

Do Strategic Foresight and Policy Making Go Hand in Hand? Security in the European Union

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Abstract: Policy making is a complex issue, as numerous factors should be taken aboard before a political decision is made. To ensure a more holistic approach to policy making, the authors propose to use the tool of foresight to capture the multitude of variables. Using the framework of rational choice theory on an empirical example of the serious security problems that unfolded in Europe in November 2015, the authors demonstrate how foresight, which draws on stakeholder knowledge and available information to connect the dots between fields and scattered information, would lead to more holistic and coordinated joint policy decisions. This would aid in establishing the optimal amount of public goods for which tax-payers' money is to be invested. Currently, Europe stands at an important cross-road as to what its future will be. Some political decisions have been made, and some are still to be made. Not every European citizen is satisfied with all recent political choices, as reflected in the rise of Eurosceptic moods and extremist political parties. Yet, in a democratic society, European citizens, taxpayers and voters have the right to expect sound political decisions. To this end, the authors propose the use of the foresight tool. Such a vision for Europe could further improve future policy making to the benefit of all EU citizens. The success of foresight and stakeholders' groups for making sound decisions where best to invest tax-payers' money, was already piloted in European Commission's Directorate General for Research and Innovation. This was achieved thanks to operating a high-level stakeholder group, *the European Forum on Forward Looking Activities (EFFLA)*, which provided both vision and advice.

Keywords: Foresight; European Union; Policy making; Public good provision; Free riding; Security; Migration

JEL Classifications: H41, I28, I31

1. Introduction

The EU needs to implement a more holistic approach. Right now, the ‘right hand does not see what the left one is doing’. For example, while one part of the European Commission, especially its Directorate General for Research and Innovation is establishing a true noble European solution, so called ‘Re-saver pension fund’ for cross-border solutions for researchers, the other part of the European Commission goes against any common sense principle and its own rules by denying pension rights to some of their former employees on the grounds that they were mobile within the EU institutions and worked in both, the European Commission and the European Parliament.

On a macro-level, the humanitarian help in the present migration crisis and the noble attempt to help refugees do not seem to be linked with issues of security and safety, education, foreign aid, religion, gender equality, trade policy, etc. (The Spectator, 2016; MF Dnes, 2016; European Commission, 2016; Calvino, 2016; Presa, 2016). As a result, we witness human tragedies where innocent people lose their lives, such as the Paris tragedy of Friday 13 November 2015 (BBC, 2015), or women are sexually violated, as was the case in many European cities on 31 December 2015 (Spectator, 2016), and the doom of security and economic growth in the long run.¹

At the time of writing, the authors were in Brussels, totally paralyzed by the terrorist alert while authorities chased the main suspects of the Paris tragedy. The suspects, as CNN reported, seem to be first-, second- and third-generation immigrants, recruited while they represented the EU military force on Syrian battlefields (CNN, 2015).

This article asks: Could better streamlining of EU decision making be achieved with the tool of foresight? Could this tool ‘clear the road’ for a more holistic approach in the European Union?

What is foresight?

The European Commission (EC) has defined foresight in the following way:

‘Foresight is a systematic, participatory, future-intelligence-gathering and medium-to-long-term vision-building process aimed at present-day decisions and mobilising joint actions. Research and innovation policies are based on (implicit or explicit) visions of the future of science, technology and society’ (European Commission, 2015).

A main tool for establishing foresight is targeted research, which can suggest feasible and holistic solutions and thereby assist in accomplishing the politically stated goals. Thus, ‘*To underpin the establishment of the European Research Area (ERA), there is a need for open coordination of these visions and hence cooperation on Foresight*’ (ibid.)

Foresight made its EU appearance in the field of Research and Innovation (R&I). By using the tool of foresight, research will be able to contribute to efficient public good provisions in the EU. Hence, it may make sense to invest public money in it. In other words: Streamlining research and innovation activities, by using foresight methods, is even better, as it is well thought through and targeted.

Streamlining of foresight into R&I activities, at least as far as establishing an appropriate modus operandi of how to accomplish this task in the European Commission and in the EU institu-

¹ A few days after this paper was accepted, there was a terrorist attack in Brussels on 22 March 2016, again highlighting the need for more focus on security issues in the EU.

tions, was successfully accomplished thanks to a series of advice from the high-level advisory group to the EC, the so-called European Forum on Forward Looking Activities (EFFLA) (Burgelman, Chloupková and Wobbe, 2014). Details of EFFLA advice are captured in its EFFLA's 17 Policy Briefs. These Policy Briefs were addressed to the EU Commissioner for R&I and are available to the general public on line.

In essence, the value added of streamlining foresight ensures that public money goes to R&I activities that would otherwise receive minimal, if any, attention, at the expense of not crucial R&I activities and/or to other areas such as structural funding, common agricultural policy, fishery and the use of renewable energy (Brandt and Svendsen, 2016). Yet, what might now work successfully in the R&I portfolio does not necessarily work in EU policies as a whole. Our contribution is to use rational choice theory to guide policy makers in providing public goods for overall society.

In Section 2, we argue theoretically how public good provisions, for example in security, can be economically beneficial for the EU in overcoming the free-rider problem that follows from the logic of rational choice. In Section 3, we discuss foresight, stakeholder groups and the EU budget. In Section 4 we conclude.

2. Free Riding and Public Good Provision

The main problem linked to the provision of public goods, e.g. security in the EU, is the so called *free-rider problem* (Olson, 1965). This problem arises in rational choice theory because a public good is characterized by the following two conditions: (1) Nobody can be excluded from consuming the good (*non-excludability*); it is not economically feasible to do so. (2) The quality of the good does not change when an extra unit of the good is consumed (*jointness of supply*) so no crowding effect occurs (Tietenberg and Lewis, 2012).

If security in the EU has an excellent standard, it is not possible to exclude anyone from enjoying the benefits and there is no upper limit to the number of people benefiting from it. So, no matter the size of population in the EU, everybody will benefit from prevention of, e.g., terrorist attacks (Svendsen, 1998). As a consequence, individual member countries may be tempted to free-ride and await the actions of others.

Look at a hypothetical example with two member states, for example Germany and Greece (see Fig. 1). The horizontal axis depicts the level of security, a public good provided by the state. The vertical axis shows the costs and benefits to citizens in € from producing units of security. Now, the optimal level of security provision can be identified as an equilibrium where marginal aggregated demand crosses the costs of supply, S . The four main curves in Figure 1 give an example of demand (D) at country level (Germany and Greece) adding up to aggregated demand (D_{EU}).

As Germany has more citizens than Greece, the aggregated demand curve found by vertical summation of all German citizens' demand curves in the country (D_D) is positioned higher than the corresponding demand curve for Greece (D_{GR}). Vertical summation simply means that any citizen in each member state can consume the same amount of the public good without changing the quality of the good.

The aggregated demand curve for security, D_{EU} , is found by vertical summation of all individual demand curves in the EU (including all member states). Assume furthermore, for the sake of simplicity, that the cost of providing one unit of security, P , is constant within our interval. Thus, a horizontal supply curve occurs depicted as S . For example, one could think of hiring extra guards in airports at a constant wage rate, so that the extra guard hired will not demand a higher wage than the previous one employed. This gives us an optimal public good provision level of Q_{EU} , where the total

net gain from public good provision, namely area *A*, is maximized. Thus, it is economically rational to undertake such action at the EU level.

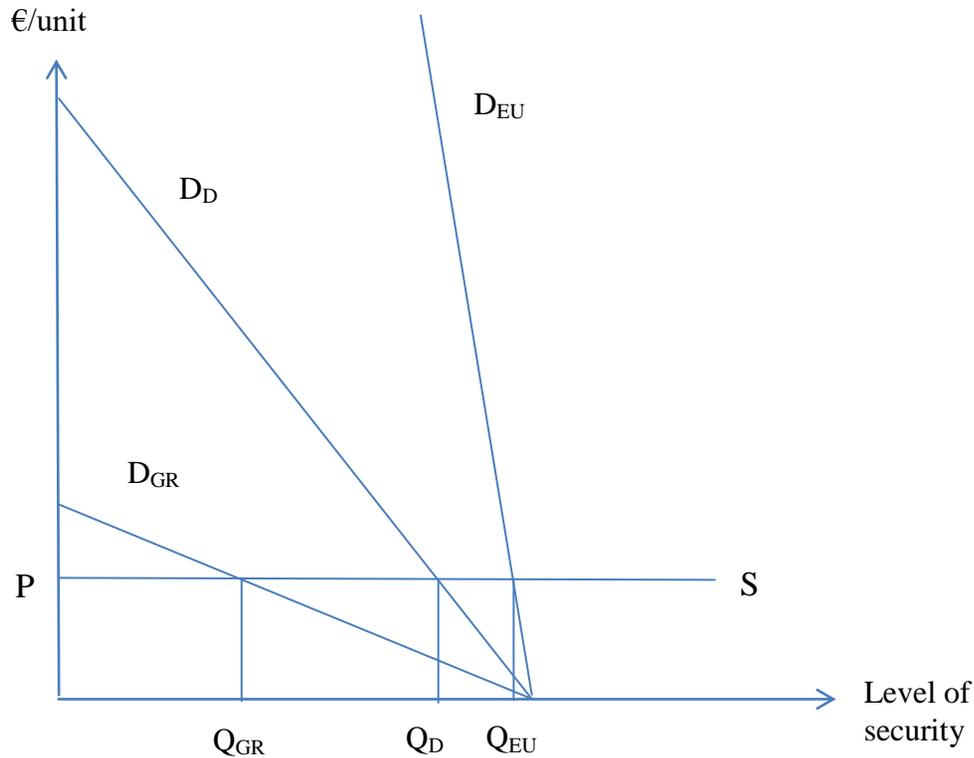


Figure 1 Free riding and the public good provision of security

Free riding may, however, jeopardize the achievement of the optimal amount of security, Q_{EU} . Greece would on its own provide the amount of Q_{GR} , and Germany would on its own provide Q_D . In the real world, Greece would observe that Germany is providing more of the public good than Q_{GR} , allowing Greece to free ride on the German contribution. Such strategic free rider incentives will lead to an undersupply of security below Q_{EU} unless the EU takes over and implements a policy, for example based on foresight, which establishes the target level of Q_{EU} and how to share the costs of providing the public good among all member countries in a fair and democratic way. If the EU does not take the lead, small countries will free ride on the big countries, which could be a reason why e.g. NATO was established (Olson and Zeckhauser, 1967).

The need for EU leadership is further reinforced by the fact that revealing the true aggregated preferences of citizens is highly problematic in practice. Ordinary people in everyday situations will typically not reveal their true preferences (Hillman, 2009). According to Tietenberg (2000), at least four caveats must be taken into account.

First, when people are asked about, e.g., their willingness to pay for one extra unit of security, they are highly likely to overestimate because talk is cheap.

Second, it is hard for ordinary people to base their demand for a public good on a sufficient amount of information. Who can, for example, estimate the true risk of terrorist attacks in the future? Qualified foresight analysis may do the job, but it is very hard for individual citizens to undertake such a task.

Third, some people may have a strategic interest in biased answers, for example an fisherman may overestimate the need for clean sea water, or people living on external EU borders or working in exposed places might feel more vulnerable and therefore overestimate an attempt to maximize co-financing by other EU citizens.

Fourth, the actual design of the questionnaire may bias replies from citizens, for example the range of interval payment possibilities. It may influence willingness to pay whether the respondent has to choose a payment between an interval ranging from €0 to €10 or an interval from €0 to €1000. In the latter case, one is more likely to choose the relatively highest payment.

Overall, the absence of a known demand curve highlights the need for a qualified guess, based on foresight, of the optimal amount of public good provision from policy makers. In contrast to the rather unknown demand curve in Figure 1, namely D_{EU} , the true supply curve, S , can be identified as technical costs such as the cost of hiring extra guards in airports or installing extra security checks.

The better the foresight concerning D_{EU} , the closer the politically set target level will be to the efficient amount of Q_{EU} . Thus with the tool of foresight, the proximity of the real future may be established more realistically, which in terms of our graphical illustration means that the actual crossing point in question between the D_{EU} and the S curves will establish a positive net gain of A . If such a scenario in evaluating options for actions appears, then the EU should act. If not, the EU should not act. Policy makers should consider cost-benefit analyses derived from rational choice theory when they provide public goods such as security.

3. The Policy Tool of Foresight

Why do we advocate using foresight as a useful tool in establishing the most optimal scenario for public good provision? Foresight maximises the information available, links it, and connects the dots to establish a more likely scenario.

EFFLA (2012) stipulates: ‘Strategic Foresight aims at systematically and transparently connecting the anticipation of uncertain future developments in society, economy, science and technology (including their consequent risks and opportunities) to policy strategy development and implementation. It allows enhancement of the forward-looking qualities of decision-making, but this approach can only be as effective as the strategy processes in which it is embedded. Therefore, it is first of all imperative to establish a systematic and open process of developing strategy and to conduct it on a regular basis (“rolling process”).’

EFFLA was managed based on broad participation of high-level stakeholders, representing gender, nationalities and age groups balance and including a broad mixture of professions. It appears to the authors that, similar for an effective breeding, the principle effectiveness of a stakeholder group can be established on the following principle: The highest ‘offspring breeding effect’ (understand as an output) is achieved from the combination of genetically distant parents who have some common genes and therefore are compatible (Chloupek, 2000).

In this manner, you can take into account various sources of hand-on information that stakeholders bring in, and during meetings future ‘pictures’ emerge, which are usually different from the ones individual participants had in their heads prior to the stakeholder foresight exercise(s).

The purpose of this article is not to give a lecture on foresight and its methods, but the following elements will help the reader understand the context of using it for policy making. In our illus-

tration of security issues in Europe, one must connect the dots between fields and scattered information and ask various yet targeted questions to progress with the foresight exercise.

Already in 1997, the European Parliament, represented by its rapporteur Arie Oostlander, Member of the European Parliament, pointed out that: ‘...*Western model of society derives its characteristics from the specific history of Europe. Its key elements include: democracy, the rule of law, human rights and separation of church and state. It is very tolerant to different ideas, convictions and life-styles. However, an important proviso is that the rules of democracy and the rule of law are respected. Religious fundamentalism therefore becomes a political problem when people or groups are unable to accept the law on account of certain convictions. ... It is unacceptable for certain people or groups flagrantly to violate the legal order or seek to alter it by illegal means ... Europe is used as a place of refuge or a base for operations, for example by ‘Afghanistan veterans’ ... Many of them were not allowed back into their own countries afterwards and drifted about the world. Some landed up in Europe, where they are preparing for a new struggle elsewhere. Europe provides them with better opportunities for this than their own countries. There is more freedom of movement, and money and weapons are easier to come by...*’ (European Parliament, 1997).

It is debatable whether this information produced by a democratically elected institution, the European Parliament, was taken into account when deciding what measures to take to provide public goods to European society. Like the European Parliament, EFFLA (2013) also flagged up the need to analyse in more detail the role of migration. Consequently, a whole range of issues must be included in the cost benefit analysis when attempting to provide the optimal amount of public good provision within a given topic.

Although the 2016 EU budget also significantly increases the resources for the fight against crime and protection against terrorist attacks (Council of the European Union, 2016), its proportion of the total budget shows that other areas received higher priorities – yet European prosperity and the public good provisions of safety and security are intertwined issues (see Table 1).

Table 1. A summary of the EU budget for 2016

Appropriations by heading	Payments (millions €)
1. Smart and inclusive growth	66 263
a. Competitiveness for growth and jobs	17 418
b. Economic, social and territorial cohesion	48 844
2. Sustainable growth	55 121
3. Security and citizenship	3 022
4. Global Europe	10 156
5. Administrative expenditure (for all EU institutions)	8 935
Special instruments	389
Total appropriations	143 885

Source: Council of the European Union (2016).

The EU budget is officially expressed in terms of commitments and real payments. For reasons of simplicity, we use ‘payments’.

The issue of security should be viewed holistically based on foresight. For example, large-scale migration into the EU over the past four decades and mainly from less developed, non-western countries, has created labour market integration problems in most host countries. Labour market integration can be considered a public good for society at large (Nannestad, 2004). Such labour market integration has, however, been problematic for some groups of immigrants in the EU due to labour market problems within the EU. Isolated ‘parallel societies’ where immigrants live in their own neighbourhoods and communicate in their home language – have rather been fertile soil for social problems and political radicalisation (Nannestad, Svendsen and Svendsen 2008).

Besides the need for more holistic issue linkage between labour market problems and political radicalization among immigrants, aspects such as social capital, which is measured as trust, may be considered (Chloupkov á et al., 2003; Nannestad et al., 2014). Other important elements that must be taken into account are the role of women in society, the role of the individual versus society, etc. which are not represented in other cultures to the same level as are in the European and generally speaking the Western societies (Horowitz, 2015; Stehl ě, 2015). Finally, the issue of trust is an important factor to reduce transaction costs and make social cooperation work even better (Chloupkov á and Bjørnskov, 2002; Svendsen and Svendsen 2016).

4. Conclusion

Policy making is by definition an activity of public goods provision. Using the systemic parallel of using foresight (to identify the highest public good in investing tax payers’ money in research and innovation), the authors demonstrated that the tool of foresight could be used to improve policy making in general. This argument is based on rational choice theory, suggesting that when a positive net gain from the optimal amount of policy intervention is present (based on the tool of foresight), the EU should act. If no, positive net gain could be identified, the EU should not act. Such cost-benefit analysis derived from rational choice theory should therefore be considered by policy makers in combination with the tool of foresight when providing public goods such as security.

Security provision, a public good that is currently in high demand in Europe, must be coordinated carefully with other interlinked policy issues such as labour market integration, the roles of religion and women in society, cultural habits, trade policy, parallel societies, education, foreign aid, etc.

It is the long-term strategy and foresee-ability of the European Union, together with its security politics, which in the next two decades could markedly decide about EU stability and inner integrity. Euro sceptic moods reflect the fear of criminality and terrorists attack in EU citizens.

In perspective, foresight can and should be used as a more accurate tool in defining public good provision to establish a net benefit in more holistic and coordinated joint action settings. Such coordination would mean that ‘left and right hands’ should not act as two random instruments in a fluid political agenda within different areas, but can cooperate even better within the EU when guided by the ‘brain’ of foresight. If the outcome of the foresight analysis does not promise positive net gains from political intervention, policy makers should refrain from such initiatives. If the net benefit is foresighted to be positive and does not harm the rest of the world, the EU should go ahead and realize the gain from such win-win situations. Using the security provision in the EU as an empirical case, the EU budget showed that this public good and especially its interconnectivity with other segments of the economy and society received only marginal attention.

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