestically and internationally, and is thus contributing to a shift in the role that states play in the domestic and international spheres. States are a product of the political, cultural, economic and military circumstances of their times. Just as they were changed by industrialization, so they are subject of change today. The challenge is to determine the extent and character of the shift in state behaviour and the role played by global forces in these transformations.”<sup>69</sup> Change of attitudes and success of adjustment are upgraded.

Global challenges change the positions and the role of nations. As the famous historian puts it: “Like it or not, humankind today faces three common problems that make a mockery of all national borders, and that can be solved only through global cooperation. These are nuclear war, climate change and technological disruption.”<sup>70</sup> As even large nations cannot solve them alone, they are forced to international cooperation. “It does not mean establishing a global government or abolishing all cultural, religious and national differences. I can be loyal at one and the same time to several identities – to my family, my village, my profession, my country and also to my planet and to the whole human species. Sometime we put work before family, sometimes family before work. Similarly, sometime we need to put the national interests first, but there are occasions when we need to privilege the global interests of humankind.”<sup>71</sup>

The national states remained determining factors of multi-level governance. “The nation-state is central to this process of ‘suturing’: the policies and practices in distributing power upwards to the international level and downwards to subnational agencies are the ties that will hold the system of governance together.”<sup>72</sup> It is important to stress the „*national level*” *has the most complex and efficient institutional and regulatory structure with the broadest democratic and legal mandate.*

The national government is far not defenceless against the impacts of globalization. On contrary: “Moreover, governments can shape the effects of globalization on their territories and populations: with fiscal policies, monetary policies, consumer policies, labour policies, environmental policies, data protection, and so on.”<sup>73</sup> “Although the economic role of the state has

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<sup>68</sup> Simai, (2007): p.55.

<sup>69</sup> Bisley, (2007): 57. p.

<sup>70</sup> Harari, (2019): p. 80.

<sup>71</sup> Ibid.

<sup>72</sup> Hirst, (1999): p. 270..

<sup>73</sup> Scholte, (2005): p.191.

declined in certain significant ways, it has expanded in others, and therefore, it is inaccurate to conclude that nation state has become redundant and anachronistic. Indeed, the importance of the state in some areas, certainly with respect to promoting international competitiveness. Even though, its role may have diminished somewhat, the nation-state remains preeminent in both domestic and international economic affairs.”<sup>74</sup>

### **Integration theories and the nation**

*As the role, functions and future of the nations in the presently evolving international integration* are concerned there are several theoretical schools. Among them, *the federalist, the functionalist and the intergovernmentalists* should be particularly mentioned. The first two raise doubts and criticism about the capabilities of nations, particularly in terms of *securing peace and efficient democratic governance, while the intergovernmentalism tries to re-define the role* the national states in the process of international integration.

The *federalists* favour supranational, effective community power structures and institutions (E. B. Haas, J. Pinder, G. Montani, etc.). Federalism has acquired increasing political influence in the EU countries, and has exerted effective pressure in the direction of political union. The majority of federalists support worldwide political integration (world government). The main aim of “Eurofederalists” is the creation of the United States of Europe.

The idea of federalism has a long history, in fact, one of the longest in the history of discussions related to a new international order. “The first draws on the legacy of ideas associated with Immanuel Kant, who advocated an expanding federation as the most appropriate constitutional safeguard against the threat of war. The second draws on those elements of democratic theory concerned with devising ways of ensuring efficient governance within a democratic framework so that authority is supplied as closely as possible to the people. The third strand is the scholarly condemn of federalizing tendencies and processes.”<sup>75</sup>

One of the outstanding proponents writes that federalists “point out that the national states have lost their proper rights since they cannot guarantee the political and economic safety of their citizens. They also insist that European Union should be brought about by the European populations, and not by diplomats, by directly electing a European constituent assembly.”<sup>76</sup> The EU has pledged to democratic values, codified them into the *acquis communautaire*, and misbehaviours are sanctioned (7. Paragraph of Lisbon Treaty).

Many argue that to take the nation as the major responsible for wars is a great simplification. Wars in the history were rooted in several interests and factors, and the national conflicts were far not the most important ones. We know the history of bloody religious wars, but wars were conducted for acquiring resources, influences or just prestige. In fact, the one of the bloodiest conflicts were the intra-religious wars (formerly the Catholic – Protestant, and recently the Sunnites

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<sup>74</sup> Gilpin, (2001): p. 363.

<sup>75</sup> Rosamond, (2000): p. 25.

<sup>76</sup> Spinelli, (1972): p. 68.

- Shiites). No question, that they deeply wound the nations.

Some also question the democratic character and commitments of federations, as they simply „would dissolve the nationalities of Europe in a historically meaningless collectively, united neither by language or religion, nor by customs, nor by inherited sovereignty and law.”<sup>77</sup> Accordingly, „the lesson that we should draw, therefore, is that since the nation state proved to be a stable foundation of democratic government and secular jurisdiction, we ought to improve it, to adjust it, even to dilute it, but not to throw it away.”<sup>78</sup>

For the functionalist integration theories, the most important question is the appropriateness and effectiveness of regulation. The *functionalist* schools place the emphasis directly on better functioning of the integration system. According to the functionalists, *the nation state is increasingly incapable of fulfilling its basic social, economic and political tasks*. Therefore, more and more shared aims and functions should be delegated to the more efficient integration organizations, which are able to implement these more perfectly. The functions may be economic, political, social, infrastructural or military. In these spheres they can represent more efficient solutions to “tasks” like economic growth or the acceleration of technological progress, development of infrastructures at international level (construction of a community road network or communications system), equalization of development levels or in fact greater military security.

The functionalists are aware that shifts in the exercising of functions presuppose institutional changes. Functionalists and federalists often seem to be on the same platform inasmuch as they aim in the long run at supranational institutions. “The theory of *functionalism* in international relations is based on the hope that more and more common tasks will be delegated to such specific functional organizations and that each of these organizations will become in time *supranational*; that is, superior to its member governments in power and authority. In this way, says this theory, the world’s nations will gradually become integrated into a single community within which war will be impossible.”<sup>79</sup>

The so-called *neo-functionalists* (E.B. Haas and Leon Lindberg) emphasize prosperity, internal peace and external security, the role of national political elites, and in contrast to the global view, the possibility of regional integration. The functionalists, like the federalists, were originally in favour of universal peace and were against regional integration. David Mitrany, in fact, rejected European integration. “Functionalism was primarily a theory of *post-territorial* governance, whereas neo-functionalism was an early theory of *regionalism*. Indeed, there did appear to be real signs from the early 1960s that regional integration was developing into a world-wide trend.”<sup>80</sup>

“For many, ‘integration theory’ and ‘neofunctionalism’ are virtual synonyms. It might even be described as the ‘authorized version’ of European integration. Neofunctionalism acquired the status of an ideology in Brussels.”<sup>81</sup> “Neofunctionalism (in its early manifestations at least) might be thought of as an attempt to theorize the strategies of funding elites of post-war European

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<sup>77</sup> Scruton (2004): p. 2.

<sup>78</sup> Scruton (2004): p. 3.

<sup>79</sup> Deutsch, (1978): p. 208.

<sup>80</sup> Rosamond, B. (2000): p. 69.

<sup>81</sup> Chrysochoou, (2001): p. 54.

unity.”<sup>82</sup>

The EU project so far remained contradictory. The integration projects were accompanied by important institutional changes, and the Treaties of Rome were modified and developed in several waves (the Single European Act, the Maastricht Treaty of European Union, then the Amsterdam, Nice and Lisbon Treaties). No one denies that the scope and competence of the European institutions have been widened, but theorists and politicians remain deeply divided as to how far the changes have affected the character of these institutions.

Many maintain that in spite of the ups and downs of the integration processes, the national factors in working of European institutions and decision-making prevailed, and there has not been any breakthrough toward supranational federal structures. The predominant direction of integration was liberalization (the single market), and even the positive integration measures were subordinated to the aim of the perfect functioning of that liberalized market. Monetary union, to a large extent, followed from the single market project, and the transfer of monetary policy to union level has not yet changed this trend. At the same time, the national states were successful in maintaining their primacy in strategic decisions and the new elements of supranationality remained limited to narrow fields of monetary integration.

The theory which tries to describe these types of developments is called *liberal inter-governmentalism*, and Andrew Moravcsik is considered one of its main proponents. This is a model of a two-level game to explain European integration consisting of a liberal theory of the national preference formation and an intergovernmentalist account of strategic bargaining between states. Moravcsik, for his part, by developing a state-centric theory of liberal intergovernmentalism, describes the Union as a regime that makes inter-state bargaining more efficient, whilst enhancing the role of national leaders.<sup>83</sup>

As opposed to the neofunctionalists, intergovernmentalist theorists deny the need for supranational institutions. “The resultant conversation between neofunctionalists and governmentals is usually presented as the main ongoing schism in the integration theory literature since the mid-1960s. In many ways they present stark alternatives. In terms of identifying key actors, intergovernmentalists emphasize the centrality of national executives, whereas neofunctionalists point to supranational institutions such as the Commission as well as national and transnational interest organizations. Neofunctionalism is a theory of change and transformation, whereas intergovernmentalists emphasize international politics as usual, albeit under novel conditions.”<sup>84</sup>

While in general the federalists were strongly criticized and attacked, no one could, however, deny that the European Communities and later, particularly the European Union amounted to something more, and probably much more, than a simple international institution, even if not yet a supranational, classical federal structure. Several new concepts were developed which tried to formulate that specific, unique and in many respects “in-between” character of the institutional set up of European integration.

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<sup>82</sup> B. Rosamond, (2000): p. 50-51.

<sup>83</sup> Moravcsik, (1993): p. 507.

<sup>84</sup> B. Rosamond, (2000): p. 2.

From the point of view of regulatory theories G. Majone made an important contribution to this discussion; he considers the EU as more and more an instance of a “regulatory state”, or at least one which is on the way to becoming such an entity. According to him, the regulatory state “may be less of a state in the traditional sense than a web of networks of national and supranational regulatory institutions held together by shared values and objectives, and by a common style of policy-making.”<sup>85</sup> (Regulation can be defined as addressing problems of market imperfection and failure.)

The *theories on multi-level governance* extend this discussion into new dimensions. Multi-level governance, in fact, may mean the emergence of a new structure, where *the constitutional foundations of sovereignty may remain largely unchanged*, leaving national member states as basic entities, *but at the same time, it challenges the functional or operational autonomy of states by sharing decisions, and pursuing certain policies in a shared way*. The *multi-level governance*, both in political and regulatory terms mean new qualities. In fact, it is a “search for more effective and cost-reducing means of organizing, structuring and executing collective policy programmes that nevertheless remain crucial for the political viability of the constituent units.”<sup>86</sup> In other words, while power and power sharing remain basically in intergovernmental character, even on the longer run, along the line with the principle of subsidiarity, the Union level of governance takes more growing supranational pattern. That might be the major field of creeping supranationalism, supported by the pressure of increasing efficiency of the governance in general. Policy developments and reforms already tend to that direction.

One of the most important and controversial ideas of the neo-functionalism is the notion of “*spill-over*”, which tried to describe the driving mechanisms of regional integration. Lindberg defined spill-over as “a situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further action, which in turn creates a further condition and a need for more action, and so forth.”<sup>87</sup>

By the intergovernmentalists, the theory of spill-over was sharply rejected. They particularly criticized the notion of any automatism or functional dynamism which would drive integration processes. Instead, they emphasized the importance of national interests, and the primary role of national actors. As Moravcsik writes: “the process of Community-building has proceeded in fits and starts through a series of intergovernmental bargains. Nor has the process by which integration takes place supported the neo-functionalist view. Integration has only intermittently spilled over into related sectors and policies and, at least until recently, the autonomous influence of supranational officials has increased slowly and unevenly, if at all...the empirical evidence does not seem to confirm the stress placed by neo-functionalist on political spillover and the autonomy of supranational officials. But other premises, particularly the focus on economic interests, may still be viable. It remains plausible, for example, to argue that integration is a distinctive policy response of modern welfare state to rising interdependence.”<sup>88</sup>

The arguments of neofunctionalists were reinforced by the new developments of the 1980s,

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<sup>85</sup> Majone, G. (1996): p. 276

<sup>86</sup> D. S. Chrysochoou, (2001): p. 111.

<sup>87</sup> Lindberg, (1963): p. 10.

<sup>88</sup> Moravcsik, (2006): p. 265.

particularly the launching of the programme of the single European market, and then the amendment of the Single European Act. “The SEA was hailed by many observers at the time as opening up new horizons for positive integration. Neofunctionalism was in fact the only theory that could place, if not justify, such claims in a dynamic perspective, linking institutional reform, albeit of a limited nature, to the expansive logic of community action.”<sup>89</sup> At the same time, opponents argued that these developments did not change the character of the Community, inasmuch as they “have followed the same pattern: the joint exercise of the authority by state executives has not led, either gradually or automatically, to the erosion of sovereign statehood, but rather has strengthened the capacity of states to promote and in the long run secure a fair share of their interests within the general system, whilst preserving an area of autonomous domestic jurisdiction crucial to their identity as states.”<sup>90</sup> The liberal intergovernmentalist arguments are repeated in this context as well.

Alan Milward not only denies the conflict between the nation state and the European Community, but he rather stresses the close relation, interaction and interdependence of national and European integration right from 1945. “But is there in fact an antithesis between the European Community and the nation-state? Does the evolution of the Community imply the replacement of the nation-state as an organizational framework and its eventual supersession? It is the argument of this book that there is no such antitheses and that the evolution of the European Community since 1945 has been an integral part of the reassertion of the nation-state as an organizational concept. The argument goes, however, beyond this, because the historical evidence points to the further conclusion that without the process of integration the west European nation-state might well not have retained the allegiance and support of its citizens in the way it has. The European Community has been its buttress, an indispensable part of the nation-state’s post-war construction. Without it, the nation-state could not have offered to its citizens the same measure of security and prosperity which it has provided and which has justified its survival. After 1945 the European nation-state rescued itself from collapse, created a new political consensus as a basis of its legitimacy, and through changes in its response to its citizens which meant a sweeping extension of its functions and ambitions reasserted itself as the fundamental unit of political organization.”<sup>91</sup>

Indeed, the federalist-functionalist versus intergovernmental discourse seems somewhat misleading. In light of the complexity of integration processes, the parallel existence and interaction of national and international integration is a fact, and they offer a relevant and useful guide of research and analysis of regulatory structures. Particularly, this is the case, if we think in terms of constructive nationalism, which seems to be implied assumption of all of these schools. “To a considerable extent, neofunctionalists and intergovernmentalists talked past each other. Neofunctionalists were most concerned with the major day-to-day policy making, while intergovernmentalists were concerned with the major treaties.”<sup>92</sup> Needless to say, academic discussions should not be constrained in any way, but in many respects these concepts are reconcilable, and call rather for dialogue, which from points of view of producing relevant reform proposals, would be highly desirable.

### **National attitudes and policy responses on international integration**

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<sup>89</sup> D. N. Chrysochoou,(2001): p. 93.

<sup>90</sup> D. N. Chrysochoou,(2001):p. 94.

<sup>91</sup> Milward (2000): pp. 2-3.

<sup>92</sup> Hooghe and Marks, (2008): p. 4.

In relation to international integration, we distinguish among *four types of national attitudes and policy responses*: namely *constructive, obstructive, negligent and destructive* ones. We make our analysis in context of these dimensions.

1. The *constructive national policies* mean *nation building* in its totality and complexity (without any ethnic, political or social discrimination), the ability of articulating, defending, compromising and asserting national interests, and of maximizing benefits offered by international integration. Beyond devotion to the cause of the nation, it assumes cooperative attitudes towards the partners, political responsibility and professionalism, skills and democratic culture.

In case of *constructive national policies*, we can speak about policy decisions and measures, which equally serve the national and the common interests of the Union, namely when in the multi-level governance structures, all levels are harmonised and coordinated. We can consider it as a positive sum game.

The deficiencies, and at the end, the *roots of the crisis* of the monetary integration were *partly conceptual and constructional and partly operational*. The Euro architecture is *an experimental construction*. It had several *elements of constructional weaknesses and deficiencies*: lack real common budget and the connected “automatic stabilization”, failure of the no bail out rule and addressing the sovereign debt crisis or deficits of regulation of banking sphere and financial markets.

After 2010, the reform measures of “European governance” made *substantial steps to correct this situation*. In this respect, the creation of new economic policy coordination mechanisms (European Semester); setting up new support facilities (European Stability Mechanisms); creation of comprehensive fiscal frameworks (Fiscal Compact); or decision of Banking Union, all were very important steps forward. They consolidated the functioning of the euro-zone, and averted of a crisis threatening to collapse of the whole system. The whole process was an example of *constructive behavior and policies* both in terms of national and community interests. The same applies to the proposals on the future (Plan for EMU2, Macron-Merkell Plan, Reflection Paper of the Commission in May 2017 etc., which can contribute to further consolidation of the Euro project.

2. The *destructive nationalism*, threatens the whole international system, and with uncompromising attitudes and policies, in spite of its loud and aggressive populist nationalist rhetoric, in reality *hurts its own national interests*. The aggressive prioritising of national interests is a negative sum game, which damages eventually everybody. Historically, the exclusive, discriminative, protectionist and confronting nationalisms of the 19<sup>th</sup> and early 20<sup>th</sup> century were largely responsible for two bloody world wars, causing the suffering and death of millions of people.

The main claims and policy proposals of the newly emerged neo- or ultra-nationalism are on a large extended *expression of destructive nationalism*. They reject basic European values and principles and their positive economic and social proposals are mostly selective and discriminatory. The destructive nationalism is driven by hostile emotions and intentions towards integration and among others against the EU. Populists question either participation of their country in integration

organization, or in most cases, the terms of its conditions.

The populist or Eurosceptical policies fall into this category, which are based primarily on emotional or ideological considerations. Usually, it is about politicians, who propose and pursue policies, which promote only their political popularity and power ambitions. We know that Adolf Hitler, in spite shouting about “nation” from early morning till late night, was the greatest enemy of the German nation. The Nazi concepts of the nation are still haunting Europe, and leading to undesirable and even tragic division among the nations and inside the societies.

The *typical cases of destructions are the environmental policies* of many countries, and broad business circles. These policies not only reduce the general levels of welfare, but by endangering the health of the society and life of the peoples for the future. Particularly in global terms, these types of activities are beyond the reach of jurisdictions.

The other *main form of destruction is corruption*, which is a serious social disease. It is reduction of efficiency and welfare. It is particularly detrimental for a nation, when it embraces broad business and political circles and supported by “national” policies.

3. *Obstructive policies* are not necessarily driven by rejection and hostility; these types of actions can be and are taken even by countries strongly committed to the EU, and integration policies. Obstructive policies can characterize small or large countries; centrum and periphery; new or old members. There are three types obstructive policies: 1) Unilateral prioritizing national interests over the community ones, (which can be over one another country or group of countries); 2) Giving preference to partial, sectoral or local interests over the general national and community ones, usually as a result of lobbying of strong pressure groups in all dimensions of multi-level coordination; 3) Putting into the foreground of short-term considerations over the long-term interests. Obstructive policies are usually constrained by public opinion or electoral consideration.

*Obstructive policies* express deficiencies or failures of coordination at any point of the chain of multi-level governance. The *rent hunting* of certain groups can bring unilateral benefits, but they usually mean *only suboptimal gains*. The obstructive and destructive nationalism often overlaps or intertwine, each strives for unilateral benefits, and largely can be negative sum games. The unilateral benefits often can come from free riding.

One of the typical examples of the long history of obstructing policies is *CAP*. The CAP gives preferences to one of the sectors of the economy. For long it helped the modernization, Western European agriculture, but later on, claiming it as an established right got growingly obstructing character. It more and more lost its economic rationale, it prioritizes rather marginal, but powerful social and political groups, while it contradicts not only to the general national, but even the overall agrarian interests. CAP in its present structures basically fails to contribute to the global competitiveness of European agriculture. Of course, the support of agriculture is necessary from several points of view, what is opposed that is the present construction of the CAP.

Concerning the *monetary integration*, the reform measures of the last decade have been far not enough for fully getting out of the crisis. They need further consolidation and reform measures. In these respects, there are *broad elements of obstruction*. Further reforms would be particularly *urgent in case of the need for real community budget and addressing the sovereign debt crisis*.

The EU budget would be in the interest of the whole union. Both for the stabilization of the monetary union, and to take a dynamic growth path, the budget reforms are urgent. But as the required measure is unpopular; the reforms, so far, not surprisingly, have been obstructed on the basis of diverging national interests. Obstructing union interests in the short run, again costs lot in the long run.

Modern market economy budgets mean primarily the financing or buying of certain public goods and services by paying taxes. We pay taxes for access to education, medical services or security, including public peace and cohesion. For the sake of acceptance of reforms, *identification of community functions, which potentially are quite substantial, would greatly help to change the present situation.* If contributions can be convincingly connected to important services and functions provided by the Union, they might be more acceptable.

One of the typical examples of *obstructive policy concepts and attitudes* is the slogan of “no transfer union”, favoured particularly by net budgetary contributor countries. No doubt, that the idea is justifiable, as it is important, that irresponsible policies and free riding should not be encouraged. But at the same time it is a misleading to see “transfers” only in budgetary terms. The overwhelming parts of gains from “transfers” are related to markets.

Not surprisingly, the issue is both politically and socially delicate. While the beneficiaries of market transfers are the large companies, the budgets are mainly financed by the taxpayers. To recognize these aspects in budgetary reform, is meeting strong opposition and obstruction from large business circles (make company taxes part of the “own resources”, not to speak about replacing VAT element by them). No doubt that the impacts of taxes on competitiveness should be carefully considered, but a real common budget able to exert the functions of “automatic stabilization”, on the longer run, through its consequences on consolidation would be beneficial for every actors of the economy, including the business sector.

The other main reform challenge for the Union is addressing *the sovereign debt crisis*, where so far any serious steps forward have also have failed. The debt crisis cripples the economies of the South, and it has a paralysing effect on the whole union. The treatments are always ad hoc and on an occasional basis, and everyone is aware that these debts will never be paid back. The direct social costs of mistaken debt management are enormous and keep on cumulating. Indirect cost, as a result of the losses in economic growth and other fields, amount substantial.

The attitudes to both the debt crisis and the budgetary reform are *typically obstructive*. Hesitating to take, in case, the no doubt substantial short term costs means losses, endlessly cumulating and multiplying in the longer future.

4. The *negligent policies* are about *misunderstandings, mistakes, ignorance, incompetence or irresponsibility*. In milder forms, it can mean faulty concepts or constructional, conceptual, operational or behavioural mistakes. These are often about politician bargaining for maximizing votes, while neglecting or ignoring the real position and interests of their own country. Negligence is generally characteristic of destructive policies and vice versa. And they are also negative sum games. Brexit, in many respects, is an example of that.

The euro project was born in the atmosphere of ultra-liberalism of the 1990s, and was *primarily based on the assumed regulatory and disciplining role of the market*. It was believed that

the strict prescription of the monetary criteria will reduce member countries' room for maneuver in economic policy, and under the pressure of greater discipline, they can improve performance and competitiveness only in the sphere of the real economy. Accordingly, since devaluation was not possible, money markets were expected to exercise even stricter selectivity with regard to national governments and restrain them from irrational behaviour.

If we look back to the last decades, *in term efficiency and success of the assumed market regulation, the picture is disappointing*. In reality, markets with low or negative real interest rates gave the wrong signals, and encouraged rather than prevented the accumulation of debt. As the danger of devaluing ceased, risk premiums dropped and all the Eurozone members received favourable credit ratings (the problematic countries were upgraded). In reality, instead of “disciplining” governments, the debts could be increased with diminished risks. As it turned out later, the markets rather encouraged irresponsible behaviors and they instead of disciplining in advance, rather punished afterwards, in fact very strictly. When the assumed “disciplining” mechanisms entered into force, it was too late, and they rather pushed countries into a downward spiral. *The regulatory role of currency exchange rate was also overestimated.*

*Misunderstanding and overestimating the regulatory role of the market* was typically a certain sort of *benign neglect*, capturing all the actors from governments to business or from national to community levels, which then was largely contributing to the crisis.

At the same time, *the importance and role of broader social regulatory frameworks*, both theoretically and in policy terms were largely underestimated. It is not by chance, that we speak about “social regulation”. It is not just about the state intervention, but it refers to the broad democratic regulatory role of non-governmental institutions, like chambers of industries, trade unions, organization for protection of the environment, consumers, or anti-monopolistic regulations or great number of civil organizations.

The crisis, particularly in indebted countries, has led to harsh austerity measures. Economic policies still suffered from *ultra-liberalist rigidities and social insensibilities*. Too much emphasis was given to deflationary stability, which came at a very high price for many people in the form of austerity packages. Beyond the costs of deflation, the social and political repercussions seem substantial.

Looking back to about two decades, the *obstructive national policies* (unilateral following national or partial interests) were general, and often they were *mixed with negligent attitudes as well*. As a typical case of obstruction, large spheres of national policies were subordinated to short-term election considerations, as opposed to the long-term stability of the whole community. Obstructive policies characterized all the market actors. Irresponsible attitudes of debtors were accompanied by the irresponsible policies of creditors (commercial banks of the core countries) as well.

### **Integration on new track – from neo-functionalism to post-functionalism**

From the 1990s with the launching of *Economic and Monetary Union* the European integration process *entered a qualitatively new phase*. Customs unions, the common market and

single market represented liberalization (“negative integration”), that is, the complete opening of markets to one another. Even customs union and the single market required certain common policies, but these mainly served to ensure the normal functioning of the market.

Economic union meant qualitatively more, since the establishment of new institutions and economic policies was required (“positive integration”), and the reallocation of former functions to union level. *Economic union* goes beyond the common or single market and implements comprehensive integration over a wide range of economic policies.

In the wider sense, economic union involved three main stages of economic policy integration: (1) *uniformization and harmonization of economic policies* (VAT); (2) *economic policy coordination* can be defined as concerted action by selecting economic policy aims and the means for implementing them (EMS –ERM); and 3) community-level unification of national economic policies (community, “*common*” or *union policies* – (CAP, monetary policy, and ECB).

“*Common policies*” mean transfer of competences and executive potentials to Union level, taking over totally or partly the role of national policies. When analysing policies, we should focus on objectives, means and measures and the attainment of each of them. The common policies growingly assume supranational institutional and decision making frameworks, and mean steps towards federal structures.

By the 1990s, through the high intensity of cooperation, interconnectedness and interdependence of EU economies *the real-integration* (“integratedness”), *reached also a new level.*

The amendment of the Treaty of European Union in 1992 was an important development, which “clearly marked the passage of the community’s evolution ‘from policy to polity’.”<sup>93</sup> Although the member states did not consider abandoning their devotion to national sovereignty, “there was evidence that the TEU brought the new structures closer to being considered as a political system in its own right with significant capacity for governance.”<sup>94</sup> By that, none could deny that national sovereignty was affected, which was received, however, with mixed feelings of the different member states. “With the Single Market and the Economic and Monetary Union, the integration process has reached a point where any further deepening would require additional transfer of sovereignty on fiscal, social and political levels and has moved closer to the ultimate goal of political federalism that is definitely not objective for many Member States.”<sup>95</sup> It should be added, that with the 2008 crisis, the deficiencies of the project came to surface, and led to its own crisis of the whole integration process.

By early 2000s, together with implementing the single market and monetary union project, all these meant *qualitatively new stage of EU integration.*

The new challenges were substantial, which brought *qualitative changes both in community level and in the structure of national integration.* In term of late, we should speak about not only *a qualitatively higher level of intensity of both external and internal dimensions of national*

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<sup>93</sup> Hooghe and Marks, (2008): p. 4.

<sup>94</sup> D. N. Chrysochoou, (2001): p. 96.

<sup>95</sup> Bouin, (2018): p.. 45.

*integration, but their relations have become closer. It was a turning point in the sense, that integration reached a level, when further steps can face serious counter-interests and opposition, and are possible only through tough bargaining, coordination and consensus seeking. And, as broader economic, social and political interests are at stake, these no longer are matters of the elite, but call for broad democratic public support.*

“European politics has become multi-level in a way that few, if any anticipated. The European Union is no longer insulated from domestic politics, and domestic politics is no longer insulated from Europe. The result is greater divergence of politically relevant perceptions and accordingly constricted scope of agreement.”<sup>96</sup> “Domestic politics has become more tightly coupled with political outcomes. Treaty bargaining among national governments is mightily constrained by fear of referendum defeat. Party leaders on government worry about the electoral consequences of European policies. A wide gap between public and elite, an increase of intra-party conflicts, a series of referendum defeats and the deep reluctance on the part of governments to hazard public debate on further integration, all signal these new developments.”<sup>97</sup>

The traditional assumptions and tendencies of neo-functionalism had to be revised. The term of *post-functionalism* was introduced, which better captivated, among others, the qualitatively new relations between the union and national policies and regulation and the necessity of coordination and consensus. In general theoretical terms, *the post-functionalism is the recognition of the qualitatively new trends, and in particular the new closer relation of the external and internal dimensions of national integration.*

The new changes call for new approaches, both in concepts and practice of regulation. They bring *fundamental changes, both in terms of multi-level governance and in relations among different levels.*

*The development changed the position of nations, and new ways of thinking and policies are required, if any reforms could be successfully worked out and implemented.* “Neofunctionalism and liberal intergovernmentalism generalize from the first three decades of integration, when creation of a European legal system was driven by the demand for adjudication of economic disputes between firms. The implication, for most people (except groups of farmers), were limited or not transparent. Public opinion was quiescent. These were years of ‘permissive consensus’ of deals cut by insulating elites. The period since 1991 might be described, by contrast, as one of ‘constraining discensus’. Elites, that is party leaders, must look over their shoulders when negotiating European issues”.<sup>98</sup>

These are fundamental changes, and the neo-functionalist spill over is replaced by the possibility of *post-functionalist backlash bringing a remarkable turn in positions of politicians, while upgrading the role of nations* in international integration systems. But what should be particularly stressed that it meant not only new challenges in terms of external integration, but *the internal adjustment and alignment (integration) have got of strategic importance.* In fact, this is *the main characteristics of the qualitatively new course, and the decisive factor of any new reform*

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<sup>96</sup> L. Hooghe and Marks, (2008): p.14.

<sup>97</sup> L. Hooghe and Marks, (2008): p.5

<sup>98</sup> Hooghe and Marks, (2008): pp. 21-22.

*and development.*

*The changing of the track by European integration from the 1980s started in the atmosphere of neo-liberalism.*

The role of *monetarist revolution of 1970s* years was decisive in the process. The discussions and first attempts of economic and monetary union in Europe, in the 1970s, coincided with the collapse of the international monetary system, which *in the thousand years of history of money represented a qualitative turning point*. The demonetization of gold practically meant the end of commodity monies, which were replaced by “monies” with undefined adjectives (“credit”, “fiat” or “fiduciary”) and with undefined materials (“paper”, “plastic” or “dot”). The new system was called *monetarism, which meant not only a theory, but also a regulatory framework, replacing former structures based on the gold standard.*

At the beginning, the monetarism could be considered as a neoliberal theory, proposing new regulatory structures, while preserving social sensitivities. Although, monetarism was identified with overall liberalisation, but it did not mean elimination of regulation, but rather transforming it. The monetarism fell into the row of history of neoliberalism, which since the 1930-1940s, as a political course re-appeared in policies of several political parties, and after the war from time to time it became the ideological basis of economic and social policies (ordo-liberalism or social market economy etc.) of many countries. It stepped up as critics and opponents of the so called Keynesian policy, prevailing in the previous decades in most of the developed countries. Contrary to demand the creation of Keynesianism, it meant demand control, management of quantitative money supply (later inflation targeting), creation of independent central bank, strict control of budgetary expenditures, and reform of outdated welfare state.

Similarly to traditional neoliberal philosophies, it remained sensitive to social issues. Instead of unemployment (Keynesianism), for it the number one public enemy was inflation. One can only reflect, from the two, which is the most destructive social disease. Milton Friedman was the first, who proposed the introduction of negative income tax, which is a version of a guaranteed income for everybody. In the EU, the EMU was formulated along the monetarist premises.

*Since the 1980s*, however, the economic policies more and more *moved away from the traditional neoliberal values and concepts*. The liberalization of global capital markets was excessive, eliminating regulation and controls beyond rational stability considerations, and greatly contributing to the crisis after 2008. The elements of market fundamentalism came into the foreground in policies of such countries as UK (by Prime Minister Margaret Thatcher from 1979), USA (President Ronald Reagan from 1980) or Chile (Pinochet), and the monetarist philosophy was combined with broad attacks against the traditional welfare state. In global terms, the Washington Consensus became the guideline of world economic policies, and the shock therapies in the transformation policies of former socialist countries. The monetary and budgetary balances got absolute priority, and in choosing policy alternatives the social considerations were largely neglected. On the whole, this meant a certain sort of break with traditional neoliberalism, and it is probably not mistaken to label them as *ultra-liberalism*.

These *ultra-liberalist trends can be caught later in the implementation of the single market and stabilization policies of the Eurozone*. The austerity policies and measures were to a

large extent socially negligent, they lead to social degradation in several crisis countries, threatening even the middle classes. The increase of extreme inequities led to a *cohesion crisis*, which culminated particularly after the 2009 crisis. All these meant *rejection of the former integration model*, and call for a new one, which more properly corresponds to the changes and new challenges.

### **Emergence of neo- or ultra-nationalism**

The one of the new developments, in the about the last decade, related to the crisis of international integration *is the emergence and growing influence of neo-nationalism*. The neo-nationalism is not a theoretical school, neither a political movement. It *is basically a political course or trend*, which is connected with the appearance of some *new political parties* or as a *new course of existing parties* (Alternative for Germany, the True Finns, Sweden Democrats, the National Front in France, Freedom Party of Austria, Party for Freedom in the Netherlands or Social Liberal Party in Brazil etc.). Many are rooted in the past, but in the present political discourse, they can be considered as largely new developments.

The neo-nationalist courses are characterised by *greatly diverging motivations, objectives and strategies all over the world*, but they are characterized by some traditional common features of extreme nationalism. "Perhaps the greatest change in the ideology of these parties is the increase in nationalist claims. Contemporary parties oppose multiculturalism and increasingly favour a traditional, national way of life. Parties have also become more concerned with law and order."<sup>99</sup> It is accompanied with the revival of ultranationalist or Nazi type of movements, advocating racist ideologies, nativism, tribalism, xenophobia, anti-Semitism, or Islamophobia. In Europe, they are represented by the large number of Eurosceptical movements, which feel justified by crises of EU integration. According to these, on the whole, it is probably not mistaken to label them *with ultra-nationalism*.

The neo- or ultra-nationalism was based on several developments. The changes, which generated increasing of rejection or opposition to global, and Europe integration, were complex. As it was pointed out, the period after 1990 was characterized by extreme differentiation of incomes and social benefits of integration, which was aggravated by the post 2008 crisis. This raised resentment and rejection by the public opinion, and both national governments and European integration were seen responsible. The different public opinion surveys support this development. The destructive nationalistic attitudes got good munition for its populist agenda, and that was largely exploited. "Most of main stream parties continued to resist politicization of the issue. But members of populist, non-governing parties smelt the blood. On the left, opposition to European integration expressed antipathy to capitalism, on the populist right, it expressed defense of national community."<sup>100</sup> Distribution conflicts related to advantages of integration, both on global and EU levels were important factors.

The neo-nationalism was generated by several other specific factors:

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<sup>99</sup> Eger, (2015): p. 20.

<sup>100</sup> Hooghe and Marks, (2008): p.21.

A growing feeling that the traditional values, cultural heritages and ways of life are threatened by globalization (nostalgia for past “secure” and closed societies);

Growing secularisation is conceived as a threat (both Muslims and Christians feel that way), particularly among the religious people;

Migration crisis and threats of global terrorism;

Desperate efforts made to restore the lost world or super-power status (Putin, Brexiteers), or to stop losing it (Trump).

In a study analysing of party manifestos and election results of Western European countries, it is proposed “that ‘neo-nationalist’ is an accurate term for modern radical right parties for several reasons. First, the name correctly identifies them as a set of parties with nationalist ideology, often manifesting in xenophobic anti-immigrant policy preferences. Therefore, their links to right-wing extreme parties of the 1970s, 1980s, and early 1990s are evident, which is important since both sets of parties are part of a wave of politicized anti-immigrant sentiment in the post-WW II era.

At the same time, due to failure of ultra-liberalist course, following 1990, their *radical populism and extremism should be distinguished from parties with strong roots in ultra-liberalism*. These are not the neo-liberal free-market parties of the radical right that flourished in the Reagan–Thatcher era; thus, grouping radical right and neo-nationalist parties together is an oversimplification that renders prominent features of the left–right distinction meaningless.

The term neo-nationalism is consistent with the parties’ economic preferences, as welfare state design is part of national culture. “However, since nationalism implies welfare chauvinism in favour of ethnic nationals, the term also sets them apart from left-wing parties who may have similar but more inclusive policy preferences. Neo-nationalist parties generally support the maintenance of social insurance, with preferences for protecting or increasing benefits to ethno-nationals, while cutting benefits to out-groups. Though their policy preferences are welfare chauvinist, they do not seek to decrease overall social spending or minimize the role of the government in social or economic policy. In this sense, they are not parties of the far right, evidenced by the fact that they also attract voters from the economic left and from the center. This is important for reasons beyond categorization: If anti-immigrant parties’ economic policy preferences are shifting, there are important implications for how we understand their success. Finally, the term neo-nationalist identifies the parties as having nationalist ideologies, but distinguishes them from parties promoting state-building forms of nationalism.”<sup>101</sup>

Neo- or ultra-nationalism has no *comprehensive economic, political or social program*. It is rather about *extremist or populist slogans or promises*, which aim at gaining votes and acquiring power. Ultra-nationalism *demonizes certain global actors* (countries, persons or organizations), but often it is no more than shadow boxing. It over-dramatizes certain development, processes and its consequences (migration, terrorism, global competition or simply the trade deficit).

The ultra-nationalism threatens with the *criminalization of certain fields of legislation and social regulation* (again). This could mean a softening of anti-monopoly and anti-corruption

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<sup>101</sup> Eger, (2015): pp.115–130, on-line version pp.6-7.

jurisdiction or environment protection measures, particularly in relation to domestic business. Later could entail breaking related international agreements, licensing polluting projects of certain domestic business circles, or just cutting the trees. In this respect, losing Amazonia as lung of the Earth is a real global threat. Among others, these policies, by endangering the health, at the end, can cause death of a great number of people.

Some connect them to the “neo-nationalist desires and partitions strategies”, which pose serious threat to integrity even some old established Western European nations. “Claims to national self-determination, meaning state independence, have affected the stability only of some East European countries, such as Ukraine and Georgia, but – quite unexpectedly – also of Western Europe, especially some important EU member states, such as the United Kingdom, Belgium or Spain.”<sup>102</sup>

The process is connected to revival of ethnic disputes and neo-(ultra)-nationalist trends, but is also reflected in a certain *distribution conflict*. There is a striking similarity among the Catalan, Lombard or Flemish arguments as their claims for secession are based on the problem that they pay more into the central budget than what they receive. Of course, the problem is not that Catalonia or Flanders are obliged to pay higher taxes, their higher tax transfers stem automatically from their higher development and performance levels. It should be added that the budget transfers are only one dimension, in fact, far not the most important one in the balance of advantages and disadvantages of any integration. The composite balance of all costs and benefits can be totally different from that, and be it Brexit or Catalonia, it does not actually support any secession. The populist-nationalist agitation is only an addition to this trend.

This new wave of disintegration “would have a more comprehensive effect, with geopolitical implications for both Western and Eastern Europe. Admittedly, however, all of these claims might not necessarily lead to independent states.”<sup>103</sup> It is important, that contrary to the main line of neo-nationalism, these partition endeavours, basically are not anti-European, on the contrary, Catalans or Scots strongly pledged to EU membership.

The neo- or ultra-nationalism is hostile and destructive toward international integration, says *nothing about the new role of the nation state*, and has *no relevant reform program for improving the global or the EU regulation*. This applies to even those parties or their programs, which do not propose leaving the EU by their countries, but only reject some of the integration projects (Eurozone joining).

We should return the excellent analysis of Alan Milward on role of nations. “The European Community only evolved as an aspect of that national reassertion and without it the reassertion might well have proved impossible. To supersede the nation-state would be to destroy the Community.”<sup>104</sup> It is true other way around. At the present achieved level of integration, if the European Community were destroyed that would be the end of the modern, 21<sup>st</sup> century European nation state. Ultra-nationalists are enemies not only the EU, but also of their own nation.

In this respect, the Brexit seems to be a test case and a reminder for ultra-national amuck.

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<sup>102</sup> Bianchini, (2017): pp. 183 and 37-38.

<sup>103</sup> Bianchini, (2017): p. 183.

<sup>104</sup> Milward (2000): p 3.

Brexit has proven that there are only worse options than full EU membership; the process might marginalise and even disintegrate what is now known as the United Kingdom.

## **II. Reflections on the future and the reforms of the EU Integration (Some Conclusive Remarks)**

### **Need for new and complex theoretical approaches**

The integration theory, following the war, was born in relation to emerging European integration. The suggested basic forms of trade integration (free trade area, customs union, common market or economic union) were applied only later on other continents (LAFTA or South African community). The process changed to full steam only in the last decades. Besides the “European Studies” the “Comparative Regional Integration Studies” became a new discipline. But the integration theory remained rather as a discipline on regional issues.

The concept of integration as certain community formation goes beyond the mainstream schools, and *extends* the analysis into *structural and historical dimensions*. Occasionally, we can meet with the phrase of “global” or “national integration”, but there are no comprehensive theories behind them. There is a tremendous literature on cities or companies, but it is hardly indicated that they can be formed or component of a certain sort of integration. It is evident that there are urban or corporate dimensions of the European integration processes, but they are analysed without contextual approaches. Structurally, these communities exist besides each and other, and they are in close interactions and interdependence. The performance of the EU or any nation largely determines the state and performance of their composing communities and vice versa. Those views, for example, that due to globalization, families or nations disappear are basically mistaken, and they can put on the wrong track all of the reform thinking and proposals. The extension of the integration process *into historical dimensions* is equally important.

Mainstream integration theories are *institutions and policy centred*. The “integration profiles” *extend these theories to the real integration*. They open up new dimensions of research. The fact, that the UK in real economic terms is highly integrated with the EU gives explanation on the absurdity of the Brexit, namely there is no alternative to full integration. Any break is much worse, than the present situation. Such conclusions do not follow from any institutional or policy analyses. It is not by chance that dimensions of real-economic integrations are so much neglected by the ultra-nationalist political forces.

The recent crisis proves that the defects and deficits of integration and its governance *should be analysed on all its levels*.

The serious consequences of global crisis have been already indicated, and the role of global financial crisis in the Euro crisis is also well known. About the *global regulatory deficits* (lack of institutions and policy) huge literature could be quoted.

We should not forget about the *local dimensions* either. While, for example, from integration on the macro-level everybody gains, some marginal or particular circles (political or business) may get in losing position. The “Polish plumber”, if working legally, can improve the market stability, can be beneficial for the consumer, in general it can increase the GDP and the revenues the budget. On the whole, there is no conflict with the general national interest. In relation to this, the bankruptcy of some local plumbers can be seen a marginal issue.

In local terms, however, the competition of foreign entrepreneurs or workers can be a source of social or political conflicts. Some business may bankrupt or unemployment of local peoples may increase. And on the whole, it can amount to a “critical mass”, which politically can already significantly count (bringing votes for populists). This was typical in case of referendum on Brexit. This proves that beyond the national or community dimensions, regulation at the local level should not have been neglected.

It is often claimed that the single market project is fine and that the reforms should tackle primarily the sphere of monetary integration. However, this is hardly the case. The single labour market was created as part of the large-scale opening and liberalization of the markets among only 12 members. Due to the given circumstances, the community-level social frameworks (dimensions of employment and income policies, or social partnership) were largely forgotten and the possibilities of corrections on local levels were excluded. Later, the Union was enlarged to 27 members with highly diverging levels of development and structures. These changes, however, were neglected, and in the spirit of ultraliberalism, insisting on defending “Community achievements”, correction mechanisms were rejected. If the EU had such frameworks, Brexit and many other conflicts might have been avoided. Reactions to claims of Cameron were contradictory, not enough convincing and too late.

*We refrain from analysis of the mezzo levels of international integration.* We know that the main *holders and promoters* of real-integration processes are the *Transnational Company Networks* (controlling about 70% of world trade and more than 90% of R&D expenditures). The main *spatial or organizational frameworks* of international integration are the major cities, in particular the *Global City Networks*, which give about 2/3 of global GDP. They are the major locations of the production, trade and finances, company headquarters, major service providers, actors of transmission of regulatory conditions, or centres of infrastructure (airport, naval ports or railway junctions). Although, all of these have far reaching implications on any reform, they are largely beyond the reform considerations.

### **Increased and active role of the “new members” in the reforms**

So far the *integration project was largely shaped along the lines of interests and the will of*

*old member countries*. This applied to all major integration projects such as the single market and monetary integration. The Eastern enlargements, however, have brought substantial differences among the 27 members, which even later on in the decisions were largely not taken into account. These differences cut North and South, and East and West.

We refrain from commenting on the relevance of the Maastricht criteria for the old member countries. They are more questionable for the new members; let it be the inflation targets, the budget deficit or ERMII requirements. The most striking example is the demand for balanced budget (Fiscal Compound), which is totally irrelevant for a group of emerging economies. According to the economic history experiences the catching up usually was accompanied with substantial and lasting imbalances. They mean normal “prices” for convergence, which is “payed back” later by higher level of development and competitiveness. Of course, if the debts are consequences of wasteful allocation and exploitation of resources, that is a different question. But they should be avoided and not the deficits in themselves. The list of special requirements and solutions is of course, much longer.

The differences are not only economical, such as gaps in levels of development, competitiveness or incomes. They are historical, cultural, religious, social, political, and geographical or many others; and they are even more decisive.

One important difference, which particularly counts for points of view of our analysis, is in the characteristics and the trajectory of nation building and consolidation. In the East compared to West, there were about one hundred years of belatedness. The process in the East was less organic, and in many cases nations were born in the fire of fight for independence. In many cases the state frameworks were missing, and they were achieved only after 1990.

Due to belated social development (emergence of capitalism and bourgeois society), the missing of the critical number of politically self-conscious and independent-minded citizens (“citoyen”) was a crucial hindering factor of development of modern political nations. The traditions of democracy are weaker, democratic political culture is underdeveloped.

Almost without exception, the states of the East-Europe are multi-ethnic, and the ethnic conflicts destabilized their national integration. The lack of “European” solution of these conflicts is still a democratic deficit of the region.

In some countries the religions (churches) played a positive role in fighting for national independence (Poland), in many others religious-political conflicts historically had self-destructing consequences for their nations (protestant-catholic war fares or antisemitism-holocaust). Traditions played an important role both in terms of social and political mentalities or behaviours. In many countries of the East the corruption is deeply embedded into the social and political life, the public rejection of corruption is weaker.

Many of the Western countries were colonial powers, while most of the Eastern countries historically for a long time were practically in semi-colonial or dependent status. That brings differences in tolerance to multi-cultural society and in understanding its advantages and problems. As a result, the migration poses different problems. It is easier to accept others if they can speak the language and schooled from similar education systems. The crisis, particularly the migration crisis brought these differences into the surface, and it proved to be highly divisive. The neglect of

the heterogeneity of the enlarged union has led to social and political tensions, and they have to be addressed.

The European integration has its antecedents in cultural, economic or political cooperation through many centuries, which survived even the bloodiest wars among European nations. We can speak about European culture (literature, music or painting), which transcends East or West divisions. Intensification of economic and political relations now tends to integrate, and surmounting the differences is basic interest of all nations.

A “*multi-speed*” Europe or a “*variable geometry Europe*” are models of integration that are not alien even from classic federations (e.g., institutional differences between Alberta and Ontario, in Canada). These models are already realities of EU development. Only 19 countries are members of the Euro-Zone, and its enlargement is not probable in the near future. There are 26 countries in Schengen. The UK opted out; Bulgaria, Romania and Croatia are candidates for membership. At the same time, Iceland, Lichtenstein, Norway (EEA) and Switzerland are associated members of the project. The White Paper of March 2017 refers to this as Scenario 3, “where certain Member States want to do more in common, one or several ‘coalition of the willing’ emerge to work together in specific policy areas.”<sup>105</sup> It fits into the concept of “enhanced cooperation”, and should mean nothing more than some of the countries taking “the role of the engine” in integration processes.

In light of the substantial differences among the nation states, a multi-speed Europe is a realistic option, even in the longer run. This model can be supported only on the following conditions:

- it remains open by retaining the possibility for other countries to join any time (i.e., it should not mean a “new Iron Curtain”);
- it should not mean any isolation among the members, it should seek new forms and channels of transmission;
- it does not threaten the cohesion of the Union;
- it preserves the integrity of the *acquis communautaire*, particularly the basic rights, and decision making process; and
- it maintains the normativity of all major policies.

Multi-speed Europe means that we are all heading towards the same destination, but with a later train, or on a different track. In light of the substantial differences, this can be a viable option. Variable geometry versions carry more danger. If we follow different aims then we can easily find ourselves on a train that is going nowhere.

„Assuming that the future will be a multi-speed Europe, it is evident that for us the only relevant and exemplary objective could be to belong to the core at all costs as soon as possible. We should do everything to stick on this core, and to use its gravitational power for our rising.”<sup>106</sup>

All parties agree, that the European Union is a uniquely special and complex entity without precedent in the past. As far as the future is concerned, “the Union remains an integrative venture

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<sup>105</sup> *White Paper on the Future of Europe*. (2017), p. 20.

<sup>106</sup> Ószi, (2005): 177. p

whose final destination is yet to become discernible.”<sup>107</sup> It is still a sort of halfway house between federal and confederal structures, a “partial polity” or “part-formed political system”, a “betweenness” which is still in a “grey area” between the national and the supranational state. “The Union remains an unresolved social scientific puzzle with an ‘open *finalité politique*’.”<sup>108</sup> It is a “baffling mixture” of federal and intergovernmental properties<sup>109</sup> and “the most complex polity that human agency has ever devised”.<sup>110</sup>

Even if we do not know the ending of the story, it can be reasonably presumed that the EU’s future lies in a federal configuration. But, about the question, in what concrete forms and when could it be realized, the opinions are deeply divided. Should it be just a loser confederation or even just nothing more than “ever closer Union”, remain open.

It seems, at the moment, that a centralised form of federation in Europe is out of the question, but various forms of *multinational federal structures* can be acceptable. “It presumed the protection, preservation and promotion of distinct sub-state nations that would be able to determine themselves as nations within the larger federal state.”<sup>111</sup> This federation or confederation should seek to preserve the culturally and nationally heterogeneous character of the continent, and at the same time it should consider “*sub-state nations*” as *the basic resource of its development*. Nevertheless, such a scenario should not entail the elimination of nations; it could rather support their development, along with adjusted national structures.

A solid federation should be *based on organic and democratic development*. The main stages in the federation of the American states are the Declaration of Independence, the Constitution and the conclusion of the Civil War. Nevertheless, the federation itself emerged very gradually, and consolidated by developments such as the emergence of the American industry, the internal market, the construction of railways across the Continent, the harmonisation of banking and financial markets, or the creation of a national highway network. This evolutionary path of development will hopefully apply to the EU as well. Only a fully democratic federation can have a solid future.

The enforced surrender of national identities and interests is an unacceptable option. Europe, in terms of its diversity, is “deeply divided continent”. “Its own geographical, political, economic, cultural and national multi-colourity, is one of the most characteristic distinctive mark of Europe. As result, in spite of already seventy years of integration efforts, the common European identity, the unified European society and European public opinion could not be born, and the *European political community* could not be formed. Without this to speak about federal Europe, and to create it, is nothing else than an adventurous, dangerous venture, even more a sheer illusion.”<sup>112</sup> We had impressive progress, but the recent crisis proved the vulnerability of EU cohesion. In fact, for nations coming out of an oppressive federation is not easy to join immediately

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<sup>107</sup> D. N. Chrysochoou, (2001): p.16.

<sup>108</sup> Wessels, (1997): p.12.

<sup>109</sup> Bellamy and Castiglione, (1999): p. 11.

<sup>110</sup> Schmitter, (1996): pp. 24-40.

<sup>111</sup> Burgess, (2012), p.24.

<sup>112</sup> Gyurgyak, (2018): p. 14.

an evolving new one, even if it offers to guarantee all of its democratic aspirations.

### **National adjustment (re-integration) as a strategic issue**

The *national adjustment (internal re-integration)* is a basic component of the new stage of *integrational integration*. This means a *strategic up grading the importance of the nations in the international integration processes*. This is *the main point and the conclusion of this paper*.

*In structural terms, this adjustment is based on market forces, but it can be supported by several policy factors*. These national policy adjustments assume appropriate “*policy mixes*”. The following areas are strategically particularly important:

- structural or innovation policies;
- development of infrastructure and the quality of human capital (education, training and health);
- social and employment policies (the single market has already called for this),
- income and social partnership policies (supporting price stability);
- social, regional and welfare policies (for coping with social and regional inequities)

As the experience of the last two decades showed, that the *failure of internal transformation and restructuring, the deficiency of national policy adjustments played prominent role in the recent crisis of European integration*. These deficiencies could be identified both in terms of *setting policy priorities and choosing the proper new “policy mixes”*.

In the last decades, the EU member countries in their adjustments showed quite mixed, and in general, disappointing performance. One of the typical examples of failures was underestimation or negligence of the *role and importance of development and structural policies*. It became clear that neither strict common monetary policies, nor market mechanisms could automatically increase competitiveness. Economic development always depends on the interests and behaviours of the main actors, from entrepreneurs to governments. Cheaper money can be spent on innovation, development or re-structuring of the economy (Germany). But it could also be used for increasing incomes, for buying votes (Greece) or investing in real estate speculation (Ireland).

Most governments neglected the importance of *responsible income policy by breaking the link between incomes and productivity*. This led to negative consequences from the point of view of competitiveness and contributed to budgetary problems. Theories in the optimal currency area assume that exchange rate correction mechanisms are replaced by flexible factor incomes, including wages and interest rates. No one recognised the importance of income policies neither at the national or EU level. At least not to the extent, that it was the case formerly in Germany, where the Bundesbank could count on the well-established cooperation between the trade unions and business organizations.

Concerning the national adjustment, the so far largely *negligent attitudes should be*

*replaced by strategic thinking and more cooperative policies.* Only conscious national transformation strategies and policies can align the nations with the challenges and opportunities of international integration.

From the point of view of successful adjustment, three main policy priorities are important: *competitiveness, maximal exploitation of the benefits of integration and convergence.*

The new stage of integration, based on a single market and monetary union means the full opening of markets, *upgrades to the importance of competitiveness*, and puts *new adjustment constraints on individuals, companies and national policies* as well.

All these increase the importance of innovation, education and training, care about health, development of infrastructure and their supporting policies. In international integration, competitiveness means not only globally competitive companies and sectors, but also a competitive national middle class and political elite. If it fails in adjustment, more precisely, if its political elite proves to be incompetent and unable to defend the interests of its country, that is a serious blow from the point of view of success of the nation. Innovative thinking and mentality should pervade the whole society.

From points of view of individuals, the quality of education, and the possibilities of training or re-training are important. The same applies to the access to a high level of health service, and in general to all public services. Integration supposes changing the public mentalities, and such heritages as inward looking attitudes, suspicion toward change and otherness or intolerance should be overcome.

For company sector, for the longer run, investment and entrepreneurship friendly atmosphere are needed through eliminating bureaucracy and corruption with transparent and calculable policies.

While encouraging foreign investments, *particular attention should be given to local small and medium sized companies.* The success of SME, either as parts of transnational company networks (value chains) or taking transnational company attitudes in their own right, are basic indicators and factors of competitiveness of a country.

In terms of *convergence, the performance of new members remained contradictory.* In the last two decades, concerning per capita GDP, all the members were catching up substantially, although, the individual performances were quite differing. This was, however, on the large extent, *re-convergence.* In the 1960s, Hungary's per capita GDP was around 60% of the developed West, a gap, which was similar at the end of the 19<sup>th</sup> century. By 1990s, this share fell to around 40%, which was a spectacular failure of the bureaucratic central planning systems (lost war of "peaceful competition"). The present 67% level of the per capita Hungarian GDP of the EU average, means the about same 60% of the developed centrum (Austria).

While this roughly corresponds to the differences in productivity (70%), in several relations that differences are more substantial. Compared to 70% level of Hungarian average productivity of the German or the French ones, differences in level of minimum wages are three times higher in the two countries than in Hungary. We find the same differences in terms of general levels of wages or pensions. The differences proved to be annoying in relation to Greece and the Greek crisis as

well. While the level of productivity is roughly the same in Greece, Hungary or Czech Republic, even after the austerity measure in Greece, the level of minimal wages or pensions remained above the level of the two Central European countries. These have very *negative impacts on the cohesion of the Union*. Convergence in terms of regional or social terms is highly controversial.

From points of view of social stability and cohesion, it is assumed, *that the benefits of integration are socially fairly distributed*. Namely, *overwhelming parts of society should feel beneficiary on integration*. We are far from that, and it is clear that the process should not be let just for the market.

Global integration and global capitalism co-exists, in their functioning they cannot be separated. Their co-habitation, nevertheless, proved to be the source of serious conflicts. Many of the negative developments (increase of extreme inequalities) are the results of global capitalism, rather than that of integration processes. The roots of present cohesion and solidarity crisis are rather global than coming from the deficiencies of European integration.

There is an agreement that for addressing the cohesion crisis and the restoration of the social stability, *broad social reforms are needed*. That assumes the reform and *upgrading of existing social models*, both in national and community dimensions.

In the 1950s and 60s, the *welfare state proved to be successful* in dealing with inter-class conflicts. Strong tax progressiveness effectively moderated the harsh income inequalities and created a relative social peace. It should not be forgotten, however, that this happened in a bipolar world.

In the past decades, with the emergence of knowledge- and competition-based societies, the *classic welfare state, based on paternalistic distributions, became largely unattainable and obsolete*. The progressiveness of taxation penalises performance and hits particularly those middle classes that carry the whole of society on their shoulders, while they are most exposed to the uncertainties of globally competing societies. It was not without a reason that countries chose moderation of the progressiveness of their tax systems, sometimes adopting single rate taxation.

The Lisbon Treaty pledged itself to a “competitive social market economy”, as a desirable model of an integrated European economy. In a study published not long ago, I agreed with this aim, but I have proposed to add the adjectives of “democratic” and “eco-social” ones.<sup>113</sup> The “democratic” adjective refers to need striving for fair competition (anti-monopoly legislation) and fighting against corruption. Meantime, we should remind us on Göteborg decisions on environmental protection. So far the pledge remained a declaration without further elaboration. The redefinition of the notion of social state according to the challenges of the 21<sup>st</sup> century would be highly desirable.

The concept of social market economy gives priority to market mechanisms, places emphasis on private responsibility and individual efforts to increase the welfare of society. It aims to improve the competitiveness of the broadest section of society, and instead of income guarantees and redistribution, it supports services, which bare the preconditions of improving the economic

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<sup>113</sup> Palankai, (2017): 34-43 p.

and social positions of individuals. It assumes high-quality education, training and health care, desirably adjusted to personal needs and abilities. The redistribution is thus limited to a smaller section of society only, particularly to those in need and the handicapped.

Social policies still belong to the competences of national authorities, but community dimensions should not be neglected either. Clearly, a “European” social market economy would be largely the question of harmonisation and coordination; and due to differences in development levels or in social and cultural circumstances, nationally the substantial differences would remain. *Social convergence is a basic prerequisite of overcoming cohesion crisis.* Well-functioning and efficient social systems are required on both the national and the Union levels.

This new *European social model can be certain combination of a reformed welfare state and social market economy.* Thus, they should form an integral part of any discussion on the future of Europe and EU integration.

It is becoming more and more evident that the role, the position and the *stability of nations (that is, national integrations) are crucial from the perspective of the normal development of the international system* as a whole. The stability of international systems, inclusive of international integration, assumes the existence of strong and democratic nations that are ready to accept cultural and ethnic diversity. The EU in this respect should play the role of a catalyst, both within the Union and also among its neighbours. Understanding the organic character and coherence of integration processes is in fact vital from the point of view of any serious reform program.

In the *future stability of integration and its effective governance the nations play a strategic role.* The magic word is *adjustment and cooperation of the member nations.* This assumes constructive national attitudes and policies. An open, cooperative, inclusive and competitive nations form an integral part of a contemporary integrated system. Accordingly, what we need are transformed and adjusted nations, which are able to face the challenges of international integration in the 21<sup>st</sup> century. Through that, they can increase their importance. *The success or failure of national adjustment (internal re-integration) equally determines the development and well-being of the given nation, and that of the whole Union. It assumes competent and responsible politicians with equal devotion to their nation and the whole union.*

It became clear, that nations do not disappear in the foreseeable future, but they are fundamentally changed and different, both in their role and functioning as they were even just 50 years ago. What is eroding, that is the classical national state, and what needs to be rejected is archaic nationalism, which seems to be in the revival all over the world.

As a repercussion of the crisis, the spectre of ultra-nationalism is haunting Europe again. The *ultra-nationalist*, the extreme populist policies are not just a sort of negative sum games. They threaten with more; they *can set back Europe for decades*, and as Brexit indicates can impose damages which can be repaired only through tremendous sacrifices. *Ultra-nationalism is self-destructive, it is against the basic interests of not only the others, but also the own nation.* That is one of the main challenges for democratic political forces for the coming decades.

The prospects of reforms are not encouraging. “Looking at the growing cacophony, however, skepticism is likely to prevail in public expectations. For almost a decade, the behavior of Europe as a whole, including both its communitarian institutions and member states, has

manifested mentally and politically an unpreparedness to challenges of societal fusion and the new amalgamation in progress. Democracy, as a tool able to accommodate and represent the diversities and pluralities of social realities, might become a victim of the process of renationalization of territorial units and of partition. The result may be exposure to the risk of new wars, rather than enhanced guarantees for peaceful perspectives.”<sup>114</sup>

The reforms assume political and legal changes. These changes are so complex that it is hardly possible without reshaping the basic institutional and policy framework. We agree that we need *a new treaty of the Union, which should bring fundamental changes its all dimensions*. New members should be active participants of these processes, which would need to assume the will and determination of all parties, and should conform to the common norms and values of Europe. Europe has all the political, professional or financial potentials to address all of these challenges.

The reform should not be an elite venture. It needs to be democratic, based on broad agreement and support of civil society and citizens. “Europe’s future depends not just on governments putting forward the right policies, but on the capacity of democracies to bring about peaceful change. If the burden gets too heavy, the political system collapses.”<sup>115</sup> Sustainable growth is needed for sustainable financial stability, but this assumes sustainable social and political stability as well.

The *role of the media* in supporting integration would be highly important and crucial. So far it has been proved to be controversial and it had played rather a negative role. In this respect, according to a study analysing the media’s role of euro adoption in Central Europe is very typical. In Poland, “the media is also not very interested in the euro accession process. Attention on this issue picks up when something happens with exchange rate of the zloty or the euro. Otherwise the euro accession policy is not attracting very much attention.”<sup>116</sup> The same applies to the Czech Republic and Hungary. The media follows the euro exchange rate fluctuation, but otherwise is not interested about the question. In one sense, we can state, that *there is no media for euro* in the three countries, promoting a real and professional discussion about the pros and cons. As politicians are afraid of losing votes, they refrain, particularly during the election campaign, even to mention of the issue. In reality, reporting only about the crisis problems means practically a continuous negative campaign, which means that the public gets only negative information. This can be applied to the presentation of the whole integration process. Besides, the official national media tend to present all successes as that of their governments, while all bad things come from Brussels. These all apply not only to the euro, but to the attitudes and policies concerning the whole process of integration.

The EU has *no agenda for any qualitative progress of its integration program*, which would go beyond the present constructions of the Single Market and the EMU. Even the consolidating reform projects, like union budget or solution of debt crisis are uncertain. The popular support for any such program is just missing. Instead of neo-functionalist spill over, we face the possibility of a post-functionalist backlash. All these make constructive reforms more than urgent and important.

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<sup>114</sup> Bianchini, (2017), p. 298

<sup>115</sup> *The Economist*, 12 November 2011 “Staring into the abyss, Special Report on Europe and its Currency”, p.6)

<sup>116</sup> Verdun, (2010):. p. 35



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