

POLITICS IN CENTRAL EUROPE

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ESSAYS

Culture and Experience: Generalized Trust among Romanian Migrants in Italy and Spain

PAUL E. SUM AND GABRIEL BĂDESCU

Abstract: *Generalized trust is associated with many positive political outcomes including enhanced social cohesion. Theory explains generalized trust as a combination of cultural and experiential factors. We consider sources of generalized trust among Romanian migrants, a dynamic population confronting a new environment. What factors within their new cultural context explain the level of trust they have toward strangers? Using data collected from Romanian migrants in Italy and Spain, we address this question. Our model includes exposure to an ethnically diverse environment, the presence of family, perceived hostility from host country citizens, personal crises, and illegal work status. We find that interpersonal experiences contribute to the level of generalized trust among migrants. Most importantly, negative social interactions or episodes correlate with lower levels of trust. We show that generalized trust is malleable among migrants suggesting that the experience of migration overrides the normally rigid level of trust that individuals hold. Our findings further suggest that successful integration of migrants, a collective good for the host country, can be effectively advanced through minimizing triggers of social vulnerability.*

Keywords: *generalized trust, migration, social intergration, Romania, Italy, Spain*

The Importance of Generalized Trust

Generalized trust is the faith you place in people who you do not know. Trusting strangers increases the possibilities that groups will overcome collective action problems and encourages cooperative behavior among people who do not otherwise have a relationship (Coleman 1990; Newton 1999; Putnam 1993; Uslaner 2002). In addition, generalized trust has been shown to serve as a bond that enhances social cohesion, bringing and keeping people together with a sense of community (Marschall – Stolle 2004; Putnam 2000; Uslaner 2002; Woolcock 2001). When people trust in strangers, they promote a host of other desirable outcomes. These include norms of reciprocity, tolerance, and civic morality, all of which contribute to good governance under democratic institutions (Letki

2006; Sullivan – Transue 1999). Aside from governing outcomes, generalized trust improves the likelihood of task completion within a broad range of social and economic group activities (Colquitt – Scott – LePine 2007).

Benefits associated with generalized trust are desirable for any society but as populations become increasingly mobile, trust is especially important. As a pervasive trend, migration creates challenges for migrants and natives alike, including increasing the potential for social discord. Generalized trust softens the edges of social conflicts (Uslaner 2000). Thus, generalized trust can assist in the integration process for migrants and contribute to social cohesion within host countries.

Recognizing its importance, a large number of studies, both experimental and survey-based, have modelled the determinants of generalized trust. In reviewing these works, Hardin concludes that “there is relatively little to learn about trust from these two massive research programs” (2006: 74). Nannestad (2008) laments the fact that the efforts have produced little consensus about generalized trust and its correlates. Indeed, no clear consensus has emerged regarding the malleability of generalized trust. If trust is to assist in integration, we need better information regarding the extent to which trust can be influenced, and by what factors. We evaluate these questions with regard to Romanian migrants in Italy and Spain.

Experiential and cultural theories of generalized trust

Differences regarding the conceptualization of generalized trust extend to how rigid generalized trust can be and what factors contribute to its development (or erosion). Do we trust strangers based on our assessment of the people to whom, and contexts to which, we are exposed? If so, generalized trust can be explained through *experiential* theories, which emphasize generalized trust as a product of our experiences (Dinesen 2012; Glanville – Paxton 2007). Our different encounters within a new environment accumulate so that similar levels of generalized trust might be reached through quite different sets of life interactions and events, and these experiences may pull our willingness to trust in different directions (Delhay – Newton 2005). The process is likely more diffuse than the sum total of our day-to-day experiences. The faith we place in strangers may be based on favorable perceptions held by the truster about others, and these perceptions reflect in part one’s assessment regarding the breadth and depth of shared social values among members of a community based on interpersonal encounters (Dinesen 2013). Experiences are culturally-bounded but this theoretical frame expects individual level variance within a community based on social interactions and experiences of daily life.

Cultural theories posit generalized trust as a stable character trait formed early in life through cultural transmission and resistant to later influences.

Sources of stability include societal level characteristics that tend to be rigid, for example the level of income equality (Uslaner 2002). The level of ethnic diversity, the presence of hierarchical religious traditions, and a legacy of communism are other structural societal features that are resistant to change and have been considered cultural influences that hold trust relatively constant. Bjørnskov finds that each of these features correlate with generalized trust and concludes that, “the findings unambiguously lead to the conclusion that generalized trust is a fairly stable cultural feature of society” (2007: 17).

Cultural and experiential theories are not diametrically opposed but instead explain different kinds of variance that are manifest in generalized trust. Cultural factors such as ethnic diversity or religious tradition, because they change only slowly over long periods of time, may better account for cross-country differences. However, what can we say about experiences that alter our fundamental cultural orientations? The type of experience we investigate here is that of migration, specifically we study Romanian migrants who have resettled in Italy and Spain. Although we do not have the capability to analyze longitudinal data, we can observe variance among migrants who share ethnicity within a different context and evaluate the extent to which diverging migrant experiences correlate with variance in trust.

Generalized trust and migration

For migrants, cultural factors in the host country are perceived differently as for natives. Migrants are exposed to significantly different macro conditions in the time it takes to fly to a new destination. Thus, for migrants such societal features are not a priori cultural but vary according to exposure as part of the migration experience (Voicu 2014). We know that exposure to host country institutions alters, usually increases, generalized trust among migrants (Dinesen 2013; Dinesen – Hooghe 2010; Kumlin – Rothstein 2010). We also know that cultural legacies can be transported with migrant communities but this varies by country of origin, and to a lesser extent host country contextual factors (Uslaner 2008). Our analysis contributes to the literature in this vein, investigating factors related to an individual migrant’s experience rather than aggregate contextual attributes of the host country.

We expect that trust results from a preponderance of social and natural processes interacting with the circumstances of experiences. For this reason, isolating specific populations within specific contexts for analysis, and testing theoretical assertions, is appropriate. We focus on social features of migration that might impact levels of generalized trust. Migrants often face adverse conditions within the destination country. Frequently, they confront a reality within the host-country that does not meet their expectations. Upon arrival, many are ill-prepared to deal with the stress associated with relocation to a new

country. Overt discrimination and other uncontrollable events (e.g. criminality or violence) conspire to intensify a sense of disillusionment and isolation, leading some to feel that they have lost sight of their life goals, all of which contribute to lower levels of trust (Ryan – Dooley – Benson 2008). Such negative encounters occur on an individual level and impact people differently. Furthermore, the act of migration severely strains existing social networks within the migrant's country of origin, and thus migrants arrive with low stocks of social capital but this too is experienced on an individual level with substantial variance across a migrant population (Espinosa – Masey 1998; Akcapar 2010). Thus, there is reason to believe that migrants face a number of challenges that may erode trust.

For some, alternatively, migration may be associated with increased levels of generalized trust. Migration is consistent with “*lifelong openness* rather than the *persistence* perspective on the development of attitudes” (Dinesen 2012: 507). Migrants may have a heightened sense of adaptability and willingness to conform. Indeed, generalized trust among migrants tends to gravitate toward the destination country mean (Dinesen – Sønderskov 2012). Moreover, Hellerman (2006) shows that if a migrant travels with family members, we can expect an increase in social capital and subsequently trust. We consider the role that migrant experiences have in shaping generalized trust among this population. Our model includes exposure to ethnic diversity, the presence of family in the household, perceived hostility from host country citizens, personal crises, and one's work status (legal or illegal).

Among European Union countries, Romanian citizens are the most mobile. Of the 44.7 million immigrants in the EU, approximately one-third (32.8 %) come from other member countries, and Romanians make up the plurality (33.6 %) of this group (European Commission 2011: 18). Romanian migration has been a mass phenomenon since the fall of the communist regime in 1989. As many as one-third of Romanian households have a member who resides or has resided abroad, some of whom follow a circulatory pattern (Daniel 2011). Common destinations are Italy with approximately 997,000 Romanians (Istituto Nazionale di Statistica 2011) and Spain with just over 895,000 Romanians (Instituto Nacional de Estadística 2012). These two countries attracted more than 40 % of all migrating Romanians (Rolfe 2013: 7).

Levels of generalized trust in Romania are relatively low compared to other European Union countries but evidence suggests that trust among Romanian migrants is higher than among Romanians who do not migrate (Bădescu – Sum 2009). Without longitudinal data, we are unable to fully evaluate how stable generalized trust levels are as migrants move from country of origin to destination. Nevertheless, studying Romanian migrants offers an excellent opportunity to assess various factors related to a migrant's experience that may contribute to generalized trust.

The possibility that those who choose to migrate are a self-selected group of high-trusting individuals poses a threat to the validity of our design. However, this potential danger is not a major concern for three reasons. First, similar studies have found no evidence of self-selection of high-trusting migrants (Dinesen 2012: 503). There is no reason to believe Romanians are any different in this respect. Second, since 2004 Romanian migration has included all relevant social categories of people, so we can infer that the characteristics extend to trust (Lazaroiu – Alexandru 2005). Third, the level of trust among migrants who have returned to Romania is nearly identical to the Romanian population who never left (Bădescu – Sum 2009). More generally on this third point, Careja and Emmenegger (2012) find that the attitudes of returned migrants toward their domestic environment are similar to those who never migrated although returnee attitudes toward other countries and the EU tend to be more positive.

We evaluate how migrant experiences correspond to levels of generalized trust. We expect that migrants have both positive and negative experiences (Mara 2012). What kind of experiences might be associated with lower levels of generalized trust? Exposure to diversity, perceived hostility from host country citizens, personal crises, illegal work status, and the presence of one's family are considered. Each of these elements speaks to an aspect of migrant experiences that may influence the extent to which they trust strangers. Thus, we are poised to enhance our understanding of how generalized trust develops under the circumstances of migration. Generalized trust is a valuable commodity for migrants because it can assist in building social relationships in the host country, and as a result, enhance their quality of life. An easier adjustment for migrant resettlement offers benefits to the host country as well.

Research Method and Design

We evaluate generalized trust among Romanian migrants in Italy and Spain using survey data. Migrant populations are difficult to sample due to their transient nature resulting in few studies which utilize quantitative analyses. When studies have employed survey data, researchers tend to consider migrants as a subset of the larger population of a country, allowing little room for evaluating variance among migrants due to their small number in national samples (Dinesen – Hooghe 2010). While providing useful comparisons between migrant and native citizens, such studies are unable to evaluate the impact of a migrant's legal status, ability to speak the local language, and a host of other variables that might influence attitudinal and behavioral outcomes. In this way, our analysis adds our understanding of how trust might change among migrants.

Our sample of Romanian migrants consists of 1,168 total respondents in Italy and 1,357 respondents in Spain. Since no sampling frame for Romanian migrants is available, we relied on a selection method that combined snowball

sampling with a proximity criterion. The selection process in both countries produced a sample that is geographically proportionate and has balance among basic demographic indicators. We treat the two samples as a single aggregate data set of 2,525 respondents and add a dichotomous host country control variable, Italy or Spain, to our analysis to control for any systematic country effects.

The Romanian Agency for Governmental Strategies, under the Romanian Government, commissioned the surveys in 2008. Metro Media Transilvania applied the survey in Italy and Totem Communications applied the survey in Spain. Each sample was stratified by region (20 regions in Italy, 7 regions in Spain) and proportion of Romanians in a locality as determined by the two countries' national statistical institutes so that 58 localities were selected in Italy and 62 in Spain. Using a snowball sample meant that after an immigrant household was located, additional households were approached based on references from respondents. The proximity criterion meant that regardless of additional leads, interviewers randomly selected other households to approach close to the original interview. The selection of households for proximity interviews were limited to no more than two from the same building and no more than five from the same street. Once a household was selected, operators used a „last birthday“ method and interviewed respondents at their residence. Replacements were found when a respondent remained unavailable after three visits.¹ All surveys were conducted in Romanian.

Our main line of inquiry concerns the theoretical distinction between cultural and experiential theories related to generalized trust. Recent studies show that the level of trust among migrants tends to be more dynamic compared to native populations (Kumlin – Rothstein 2010). Moreover, trust levels among migrants tend to approximate those found among the destination country population (Dinesin – Hooghe 2010). Yet, we know relatively little about the variance in trust levels among migrants.

The faith we place in strangers is influenced in part by the favorable perceptions held by the truster about others in the community. As a form of self-identification, our moral values guide these perceptions and project them onto others in the community so that we imagine a community of shared values (Uslaner 2002). Given these parameters, the extent to which individuals extend trust to strangers also will depend on contextual differences, and for migrants, the difference in context interacts directly with the life-changing experience of relocation (Dinesen 2011).

In the absence of panel data, we concentrate on factors that relate directly to a migrant's experience. Although we cannot estimate the impact of migration

1 The response rate (RR1, as defined by AAPOR at www.aapor.org) was 65 percent in Italy and 68 percent in Spain. The refusal rate (REF1) was 24 % in Italy and 18 % in Spain. Data and reports can be found at <http://www.publicinfo.gov.ro/pagini/sondaje-de-opinie.php> (15 December 2014).

with before and after measurements, we can infer that factors directly related to one's experience as a migrant account for a portion of the variance among this population.

The relationship between generalized trust and diversity has attracted a great deal of scholarly attention. Mounting empirical evidence suggests that “most analyses find a (small) negative effect of diversity on trust” (Dinesen – Sønderskov 2012: 275). Putnam draws a similar conclusion arguing that, at least in the short-run, people “hunker down” with people like themselves when they perceive demographic shifts within their communities (2007: 144). Network analysis shows that under many circumstances, individuals are attracted to people like themselves, in an effort to “best guess” who would be the most productive partners or team members in collective endeavors (McPherson – Smith-Lovin – Cook 2001). Based on this largely sub-conscious gravitational pull, and especially when one perceives signals of low social conflict and dense social networks, people expect trustworthy behavior from people they perceive to hold similar values, irrespective of their own social position, and they reciprocate based on this expectation (Öberg – Oskarsson – Svensson 2009).

Romania is a relatively homogenous society with 88.6 percent of the population classified as ethnic Romanian. Thus, many Romanian migrants have not been exposed to ethnic diversity. The lack of familiarity with diverse cultures leads us to believe that Romanians abroad may indeed tend to “hunker down” other Romanians, if given the chance, in response to a diverse environment. Consequently, we develop the following hypothesis:

H1: Migrants exposed to greater degrees of diversity will have lower levels of generalized trust.²

Extending Putnam's observation to migrants, we expect similarly that if a migrant has family members in the host country, clustering among other Romanians would be a particularly easy option. Thus, migrants who have family members living within the household would necessarily operate in a less diverse context despite the larger community in which they live. As Dinesen and Sønderskov assert, “when the surroundings consist of people like oneself, whose cultural codes are intelligible, trusting others is easier” (2012: 275). Also, family members may increase social capital within the household which is what is needed to gain access to social networks, assisting a migrant in other

2 *Generalized trust* is derived from the question asking respondents if they think “most people can be trusted” where 10=trust strangers very much (valid responses = 2480; mean 4.80; s.d. = 2.23). *Diversity* is derived from a battery of questions that asked respondents to report if these groups live in their neighborhood (Italian/ Spanish; Roma; Africans; Arabs). Questions were aggregated into an index reflecting the number of groups so that the range is 0 to 4 with “4” meaning that all these groups live in the respondent's neighborhood (valid responses = 2435; mean =.689; s.d. =.914).

ways and countering negative experiences with locals with more positive experiences (Hellerman 2006: 1142; Menjívar 2000). Moreover, just over 50 percent of Romanians in Italy identify strained relationships with family members as a negative aspect of migration (Mara 2012: 71). Thus, we generate the following hypothesis:

H2: Migrants who are living with family members will have higher levels of generalized trust compared to those with no family in the household.³

The ethnic make-up of one's neighborhood and the presence of one's family speak to migrant encounters with social contextual factors. The migrant experience is not limited to the new environment but extends to day-to-day experiences, particularly ones that pose adversity. We conceptualize these experiences in three ways. The first is based on the level of hostility Romanians perceive from the host country. The second considers extreme difficulties that the respondent recalls over the last three months. A third factor affecting a migrant's experience is the working visa status in the country. Those who are working without official papers are in a much more precarious position than migrants who are legally employed. Thus, illegal work status is likely to adversely color one's experience and perceptions of the host country. Negative aspects of the migrant experience are encapsulated in three complementary hypotheses.

H3: Migrants who perceive hostility from host country citizens will have lower levels of generalized trust.⁴

H4: Migrants who have experienced extreme difficulties in their new environment will have lower levels of generalized trust.⁵

H5: Migrants who are working illegally will have lower levels of generalized trust than those who are in legal compliance.⁶

3 Respondents reported the number of family members who live in the residence. We coded any positive response, regardless of the number of family members as "1" and no family members as "0" (valid responses = 2388; mean = .534; s.d. = .499).

4 *Perceived hostility from host country* is derived from three survey questions that asked respondents about the frequency with which they have been exposed to negative stereotyping or derogatory statements about Romanian migrants with the context of 1) reading in public places, 2) hearing people talk in public places, or 3) through the media. The three questions used a four-fold classification so that 3 = multiple times; 2 = several times; 1 = once; 0 = never. The resulting index has a range of 0 to 9 (valid responses = 2328; mean = 2.076; s.d. = 2.384).

5 *Needed help from Romania* is derived from the question: Has the respondent ever had a crisis so severe that they needed to turn to family or friends in Romania for assistance? where 1 = yes; 0 = no (valid responses = 2045; mean = .316; s.d. = .465)

6 *Illegal work* is derived from respondents reporting his or her "status" in the country. Among the nine possible categories, three were coded as illegal: working without a contract, working on my own without

Our model includes several other variables. We created a dummy variable for country to control for any systematic differences between the countries. We also control for language skills, including proficiency in the local language and English language proficiency. Having a command of language likely will change the nature of the migrant experience. We control for gender and education as well.

Results

We first consider aggregate levels of generalized trust among Romanian migrants in relation to levels in Italy, Spain, and Romania. We report the findings in Table 1. The mean of generalized trust among Romanian migrants approximates that which Italians and Spanish exhibit in their respective countries. The difference between Romanian migrants and their compatriots who remain in Romania is more dramatic.

At first glance, the finding is consistent with experiential theories of generalized trust. Dinesen and Hooghe (2010), for instance, find that generalized trust among migrants from low-trust societies converge on the level of trust in their destination countries. They account for this change based on factors that are present in the host country, including cultural norms and governing institutions. Trust among Romanian migrants in Italy exceeds the host country figure while Romanians in Spain have lower levels of trust than Spanish nationals. However, the differences are minimal and in the aggregate might be attributable to any number of factors affecting migrants or host country citizens. Migrants are not a monolithic group. We have hypothesized that individual-level experiences will account for variance of trust among our population.

state authorization; and day laborer. Any of these three categories are coded as "1" and other categories are coded as "0" (valid responses = 2496; mean =.398; s.d. =.490).

Table 1: Trust among Romanian migrants, Romanians, Italians and Spaniards

		Mean	s.d.	Percent who trust ^a
Romanian migrants				
	Pooled:	4.80	2.23	24.80 %
	Italy:	5.90	2.17	29.60 %
	Spain:	4.55	2.25	20.70 %
Trust in Italy		4.54	2.34	20.90 %
Trust in Romania		3.79	2.67	17.30 %
Trust in Spain		4.90	2.20	24.20 %

^a = Calculated as the percentage who were above the midpoint on the scale

Sources: Romanian migrant data from the Romanian Agency for Governmental Strategies (<http://www.publicinfo.gov.ro/pagini/sondaje-de-opinie.php>). Country data are from the European Social Survey (<http://www.europeansocialsurvey.org/>): Italy from the second wave; Romania and Spain from the fourth wave.

Table 2 reports the results from OLS regression showing unstandardized coefficients with indications of significance. We ran five iterations of the model to test each hypothesis. The last column presents a model with all five variables loaded.

With regard to diversity (H1), Romanian migrants who perceive a diverse neighborhood environment tend to be less trusting than those who perceive less diversity. This result only becomes significant at the $p < .05$ level in the full model (last column). Thus, the effect of a diverse context likely interacts with other factors although the interaction was not with any of variables included in our data set. We tested for interaction using our available variables and found no significant effects. We also hypothesized a positive relationship between the presence of one's family and generalized trust (H2). Table 2 verifies this result.

Our next three hypotheses consider other aspects of a migrant's experience that might negatively impact generalized trust. The first (H3) is a respondent's perception of hostility from host country citizens and authorities. Table 2 shows that this to be a significant factor. Trust is lower among migrants who perceive hostility through more frequent confrontations with negative stereotyping or derogatory statements about their group. Migrants who report having problems so severe that they needed to turn to supportive contacts back in Romania (H4) also tend to display lower levels of trust. The finding suggests that a personal crisis, defined subjectively by respondents, correlates with generalized trust. Lastly, table 2 shows that respondents who are working in Italy or Spain illegally (H5) are less trusting.

Table 2 Determinants of generalized trust: Coefficients (b) from OLS regression

	H1	H2	H3	H4	H5	Full model
Diversity in neighborhood	-.089					-.141*
Family present		.302***				.266*
Perceived hostility from host country			-.055**			-.046*
Needed help from Romania				-.528***		-.463***
Illegal worker					-.231*	-.221*
Italian/Spanish speaker	-.115	-.083	-.128	-.054	-.098	-.005
English speaker	.517***	.506***	.566***	.667***	.507***	.690***
Country (1 = It; 2 = Sp)	-.525***	-.537***	-.471***	-.493***	-.518***	-.377**
Gender (female +)	.170	.189	.197	.085	.197	.170
Education	.117**	.107**	.091*	.113**	.106**	.089*
Constant	4.826***	4.645***	4.226***	5.037***	4.859***	4.402***
R ²	.032	.033	.031	.056	.034	.062
N	2363	2249	2185	1907	2346	1646

* = p <.05

** = p <.01

*** = p <.001

Among the control variables, two results deserve attention. The positive relationship between education and generalized trust, found in many previous studies, holds for our analysis as well. With regard to language proficiency, having command of the local language did not prove to be a significant factor; yet, English speakers tended to possess higher levels of generalized trust.

In summary, the experiences associated with migration have independent effects on generalized trust but such experiences are multifaceted. The presence of family members in the household is positively correlated with trust. Perceived diversity, perceived hostility, severe problems, and illegal status are negatively associated with trust. Taken together, the results suggest that individual experiences influence levels of generalized trust among Romanian migrants in Italy and Spain. We discuss below interpretations and implications of these findings.

Discussion

Experiential and cultural theories of generalized trust offer different, but complementary explanations of the development of generalized trust. Experiential theories emphasize the variability of our faith in strangers correlating with

our daily encounters, contacts, and observations of the social world. Cultural theories also focus on experiences but stress structural and cultural factors that are quite stable over long periods of time. Thus, economic conditions, diversity, and other relatively permanent social features contribute to levels of generalized trust that remain largely static within a country. However, we know that even if aggregate measures of trust tend to be stable overtime, variance across individuals exists. Our study has sought to uncover systematic factors that might account for variability in generalized trust among migrants. This population encounters new experiences within a new context and thus, we expect trust among migrants to be more fluid. However, we are not suggesting that “migration” per se has a systematic effect; rather, we test several factors that contribute to an explanation of generalized trust: perceived diversity, presence of family, perceived hostility, personal hardship, and illegal work status.

Among our sample population, exposure to diversity had a small, negative impact on generalized trust. On face value, the finding is consistent with a number of other studies that show exposure to diversity leading to less trust (e.g. Dinesen – Sønderskov 2012). Why this relationship holds is subject to debate. One interpretation is that individuals draw social comfort through recognizing and reinforcing the importance of socially-constructed characteristics, for example ethnicity or religion. Social comfort encourages trust in strangers based on perceived social congruence to others along such objective factors (Oberg – Oskarsson – Svensson 2009).

A second interpretation relaxes the importance of physical attributes in favor of the perception on the part of the truster that relative strangers share his or her expectations about socially relevant issues and outcomes. We might imagine a conceptualized moral community based entirely on shared values (Uslaner 2002). Alternatively, we might more modestly imagine individuals basing trust on subjective criteria, no less arbitrary than ethnicity or religion, but not as widely recognized as an identity community as well (McPherson – Smith-Lovin – Cook 2001).

In either case, diversity is about perceptions. We estimated exposure to diversity based on the self-reporting of respondents. Do all individuals perceive diversity similarly? If not, any number of causal mechanisms may be at work here other than the perceived relative proportions of ethnic make-up of one’s neighborhood. Diverse communities, especially those that are heavily populated by different migrant groups, possess any number of other common characteristics that might account for the finding. For example, such neighborhoods tend to be more transient and thus social networks, and by implication social capital, are necessarily weaker. In diverse neighborhoods, one is more likely to find lower values on socio-economic indicators such as income, and fewer public institutions per capita. Unfortunately, we were unable to test for these contextual factors of our respondents.

Despite the limits on what we might conclude about diversity and trust, the finding does point to variance in generalized trust among Romanian migrants. Unless lower trusting individuals settle systematically in more diverse neighborhoods, and there is no reason to believe this is the case, the finding suggests that this aspect of a migrant's experience affects trust. Nevertheless, in the stepwise analysis, diversity does not prove significant unless other experiential factors are present suggesting that diversity interacts with context and other perceptions and experiences.

We found that respondents who had family members living in their household tended to have higher levels of generalized trust, which is consistent with our expectations. We hypothesize that the presence of family members operates parallel to the attitudinal disposition we see with exposure to diversity. If generalized less trust is due in part to alienation from a sense of shared community values, family would reinforce one's moral community. Despite this assertion, the causal mechanism remains opaque. We see some evidence that particularized trust (trust of those we know well) is causally related to generalized trust (Freitag – Trau Müller 2009; Håkansson – Sjöholm 2007). This assertion could apply to Romanian migrants with their family present. However, the relationship between family and trust might speak to a larger phenomenon of how individuals perceive in-groups and out-groups when responding to the question about generalized trust.

The extent to which respondents perceive generalized trust to apply to in-groups and out-groups varies cross-nationally, with Romanians referencing an in-group connotation when articulating their level of trust (Delhay – Newton – Welzel 2011). In other words, Romanians have a comparatively short radius in response to who is conceptualized, so much so that trust in family members, Romanian ethnicity, and Orthodox religious members correlate more favorably to civic attributes than the traditional generalized trust question about strangers (Bădescu 2003: 127). Thus, our finding regarding family may apply more to Romanian migrants than other groups.

More information is needed before we can infer that the presence of family is a form of particularized trust, perhaps as a manifestation of a short conceptual radius, feeding generalized trust. Our data reveals nothing about the relationships among family members and respondents or the level of particularized trust (not all people trust their family members). Other causal mechanisms are possible. For example, family offers an element of continuity for migrants, a source of social support, and can contribute to recreating home life more quickly, all of which allow individuals to take advantage of the social capital available to them building generalized trust in the process. If migrants are less trusting in more precarious situations, having one's family present might abate the sense of vulnerability. Thus, the presence of family members may insulate a migrant

from some of the negative impacts of the experiences. Hellerman (2006) finds that both increased contacts and brighter disposition applied to her sample.⁷

Our last three hypotheses addressed elements of the migrant experience that would capture vulnerability in a more direct way relative to diversity and family. We hypothesized that respondents who perceived hostility from native citizens in the host country, who experienced some form of personal hardship, or who were working illegally would have lower levels of generalized trust. The three hypotheses allow us to test the extent to which trust is shaped by negative experiences related to the act of migration. If we see correlation, we can infer that these types of experiences for this population affect generalized trust. Indeed, the results meet the expectations from our hypotheses but not without limits on our ability to specify causal mechanisms and generalize beyond migrant populations.

Respondents who perceive hostility from host country citizens tend to be less trusting of strangers. We measure the perception through self-reported observations of negative comments among Romanians in public spaces (written or verbalized) and the media. The logic of the hypothesis is that individuals who receive negative cues will respond accordingly and be less trusting of individuals generally. However, we must qualify this assertion in two ways. First, people who trust are more likely to give others a second chance or the benefit of the doubt (Rotter 1980: 7). Thus, our high trusting respondents may experience the same negative cues but process them, and subsequently report them, differently than those who are less trusting.

Secondly, we assume that negative observations or experiences are occurring before the (lower) level of generalized trust is manifest. However, the cross-sectional design prevents us from verifying this. Despite ambiguity regarding causal direction, the correlation between low trust and exposure to negative statements has implications for host country immigration and integration policies. The extent to which a host country environment is welcoming influences trust among migrants. New arrivals who have faith in strangers contribute to the social goods of a trusting society.

We also hypothesized that migrants who experience personal hardship in the host country would exhibit lower levels of trust. Our measurement was derived from asking respondents if they had experienced problems so great that they needed help from Romania to address them. We expect that the vulnerability associated with hardship, financial or emotional, would correspond to lower levels of generalized trust. We can show the correlation but drawing inferences remains difficult. We do not know the nature of the problems or the type of help

7 We tested for interaction effects between diversity and family presence and found no effects suggesting that the presence of one's family is not systematically correlated with the extent to which one perceived diversity.

that was received, only that the problem was severe enough that they needed to get assistance from Romania. One possible explanation is that the measure captures how socially embedded a migrant is within the host country, and not personal crises per se. In addition, we do not know what characteristics are associated with those Romanians who have access to assistance from Romania. They may be systematically distinct in terms of physical or social resources related to their background in Romania. Thus, the finding may capture a social network effect as opposed to specific encounters. Yet even though the data limit our ability to interpret, we see a link between aspects of the experience and generalized trust.

We further found that migrants who were working illegally were less trusting than other migrants. The result suggests another dimension of vulnerability that has an adverse effect on generalized trust. The faith one has in strangers may be partly structured by one's status, or how one perceives himself or herself within the community, based on that status. The finding opens the possibility that changes in status through life experiences shape trust among migrants. However, we cannot entirely eliminate the possibility that low-trusting individuals tend to be those who operate in the margins and are willing to maintain illegal status, thus reversing the causal flow.

Conclusion

Generalized trust is associated with many valuable outcomes including facilitating cooperation within groups and contributing to social cohesion. Significant evidence exists to show that generalized trust is a rigid concept, suggesting that the benefits of trust may be difficult to attain for some societies. Structural factors such as the level of economic equality or cultural factors such as ethnic diversity do not change rapidly. The stringency of such determinants has led many to see generalized trust as an unchanging part of an individual's social disposition. However, experiential theories encourage us to consider the impact of more immediate and varied social interactions as an additional influence on levels of generalized trust. Clearly, all experiences operate within a cultural context yet, studying migrants allows us to decouple respondents from their accustomed environment.

Romania produces the largest number of migrants among European Union member states and Romanians form the plurality among migrant groups in Italy and Spain. Romanian migrants leave a low-trusting country that has struggled economically and politically during the post-communist era. Despite this legacy, Romanians abroad tend to exhibit similar levels of generalized trust compared to those we see in their host countries when we consider aggregate levels. Considering individual attributes, we find that more immediate experiences significantly influence generalized trust.

Our analysis shows that, in particular, experiences linked to aspects of social vulnerability shape generalized trust among Romanian migrants. Exposure to diversity, being without family, perceptions of hostility, a personal crisis, or working illegally are not part of the cultural baggage brought from Romania; they are encounters some Romanians have within their destination country. We should not be surprised that social vulnerability negatively colors a migrant's attitudes about the people around them. The clear connection we see between the experiences of migrants and trust accentuates how much generalized trust is culturally bounded, and how social interactions become more relevant in generating (or eroding) trust outside one's cultural context. Once we exit from the familiar, we can expect much more variability in trust levels, at least until a new cultural orientation is adopted. However, as globalizing forces continue, more and more individuals find their cultural context changing without taking a decision to emigrate. Will trust become more fluid because of it?

Considering experiences that challenge our notion of cultural stability begs other provocative questions. Do certain cultural traits "travel" better than others? We have been considering Romanian migrants; however, we do not know the extent to which our findings extend to other ethnicities within Italy and Spain. We also do not know the extent to which these findings would apply to other European cases, and if they would hold outside the European context. Our analysis cannot estimate the effects of the Italian and Spanish contexts that might be specific to those countries, including immigration policies and services available to migrants.

The analysis does demonstrate the importance of state policy in minimizing the negative factors faced by migrants. Those who perceive a more secure environment have higher levels of trust. Alleviating social vulnerability among migrants can boost generalized trust, which in turn will facilitate the integration process producing benefits for migrants and host countries.

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In the Shadow of Empire. Reflecting on the Political-Strategic Position of the Small States in Europe and the Caribbean Basin during the Cold War

MITCHELL BELFER

Abstract: *Revisionist takes on the Cold War have entered public discourses and rendered understanding of the lead-up to, and unfolding of, the long game of brinkmanship between the US and USSR unintelligible. While this work does not seek to redress the meta-problems of current treatments of the Cold War, it does seek to examine some of the undercurrents during that period of international relations history. Specifically, this work presents a theoretical assessment of the small states that comprised the rank and file members of the Cold War blocs. The states of the Caribbean Basin, Latin America and Central and Eastern Europe are used to illustrate the theoretical underpinnings of this work. Ultimately, this work deviates from more conventional understandings of the Cold War by intellectually reflecting on the manner in which small states were treated by their bloc leaders.*

Keywords: *Small States, Cold War, Latin America, Caribbean, Central and Eastern Europe, Revolution*

Introduction

Any evaluation of 20th century international political and socio-economic engagements inevitably draws heavily on the literature depicting the relations between and within the Cold War blocs. Such cognitive benchmarking has become so extensive that even the earth-shattering World Wars, which preceded US-Soviet brinkmanship, have been sewn together to the Cold War so as to produce a meta-narrative as a means of understanding the dynamics of international relations themselves. For instance, WWI has not merely entered the history books for what *it* produced; it has also come to be seen as producing the right conditions for Russia's communist revolution and the US's rise to

inherit the position of Western leadership—two necessary prequels to the half century of Cold War. But not before these two ideologically opposed blocs join forces to rid the world of fascism and the German pivot in European affairs. WWII has come to represent three chapters in the story of civilisation: the story of genocide (re: Nazi Germany's quest to exterminate world Jewry), the story of non-nationalistic secular ideological struggles and the story of power beyond the pale of power (re: the nuclearisation of power). In other words, WWII has also, largely, been included as a necessary chapter to the Cold War. And certainly it was. Without WWII it is difficult to imagine how, or if, the USSR would have driven west and occupied Central Europe, whether the West European states would not have deployed East, if the US would have deepened its engagements to Europe or any number of dynamics would have unfolded. It is clear that the Cold War is a defining period of international relations history.

Yet, such grandstanding, by its nature, implies the imbalance of global power to the point that only two state-blocs are said to have dominated international political life for the better part of a century. While this may be empirically verifiable in terms of deployments, engagements and projections there are fatal flaws with such generalisations; they tend to overstate the roles of the superpowers and under-appreciate the roles of smaller states and the alliances and competitions that defined their global position and foreign policy orientations. These too were – and are – important and deserve both recognition and exploration.

This work takes a stab at redressing the instinctive neglect of the small states that affected the Cold War system of transatlantic and transpacific competition and has bled over to more recent times. While delving into the dynamics of small states in a world system dominated by superpowers requires exhaustive investigations, this work provides only a modest baby-step. Its intention is to define, conceptually, small states and demonstrate how these have come to occupy the proverbial “shatterbelts” that exist in the “friction zones;” the overlapping spaces of super- and great powers' spheres of influence. Since the Cold War was (roughly) divided into two main blocs, and given that the flexibility of small states to determine their own foreign policy direction was severely restrained by their bloc-leader, explorations of small state relations during the Cold War are limited to the intra-bloc level. For the purposes of this work, examples are drawn primarily from the superpowers' immediate geopolitical spheres of influence – the US and Central and South American states and the USSR and the Warsaw Pact countries – since this work is concerned with how the small states, in the shadow of empire, determined their relations. These regions are also important since the USSR sought to check US power in the Americas through the sponsorship of communist military, paramilitary and political activities while the US reinforced anti-communist governments in Western and Southern Europe and spent considerable energies galvanising NATO. In short, the Caribbean was to the USSR what Western (and Southern) Europe was to the

US; a pressure point on the geostrategic body of its adversary. Additionally, the geographical, cultural, socio-political and economic differences between the US's and Soviet's spheres render comparison both interesting and stimulating. This work is organised accordingly.

Theorising on Small States

The importance of small states in the preservation of a regional or even the international balance of power should not be understated. Just as Belgian neutrality helped preserve the pre-WWI balance of European power, so Georgia's more recent attempts to enter Western security organisations prodded Russian aggression. Large and superpowers go to great lengths to anchor small states into their security architecture and jealously defend the status quo whether the people of such small states agree or not. Democracy is a luxury for states obsessed with their perceived geopolitical survival. With this in mind, it is necessary to define small states and evaluate their specific behaviours vis-à-vis the world's great and superpowers. Since this work is devoted to understanding the political nuances during the Cold War years, attention is paid to the period 1945–1991. Additionally, this section is not exclusively focused on relations between the members of the Soviet's two pincers – the Warsaw Pact states and the “stragglers of the Caribbean” – but seeks to provide a wider understanding of small states.

What are Small States?

A distinct body of international relations literature focuses on the nature, behaviour and policy orientations of small states and small powers (Belfer 2014). This collection of texts provides a solid arch between historic (re: the Republic of Venice) and more contemporary examples of small states (re: The Grand Duchy of Luxembourg). However, such treatments tend to be generalisations in that many of their assumptions are time-specific and seldom appreciate changes to the fabric of international relations. In other words, many of the scholars who examine small states tend to act as historians, rather than international relations scholars, and freeze-frame the small states of their investigations. The idea that there are small and medium, large, great and superpowers operating in the international arena is hardly novel; international relations scholarship has been concerned with such distinctions from its inception. Therefore, to determine precisely what a small state is, it is essential to take a theoretical back-step, to the ‘last year of the Napoleonic Wars. Previously [...] “the assumption had been that all sovereign and independent states were in theory equal, whatever might be their responsibilities or physical strength” (Nicolson 1961).

From this initial point, the assumption was that all states had been considered equal and the principle of non-intervention into the domestic affairs of

other states was set as an iron rule. However, such iron rules are typically bent by the raw muscle of great powers, which, in their determination to extend their power-bases and projection capacities often got involved in others' affairs; small and large alike.

Indeed, Rothstein recalls that the

presumed equality of all states did not, of course, prevent the Great Powers from treating weaker states instrumentally. Small Powers threatened by neighbouring Great Powers, or intent on security benefits for themselves in the course of Great Power conflicts, were forced to play a perilous game: moving quickly from the lighter to the heavier side of the balance as soon as an apparent victor in any contest could be discerned (Rothstein 1968).

Such sentiments point to pragmatic leadership as the pillar for national-state longevity since – if small states were treated instrumentally and were forced to quickly shift their alliances – only prudent leaders are able to recognise power shifts and rapidly realign to ensure survival. Yet, small states do not operate from within a political vacuum and they are not blessed with having only to deal with regional balancing in an effort to defend their interests and ensure their survival. Often, small states are themselves the issue which inspires great power competition and, at times, conflict. Cuba's chapter in communist revolution is a reminder of the intensity great powers may be willing to go in order to project themselves and absorb small states into their spheres of influence; the international community had never before – or since – been closer to nuclear Armageddon as the US quarantined the Island and actively deterred further Soviet expansion. Castro understood how antagonistic his regime was to the US, and made his alignment choices accordingly. However, he could not anticipate the length the US was willing to go in order to preserve the regional balance of power—and terror. Castro's pragmatism was less than optimal and Cuba has suffered economically as a result. But yet, it has survived. The same could be said of a later attempt to set up a (claimed) radical communist regime in Grenada following the 1983 assassination of Prime Minister Maurice Bishop. The US's Operation Urgent Fury amounted to the rendering of an independent Grenadine state to the humiliating position of pseudo-puppet of the US. When small states act imprudently and without regard for their role in preserving a regional balance of power, they risk their national sovereignty and survival.

So, small states must not only be concerned with regional balancing, they must also attempt to keep a 'low profile' since those small states that 'came to the attention of the Great Powers [...] were only noticed when they became an object of desire for a Great Power, or when they intruded too noticeably in the diplomatic game' (Rothstein 1968).

For Rothstein, small states are understood to be defined according to three important benchmarks. Firstly, that they are treated instrumentally, that there is an invisible hand which determines their freedom of action and limits the extent of their independence in terms of developing an foreign policy entirely rooted in national interests defined according to the demands of the population and political classes. Secondly, that small states are forced into a perilous game of constant balancing, expending tremendous political and economic energies (and resources) to ensure that they are on the 'winning' side of a balance and do not get caught-up in regional and international competitions beyond their capabilities. And, finally, that small states are specifically restricted in foreign policy making in that larger powers' foreign policies act as the basis for small states' decision-making.

Even a cursory glance at many of the Latin American, Caribbean and Central/Eastern European states – in the shadow of the US and Soviet empires – confirms the validity of Rothstein's observations. The Soviets were less concerned with the Cuban revolution and social justice in that country than they were of off-setting US power in the Northern Caribbean region, just like the US was hardly concerned with the fallout of the coup d'état against Allende and the emergence of the Pinochet regime in Chile (Kornbluh 2003). Such instrumental treatments of allies was hardly confined to Latin America; Central and Eastern European states faced similar conditions as the 1956 Russo-Hungarian conflict and the 1968 Warsaw Pact invasion of Czechoslovakia attest. But whereas Rothstein suggested that 'an invisible hand' determined small states' freedom to formulate an independent foreign policy, the Cold War superpowers were not subtle; the hand was visible and clenched.

In terms of being 'forced into a perilous game of constant balancing [...] to ensure that they are on the 'winning' side of a balance and do not get caught-up in regional and international competitions beyond their capabilities,' the level of instrumentalism precluded alliance fluidity among the small states during the Cold War. Sure, both Albania and Romania abandoned the Warsaw Pact, and it is true that France withdrew from military cooperation in NATO, however in no case did such alliance defections threaten bloc political security and, besides, these episodes served more as exceptions than the rule. For the most part, the Cold War was a grand balancing act and the small states were largely locked into it as a result of their instrumental treatment by the superpowers. There were few avenues of recourse. Albania had to tie itself to an invigorating China, Romania had to flirt with the US, France and Italy while France had to remain committed to the US on a bilateral level. In each case of Cold War bloc adjustments, balances were reaffirmed rather than disregarded (Garthoff 1995).

Finally, that small states are specifically restricted in foreign policy making in that larger powers' foreign policies, act as the basis for small states' decision-making was a very important observation. When the USSR sought inroads

into Latin America, it enlisted its Czechoslovak ally since the latter retained (relatively) good relations in the region. Czechoslovakia's acceptance of playing the role of trailblazer had less to do with instinctive Czechoslovak policy preferences and more to do with the fact that foreign policy decisions were increasingly made in, and by, Moscow (Pelant 2013).

In the heat of the Cold War, Rothstein remarked that 'for Small Powers [...] the solution to any "security-dilemma" must come from an outside source' (Rothstein 1968: 24). In the breakdown of US hegemony this is again a key feature of being a small state, however at this time in history being able to solve a security dilemma is much more difficult owing to the nature of regional competitions, especially in dangerous regions. The Caribbean Basin, Latin America and Central/Eastern Europe were – throughout the 20th century – terribly dangerous. Whether referring to the Maoist Shining Path insurgency in Peru, the incessant interstate conflicts in Central America, notably the famous Postage Stamp War of 1937 between Nicaragua and Honduras, the 1969 Football War between El Salvador and Honduras and the simmering (often erupting) tensions between Costa Rica and Nicaragua over the San Juan River, to name a few, there is a disproportionate level of political violence in and around the southern 3/4^{ths} of the Americas. This is mostly due to the high proportion of small states and their security requirements only able to be fulfilled through the enlisting of large regional or international powers. Hence, while the solution to their security dilemmas must come from an outside source, such exogenous actors may be, at least partially, responsible for the initiation of the security dilemmas in the first place since the exogenous state treats the small state instrumentally; in pursuit of its own interests. Small state conflict may, very well, be the residue of great powers' pursuits of their interests.

Indeed, similar to the pre-WWI/WWII periods,

Small Powers must, therefore, rely on essentially ambiguous external aid for the accomplishment of the basic goal of all states: survival. If they have learned anything from history, it is that external support usually arrives late, and that it is given only in expectation of future benefits (Rothstein 1968: 24).

Additionally, there is a 'narrow margin of safety which a Small Power possesses. With a small territory (normally), with few resources, and with uncertain friends, it has very little time in which to correct mistakes. Fearing to take risks, caution is enjoined' (Rothstein 1968: 25). The Hungarian revolution serves as a case in point (Granville 2004). While the US and its Western European allies certainly encouraged the Hungarians to rebel against the USSR for the purpose of fracturing the communist presence in Central Europe, there would be no support when Hungary needed it most (Granville 2004). Instead, Hungary had to absorb all the risk and paid for its miscalculations in blood and harsh

political and economic restrictions following the Soviet invasion. And, to add insult to injury, it seems that the manner in which the US sought to empower Hungary's more moderate communists, may have directly contributed to the Soviet decision to invade the country and depose Nagy (Granville 2004: 200–201). Meanwhile, by the time the US had mobilised its allies to even agree on lending support to the Hungarians, the war had already been concluded. The West, it seems, was ready to fight the USSR to the last Hungarian.

Small states are not only vulnerable owing to their dependence on unreliable and selfish allies, they are additionally – owing to the size of their territory – made vulnerable based on their geopolitical position and, importantly, the shortened timeframe they are forced to operate from. Political life is simply accelerated because patience is a luxury small states can ill-afford. Indeed, 'few Small Powers enjoy the luxury of possessing enough strength to handle all the problems on their political horizons; at best, they may be able to confront and survive the most serious problems, provided they perceive them accurately' (Rothstein 1968: 25).

So, an additional aspect of small states, recognised as *the* central pillar for their survival rests on leadership and decision-making. It is as though all small states are permanently on war-footing, rapidly altering policy as new information streams in. Foreign and defence ministries, the office of Prime Minister and, basically, the entire spectrum of executive and legislative personnel, are forced to work constantly, and prudently, if their state is to survive. This may, perhaps, offer a partial explanation as to the forms of government adopted in both Central/Eastern Europe and Latin America during the Cold War; strong leadership, cults of personality and raw populism.¹ Often the internal dimensions of policy-making lay beyond the scope of adequate investigation, however, in small states there is a prevailing national feeling of fear that a policy choice is inadequate or that certain regional tides are too strong to resist and 'the psychology of fear leads Small Powers in conflicting directions,' (Rothstein 1968: 28) which are very difficult to reconcile.

What Makes a Small State Small? Two Variables

For all the previous discussion about the intrinsic vulnerabilities, which define small states, it is also important to clearly indicate particular aspects of a state which render it small and hence prone to the vulnerabilities highlighted above. For the purposes of this work, there are two main approaches to understanding what makes a small state small, an *absolute* and a *relative*, both of which are reflected in the interaction of two variables.

1 For a reading into economic populism in Latin America see Edwards (2010). While this work is geared towards explaining the manner in which policy orientations and ideologies have largely plagued Latin American economic growth, it hints at the forms of nepotism and sectoral empowerment that is often a reflection of both paranoid and cultish leaders. For a reading into the cult of personality and leadership in communist Central and Eastern Europe during the Cold War see Fowkes (1999).

These are:

1. Population Size: the total number of residents (citizens and non-citizens alike) of a given state;
2. National Territorial Area: the geo-strategic depth of the state and the resources available to it.

These are borrowed (though refined) from East's four variable depiction of the 'conventional model' of a small state where he suggests that

This conventional model generally assumes that small states are characterised by one or more of the following: (1) small land area, (2) small total population, (3) small total GNP (or other measure of total productive capacity, and (4) a low level of military capabilities (East 1973: 557).

The decision to omit GNP and the level of military capabilities was made on the basis that GNP refers to the size of a country's economy and not its geopolitical dynamics. At the same time, international relations and security are much more nuanced and the strict criteria of maintaining a low level of military capabilities is not an indication of national size, or power (for that matter). Instead, while not considered a variable, this work recognises the variance of national demands and the capabilities to satisfy them as indicative of a small state since it seems that small states feel national (and sectorial and sub-national) demands much more acutely than larger entities. Owing to the fact that a small state is territorially small and contains a small population, it follows that there will be less demands and more opportunity to satisfy such demands. Or, alternatively, there may be more demands and less opportunity to satisfy them, implying that small states are forced to behave differently than larger entities owing to the inherent internal tensions that are derived from the variance between demands and national capabilities. However, since such situations arise as a symptom of being small and not a cause, demands vs. capabilities are understood as symptomatic.

Variable 1: Population Size

Population size continues to matter in terms of fielding adequate numbers of citizens for political, military, social, diplomatic and economic activities. While using population as an indication of "small" or not small has been the centre of many international relations debates, it is a key determinate deployed throughout this work (Maass 2009: 70–74). Sawyer notes that

Of all national characteristics, size is probably the most obvious—but this makes it no less important. And although population is the most prominent representative of size, such variables as a nation's energy resources, arable land, and GNP also load highly on this factor (Sawyer 1967: 152).

This work also recognises that other factors may be considered for the overall understanding of what makes a state small or large (or other sizes for that matter), though maintains that population size is the most relevant since only through the fielding of individuals into a states' political structures, its armed forces and its economic agents and bodies can national mobilisation occur. Given that small states have a smaller pool of individuals to fill such positions and roles, it stands to reason that small states are characterised by small pools of individuals and hence size does matter; if a state has less politically capable persons to draw on, less soldiers to conscript or enlist, and less economic actors then the entire national apparatus will be affected even if the state in question is wealthy and controls significant natural resources.

It is also useful to note that population size does not positively reflect power – small states may be relatively powerful or weak – it depends on a wide assortment of interacting variables. In this, despite the fact that 'merely possessing a larger army, more advanced weapons, or a modern economy does not guarantee the ability to achieve desired ends – the relationship between tangible power and the achievement of national goals has become more and more indirect and obscure' (Rothstein 1968: 19–20). So, small states may retain power and large states may be weak. However, the size of the national entity does impact on the way the state behaves since small states tend to rely on alliances and are more acutely aware of their vulnerabilities than larger states are. Hence, understanding the role that population size plays in national political cultures and behaviours is an important task. Unfortunately, discussion in this section departs from such theorising to return to the task at hand; determining the criteria required to define a state as being small (or otherwise).

The Absolute Approach—looks at the total number of a state's inhabitants – citizens and residents – and if the population size is 1.5 million or less it is considered a small state. This number is not arbitrarily ascribed, it has been selected since the vast majority of recognised national state enterprises consist of populations which number more than 1.5 million and thus states with (or less than) such a population base are in the clear minority.² Additionally, in states with (or less than) such a population base it may be assumed that less than one million are eligible members of the state's economic, political, social and military life. So, a population of one and a half million, after deducting the number of aged, young and incapacitated, results in a population of roughly one million contributing persons. Although such states are comparatively rare, there are still numerous examples of them, though for the case at hand, these tend to be found in, or

2 Of the 193 current members of the United Nations General Assembly, 150 have populations that exceed 1.5 million people implying that less than a quarter of all recognised states retain populations smaller than 1.5 million.

proximate to the Caribbean region – both island states and along the littoral – not among the Central and Eastern European states during the Cold War.³ Consider for example: Anguilla (UK, 12,000), Antigua and Barbuda (73,000), Aruba (Netherlands, 100,000), The Bahamas (310,000), Barbados (270,000), Belize (256,000), Bermuda (UK, 82,000), Cayman Islands (UK, 40,000), Dominica (79,000), French Guiana (France, 178,000), Grenada (80,000), Guadeloupe (France, 440,000), Guyana (765,000), Martinique (France, 393,000), Montserrat (UK, 4,000), Netherlands Antilles (Netherlands, 221,000), St. Kitts and Nevis (42,000), St. Lucia (149,000), St. Vincent and the Grenadines (120,000), Surinam (435,000), Trinidad and Tobago (1.3 million), Turks and Caicos Islands (21,000), Virgin Islands (UK, 21,000) and the Virgin Islands (US, 111,000). These account for roughly half of the international community's absolutely small states (*Atlas of the World* 2011: 18–37).

So, for a state to qualify as absolutely small it needs to have a population of 1.5 million or less and an active, participating population of between 8 hundred thousand and 1.2 million people. In the Caribbean basin region, the vast majority of the states and territories are absolutely small. Hence, the depiction of small state behaviour (above) may be applicable since few of these states retain adequate means of self-defence and hence are treated instrumentally by the dominant regional power, the US. There were, to be sure, times where some of the more enterprising regional powers such as Cuba and Venezuela have attempted to disrupt the regional balance of power – a.k.a. US regional hegemony – but such attempts were only half-witted and haphazard.

The Relative Approach—is, in contrast, based on a 10 per cent rule, where a state is considered small relative to any one of its territorial neighbours or, in the case of island states, a state sharing the immediate littoral of the body of water surrounding it. This approach offers important insights regarding small states since it is based on relative power assessments derived from a states' demographics which – while not always a fair assessment – allows researchers to hypothesise on capabilities since states with larger populations should (in most cases) be able to enlist greater numbers of its citizens for political assignments, active armed services and economic life. Certainly, there are problems with such an approach since it does not automatically suggest power imbalances; many additional factors must be considered. For instance, large states may be more fractured, less cohesive and have fewer resources available to the state rendering it relatively weaker than a smaller adversary. While such lines of thinking is surely valuable, it is not relevant for the current discussion which narrowly

3 It should be remembered that as some of the larger states fragmented, notably Yugoslavia, the succeeding states may have had populations of less than 1 million. For instance, Montenegro's population is just over 600 thousand people.

seeks to illustrate what a small state is, not its power capabilities. So, with this approach in mind, when a state retains a population 10 per cent the size of a neighbour it is relatively small. With few exceptions, the states that bordered on the US (237 million in 1985) and USSR (277 million in 1985) were often less than 10 per cent their size. In the Caribbean and Latin America only Mexico, Argentina and Brazil retained (in 1985) populations that exceeded the 10 per cent rule. In contrast, during the same period, only Poland was more than 10 per cent of the USSR's total population.

Variable 2: National Territorial Area

As a variable, the national territorial area indicates two key ingredients of capabilities that may render a state small or not: levels of geo-strategic depth and the presence of a sustainable resource base (including resource accessibility, conversion and mobilisation options⁴. Unlike the manner in which population was treated above – in terms of presenting both the absolute and relative approaches separately – this subsection blends the absolute and relative approaches into the main arguments.

Geo-Strategic Depth—determining the geo-strategic depth of a state is a daunting task since it is an ambiguous variable with few mechanisms of measurement available to social scientists.⁵ Often, the phrase geo-strategic depth is deployed in a reified manner and no clear definitions offered. This work offers an imperfect definition, though hopes that this endeavour is further developed in other works. For the purposes at hand, geo-strategic depth is considered the amount of territory a state may cede to an invading military force before having to cede ultimate sovereignty. In other words, the percentage of territory that would need to remain under the control of government “A” for that government to legitimately claim to extend sovereign control over country “A.”

Consider a counterfactual situation to illustrate this point. Imagine that the Nicaraguan civil war occurred at a time of US determination to advance the cause of human rights in Central America and hence brought the superpower in to allay the dangers to the civilian population.⁶ In the event that the US were to construct a 10 kilometre “humanitarian corridor” within Nicaraguan terri-

4 These sub-variables are borrowed from Hart (1976: 289–305).

5 Most scholars tend to view strategic depth as an abstraction rather than a reality of a state's geopolitical thinking. See, for instance Yalvac (2012: 165–180). While Yalvac certainly contributes to the discipline of international relations through this article, it does not offer many clues as to how geo-strategic depth may be universalised as a concept and deployed in the political orientations of states. At least Yalvac attempts to understand geo-strategic depth; most others simply assume broad knowledge of the theme and omit defining it.

6 Please note that this is a counterfactual argument. Historically, the US's support to President Somoza's dictatorial regime is often cited as a main cause of the 1978/1979–1989 civil war since it empowered

tory – adjacent to the Costa Rican border – for the sake of offering civilians a safe haven and thereby forcing the Sandinistas 10 kilometres back from their sovereign boundaries. Nicaragua would not cease being an independent and legitimate state as a result of such an intervention. Nicaragua’s geo-strategic depth is greater than 10 kilometres. Alternatively, if the US (in this hypothetical) were to extend its corridor 250 kilometres to include the major part of Nicaragua’s population and its industrial capabilities Nicaragua would cease being Nicaragua in its current form and be forced to adjust to being a smaller entity, say centred around Managua, or seek to regain its lost territories through guerrilla conflict. In either case, the country and its leadership would be deemed illegitimate leaders of Nicaragua, though may still be regarded as the legitimate leaders of Nicaraguans.

In this hypothetical example, Nicaragua’s strategic depth vis-à-vis the US is something around 250 kilometres. Yet even this is not a rule. If, for instance, Honduras would have militarily intervened in our Nicaragua story – to end the inevitable migration of fleeing civilians – it would not require a 250 kilometre occupation zone in order to deconstruct Nicaragua, it would only need to occupy the capital, Managua. If Honduras would successfully do so, the Nicaraguan authorities would either be deposed (killed, arrested, exiled) or forced into the hinterland to carry on the conflict using asymmetric means. In any case, this would imply that Nicaragua’s leaders could not effectively develop or implement policies for the country and hence the state would no longer exist as a unit. From this example it is clear that there are two main determinates of geo-strategic depth. Firstly, a kilometre-based determinate whereby a state’s geo-strategic depth is measured according to how much of its national territory it must retain in order to remain the same state. Or, how much ground can it lose before it ceases being a state.

The second determinate is based around the control of the state in question’s capital city since doing so has tremendous symbolic and practical meaning; it indicates that a government has lost direct control of the state’s decision-making apparatuses and institutions and that the state has ceased to exist in its previous form. Consider that the USSR did not have to occupy all of Hungary to force the latter to surrender in 1956; it needed only reach Budapest and exile, kill, imprison or co-opt members of the executive, legislative and judicial branches of government. While this may serve as an example of the capital city of a state as a key determinate to its geo-strategic depth, it should also be noted that threats made against a capital city can act as an effective tool in the exercise of power.

one bloc against the country’s civil society, rural classes and the intelligentsia. The civil war only ended with the signing of the Tela Accord of which the US’s role was only marginal.

The above theorising intended to play with some of the ideas attached to geo-strategic depth. However, these have been limited to large(r) state entities and have, so far, excluded small states. While the general theory being applied here is valid for small states, the point is that retaining a small territorial surface implies retaining a more limited geo-strategic depth. Nicaragua's loss of 10 kilometres would not automatically end its sovereignty. However, if the US would invade 10 kilometres of Grenada (as it did), the latter would cease to exist and be forced to accept US domination (which it also did). For the purposes of this work then, small states naturally have a smaller geo-strategic depth than larger entities, owing to the territorial surface of the state. Hence, small states are intrinsically vulnerable since foreign occupation is made easier by small territorial surfaces and the lack of adequate geo-strategic depth.

For instance, Cuba is a relatively small island state and Czechoslovakia (was) a small territorial state and Quester's remark that chief among the vulnerabilities of such states is that 'there is no hinterland for the inhabitant of the island to retreat to, there is no second line of defence, no backup position from which to repulse such foreign aggression' (Quester 1983: 161) is relevant. Islands are even more vulnerable than continental small states since there are no porous borders to sneak across for asylum, no safety nets and no safe havens.

Sustainable Resource Base—examines the ability a state has to practise autarky in terms of providing essential resources for the sustainability of its population based on extraction from the national territorial surface. In the contemporary international environment, complex as it is, the necessary ingredients for socio-political survival remain relatively constant. There are five. Firstly, arable land is required for hygienic living spaces and to meet dietary needs such as adequate agriculture and raising livestock for consumption. Secondly, but no less important, people require potable water; the fresh, purified water for consumption, food preparation, enabling agriculture and for ensuring sanitary conditions (cleaning of living spaces and people). Water is also an essential ingredient in modern medicines and industrial activities. Thirdly, access to energy sources adds an important dimension to the list of required resources for any political community. Energy resources may be more archaic, such as lumber. They may be oil and gas or even more sophisticated sources such as biomass. Communities need energy to light and warm their homes, prepare foods, for sterilisation of daily and medical utensils and, in more advanced societies, to power their cities, run the transportation links and provide the luxuries attached to modern living. Fourthly, human resources are required to fulfil the basic operation of a community (no matter the size). People need to be able to field key positions related to public services (police, armed forces, government, farmers, etc.) and sectors related to resource extraction, conversion and mobilisation. Finally, all political communities require adequate living spaces, places where individu-

als and families may inhabit and public spaces where social interactions and exchanges may occur. These are the basic resources required of any community. As societies advance, so do required and desired resources; educational, industrial, commercial and social. In terms of retaining a sustainable resource base, it is clear that small states are (nearly always) at a disadvantage owing to their territorial surface size. While there is no way to determine what makes a state small according to a strict square kilometre assessment, it is possible to hypothesise according to the blend of relative and absolute understandings of territorial size comparing inhabitants per kilometre to territorial area size.

Territorial Size as a Determinant of Small States

Population size was deployed as a variable that can be operationalised in order to, partially, determine whether or not a state is small. This section seeks to do the same with the use of territorial size. While the variable itself was explained in some depth above, this subsection presents the absolute and relative approaches required for its operationalisation. Both approaches are more concerned with the actual and potential strategic depth of states rather than a state's sustainable resource base. This selection is based on the premise that even large states may not have adequate resources for national sustainability and therefore engage in international trade to that end. At the same time, small states may, very well, retain sustainable resources for their population's needs. So, while the amount of resources is important, particularly in competitive environments, it is not utilised or further developed in the subsequent section since it may only complicate being able to comprehensively identify a state as being small.

By way of illustration, consider the example of Peru with a population of some 28 million, stretched over more than 700 thousand square kilometres. Despite its size, only a fragment of its territory is arable owing to the Andes Mountains and the protected rainforests. Hence, Peru requires international trade relationships in order to meet the basic needs of its population.⁷ At the same time, Costa Rica's population is situated at approximately 4.5 million on a minute territorial surface, of which roughly 35 per cent is arable, implying that Costa Rica has sufficient agricultural capabilities.⁸ This disparity in sustainable resources does not indicate either the absolute or the relative size of Peru or Costa Rica. Instead, it only exposes one dynamic. Therefore, resource sustainability is omitted from further discussion here though accepts the assumption that small states tend to have more acute difficulties in meeting the resource demands of their population. This is a point of reflection rather than a rule.

7 This information is based on the CIA Factbook 2013: available at: www.cia.gov/library/publications/the-world-factbook/geos/eg.html (7 September 2013).

8 CIA Factbook 2013: available at: www.cia.gov/library/publications/the-world-factbook/geos/eg.html (September 2013).

The following points then, indicate the absolute and relative territorial size of a state for the purpose of indicating its strategic depth.

Absolutely—small implies that the state in question contains territories smaller than 5000 square kilometres. This territorial determinant was selected due to a maximum 222.5 kilometre depth of the state in question. In other words, being able to enter a state from its frontiers and reach the geographic centre within 222.5 kilometres implies minute strategic depth and therefore indicates that the state is absolutely small. Topographical features may certainly facilitate or impair an invading military and certainly if a state has 5001 square kilometres it is in no better position, however there seems to be a major leap statistically from states that have less than 5000 square kilometres to those that retain 7000 and more. In other words, there are few states with 5000–7000 kilometres and therefore it seemed natural to place the threshold at 5000 square kilometres.⁹ In terms of topography, it should be noted that technological innovations over the past fifty years, particularly in aircraft and missile technologies, implies that territorial obstacles are more easily overcome. In this way, 5000 square kilometres offers next to no protection from air operations since such states can be over-flown in less than 20 minute. Such states are, therefore, absolutely vulnerable. In Central and Eastern Europe all countries have landmasses that exceed the 5000 square kilometre rule. In the Caribbean and Latin America, on the other hand, most of the island states retain significantly less territorial surfaces. For instance, Dominica (751 square km), Saint Lucia (616 square km), Antigua and Barbuda (442 square km), Barbados (430 square km), Saint Vincent and the Grenadines (389 square km), Grenada (344 square km) and Saint Kitts and Nevis (261 square km), are all absolutely small states.

Relatively—small states are those with a territorial surface that amounts to 10 per cent or less than any of its neighbours. This 10 per cent “rule” is based on the relative strategic advantages that may be enjoyed by the greater state in terms of strategic depth and relative vulnerability. In a conflictual dyad marked by relative asymmetry in territorial size, the smaller state is less capable of threatening the entire larger state than a situation in the inverse. The ability of a relatively small state to occupy a territory (and population) 90 per cent or more its size is nearly impossible. Contrarily, states that are 90 (+) per cent larger than an adversary is more capable of occupying the entire small state. This is because of the relative strategic depth of the actors. Perhaps this explains the more aggressive policies of some small states vis-à-vis larger neighbours where a small state is more likely to embark on a limited aims strategy of buffer-zone

9 CIA Factbook 2013: available at: www.cia.gov/library/publications/the-world-factbook/geos/eg.html (September 2013).

building; not to conquer its larger adversary, but to occupy areas of its territory to establish a buffer so that future combat would occur on the conquered territories rather than on the national territory of the small state with its inherent vulnerabilities and lack of strategic depth. In Central and Eastern Europe, none of the members of the Warsaw Pact had a population greater than 10 per cent of the USSR, hence they were all relatively small. At the same time, in the Caribbean and Central America, all the states were less than ten per cent of the US, Brazil, and Mexico while in Latin (South) America, the majority of states are not less than 10 per cent the size of the US; though Ecuador, French Guiana, Guyana, Uruguay and Paraguay do fit the criteria for being relatively small compared to the US (and Brazil).

A Summary of Small States

It should be noted that being a small state, no matter whether absolutely or relatively small may be more vulnerable though this does not necessarily indicate weakness; small states can be powerful even if at a demographic or territorial disadvantage.¹⁰ However, in the clear majority of cases, small states retain very limited power and hence tend not to be aggressive; they tend to rely on alliances and alliances are, more often than not, restrictive. Or, to use the logic adopted by Aron and echoed by Maass, ‘small states have to have a defensive “mind-set” and focus almost exclusively on their own security [... they are] unable to pursue an agenda vis-à-vis other states – because they lack the power to do so [...]’ (Maass 2009: 73). This is confirmed with the cases of Central and Eastern European and Caribbean and Latin American states during the Cold War. With very few exceptions – and restraints and political violence against internal actors notwithstanding – the Cold War period was one of interstate peace in the regions in question. While some may point to the manner in which the Cold War superpowers reined over the smaller states in their respective blocs, this work argues that the reason for (largely) peaceful relations between small states in the same bloc was the defensive nature of the international system at the time. Rewards for aggression were not worth the consequences of political abortion.

Yet, the point of this work was not to illustrate the capabilities of small states or to highlight the relative importance of such actors but rather to clearly note that

Small Powers are not simply weaker Great Powers [...] they must be defined in terms of something other than their relative power status [...] there is a psychological, as well as material, distinction between Great and Small Powers. The latter earn their title not only by being weak but by recognising the implications of that condition (Rothstein 1968: 29).

¹⁰ This is the main line of argumentation adopted by Handel (1981).

So, small states are still states and not annexes to larger entities, they participate in international economic, diplomatic and political exchanges with others and contribute to their local and regional security environments. In this way, by defining small states according to their capabilities for dealing with domestic and international affairs, emphasis shifts to issues of security whereby the small state or small power cannot greatly affect the internal dynamics of its larger neighbours and therefore opts to focus its political energies on enhancing its own security position.

Hence, for this work, a small state

recognises that it cannot obtain security primarily by use of its own capabilities, and that it must rely fundamentally on the aid of other states, institutions, processes, or developments to do so; the Small Power's belief in its inability to rely on its own means must also be recognised by the other states involved in international politics (Rothstein 1968: 29).

And that a small state is

defined by its limited capability to: (1) influence the security interests of, or directly threaten, a great power; and (2) defend itself against an attack by an equally motivated great power (Elman 1995: 171).

These are based on the definition of small states developed above which notes that they are either absolutely or relatively small in terms of population and territorial size.

To be clear, small states are defined according to their demographic and territorial size. Their population size must not be larger than 1.5 million (absolute) or 10 per cent of any one neighbouring state (relative). At the same time, the territorial area of a small state must not exceed 5000 square kilometres (absolute) or be greater than 10 per cent than its neighbours.

Given these parameters, states that are deemed to be small also tend to have certain behavioural and political traits: risk aversion, alliance dependent and retain limited international influence in pursuit of self- and international interests. In short, small states retain limited international power based on limited internal capabilities and the means of projection. The small state recognises its own security vulnerabilities, as do others, and therefore the world is divided into allies (potential or actual security providers) and adversaries (potential or actual security diminishers); there are few international nuances. This may explain the manner in which the states of Latin America, the Caribbean and Central/Eastern Europe adjusted themselves following the demise of the USSR; most quickly realigned to Washington. There was little hesitation. Hungary, Poland and the Czech Republic had, within the first post-Soviet decade, done

a 180° turn, joined NATO and in 2004, the EU. Then came the others, until the sweeping majority of Europe emerged as a unified political and strategic bloc, a process that had less to do with Euro-Atlantic values and more to do with the tenuous conditions of being small states seeking adequate alliance fixtures to reduce vulnerabilities. In Latin America and the Caribbean as well. The vast majority of states, and the people they contain, have polarised to the US with only Cuba, Venezuela and, recently, Brazil, attempting to resist US influence; but only half-heartedly.

Small States in the Shadow of Empire

Small states matter in international relations; they always have. Whether referring to Cuba – a fraction the size of the US and an even slimmer fraction of the former USSR – Grenada, Czechoslovakia or Hungary (etc), it is clear that dominating small states and governing their ability to exercise control over foreign and security policies has assumed a rite of passage for the world's great and superpowers. The Cold War may have gone down in history as being a standoff between the US and the USSR, between the alliances of NATO and the Warsaw Pact, parliamentary democracy versus centrally planned communism, however, beneath the shroud of ideology and brinkmanship are the actors that enabled and denied the superpowers their international clout. The small states of the Cold War were just as important as the superpowers that claimed to represent them and their interests.

While this work was primarily based on evaluating the nature of small states in the international shatterbelt during the Cold War, its more subtle ambition was to classify the small state intellectually. Certainly, the eclipse of such actors in mainstream discussions and discourses is the natural outcome of having limited roles to play in a world governed by transnational engagements. However, the essence of the Cold War was for the superpower blocs to find ways to dominate small states either directly (occupation) or via proxy. In Latin America, the Caribbean Basin (and littoral) and throughout Central and Eastern Europe, many of the small states assumed international significance as a result. And now, decades removed from that epoch, and international scholarship is only marginally more aware of the impact small states produce in international systems based on the quest for power. This work's contribution then, is to be found in how it viewed the political life of states forced to bask in the shadow of empire.

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The Polish and Spanish Roads to Democracy over the Last 25 Years: A Comparative Analysis

AGNIESZKA KASIŃSKA-METRYKA

Abstract: *In contemporary Spain, we can observe the turbulence of the political system. This is closely connected with 'de-democratisation,' which describes the erosion of existing values and the search for new forms of political participation and the organisation of power. The main questions of this study refer to historical similarities in the transformation/transition of Poland and Spain and the nature of changes during the economic crisis, and try to predict future events in these two countries. Geopolitical factors and historical similarities enable us to use comparative methods to study the development of the Polish and Spanish systems and the direction of changes. The research hypothesis points to a weakening of ideological determinants and the growing importance of economic factors (especially in Spain). Current issues in Spain help us draw the conclusion that existing differences between Poland and Spain affect thinking about politics.*

Keywords: *Spain, Poland, transition, elites, democratisation, de-democratisation*

Introduction

Modern democracy is not a monolith – across European countries, it differs both in terms of the level of democratisation of their political systems and the way they treat achievements attained in ideological and functional contexts. The aim of this study is to show the Polish and Spanish roads to democracy, which are often compared because of the many similarities that have appeared in these countries' processes of recovery from non-democratic regimes.

In terms of theory, it is worth mentioning Giuseppe di Palma's concept of 'transition through transaction.' This highlights a sequential model of transition based on negotiations between the outgoing political power and new political forces. Moreover, W.W. Rostow's theory of democratic transition indicates the existence of a preliminary phase (preparation), a decision-making phase regarding the nature of the new system and a political normalisation phase. In both the Polish and the Spanish examples, we can speak of such a model of 'entering' democracy and the gradual takeover of power.

Similarities in the geopolitical situation and history of the two countries were spotted by Joachim Lelewel (2006) as early as at the beginning of the nineteenth century. As well as being traditionally Catholic and having shared borders with Islamic empires in the past, both countries had lost territories and their national identities and were, thus, shaped by other cultures, including the Judaic culture (Sephardic Jews were expelled from Spain at the end of fifteenth century, and a small number of them settled in Poland).

Furthermore, Poland and Spain are located on opposite sides of Europe, and for many years, the two countries each had a deep-rooted complex about standing out by European standards (Górski 2012: 33). Being peripheral also meant economic backwardness, and here the contribution of Franco's government in Spain and the Communist government in Poland played an important role. The desire to join or 'return' to a modern, dynamic Europe took hold like a peculiar myth in both countries, and this was then reflected in aspirations to enter European Union structures. The balance of Polish and Spanish successes and failures in the European Union is therefore another area which compels us to make comparisons, especially since both states fall among the so-called larger countries. In these assessments, however, the adopted census ends in 2009, when the economic crisis and the transformation of the political system in Spain brought a close to the period of parallelisms.

Poland coped well with the global recession, and the consolidation of democracy is still in progress in its political sphere. Spain, on the other hand, is on the list of countries most affected by the crisis, a result of José María Aznar's decisions (which expanded the building sector excessively) and those of his successor as Prime Minister, socialist J.L.R. Zapatero, elected in 2004. In the political sphere, we can also note the turbulence of the political system in Spain, and this is closely connected with the term 'de-democratisation', which indicates the direction of these changes. The term describes a gradual change from the previously adopted rules of the political game, the erosion of existing values and the search for alternative forms of organising and exercising power. As this process in Spain is *in statu nascendi*, it is worth analysing.

The three most important questions in this study concern:

- historical similarities in the transformation processes in Poland and Spain
- the nature of the changes that took place in both countries during the crisis
- forecasting trends for systemic changes in the compared countries

The research hypothesis implies a weakening of ideological determinants and the growing importance of economic factors as drivers of change within a liberal democracy.

Historical similarities in the transformation processes require us to shed some light on the background of those events both at micro and macro levels.

From Non-democracy to Democracy

It is assumed that the beginning of the Polish road to democracy was in 1989, i.e. during the 'Round Table Talks' and the arrangements made subsequently at that time, however that date is rather symbolic. The entropy of the system was actually under way from its very beginning – it had gradually been losing capacity due to the dysfunction of both the adopted ideology and attempts to make it a reality, especially in economic respects. Politics had primacy over economics (as is clear from the slogan 'a centrally controlled economy'); conflicts between the government and citizens were increasing; and so-called 'safety valves,' that is, means to articulate social discontent, were missing. The above factors, and in particular, subsequent economic crises and reactions to them in the form of social mobilisation (e.g. through the multimillion-strong 'Solidarity' trade union) led eventually to the reaching of a consensus between the government and the opposition. What defined the transfer of power from the existing elite was the peaceful nature of the old regime's dismantling of processes and the fact that the new foundations were built based on the implementation of some of the existing establishment. Joining the government and the opposition, the Catholic Church was the third partner at the meeting whose representatives were to be guarantors for the arrangements then being made.

It should be noted here that the position of the Catholic Church in Poland had never been as strong as it was during the country's fight to become a democratic country. It gave spiritual and financial support to the opposition and, at the same time, its representatives were able to establish a dialogue with the existing government, which turned out to be an important asset when the opposition won the parliamentary elections in 1989 and needed to learn the rules of the political game. As Antoszewski has noted: 'Poland entered a path which had never been followed by anyone before. The negotiations between the communist government and the opposition, which became part of the political practices of 1980–1981, were an experiment with an unknown conclusion' (2004: 159).

Public support for the ongoing changes is well indicated by the size of the Solidarity social movement, which at the peak of its activities drew 10 million people, or 80 percent of workers. However, social acceptance for these shifts was weakening gradually, which was a result of all the changes taking place at once in politics, the economy and on social grounds. Deprived of the care functions of the state, a large part of the population could not adapt to a free market economy. Frustration was deepened by the dysfunctions of the newly-built system, among which Poles most often mention: unemployment (33 %), health care problems (13 %) and the struggle to make a living (9 %) (9 September 2014).

In politics, we observed political system transformations (the state was renamed and the principle of sovereignty of the people restored), legislative transformations (the senate was restored along with free elections), trans-

formations of the executive (the president's office was restored) and changes to the judiciary and local government (local authority was given to the local governments of cities and municipalities). In the economic realm, there was a slowdown in inflation, the elimination of price controls, currency convertibility, the opening up of the domestic market, promotion of private enterprise, privatisation of state-owned enterprises, and modernisation of the tax system and so on. What was different about these changes was the fact that they were introduced simultaneously. This 'shock' transformation was very different from the 'moderate' version that occurred in Hungary among other places.

As a result of the parliamentary elections in 1989, the current opposition party gained power, and General Wojciech Jaruzelski became president, which had been one of the points of agreement at the Round Table. In the general elections in 1990, he was replaced by Solidarity movement leader Lech Walesa. It was a great surprise for some Western observers to see that subsequent authorities were subject to change based on the swing of the pendulum between elites: President Aleksander Kwasniewski, elected in 1995, had a left-wing provenance and was the opposite of his predecessor (Kasińska-Metryka 2014).

It can therefore be concluded that by implementing democratic transformations, Poland launched a process in Central and Eastern Europe whose results were unpredictable. The presence of an appropriate geopolitical structure and, above all, the determination of the opposition and the fact that the existing authority was aware of the failure of the system, led to a peaceful shift through the transition period – that is, the dismantling of the old regime in order to build a formal basis for the new one.

This peaceful scenario failed to play out in many other countries which had previously been in the orbit of the Soviet Union. While international conditions predispose us to make comparisons with the countries of Central and Eastern Europe, it should be noted here that both the economic situation and the role of the opposition in countries such as Poland, Hungary and the former Czechoslovakia were different. We can speak, therefore, about various transformations, dynamics and depths of transitions taking place even in the same part of Europe.

The paradox of the Polish transformations was that power passed into the hands of a trade union, an organisation that by definition does not rule but only affects those in power (as a pressure group). In Spain, this role was played – in another paradox – by King Juan Carlos, a follower of Franco's non-democratic regime, who, in fact, turned out to be its gravedigger.

The Spanish Transition (*Transición la española*)

The Spanish transition from non-democratic rule to democracy began earlier than its Poland counterpart: it dates to 1975, when General F. Franco died. Under the Generalissimo's will, his vision of the state was to survive and be continued by then prime minister Arias Navarro and Franco's successor, Juan Carlos, the grandson of Alfonso XIII.

The new monarch's speech to the Cortes on 22 November 1975 signalled that his plans were far from the guidelines left by Franco: 'The idea of Europe would be incomplete without reference to the presence of the Spaniards and without the consideration of many of my predecessors' actions. Europe should count on Spain, and we, Spaniards, are Europeans.'¹ It was the king's determination, along with support from his advisor Professor Torcuato Fernández-Miranda and Adolfo Suárez, who was 'born-again' after being a Francoist that led to gradual democratic changes. As analysts of that period recall, the monarch's statement that he wished for Spain to become a modern democracy and for subsequent governments to be an expression of the free will of the majority of Spaniards, became a self-fulfilling prophecy.

As in Poland, recovering from an authoritarian system was a step-by-step process. It all started with the establishment of a bicameral parliament, and this was followed by a referendum, which ratified the new, democratic constitution. The latter formally established the monarchy, guaranteed civil liberties and formed a regional government. Further transformations of the political scene concerned the party system, which – as in Poland – had ranged from a multi-party set-up to one with two dominant parties. What distinguished Spain was that this meant not so much the creation of new parties as the rebirth of a multiparty system. In time, Spain gained a stable party scene (this happened faster than it did in Poland), and its long-term activity has been unremarkable. Current Prime Minister Mariano Rajoy is only the sixth prime minister to serve since the beginning of the transition, whereas in Poland the ruling side has changed frequently (Donald Tusk was the thirteenth president of the Council of Ministers) with the first re-election only taking place in 2011.

Another difference concerns the role and position of conservative and socialist political parties. In Spain, the Socialists are a large and viable political force while in Poland the lack of effective leadership in the left-wing parties blocks their way to becoming independent authorities. Nevertheless, for many Polish politicians, Spain's Zapatero and his reforms became synonymous with the modern Left. Both left-wing and right-wing politicians were eager to refer to the Spanish example: Kwaśniewski tried to follow Spain's Socialist Work-

1 Membership of the European Community (EC) was a foreign policy priority, and in July 1977, Suarez's government submitted an application to join the EC (Górski 2012).

ers' Party (PSOE – *Partido Socialista Obrero Español*); Buzek and Balcerowicz pointed to the achievements of its People's Party (PP); Marcinkiewicz declared that Poland, as a result of its reforms, would 'overtake Spain in the space of the next four to five years' and Napieralski was even referred to as the 'Polish Zapatero.' Zapatero's rule ended when Spain entered the crisis period faced with growing political disenchantment. The same young Spaniards who, at the time of the new prime minister's election, chanted, 'Just do not fail us,' in 2011 formed the 'Indignants Movement,' which went beyond Spain's borders. It is important to note that the wave of 'indignation' did not redirect to Poland. Young Poles gathered in 2012 during the Anti-Counterfeiting Trade Agreement (ACTA) protests, but they did not follow the slogan 'Be outraged!' This may support the hypothesis that the absence of a direct threat to the economy weakens willingness to decide about the political system.

The position of young people in Spain, i.e. those below 25 years old, is particularly difficult because unemployment rates are highest among this age group (at 46 %), and there is a lack of alternative political choices. The stable two-party system, which Poles have been jealous of, has proved to be a trap in the minds of young Spaniards. Currently, however, this state of affairs is changing.

The latest elections to European Parliament surprised both Spain and Poland. A rather young group called 'Podemos' emerged as a third political party in Spain. It is critical of the main groups and opposed to social inequalities; it also calls for a new model of redistribution of financial resources, the combating of corruption and the provision of social guarantees for citizens. A pro-European party, it is sceptical of the functioning of the European Union though not as sceptical as Janusz Korwin-Mikke's outfit, which was successful in Poland and saw its representatives enter European Parliament. Both parties based their programmes on opposition to the status quo and channelled their message to 'young, dissatisfied' people. However, while Podemos's Pablo Iglesias is a young man who came to politics from the academic world, Korwin-Mikke is a 72-year-old political veteran, who has repeatedly held state positions.

While the increasing number of Eurosceptics does not have a major impact on current politics in the European Union, it is a trend that cannot be underestimated. At this point, it should also be recalled that when Spain joined the European Community in 1986, its citizens were less sceptical of the idea of integration than the Poles were on their accession in 2004. Currently, it is the Poles who strongly support the cause of European integration, which is also a product of economic factors. Yet another area where Poles and Spaniards have different attitudes to the European Union is ideas about influencing decisions made within the Community. In the days of the Spanish EU presidency in 2010, more than half of Spain's population was of the opinion that its citizens could only have a slight impact on the decisions of the Union. A year later, when Poland held the presidency, 35% of Polish respondents said that their country

probably had some influence on EU politics and almost the same number (i.e. 34%) said it probably did not (Sroka 2012: 84–85). The scepticism of Spaniards may come as a surprise, especially given the information that ‘Spain has received the biggest amount of funding from the Structural Funds’ (Piecuch 2004: 250). Growth of the Spanish economy accelerated in the ’90 s thanks to the huge injection of funding from the EU budget, but as subsequent years showed, these funds were not always properly spent. Insufficient modernisation of the country, overinvestment in construction, and above all, excessive ease when it came to taking out bank loans, led Spain into crisis.

The economic collapse revealed the dysfunction of the whole system, and this is where we can observe the parting of ways in the Polish and Spanish transformations. The most pressing problem in Spain – as in Italy and Greece – was corruption, which was growing at all levels. The media began to disclose information about unethical behaviour both at regional level Catalan President J. Pujol had been hiding a fortune inherited from his father for 30 years (Lipczak 2014: 43–45) – and in the central government: according to news on 10 September 2014, the People’s Party was being funded by the construction sector, and this included current Prime Minister Rajoy, who had for many years received additional remuneration.

Arguably, the economic crisis caused a domino effect that did not spare even the monarchy. This – it seemed – timeless symbol of historical continuity and aspirations to state democratisation, was equally susceptible to moral scandals and to influence from other state institution. The acts considered unethical were an expensive hunting trip to Botswana by Juan Carlos and the embezzlement of funds from Noos Foundation, which had been founded and led by his son-in-law, with the participation of the king’s daughter Cristina. That Spain’s princess was facing trial was an unprecedented event for Spaniards and the end of an era. The abdication of the king in June 2014 fulfilled the image of a country struggling with internal problems. Even so, it was forced by Prime Minister Rajoy to pursue an ‘austerity policy’ as part of the battle against the crisis.

Conclusion

In Poland, we are still observing a long-term stalemate between the Civic Platform (PO) government and the right-wing Law and Justice Party (PiS – *Prawo i Sprawiedliwość*), whereas in Spain there is pressure to ‘unlock’ the two-party political scene and give it a new spin. A party called ‘Vox’ founded in December 2013 by former Partido Popular members; the Podemos group led by leftist Pablo Iglesias; and the Indignants Movement, are just some examples of the changes taking place in Spain. Their common feature is citizens disillusioned by politics, whatever their ideological stripe. It is also a feature that sets Spain apart from Poland because in the latter, political provenance – whether Com-

munist or opposed – still (though to a lesser extent than at the beginning of the transformation) determines dividing lines among the electorate. Economic determinants affect the current level of support for the government, but not as profoundly as they do in Spain. We can therefore conclude that the Spanish and Polish roads away from non-democratic regimes to democracy have many features in common, but in recent years, we have also seen some differences that demonstrate different ways of functioning in a hard-won democracy. The common features are:

- the peaceful and gradual nature of the transition from non-democracy to democracy
- the fundamental role of political leaders endowed with strong personalities in initiating and implementing changes. In the case of Poland, it was an ordinary worker who was elevated to the role of president; in Spain, it was the monarch himself who limited his authority by adopting a new constitution
- the participation of *ancien regime* activists in implementing democratic changes: In Poland, politicians from the old system perceived the need for its reform, while in Spain, former Francoist ‘converts’ became the closest associates of the king
- uncertainty about the results of the initiated transition, which could end in the restoration of the old order or reconstruction of society
- public support for the direction of the implemented changes, especially in the axiological (moral) layer of the culture
- the need to redefine the role of the Catholic Church in the new reality

Among the distinguishing features of the compared systems, we should mention:

- the different positions of the Catholic Church: Franco gave the church privileges while in Poland, it was persecuted in the early stages of Communism
- the relative speed with which the party scene stabilised in Spain and the great variability of the Polish party system
- the stability of office in Spain and the frequent exchange of ruling elites in Poland
- the ideological divergence of the PP and PSOE in Spain, and the ‘mixing’ of ideologies and values in the programmes of the two largest Polish parties that may be seen as right-wing and centre-right respectively
- the political and social activism of Spanish youth in times of crisis and the lack of comparable activism in Poland

It can therefore be concluded that while the historical comparison of mechanisms of peaceful transformation in Poland and Spain is justified, and it is

true that both countries have struggled with the 'spirit' of previous regimes, the economic crisis has initiated different processes in these systems. When it comes to politically stable Poland, the state has managed to maintain a good and steady level of development, and the bipolar division of its political scene has not prompted further fragmentation. Voting patterns of the electorate have been predictable, and the PO and PiS have fought each other to align the negligible differences in their percentages of the nation's support. A large number of young Poles have found employment abroad, adapting more efficiently to the conditions of the open European labour market.

The Spanish financial crisis, on the other hand, has unveiled increasing dysfunctions in the local system in both the political and economic domains. This has given rise to separatist efforts coming from Catalonia and social frustration. For the first time since Spain embarked on the road to democracy, it has not been relevant whether power rests in the hands of PSOE or PP since Spaniards (especially in the younger generation) feel discouraged by politics in general. Revocation of the trust vested in the monarchy until now has tipped the scales of social discontent. It is an open question whether the new king, Philip VI and the parties debuting on the political scene will 're-enchant' Spanish politics. It is also highly uncertain whether Rajoy's austerity measures will translate into the recovery of Spain's position on the map of a united Europe.

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European Tax Policy and the Single Common Market¹

MONIKA BUŠOVSKÁ

Abstract: *Achieving a single and common market is one of the main priorities during the European Union (EU) integration process. For this purpose, it was planned to unify tax rules throughout the entire Community of 28 countries. Subsequently, the original purely economic-oriented cooperation gave rise to a Community that is now working together in a number of areas, of which taxation is one. The main question of this paper is whether European Union tax policy has met the objective of a single common market. This research focuses on the issue of whether tax systems converge in the areas of tax burdens and tax rates. Beta- and sigma-convergences are used to meet the goals of the paper. A number of models are created as proof of this convergence. The results suggest evidence of convergence in the areas of tax burdens and tax rates during the analysed period.*

Keywords: *convergence, tax burden, tax rates, EU, beta-convergence, sigma-convergence*

Introduction

Currently the European Union is a unique community that combines both economic and political partnerships. The first step in European integration was to strengthen economic cooperation among the member states whose goal it was to establish a single market (Adamkova 2003). This means the free movement of goods, persons, services and capital (European Commission 2010) and a common currency, the euro (see Helisek 2013 for a detailed discussion).

If a country wants to join the European Union, it first needs to complete accession negotiations. These basically consist of an agreement on how and when the candidate country will adopt and implement the rules and procedures of

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the current members of the Community. However, the negotiations also include financial matters (e.g. concerning the new member's contribution to the EU budget) and possible transitional measures and exceptions. As a result, the original purely economically-oriented cooperation gave rise to a Community that is now working together in a number of areas. These include a tax policy that – through harmonisation – can contribute to the creation of a single market by eliminating the distortions that arise from movements between individual member states.

Tax coordination, as a tool for preventing the emergence of very diverse policies, and tax-harmonisation, as a means of approximating tax rates, have been subjects of much debate since the beginning of European integration. The issues of coordination, approximation and harmonisation of tax systems in the EU are discussed, for instance, in several works (Kubátová 2010; Láchová 2007) that may familiarise readers with the various directives and regulations that affect the tax systems of the member states.

The main tax policy provisions are articles 95–99 (European Commission 2010). They prohibit the imposing of non-domestic (or similar) taxes on products imported from other EU members and state that tax reimbursements must not be higher than the originally imposed tax. In addition, there is a limit on disadvantages arising from the use of cascading sales tax and a ban on the favourable treatment for exports of member states through tax relief. Lastly, indirect tax legislation is harmonised so that the single common market can become effective.

Among the main tools of European tax policy are tax approximation, coordination and harmonisation. Tax approximation moves in the direction of tax cooperation, which may not meet the final aim of tax convergence among EU members and should only bring their tax systems closer to each other. Approximation is usually used if EU members reject greater harmonisation and are trying to leverage tax law differences to attract foreign investment.

Tax coordination is an international procedure leading to tax system convergence. Another aim is to ensure the exchange of data about tax residents between individual states. This is pursued by creating bilateral or multilateral taxation agreements. As part of the contracts, recommendations are made to amend tax laws, especially those on harmful tax competition. In contrast with tax harmonisation, tax coordination does not lead to uniform taxation.

Tax harmonisation is the process of tax system unification in the EU. The aim is not total but only partial harmonisation, defined as the harmonising of provisions that disrupt the smooth functioning of the single market.

This is based on the creation of common rules for all members of the European Union. This has three main phases although the harmonisation process need not pass through all of them. The first phase is the selection of the tax which needs to be harmonised; the second is the harmonising of the tax base;

and the third is the harmonising of tax rates. Indirect taxation is addressed at the highest level of harmonisation, and a value-added tax was created especially for the single common market. Tax harmonisation is based on the slow unification, otherwise known as convergence, of taxation in the EU (Vondrackova 2012).

Avi-Yonah (2010) believes that convergence is a positive phenomenon because it reduces the scope for 'unfair' tax arbitrage and adds the price of higher transaction costs. All member states can benefit from a single tax system, and no distortions will emerge. However, tax convergence has its opponents as well as its supporters. Cultural dissimilarities and the need for freedom to adopt tax laws based on different structures, are the main arguments for rejecting tax convergence. Another negative aspect is the loss of the tax competitiveness of individual member states.

Mach (2004) points to the need to preserve tax competition because without this competition, governments can behave like monopolies and impose excessive tax. Tax competition leads to a decrease in tax rates, but lower tax rates do not necessarily mean a decline in tax revenues; on the contrary, such revenues can increase due to the wider tax base. This is confirmed by the experience in the US, where the tax system consists of federal and national taxes without any tax harmonisation and the common market is not disrupted.

Nevertheless, the European Union has persisted in its efforts to harmonise taxation, which should help speed up the creation of the single common market. This goal should produce a single tax system for the entire Community in which all members enjoy the same advantages.

This paper aims to verify whether there is convergence across the tax systems of the member states. In other words, it evaluates, quantifies and illustrates the process of integrating European taxation.

Beta-convergence is used to verify the objective of this study (Barro 1992). This approach is usually used for the analysis of gross domestic products (Baumol 1986; Boyle 1999). Esteve (2000) studied the tax burden for the six main subdivisions of the OECD tax classification for 1967–1994 by using unit root tests with modifications. Delgado (2006) deals with the total tax burden for 1965–2004 by taking several benchmarks whose results suggest a reduced number of convergence paths.

Data

The level of the tax burden can be measured and compared using various indicators. The important points are that *statutory tax rates* may include not only nominal tax rates but also temporary or permanent rates or any additional relief applied in particular countries at various levels of government, and their construction is different across EU countries. Statutory tax rates cannot play the role of objective indicators in international comparisons (Blechova 2008).

The paper uses *implicit tax rates* that measure the average effective tax burden for different types of economic income or activities and reflect the impact of taxes on economic activities according to their functions (Petranova 2004).

The *net personal average tax rate* is a measure of an employee's total wage-based tax burden. It is the sum of personal income tax plus employee social security contributions minus cash benefits, and is expressed as a percentage of gross wages. The net personal average tax rate is represented diagrammatically and applied to personal income tax. Figure 1 illustrates the structure of net personal average tax rate.

The *tax burden* is understood as the overall tax burden, which is determined as a proportion of total tax revenue (including social security contributions) to GDP at current prices. Put otherwise, it is a macroeconomic indicator which reflects the overall effective level of the tax burden (Becker – Elsayyad 2012). The *tax mix* refers to the structure of the tax burden, or alternatively, the proportion of taxation in the total tax revenue. This indicator may be used, for instance, when examining whether a country tends to prefer direct or indirect taxation.

The source of the data is secondary information provided by the OECD (2012) and the European Commission (2007 and 2012). Tax mixes are divided into classes according to OECD classifications, and missing data were left out for the purpose of subsequent analysis. The paper uses abbreviations for the individual groups of taxes: 'TB' denotes the tax burden; 'TOI' stands for taxes on income and benefits (numbered 1000 in the OECD classification); 'SSC' is social security contributions (2000); 'TOW' is taxes on payroll and workforce (3000); 'TOP' is property taxes (4000); 'TOG' is taxes on goods and services (5000); and 'OT' is other taxes (6000).

The currency used is the United States dollar for the reason that the euro did not exist for all of the reference period. The *purchasing power parity* rate (PPP) estimates the monetary amount which has the same purchasing power in different countries. The term 'European Union' includes 27 of the member states. Croatia was not included in the sample due to the absence of data.

Methodology

The methods used were comparison and sorting for the specification and instantiation of each tax system as well as a deductive approach to determine the general theoretical background and formulate concrete conclusions. An analogy-based method was also used to resolve the question of similarities and differences across tax systems. The most important methods were analysis and synthesis.

The analytic method uses regression analysis applying a least-squares method. The time period 1965–2001 was analysed; time lines were stationary and autocorrelation of residuum was ruled out. To analyse the tax rate convergence, only a limited time frame was used due to the unavailability of data. These time

periods are always mentioned, and they are also longer than ten years. The only limitation here was that beta-convergence speed was not comparable. The mean was used to determine average values for the whole EU (27 member states due to the unavailability of data for Croatia) (Bušovská 2014).

- Beta-convergence

This method was also used by Barro (1992), Sosvilla Rivero (2006), Furcedi (2005) and Slavik (2007). Beta-convergence considers the growth of variables which depend on initial values (the so-called Barro regression). The concept of convergence focuses on the fact that countries with initial values that vary more from the European average approach it faster than countries with values closer to that average. The current study, thus, deals with the approximation of the tax burden and tax rates of individual countries to European average values. This approach allows for the estimation of the annual growth rate or rate of β -convergence:

(1) where t is the last year of analysis (2011); 0 is the initial year of analysis (1965 or the year of the country's EU accession); y represents the value of tax mixes during different time periods or the tax burden; α is a level constant; β is the regression coefficient whose significant negative value indicates beta-convergence (in other words, the approximation of observed variables); and ε is a random component.

Twenty observations were used for tax mixes and the tax burden, and the missing values were abstracted. The number of observations used for the tax rate analysis is shown under the result tables because available data varied. Furthermore, it should be emphasised that beta-convergence is a condition for sigma-convergence where the latter uses absolute values. This relationship does not necessarily apply conversely, however (Slavik, 2007).

Unit root tests were used to test the stationary nature of the time series; to exclude the autocorrelation of the residuum, the Durbin-Watson test was applied. All results were verified with graphic residuum tests. All models passed the above tests. We can therefore say that they are robust enough to be satisfactory and conclusive.

- Sigma-convergence

Sigma-convergence is based on the development of variance over time. This variance can be analysed using different indicators; here, standard deviation was chosen.

In statistics and probability theory, the standard deviation measures deviations from the average (mean) value. A low standard deviation indicates that the data points tend to be very close to the mean; a high standard deviation shows

that the data points are spread over a large range of values. Standard deviation is the most widely used measure of variability. Therefore, the lower the standard deviation, the higher the convergence will be.

(2) where the standard deviation, a_i is the amount of the tax mix for the i -th year and n -th state, and $E(a)$ represents the arithmetic mean for the EU. The sigma-convergence is constructed in order to obtain additional information about the development of the beta-convergence since the latter cannot itself provide that information (Slavik 2007). The lower the standard deviation, the greater the convergence (and vice versa).

Results

• European Tax Burden and Tax Mixes

A summary of the results is provided in Table 1. The negative slope coefficient β represents the convergence of the *tax burden*. The determining coefficient also points to the fact that the initial values in the model can explain about 75 % of the variance rate for convergence in the period analysed. The analysis of the tax burden presents the convergence of variables for the entire period. This approximates the tax burden in the member states in the time frame 1965–2011. The table above also shows convergence of the groups of tax mixes over the whole period between 1965 and 2011. This means that the tax burden and its structures converged.

As mentioned above, sigma-convergence completes the picture of beta-convergence and is used to obtain additional information about the development of that beta-convergence. The graphs above provide information about the development of the sigma-convergence in the period analysed. Large values for the standard deviation indicate a higher level of divergence and vice versa. An increasing slope of the curve depicts divergence while a decreasing tendency reflects the convergence of the tax burden, tax mixes and implicit tax rates.

Since the mid-1980 s, the EU area has been a 'high' tax zone. As can be seen from Figure 2, the increase in the overall levels of the tax burden took place in two successive waves. The rise in total revenue as a share of GDP was driven with a lagged effect by rapid growth in government expenditure that began in the 1960 s and continued until the mid-1990 s. While differing in size and composition across countries, the general growth in expenditure was mainly the result of increased social transfers in the '70 s and '80 s. These were triggered by political measures a decade earlier as well as by the need to confront a sharp economic downturn and an increasing level of unemployment after the first and second oil price shocks.

Figure 3 also shows that the growing trend in the standard deviation changed in 1987; from this point, there is convergence of the overall tax burden and tax

mixes in the EU as well (Figure 4). This was caused, inter alia, by the tax competition begun by Ronald Reagan in the US (CNN Money 2010) and Margaret Thatcher in the UK (BBC 2014).

Another area of interest is the end of the analysed period (the period 2007 – 2011) when the global economic crisis shocked the EU and taxation diverged. The crisis (together with fiscal policy measures adopted nationally) had a strong impact on the level and composition of tax revenue between 2009 and 2011, but the first effects were already visible in 2008. It should be noted that even when accrual methods are used for recording, changes in legislation and economic activity tend to have a delayed impact on tax revenue. In 2011, tax revenues increased substantially in terms of GDP; this was due to the absolute amount of tax revenues with nominal GDP growing less than those revenues. This is at least partially due to the proactive tax measures taken by member states in recent years to correct their deficits. Active revenue-raising measures in some states include increasing the VAT rate and introducing new taxes such as member states such as increasing the VAT rate and introducing new taxes including additional taxes on financial institutions (bank levies, surtaxes, payroll taxes), air passenger duties and property taxes. When specific historical events occur, the tax burden increases in the whole Community, but divergences may also be seen in the tax systems of individual states.

Up to the '70 s, there is noticeable divergence in the tax mixes for SSC, TOI and TOG. The reasons for this are the same as those influencing the tax burden: oil price shocks and special legislative arrangements. In the period up to 1985, this divergence turns into convergence. The cause of the turnaround for indirect tax mixes may also be the mandatory introduction of a value-added tax in EU member states, which took place in the 1980s (Bušovská 2012).

According to the sigma-convergence, the tax mixes for TOP and OT do not meet the convergence objective. In this case, however, it cannot be claimed that there is divergence since sigma-convergence is not a condition for confirmation of beta-convergence, and the latter was not refuted by the data about these taxes for the period 1965 – 2011 (Slavik 2007).

European Implicit Tax Rates

To verify whether personal income tax rates tax converged, *net personal average tax rates* were analysed for the period 2000–2011. Table 2 shows results of beta-convergence. These rates were established for employees in different income groups according to their specific social situation. The analysis confirmed the convergence of net personal average tax rates for all taxpayers who earned an average or below-average wage, regardless of whether or not they had children and whether or not they were married. In contrast, the convergence was not verified for high-income residents who earned more than the average wage in their member state.

Implicit tax rates provide a measure of the effective average tax burden on different types of economic income or activities. The implicit tax rate on consumption is defined as all consumption taxes divided by the final consumption expenditure of private households in the economic territory. The implicit tax rate on employment is defined as the sum of all direct and indirect taxes and social contributions by employees and employers applied to employment income divided by the total remuneration of employees working in the economic territory. The implicit tax rate is calculated as total capital taxes divided by total profit and property income from corporations and households (EC 2012).

For implicit tax rates, the least-squares method was also used but with 25 observations. β -convergence was verified for implicit tax rates on consumption and labour at a 1% level of significance – Table 3. These taxes cover the largest share of tax mixes in the member states. This means that convergence was verified in this area. Convergence was not confirmed for the implicit tax rates on capital. This was largely due to the different attitudes that EU members take to taxing profits.

The sigma-convergence of implicit tax rates confirms the results of the beta-convergence analysis. Figure 5 shows results of sigma-convergence. The standard deviations of implicit tax rates for labour and consumption decreased over the whole period analysed, which suggests empirical evidence of the convergence of these implicit tax rates. In the context of tax mixes, tax revenues from indirect taxes on labour (personal income tax, social contributions, etc.) represent the main share of tax mixes in EU countries (EC 2012).

Conclusion

The results presented reflect traditional neo-classical methods used to determine the convergence of tax systems in European countries. This paper, thus, deals with the question of whether the European Union's tax policy fulfils the objective of creating a single common market.

To meet this objective, regression analysis with a least-squares method was used, and beta- and sigma-convergence were also deployed. The beta-convergence between 1965 and 2011 for the group of 27 member states confirms the convergence of the tax burden and tax mixes (graded according to OECD classifications). The sigma-convergence completes the overall picture of convergence of the tax mix and tax burden. In this case, using sigma-convergence confirmed the convergence of the tax burden since 1985, as well as the same result for the tax mixes for income tax and indirect taxes.

Since, however, the convergence of the tax burden and its structure do not imply the convergence of overall taxation, an analysis of tax rates was also performed. Of importance here is the fact that statutory tax rates may include not only nominal tax rates but also temporary or permanent rates or any additional

relief applied in particular countries by various levels of government, and their construction is different across EU countries. Such statutory tax rates cannot fulfil the role of objective indicators for international comparisons (Blechova 2008). For this reason, implicit tax rates were used. Implicit tax rates measure the average effective tax burden of different types of economic income or activities and reflect the impact of taxes on economic activities according to their functions. For personal taxation, net personal average tax rates were used. These rates measure an employee's total wage-based tax burden. This is the sum of personal income tax plus employee social security contributions minus cash benefits and is expressed as a percentage of gross wages.

The beta-convergence verified the convergence of net personal income tax rates established for different income groups of employees according to their specific social situation. The only exceptions were high-earning taxpayers who were part of a couple. An analysis of implicit tax rates for consumption and labour confirmed the convergence using beta- and sigma-convergence methods as well.

The result of this analysis is the finding that taxation has been converging in the European Union. The evidence of converging tax burdens, tax mixes and tax rates also serves as proof that the EU's tax policy for member states has succeeded in creating a single common market where there are no distortions and all member states enjoy the same benefits.

Nevertheless, it should be noted that there is no academic consensus on the question of whether convergence through tax harmonisation is the right approach considering the issues that surround the different economic structures, political preferences and national fiscal autonomy of member states, as well as their different needs and objectives (Emerson 1992).

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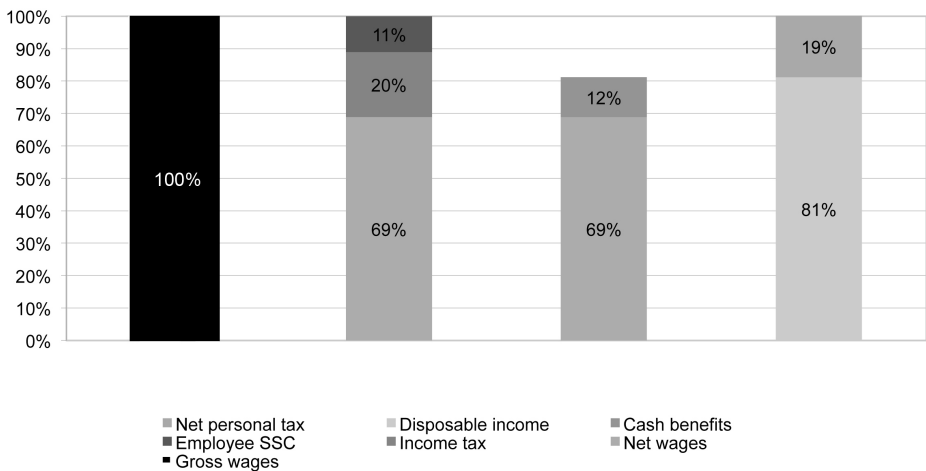
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Appendix

Figure 1: The net personal average tax rate



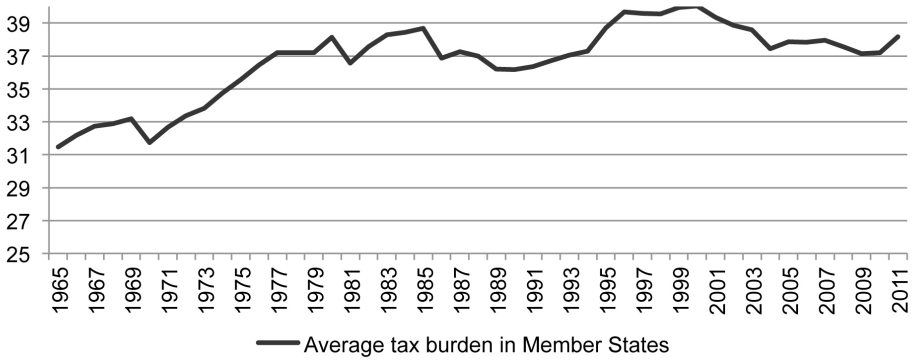
Source: http://comparativetaxation.treasury.gov.au/content/report/html/06_Chapter_4-08.asp

Table 1: Beta convergence of fiscal pressure in the EU area during 1965–2011

	TB	TOI	SSC	TOW	TOP	TOG	OT
α	3,188	-0,682	-0,17	-2,298	-1,393	-0,905	-0,619
β	-0.879	-0.537	-0.262	-0.529	-0.394	-0.905	-0.619
t	-7.563	-3.622	-1.956	-1.911	-3.151	-4.675	-2.610
P-value	$<10^{-4}$	0,002	0,065	0,098	0,005	$1,6*10^{-4}$	0,026
R ²	0,751	0,422	0,168	0,342	0,343	0,535	0,405

Source: OECD (2012), own processing

Figure 2: Development of tax burden in the EU during 1965–2011 (%)



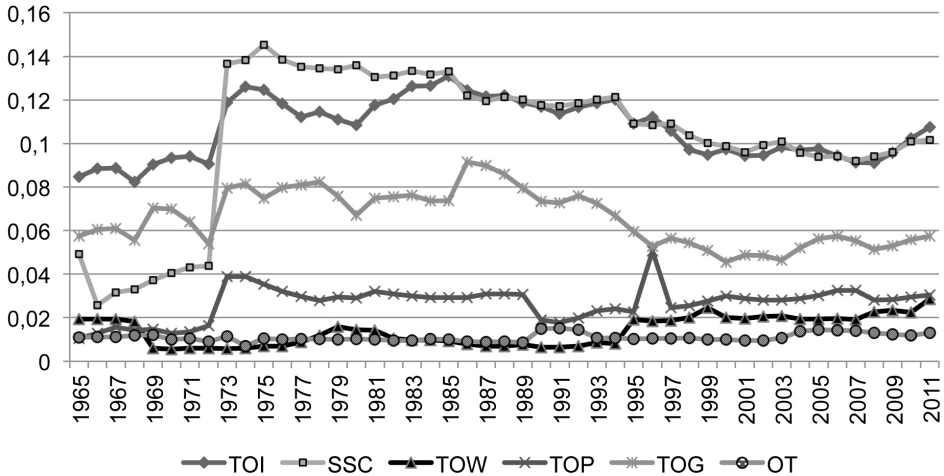
Source: OECD (2012), own processing

Figure 3: Sigma convergence of tax burden in the EU during 1965–2011 (%)



Source: OECD (2012), own processing

Figure 4: Sigma convergence of Tax Mixes in the EU during 1965–2011 (%)



Source: OECD (2012), own processing

Table 2: Beta convergence of net personal average tax rates during 2000–2011²

	67 % of average earnings-single	100 % of average earnings-single	167 % of average earnings-single	67 % average earnings	100 % average earnings	100 % average earnings2 children	100 % average earnings 2 children + 67 % other incomes	100 % average earnings
				2 children-single ³	2 children-single ⁴	+ 33 % other incomes - couple	- couple	+ 33 % other incomes - couple
α	0,551	0,612	0,55	1,12	0,535	0,059	0,135	0,034
β	-0,187	-0,192	-0,187	-0,514	-0,202	-0,061	-0,161	-0,087
t	-2,38	-2,197	-2,38	-2,167	-3,27	-0,415	-1,467	-0,956
P-value¹	0,028	0,041	0,028	0,053	0,005	0,683	0,159	0,351
R²	0,23	0,203	0,223	0,299	0,386	0,009	0,102	0,046

1 P-value for coefficient

2 21 observations

3 13 observations

4 14 observations

Source: EC (2007 and 2012), own processing

Table 3: Beta Convergence of Implicit Tax Rates in the EU during 1995–2011¹

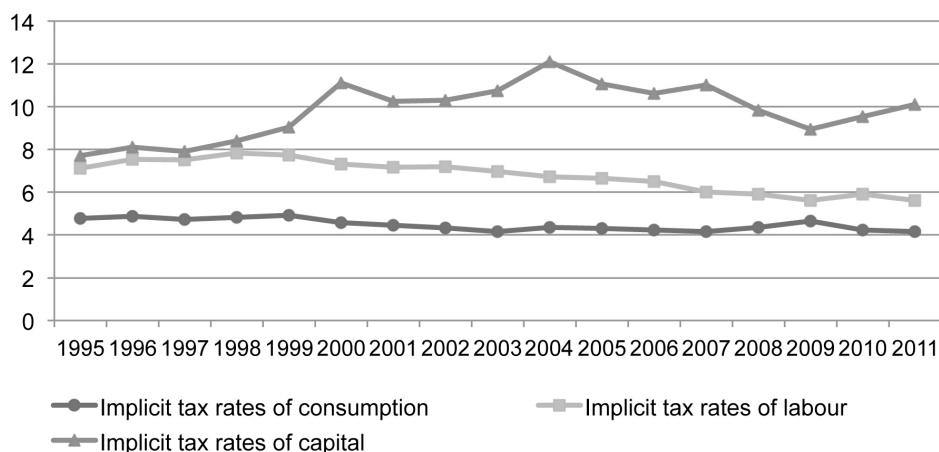
	Consumption	Labor	Capital
α	-1,851	-0,873	-1,997
β	-0.341	-0.340	-1.151
t	-2.874	-4.238	-1.638
P-value ²	8.57*10 ⁻³	0,0003	0,132
R ²	0,264	0,439	0,212

1 P-value for β coefficient

2 25 observations

Source: EC (2007 and 2012); own processing

Figure 5: Sigma Convergence of Implicit Tax Rates in the EU during 1965–2011 (%)



Source: OECD (2012); own processing.

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