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Article

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RATIONAL CHOICE INSTITUTIONALISM AND THE EUROPEAN NEIGHBOURHOOD POLICY

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Abstract: *The aim of this paper is to highlight the main aspects regarding the rational choice theory in neo-institutionalism, and the role the EU Neighbourhood Policy has nowadays. The protagonist of the rational choice theory in the new institutionalism remains homo-economicus. The theory of rational choice institutionalism challenges the perfect rationality of the individual, rather than the principle of rational choice itself. ENP is a framework for consolidating the Union's relations with neighbouring countries and aims therefore intensifying cooperation with them in order to establish a zone of prosperity, good neighbourliness, stability and security.*

Keywords: rational choice institutionalism; European Neighbourhood Policy; borders; security; new institutionalism.
JEL Classification: F15.

INTRODUCTION

The rational choice institutionalism represents a complex and extensive topic of discussion and its association with the EU neighbourhood policy makes it difficult to identify. We do not agree with the idea of associating the individual, the actor in the economic life, with the state or the organization which they represent or to which they belong, however, in order to achieve this correlation, we will start this scientific endeavour from the substitution of the man (and his rational choice) in the individual actions of the one representing the interest of each of the 28 member states, which are constrained by institutions to pursue their economic and political interests. Please note, from the beginning, that the protagonist of the rational choice theory in the new institutionalism remains homo-economicus, an individual limited in terms of rationality, and not the state or the organization he represents. Also the individuals are the reasons behind decisions within the European Union, and not the states or political organizations. However, we consider that it is difficult to clearly pinpoint the boundary that separates the individual interest of a person representing the state in a union or organization, from the collective interest. Nevertheless, given some social standards (the mentality, for example) can act directly at the level of person. Furthermore, it is important for us to draw the

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main aspects regarding rational choice theory in neo-institutionalism, but also the role the EU Neighbourhood Policy has nowadays.

1. ACTING FREELY, BUT CONSTRAINED BY RULES

The specialized literature in the field of the new institutionalism (neo-institutionalism) is a very broad one. The common fund of ideas governing this school of thought arises as a result of what its promoters wanted to be, namely, a neoclassical response to the "old institutionalism". Certainly the promoters of this contemporary wave of ideas in social and political sciences were Ronald Coase, Nobel Prize laureate in 1937 for the famous article "The nature of the firm", and Armen Alchian, but the credit for using the first time the term *new institutional economics* is assigned to Oliver Williamson in the 70s (Pohoata, 2009, p. 51). On the same path of "thinking differently", these protagonists were followed by North, Demsetz, Elster, Hayek, Nelson and Aoki. We distinguish in this regard, at least three schools of thought: the historical institutionalism, rational choice institutionalism and sociological institutionalism (Hall and Taylor, 1996, p 950).

The theory of rational choice institutionalism is the toughest response ever given to the neoclassical economics, by challenging the perfect rationality of the individual, rather than the principle of rational choice itself. Therefore, without perfect rationality, the choice made by the neoclassical individual is not eminently wise. The main players in neoclassical economics, the manufacturer and the consumer were precisely modeled and built after this principle of perfect rationality. By simply "limiting" their rationality by the representatives of rational choice institutionalism, a "Pandora's box" has been opened in the field of academic research, attracting a lot of criticism and sparking many controversies, generating, automatically, new areas for research.

Under the new institutionalism and inspired by the American doctrine of social sciences in the 70s, rational choice starts from a different approach of the institutions and their role in the economy (Ivanica, 2006, p. 28). Thereby, the actors act to maximize their utility and the institutions play an important role in solving the collective interests. Ronald Coase named this phenomenon as the "disembodied blood circulation" (Coase, 1998, p. 6, in Ingram and Clay, 2000, p. 525). In their turn, institutions are artificially created by the actors, who have freedom to amend them, in the idea of facilitating future success just through them. Today, more than ever before, especially at the EU level, there are many limitations and regulations. And yet, the actors act free, but are constrained by the

rules. As in any game the rules must be complied, substituted when they are not working or give rise to blockages, and the players are aware that only through these rules they can achieve benefits.

According to Pollack, rational choice theory under the new institutionalism refers to the analysis from the ontological and epistemological perspective of the individual and his relation with the social structures as well as on the role of ideas and material forces in the social life. In other words, Pollack believes that in order to achieve better results both individually and collectively, there must be at least three essential elements: methodological individualism, maximizing the utility and the existence of institutional constraints on the rational choice of the actors involved (Pollack, 2006, p. 33). Strictly speaking, the actors will act pragmatically and realistically, always in the idea of maximizing their utility, acting freely, but within the set of rules (the institutions). It is considered that they take decisions following a rational choice, but they have limited knowledge and limited cognitive capacity (Ingram and Clay, 2006, pp. 526-527). We can talk, especially within the European Union and the newly integrated member states, of an illusion of freedom to decide in a rational way.

Regarding how the institutions are addressed in this new vision of neo-institutionalist, Shepsle considers the institutions as constraints or set of rules, specifically referring to *the laws of states, organizations policies and social standards* (Shepsle, 2005, pp. 1-2). Therefore, in the theory of rational choice institutionalism, institutions restrict the decisions (choices) of the actors so that the best choices of actors are automatically the collective good. At the same time, they create stability and set the agenda of collective actions. It should be noted that, unlike the neoclassical model, the institutions do not occur naturally, but are created artificially by all actors, actors build new institutions to enable a better interaction, but their preferences are not defined or influenced by these institutions (Prisecaru, 2008, p. 141).

2. JUST REDUCING DISPARITIES, NOT EXPANDING?

Officially released since 2004, the EU Neighbourhood Policy (ENP) sought to strengthen economic welfare stability, security and cooperation at regional level at southern and eastern borders of the EU. ENP is a framework for consolidating the Union's relations with neighbouring countries and aims therefore intensifying cooperation with them in order to establish a zone of prosperity, good neighbourliness, stability and security. From this point of view, economic levers represent also an instrument of zonal influence which, not infrequently can take geopolitical issues (Moga, 2011, p. 7). Whatever the reasons for implementing this policy, a fact is that it will lead to the elimination of

economic disparities between these regions and member states will stimulate trade and foreign direct investment.

A controversy in the dispute from the political and economic literature on the ENP is represented by the motivation that lies behind the achievement of strategic partnerships with neighbouring countries. Apparently, as stated by supporters of the traditional theory, it relies on the transforming role of this policy, better said on the "normative power" of the European Union, namely, by harmonizing and aligning the surrounding areas to its policies, without subordinating them to the conditionality principle, so significantly in the last two waves of accession, but also without ensuring them with the promise of their future inclusion in its integrative structures.

Another opinion in respect of the ENP motivation claims that the main reason underlying EU actions is to reduce rationalists interests, namely, from this point of view the Neighbourhood Policy being regarded the second best alternative, after that of becoming a member with full rights (Monastiriotis and Borrell, 2012, pp. 4-5). If for countries like Moldova or Ukraine would exist, in the future, opportunities of integration, for other areas over which the Neighbourhood Policy has effect (North Africa for example) its implementation is made only due to political reasons and security at the borders of the Union, and the states from these territories are not eligible for accession in the foreseeable future (Bordeianu, 2007, p.7). A "sixth" enlargement wave, in the near future, would be a hasty step, hampering governance at the level of the European community, the gaps being still too large.

3. EAST CHALLENGES

The process of economic integration that has been reached at the level of the European Union, as well as the intensification of regional interdependence, clear realities of the contemporary world, involves, in addition to economic benefits, and an unparalleled increase of spatial disparities that exist between the community and the contiguous areas. Precisely in this sense, the approach of the European Union through the Neighbourhood Policy is the one to eliminate large disparities between neighbourhood regions and to create "buffer zones" that separate the community space from non-EU countries.

Even if it does not entirely meet the political expectations of the governments of Eastern countries, in the sense that it does not provide a definite insight for accession, through the Neighbourhood Policy, the EU stretches out a "helping hand" to the states in these regions. The results

that are pursued will be beneficial to both parties. Through various multiplication effects from the economy, the aid granted to disadvantaged regions from the surrounding areas (creating jobs, investments, trade, financial aid, cooperation for research and development) will lead to the possibility of these countries to join the European standards, to institute reforms in strategic areas and to govern according to democratic principles, approaching more and more to the level at which today are situated the majority of the EU members (28).

On the other hand, the European Union will benefit from several advantages such as the reduction of illegal immigration from the East, low transactions in the underground economy, and increasing border security in these areas. Also, as a global player, the EU will benefit from a positive enhanced image after supporting states in border areas.

By creating institutions in these regions, that will facilitate their further development, these discrepancies may disappear. Among these, I consider important harmonizing the legal framework, transforming markets from Eastern Europe in market economies, protecting the private property and also trying to change the mentality of individuals from these states.

After whole decades in which they were used to live life in a communist area, subjected to an ideology and a "real-socialist" way of thinking with a centralized economy and an anti-capitalist mentality, residents of countries such as Belarus, Ukraine, Georgia and Moldova must learn to imitate, to create consumer behaviours, but also patterns of entrepreneurship specific for western economies.

In other words, by creating or modifying these ineffective, nonperforming institutions, through the Neighbourhood Policy, the EU can speed up the process of economic development of these regions. The vast majority of the population from these states came into contact with the values promoted by Western institutions just in a superficial mode. They must first be acknowledged, understood, and then experienced.

CONCLUSION

Followers of the new institutionalism support the idea that "Institutions do matter", but unfortunately, for the countries in the vicinity we cannot, however, speak of an institutional framework, clearly defined, as it is within the EU, where institutions such as the European Council, the European Parliament and the European Court of Justice are interconnected and provide operability and transparency in the European Community.

States targeted by the Neighbourhood Policy are rather related to the European Union by agreements, bilateral policy (ENP), partnerships (the Eastern Partnership), multilateral framework (Black Sea Synergy, the Union for the Mediterranean Sea). Attempts are being made in order to increase the integration of these regions, but for now the actions taken are rather a tentative (and focus more on the business side). At the same time, it should be stated that the geopolitical situation in the regions concerned is not exactly ideal: "the Arab Spring" in the South, East Europe's geopolitical competition with Russia, frozen conflicts (Transnistria). Therefore, we firmly believe that an institutional framework in which should be included the neighbours would be desirable (and, in this case, yes, the institutions coordinating joint activity would matter), but now the EU-ENP institutional link is still modest, almost non-existent.

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