

**TITLE OF REPORT :**

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**BRIDGE Project****Title:** Re-balancing the European Union: Lessons for Japan

The European Union (EU) is coming unglued with profound implications for Japan and the global economy. The United Kingdom may secede from the EU soon (Brexit). Political leaders in Greece, the Netherlands, Austria, Hungary, Poland and Czechia are contemplating following suit, and secessionist sentiment is building in Scotland, North Ireland, Catalona, Basque, Lombardy and Venuto.

The “Rebalancing the European Union: Lessons for Japan” project sought to show how the EU can be redesigned in accordance with inclusive economic theory to construct a union-preserving consensus satisfactory to all parties. This was accomplished by showing that the Lisbon Treaty allows members not only to converge to a single set of rules at different speeds (the “two speed” solution), but also to adopt a multi-track alternative that permits multi-classes of EU membership. The demonstration revealed that the conflict between proponents of “more Europe” pressing demands to centralize fiscal, banking and social powers can find common ground with adversaries advocating the decentralization of fiscal, banking and social powers (“less Europe”).

The demonstration was founded on an exhaustive elaboration of the merits of multi-track EU supranationality as an alternative to two-speed transnationality, taking explicit account of efficiency and ethical considerations subsumed under the heading of wellbeing. It considered issues like what sort of “more Europe” fiscal arrangements would be attractive for Spain and Greece, and what sort of liberal immigration policies Poland, Hungary and Czechia might find tolerable.

The multi-track-multi-speed solution devised permits members of opposing inclinations to adopt the policies each prefers in some spheres, while cooperating whenever common ground permits. The demonstration is novel, but nonetheless fully compatible with neoclassical economic theory (including bounded rationality), game theory and inclusive economic theory (Tirole, 2015; Rosefielde – Pfouts, 2014). An appreciation of its constructive potential of the multi-track solution will improve prospects for “Re-balancing the EU”. Its adoption only requires a change of intellectual outlook. This is a cultural, not an

institutional remedy.

The research project revealed that although conflicts within the EU are resolvable, Europeans are culturally disposed to vanquish rivals rather than compromise on terms that take account of each other's wellbeing. The principal investigator discovered a constructive solution borrowed from the Japanese experience. Research revealed that Japanese culture encourages a special type of consensus building that requires individuals to pay serious attention to each other's felt needs. Instead of seeking to dominate, Japanese consensus builders strive to find solutions that improve the wellbeing of everyone. Japanese try to avoid polarization that divides team members into warring factions of "adorables" and "deplorables". This suggests that if the European Union borrows from the Japanese experience it will find it easier to set aside self-interests and adopt a multi-track solution that accommodates everyone's concerns.

The multi-track-multi-speed solution also offers two important lessons for Japan. First, it provides an opportunity for Japanese policymakers to assist European leaders stabilize an avoidable crisis with global ramifications. This assistance will strengthen Japan's relations with Europe, and will promote prosperity and peace. Second, it allows Japanese leaders to apply the assistance for similar purposes to other unions like ASEAN.

Our findings also provide a significant analytic insight. Culture matters. Neither competitive rational utility seeking, nor institutions are sufficient to assure the stability of transnational unions. Super-state partisans want to forge a homogeneous super-nation with one culture, one ruling establishment, and one set of policies. Confederation advocates want to preserve their own national cultures, establishments and policies, while sharing the benefits of a common market (cherry picking). Given the West's cultural blinders, both sides insist that compromise be on their terms. This overzealousness creates an impasse, which only can be resolved by attitude adjustment and cultural change.

These findings were reported at the conference on "Resolving Regional Conflicts and Building Peace and Prosperity" organized by Professors Kumiko Haba (International Studies Aoyama Gakuin University) and Steven Rosefielde at Aoyama Gakuin University on March 11, 2019. They were probed further at Kyoto International Conference on "Europe, Asia and Russia in Crisis" organized by Professors Satoshi Mizobata (Professor of Economics and Director of KIER), Kumiko Haba and Steven Rosefielde held at the Kyoto Institute of Economic Research, Kyoto University (KIER), March 13, 2019. Professor Rosefielde's paper "Rethinking the European Union: Multi-track-multi-speed transnationalism and Japanese-style consensus building" has been published by the Aoyama Gakuin University Center for

International Studies, March 2019. World Scientific Publishers has invited Professors Rosefielde and Bruno Dallago (University of Trento) to publish a book on the theme. The title is *Salvaging the European Union*. The book will systematically elaborate the themes addressed at the Aoyama Gakuin conference including economic stagnation, the "democratic deficit", immigration and a rising populist tide. Some of these issues are relevant to Japan today. Others may have to be faced in the future.

Papers by other Aoyama Gakuin conference participants were published by the Center for International Studies proceedings. These include Bruno Dallago, "Unwanted and unforeseen consequences: convergence swings in Hungary and Poland", Yoji Koyama, "Emigration from Romania and its depopulation", and Kumiko Haba, "Ukraine, divided nation between the EU/NATO and Russia".

Professors Rosefielde, Haba, Dallago and Koyama have agreed to expand their collaborative research on the European Union. Professors Rosefielde, Mizobata, and Bobrova (Saint Petersburg State University of Economics) agreed to continue their collaborative work on related themes, including Russia. These collaborations have institutional roots. The departments of economics and Russian studies at the University of North Carolina have established cooperative agreements with the Kyoto University Institute for Economic Research. They are in the process of being renewed. Professors Rosefielde and Mizobata, in conjunction with Professor Dallago have agreed to expand these inter-institutional activities. Saint Petersburg State University of Economics is also part of the network. Professor Bobrova has agreed to strengthen cooperation with the KIER, Aoyama Gakuin and UNC, and extend this formally with Toyama University. Professor Haba is considering establishing a formal relationship between Aoyama Gakuin University and the University of North Carolina European Studies Institute.

Professors Rosefielde, Haba and Mizobata intend to organize follow up seminars in March 2020.

During his JSPS fellowship, Professor Rosefielde had an office at KIER. He used the facilities for his JSPS research.



Photo of Prof. Rosefielde taken during the "Resolving Regional Conflicts and Building Peace and Prosperity" conference



Photo of Prof. Rosefielde with presenters of the "Resolving Regional Conflicts and Building Peace and Prosperity" conference