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Nation-states and new regulatory authorities
in the global field of force

THESIS
(Summary)

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THE SUBJECT AND THE AIM OF THE RESEARCH AND THE RESEARCH METHODS APPLIED

The research studies fundamentally the role of nation states and its possibilities in a changing world from different aspects. The dissertation analyses from closer the assumed sovereignty of classic nation state, the role of nation states and the *new regulatory authorities* appeared in the recent decades in global field of force, as well as the relations between nation states and new actors. The topic has conceivable actuality in the dawn of new millennium. The nation states, as against entities through centuries with *primus inter pares* viewpoint, from the second half of the 20th Century they started an „offensive”, which is considered successful. As a result, almost unplotable number of author talk about the erosion, fading or even disappearance of the traditional (nation) state sovereignty - although state theoretical writings from available premise, which were born in „postmodern” era, were often in contrast with each other, and draw different conclusions.

JEAN BODIN, the first systematic theorist of the doctrine of sovereignty, examining the traits of sovereignty, a. k. a. the attributes of the main source of power in the last quarter of the 16th Century, was able to put a comprehensive list together with ease.¹ In his work entitled *On the Rights of War and Peace* (1625), HUGO GROTIUS could still be confident, talking about sovereignty, to define the essential meaning of it as a power „whose act are not subject to the control of another, so that they can be rendered void by the act of any other human will.”² With the same confidence he could also say that the general subject of this highest power is the state, „the perfect community”. The (classical) theory and practice of state sovereignty, however, as a result of becoming more intensified globalization, and as a consequence of the emergence of international and supranational organizations, it has undergone significant changes in the recent decades.

Today, we cannot absolutely claim without any doubt, that the sole depository of supreme power would be the state, as the changed catalogue of sovereignty-tickets is maximum exemplar, and it can only be defined with an ever-changing nature. According to the evaluation of BRUBAKER „the global financial, dense global networks of trade and migration, a global communications infrastructure purveying an incipient global mass culture, the global reach of transnational corporations, and the inherently transnational nature of

¹ BODIN, JEAN (1576): *Six Books of the Commonwealth*. Impensis G. Bishop Publisher, London, 1606, pp. 153-182.

² GROTIUS, HUGO (1625): *On the Rights of War and Peace*. John W. Parker, London-Cambridge, 1853, 37. p.

terrorism, drug trafficking, nuclear weaponry, and ecological problems all reinforced the conviction that the world was moving beyond the nation-state.”³ As a quite early researcher of the topic, Árpád TÖRÖK stated: the gradual and steady slacking of „sovereignty-orthodoxy”⁴ materialized during the past decades.

The succeeded argument during the centuries, according to which the essence of nation state construction is, that the well-defined territorial unit is the exclusive material base of state power, the power of state is absolute and exclusive, and the citizens owe loyalty to the power of particular nation state, it became untenable nowadays, and it needs serious reconsideration. From the last quarter of 20th Century appeared globalization, regionalization and deregulatory trends corroded this traditional conception and construction fundamentally. As the result of becoming monetarist and neo-liberal doctrines dominant, the states went to „periphery” compared to their previous viewpoint. These trends announced the primacy of market trends, drastic reduction of economic and social intervention, and the need for international economic integration. The global regulatory authorities (IMF, World Bank, WTO, OECD) and in parallel with the increasing influence of transnational corporations, the traditional sovereignty of nation states has become increasingly plastic.

In summary, the purpose of the thesis is, that it can demonstrate and evaluate the changes taking place in the world since decades, focusing on the role taking of nation, sovereignty of the state and its changes, with the „setting up the line of battle” of the relevant international and domestic literature, as well as with organizing and summarizing them. The goal of this process is not merely the grasping of it, and the portraying without critical attitude, but also exploring possible alternatives, and offering for further thinking.

³ BRUBAKER, ROGERS (1996): *Nationalism Reframed: Nationhood and the National Question in the New Europe*. Seventh printing. Cambridge University Press, Cambridge, 2004, 2. p.

⁴ TÖRÖK, ÁRPÁD: *A szuverénitás [The Sovereignty]*, in *Magyar Szemle*, Vol. 46. kötet, Nos. 1-3. (1944), pp. 5-11. at 8. p.

THE METHOD OF THE RESEARCH AND THE STRUCTURE OF DISSERTATION

1. The method of the research

The exponents of social science researches – despite of the seemingly easy manoeuvring possibilities – are not in an easy situation at the dawn of the 21st Century. We cannot think about our world only using a single, „unipolar” point of view, since we have to approach and demonstrate the processes in the context of globalization from a variety of directions, and in an interdisciplinary way. As László MURAKÖZY stated: during the analysis, we always need to focus on the whole, and not just on individual parts and moments. According to the holistic, system thinking, *heterodox* approach, the functioning of the state, its appearance and efficiency can only be understood and analysed embedded into the whole legal and political subsystem; moreover, the test subject must be interpreted and evaluated in the dimension of the global economic system as well.⁵

With the above thoughts in mind, the author of the thesis thought, that application of the interdisciplinary approach is profitable, and during his analysis, he studied beside the narrower view of *state theory* the legal, economic, and partly sociological and political contexts of sovereignty as well. But the declaration of this aspect is just necessary, but not a sufficient condition: beyond this, the boundaries of disciplines involved in the investigation had to be lined clearly. The sovereignty considered to be an eminent state theoretical category – even if the value of explanatory concept is heavily debated – but for the connection and specialties of relevant issues during the dissertation, the application of state theoretical approach on the strict sense is not sufficient. Looking at the issues of sovereignty, the researcher can reach such areas, which make him/her leave the homogeneous state theoretical medium.

VALÉRY PAUL quoted a statement as a motto⁶ concentrated in a laconic sentence, which expresses the question of objects of centuries polemic, and which has a cardinal importance: what extent can we let free space to the state behaviour, and what level of state intervention could be, if it is necessary at all, that the regulatory activity of state can benefit duties beyond the „night watchman” duties. The question of state role taking in the 21st

⁵ MURAKÖZY, LÁSZLÓ: *Államok kora. Az európai modell. [The Age of States. The European Model.]* Akadémiai Kiadó, Budapest, 2012, pp. 16-17.

⁶ „If the state is strong, it will crush us; if it is weak, we shall perish.” Source: TANZI, VITO: *Government versus Markets. The Changing Economic Role of the State.* Cambridge University Press, Cambridge, 2011, Preface, IX. p.

Century remained extremely relevant and current, and perhaps even more relevant and current, than ever. The economic control activity of state, the extent of state duties and competences, and at all the determining of state optimal parameters leads to the territory of *political economy*. In the sense, as PIKETTY understand the essence and subject of political economy, the range of investigation is unavoidable by the discipline in question: this discipline has a „*political, normative, and moral purpose. From the outset, political economy sought to study scientifically, or at any rate rationally, systematically, and methodically, the ideal role of state in the economic and social organization of a country. The question it asked was: What public policies and institutions bring us closer to an ideal society?*”⁷

Taking into account the tragic developments related to social planning in 20th Century, the author of thesis of course do not think, that during the 21st Century any representative of social sciences should strive to become the „engineer of society”. However, he is assured, that the right of representatives of science, indeed its obligation to deal with social problems, as well as to elaborate a realizable solution in relation with the identified deficiencies. In this regard, the conduct of that investigation, along which point, in what way and extent is necessary to intervene in the formation of economical processes of the state of 21st Century, it is even necessary, when every reasoning related to the breadth of state are actually false dilemmas. (After all, the important factor is not the practical assumed cut-out of the state, but the fact, that the state is able to, or willing to be the members' of the society disposal, properly assessing their needs, strengthening social cohesion, and attempting the improvement of income ratio, mobility opportunities, and their living conditions, increasing thereby the „satisfaction rate” of the state’s citizens.)

The state theoretical and political economy investigations is worth to supplement with *legal philosophy* approach. Because of the subject problems from legal sub systems, according to the Author, it can be reflected from the capitalizing of legal philosophy solutions. The application of legal philosophy was implicitly useful in the section dealing with the investigation of legal sub systems, when the Author was dealing with the development of global „Non-state law”, the impact of the globalization and regionalization to the constitution-making, as well as comparative analysis of various aspect of administrative science trends.

Finally, the approach applied by the Author during the whole thesis was characterized by the use of *sociological approach*. It appears in above all, that the Author keeps in mind the

⁷ PIKETTY, THOMAS (2013): *Capital in the Twenty-First Century*. Kossuth Kiadó, Budapest, 2015, 602. p.

impact of global changes to the social development, so he examines, that what kind of impacts the developments of global capitalism have to the tissue of society. But this concept is manifested in the fact, that during the research it didn't take account the interests of state, market actors or agents, but he took account the constructive needs of members of society – so he draw his conclusions in order to promote positive changes of society. The author strived to establish an independent viewpoint and an operable alternative, after the overview of often competing viewpoints, with drawing the necessary consequences, to make solution to that question, that how can nation states functioning as a global field of force according to expectations of members of society.

In summary: the Author used the decisive power of *state theory*, *political economy* and *legal philosophy*, adding *sociological approach* during his dissertation.

Among other things, the Author basically was identified with the viewpoint of Péter TAKÁCS , according to whom *at describing* the perform of criteria of value discharge is possible and desirable, however during the *assessment of facts*, in some cases arguing for a value obligation viewpoint is possible or even desirable to satisfy the scientific need.⁸ Disrupting by the personal ideological preferences and ideals of scientific reasoning, the Author of course possibly wished to avoid during his research, but he also knew, that the world of global capitalism became so complicated and controversial, that he cannot pass the incriminated changes uncritically. The thesis method thus was able to satisfy the WEBER's obligations imposed on the people of science that he served clear description of studied problems during the application of so-called *object language*, and he remained free of value. When he assessed the objective reality with the help of this method, the use of *Meta language* seemed to be more profitable, so during the assessment of known facts the Author used a critical approach, and he wished to develop alternative solution(s) to the hope for a move from standstill, which was many times in contrast with the current systems.

2. *The structure of the dissertation*

Topics covered by the thesis: fading of traditional, Westphalian type of nation state, investigation of globalization trends, analysis of organized capitalism of Keynesian welfare state,⁹ discussion of economic policy change as a result of neo-liberal-monetary counter-

⁸ TAKÁCS, PÉTER: *Államtan [Political Science]*. Budapesti Corvinus Egyetem, Budapest, 2011, 9. p.

⁹ SZIGETI, PÉTER: *Világrendszerképben. Globális „szabad verseny” – a világkapitalizmus jelenlegi stádiuma. [Exploring World System. Global „open competition”. The Current Stage of World Capitalism.]* Napvilág Kiadó, Budapest, 2005, 88. p

revolution, mapping of global regulatory authorities, as well as the examination of their operation ways, and analysing the state role taking possibilities of 21st Century. In the light of space limitations, the Author just examined by the extent of topics – mainly concentrating on legal subsystem – one of our age's defining phenomenon, the regionalization, and in relation with this, the most eclectic example of regional integration, the European Union.

The structure of thesis follows accordingly a well-defined form of thought, and it is related to the topics mentioned above. Raising issue at the beginning of the thesis, summarizing briefly the research topic and after methodological methodology section, the Author discussed the traditional sovereignty form and attributes of nation state. Subsequently, he analysed the liberal ideal of a night-watchman state, and its impact on the state, then the certain stages until the realization of the need for government intervention, thus induce to the discussion of three decades period (1945-1975), which were the heyday of the welfare state. He analysed the consequences of the neoliberal revolution from several aspects: in addition to the economic policy dimension, he mapped its impact on legal subsystem, constitutional, and public management perception (emergence of New Public Management tendencies, and their becoming to dominant, and competing neo-Weberian conception reaction). Finally, he examined the obsolete moments of neoliberal monetarist conception as a result of 2008 discredited crisis, and the various findings about focusing on the strengthen role of state. Under its aegis, he discussed neo-Weberian administrative strand of trends reflecting mainly on the idea of the New Public Management market-conform, and construction opportunities of renewed welfare state. As a summary and closing of the thesis, he linked it with the conclusions, which he found to be appropriate, and he attempted to present a (more) sustainable perspective.

SUMMARY OF THE SCIENTIFIC RESULTS AND THEIR PRACTICAL APPLICATIONS

1. Summary of the scientific results

One of the central tasks of the thesis was *the elaboration of the idea of so-called regulatory authorities*. The author presented in his thesis, that the *Belle Époque* of welfare state (three decade between 1945 and 1975) rules from a national economic base, which is almost completely free from external impulses, and it can regulate market conditions through autonomous fiscal policy with the tool of law. The number one regulating authority of organized capitalism was bourgeois nation-state, which formed a major obstacle – if you like, a sort of „organized Maginot line”¹⁰ – against the power of global market, and their hectic operation.

However, organized capitalism get into crossfire of increasingly radicalized criticism due to various negative trends, which were earlier more sophisticated from the middle of 1970, and it led to „monetary counterrevolution” with the election victory of THATCHER and REAGAN. These governments have started deregulation of regulations capitalizing Keynesian solutions. However, this does not mean, that neoliberal preparations conform to *transnational capitalism – neoliberal competition state* – are not described by a strong regulatory action. „Transnational constraint system” in fact – where the possibilities of autonomous economic and trade policy of nation states are successfully abolished – a series of multilateral agreements involving international trade and finance provide the reduction of regulators, which are in the way of trade and capital flow, free settling of promotion of goods and capital flow, and enforcement of global wide-ranging free competition. Nation state embedded in a system, which provide the operating mechanisms of global capitalism working, has not disappeared, and even its sovereignty in legal ways remained full, but shaping it into neoliberal competition state was accompanied by incapacity, and it was forced to build in and/or accept the principles, norms, decision-making mechanisms into the legal system.

Under global regulatory authorities the Author means such entities, which are able to influence global market conditions, „re-regulate” earlier deregulated nation state regulation, and adaptation activities due to their active control role, and they can force sovereign nation state based on legal terms to accept system based on international free competition, and they

¹⁰ CERNY, PHILIP G.: *The Competition State Today: From Raison d'État to Raison du Monde*, in *Policy Studies*, Vol. 31., No. 1. (2010), pp. 5-21. at 13. p.

do that with available tools, and the help of developed principles, norms, regulations, procedural mechanisms.

Global regulatory authorities therefore actively and surprisingly intensively able to influence world market conditions. Thus, we can mark the world market, as the subject of regulation, and worldwide market conditions accepted through it. A well-established division of labour can be observed in the complex of regulatory powers in the sense, that the *World Trade Organization* (WTO) has a strong position in international trade, *International Monetary Fund* (IMF) has a strong position in international monetary conditions, and the *World Bank* in international lending and development policy. Vested with serious role and powers also have normative coverage: in the case of IMF and the World Bank it is the Charter, while in respect of the WTO it is the Marrakesh Agreement - and other multilateral conventions - settle the status of organizations, and their functions and powers.

Numerous regulatory function can be derivate from IMF Charter to IMF. They can be determined based on György CSÁKI's typing as follows: establishment of exchange agreements with member states; surveillance of exchange rate; continuous consultations with member states because of the smooth functioning of international financial system, and financial promotion of various member states; control and regulation of currency restrictions.¹¹ This can be supplemented with the fact, that conditionality attached to loan granted by IMF, drastically limit the autonomous fiscal policy-shaping possibility of incriminated member state, since in return to the granted loan they expect taking effect so-called „fiscal discipline” stabilizing measures – simpler expressed: the adoption and implementation of austerity programs serving the socialization of losses.

Paying out loans granted by the World Bank recently has become the main „trademark” of the institution, but of course we cannot underestimate its role in development policy. Among World Bank's development assistance can be highlighted – mainly validated in the 1980s – the so-called structural adjustment practice, which expects the program points of Washington Consensus from governments of „beneficiary” countries, similarly to conditionality linked to IMF loans. Furthermore, it is noteworthy, that ICSID, which is functioning as a member of the „World Bank Group” (*International Centre of Settlement of Investment Disputes*) was authorized to settle international investment-related legal disputes between states and companies. Its jurisdiction depends on the submit of the interested parties,

¹¹ CSÁKI, GYÖRGY: *Mit kell tudni a Nemzetközi Valutaalapról és a Világbankról? [What should we know about the International Monetary Fund and the World Bank?]* Kossuth Könyvkiadó, Budapest, 1988, 28. p.

however, examining it from this act, it can have a major influence to a consideration between state and investor.

WTO can be apostrophized as a regulatory authority with the most extensive competent. As an international economic and commercial institution it has a sphere of control to the development of rules, development of international conventions, its validations, verifications and settle disputes between sovereign nation-states, and its judgement – and this is a major asset in terms of the regulation. Additional agreements, which are also called the pillars of WTO provide that the organization should also have major regulatory role in the field of services and in the trade of intellectual property rights.

Observing the „arsenal” of numerous regulatory authority it can be established, that instruments of regulatory activities affecting economic, trade and indirectly social relations include legal, economic and trade policy, legal relation forming derived from arbitration, and conditionality instruments linked to loaning claiming neoliberal conception’s due, and all of this are embraced by Washington Consensus, and it organizes this into „coherent” ideology. Global reaching regulatory institutions (IMF, World Bank) organized over nation state level are recruited of course from *pro form* member states (or they are ratified from sovereign states of Marrakesh Agreement), but on this level of organization their activity has already been independent from nation state interests (unless we are not considering their role during the representation of US capital interests, and their majority influence of US decision-making structures). In fact, they strive to realize filling „regulatory vacuum” occurred in the place of deregulated welfare state during re-regulating activity, but they would like to fill it with such content, which preferring new norms in „global competition” according to the global capital representation, and the international free competition priority over all, gaining in this way primacy in global capital interests above the semi-periphery and periphery states of society and interests of the core countries. Nation states in this system are condemned to that, they vigilant over the implementation of formulated rules from above level of nation states.

Recently, studies referring to this momentum show, that earlier prevailing primacy of state has ceased permanently due to globalization, and because of the changes in world order, the state has no longer absolute power in its area and over its population.¹²

¹² HIGGOTT, RICHARD A. – UNDERHILL, GEOFFREY R. D. – BIELER, ANDREAS (eds.): *Non-State Actors and Authority in the Global System*. Routledge – Warwick Studies in Globalisation, London-New York, 2003, 1. p.

Another aim of the thesis was to envisage the possible solutions inherent in the current system, and making an alternative proposal (system). After the description of the reported problems, therefore, specific – and brave – proposals were needed. At this point, however, it has to be indicated, that during drawing of conclusions the Author essentially would like to form thesis level of proposals, so he would like to make only generalizing findings in respect of social Europe.

Regarding the system relations and their operations of society, state and market, the Author concludes, that the disturbed balance of society, state and market must be restored. In the centre of augmentation of last decades – and practice – is the market and society above state. In contrast it is much more needed, that under the aegis of democratic pluralism, and within the frame of regulated market, they integrate the powers of civil society, market and state, in a way, that in the first sector should be civil society, in the second sector should be state, and in the third sector should be market institutions placed. I would also mean interest for claims and order too, because market often proved to be insensitive to recognize potential of human need in society, and accordingly adapting their behaviour. Market has been unable to eliminate poverty and inequality – incidentally, this was not necessarily in its interest. The market does not differentiate between legitimate interests from economic production and unearned gains, and it often promotes behaviours contrary to basic human interests. Moreover, market power is concentrated in the hands of a few giant companies, so they have so compelling power, for which civil society allegedly did not want to empower them.

Society idea based on self-organization of local communities certainly sound good, but to brake increasing social inequality, and reverse negative trends, re-create social cohesion, and break with all profit privatizing, but all losses socializing practice, we cannot turn off the state from its economic policy directions. Moreover, we have to move yet another stage exceeding the mentality of 19th Century, which adjusted the sovereign nation-states, so that we can access to the architecture of social Europe with regional scope, and in this way we could provide and adequate response to the challenges to the 21st Century.

So this is why it is an important task to *build a real social Europe*. Because of the effect of demographic crisis, neoliberal transformation and forced conditions of global regulatory powers it can be observed nowadays, that governments are less and less able to willing to take over various multitude functions of welfare. Viewing the continent we can conclude, that in Europe, which is lacking of uniform social regulation based on divisions – semi-peripheral – or even peripheral - nation states are unable to operate a system with a

strong social net. Global capital competing in favour of multi and transnational companies, governments of sovereign states were willing to sharply retaylor their welfare systems keeping capital attract in mind, deregulate regulations of rights guaranteed for workers, and accept beneficial „regulation” in terms of global capital. Neoliberalism stressing the importance of free flow of global capital is interested in: if it created a strong power, which would able to control economic processes, then all of our existing competitive advantage would disappear. However, this situation need to be changed radically. The Author suggests, that a social welfare Europe could be a promising future. Therefore, the main dilemma in connection with European integration – namely, that a federal Europe/European United States, or a Europe with sovereign nation states are needed – *in terms of economic policy questions* the Author have clearly decided. Resolving the economic problems of EU member states, and during the solution of economic problems discussed in the thesis, he thinks, that we should prefer the *solutions of community*, so we need an economic federation on level of Europe.

This assumes naturally a comprehensive harmonization of economic policies member states, but the current system of institutional and legal framework conditions become unsuitable for the efficient management of the crisis, therefor, the Author believes, that structural level regulations need to take effect affecting the future of substantive and whole regional integration. Regulation building on the free movement of goods, persons, services and capital essentially expects the same level of liberalization and deregulation from the 28 member states, as the neoliberal establishment free market convincement in the centre of supply economics thinking socialized in the doctrines of HAYEK and FRIEDMAN. This logic must be exceeded, and it must be replaced with a solution approximate to capitalism of welfare state, possibly organized on regional level. In a social character Europe thus can be revitalized the broad consensus between social, political and economic actors between 1945 and 1975 , and we could synthesize the civil and political rights, as well as catalogues of economic, social and cultural rights – and all of this could be realized in the safe knowledge of comprehensive legitimacy.

Europe would need a sharp welfare turnaround, which of course requires a hundred and eighty degree turn: it assumes the elimination of neoliberal project has built over the decades, and in parallel with it, the configuration of capitalism framework regulated on regional level. Social Europe essentially requires the application of Keynesian economic management instruments (again), so with its help, it could manage the consequences of imbalances arising from economical cyclical movement, and it could ensure the necessary

balance criteria for economic growth through harmonized national intervention instrument system. Basically, we should build the fundamentals of social Europe on economic and tax policies enlivening solvent demand carrying the hope of shifting towards prosperity encouraging investment and consumption, and we should also build on active employment policy, which is able to „keep unemployment on leash”, on investment policy, which supports small and medium sized enterprises, as well as redistribution activities and social policy, which are able to level the unjust distribution of wealth and income.

Strict labour regulation is required within the framework of social Europe to protect workers' interests. Within this framework, observing EU member states, a uniform codification of the Labour code would be needed for the protection of worker's rights, and even for their wage's fixing on minimum at regional level, which would focus on ensuring broad and guaranty worker's rights in vulnerable positions. In the absence of a universal character of TNCs Convention, such a solution could provide at European level, that leaders in managerial positions at multi- and transnational corporations could not circumvent the rights entitled every employee, and obligations of employers fearing from capital abstraction.

Since the development of social Europe inevitably increase the current rate of social spending, the question logically arises, that how could budget shortfall due to the building of bastions of welfare state be replaced. The Author proposed the introduction of four type of taxes, and their reform. One of them is so-called *TOBIN-tax*. JAMES TOBIN was an economics with Nobel Prize, who proposed such a tax type in 1972, which would hold back excessive volatility of money and capital market, and short-term speculative transactions. A possible tool of maintaining international money and capital market stability could have been this tax type, that TOBIN would have imposed on currency conversion (speculative) financial flows on internationally consistent level, depending on the degree of transaction volume,¹³ „which would sprinkle some sand into the wheels of financial mechanism”. *Financial transaction tax from capital international movements to profit related international finance transactions* could result – even lesser extent – many ten billion dollars income, and in addition it could reduce the international speculative money flows.

¹³ TOBIN, JAMES: *A Proposal for Monetary Reform*, in *Eastern Economic Journal*, Vol. 4, Nos. 3-4. (July/October 1978), pp. 153-159.; KOVÁCS, LEVENTE: *Tranzakciós, eredmény és mérleg alapú bankadók az Európai Unióban [Bank Taxes Based on Transactions, Profits and Balance Sheets Items in the European Union]*, in KOVÁCS LEVENTE (szerk.): *Negyed százados a magyar bankrendszer. „Múlt-jelen-jövő”. Tanulmánykötet*. Magyar Bankszövetség, Budapest, 2012, pp. 7-22. at 9. p.

The reason of reform of the second – existing – tax is, that *taxes on corporate profits* in the business sector decreased constantly from the beginning of 1980s. This is due to „international tax competition” (competition of states for the favour of increasingly global companies) implicitly validated by the transnational corporations (hereinafter TNCs). It would be reasonable to *increase the rate of corporate income tax*, for which TNCs would react with the well-known reply of disinvestment, but if this tax increase would be long-lasting and *regional* (so member states of European Union would impose it after a consultation with each other), transnational corporations would finally be forced to wave the white flag. Such measure would of course impose administrative burdens on integration: PIKETTY suggested referring to this, that it would be necessary to develop a system, in which the companies would be obliged to make a unique, European level admission, which would demonstrate their incomes.¹⁴ In case of failure of data services, or mispresent of data, manipulated data services, according to the author of thesis, sanctions should be imposed on companies. (This could be carried out by national authorities of the member states in case of appropriate level of alignment, but the creation of a regional organization would be a practical solution too.)

This can be the beginning of ongoing – and growing – „tax competition” among European countries, which also would remove the obstacles in the *path of progressive income tax*. In case of a progressive income tax system, tax rate should be higher in case of taxpayers with higher income, while it would be lower in case of taxpayers with lower income. Much higher tax rates of higher incomes would have a positive impact on structures on inequalities: application of reserved tax rates for those, who are on the top of income hierarchy, and application of the low taxes for those, who has the lowest income - possibly combined with tax cuts - would significantly alleviate inequality.¹⁵

The fourth tax type is, that could be institutionalized to cover the increased cost of welfare state could be the range of *environmental taxes*. The idea of institutionalize of ecological taxes has many decades of past. In PIGOU’s work *The Economics of Welfare*, he argued for the need for pollution tax. He points out, that pollution entails such a negative externality effect, that resulting welfare loss for society. This can only be compensated with correction of market, through government intervention, with the fact of taxing pollution.¹⁶ According to Cecília SZIGETI, green or ecological tax reform based on the principle to

¹⁴ PIKETTY: *op. cit.* (2015), pp. 587-588.

¹⁵ See the book of PIKETTY for the details: PIKETTY: *op. cit.* (2015), pp. 516-539.

¹⁶ PIGOU, ARTHUR C.: *The Economics of Welfare*. Fourth edition. Macmillan and Co. Ltd., London, 1932, 192., 194., 381. p.

restructure their composition without changing income's amount: taking more environmental taxes, but reducing amount of traditional taxes at the same rate. Thus, the state rewards environmentally friendly production, and reduces labour costs compared to other factors of production. An ecological tax reform would practically mean the transformation of tax system, in which the tax burden would drift from economic „good” (employment, income, investment) to economic „bad” (pollution, waste, depletion of resources).¹⁷ Compilation of green budget of course would be contrary with interests sectors with major influence, so the realization of this encountered high level of resistance, but in relation to our opinion about the corporate income tax, they would be prevail here too.

Another problem may be, that nation states probably fear their tax sovereignty more than anything else, and they reluctant to recognize such powers of a social character European Union. In fact, the right of tax is one of the most neuralgic point of sovereignty, but this „gem” on the „crown” of sovereignty building its protection on reflexes of 19th Century should be eliminated in order to reduce a growing patch about income inequality on European map.

The author of the thesis proposes the *restructuration of capitalism*, that is, the comprehensive reform of institutions and mechanisms of current form of capitalism. According to RODRIK's words, we need such a vision, which retains the benefits of moderate globalization, but respects the values of national diversity, as well as the role of national level of governance – so essentially the update of Bretton Woods' compromise is needed in accordance with the needs of 21st Century.¹⁸ First of all, it must be recognized, that the robust regulation of markets is essential for the healthy functioning of world economy. The assumption of self-regulating markets is an illusion: because other social institutions' action is also needed for the proper functioning of the markets. For the individual states, an option should be given to decide, what extent they intend to expose themselves to the whims of international capital markets. PAUL KRUGMAN has already pointed out in the summer of 1991, how much relevance the restriction of capital mobility have.¹⁹ Today it seems, that we

¹⁷ SZIGETI CECÍLIA: *Környezetvédelmi adók és általános gazdaságpolitikai eszközök hatékonysági vizsgálata a gazdasági fejlődés differenciáltságának függvényében. Doktori (PhD) értekezés. [Efficiency Analysis in the Field of Environment Protection Taxes and means of General Economic Policy taken as a Function of the Sensitiveness in the Economic Progress. Dissertation.]* Szent István Egyetem, Gödöllő, 2004, 31. p.

¹⁸ RODRIK, DANI (2011): *A globalizáció paradoxona. Demokrácia és a világgazdaság jövője. [The Globalization Paradox. Democracy and the Future of the World Economy.]* Corvina Kiadó Kft., Budapest, 2014, 296. p. Ennél a pontnál a szerző főként a STIGLITZ és RODRIK által megfogalmazott javaslatokra támaszkodott.

¹⁹ KRUGMAN, PAUL: *Target Zones and Exchange-Rate Dynamics*, in *Quarterly Journal of Economics*, Vol. 106, No. 3. (Aug. 1991), pp. 669-682.

could and should hinder the rapid – and accelerating - movement of capital on legal ways. The author of thesis joining to RODRIK explains, that every country has the right to make their own norm creation, and even making barriers on national borders, if trade is demonstrably a threat in domestic lands for procedures, which are enjoying great support. In a boarder range, we should ensure the possibility of imposing higher import tariffs by the state in order to protect their markets in such cases, when suddenly accelerating imports are threatening the position of domestic companies. These acts may have such legitimate reasons for concerns about the redistribution of national income, as collision with domestic norms and social customs, expected erosion of domestic regulatory regime, and development priorities. Especially for individual countries, who should be only entitled to form the implementation of obligations in connect with WTO and OECD norms, if these regulations would disparage the domestic labour and environmental norms, or they would prevent the implementation of sound development policies.²⁰

Reform of global regulatory authorities is also linked to this. „Twins” of Bretton Woods, so IMF and World Bank should proselytize back to originally Keynesian inspiration mission according to the proposal of the author. In respect of WTO, in the future greater attention should be on such conceptions, which respect moral, environmental and internal legislation of a particular country. In the case of OECD, we should raise the question under consideration, so the unbridled liberalization is actually desirable for nation states and world order, or not. Not even a single regulatory powers should have the opportunity to tie their help on making and implementing fundamentally alien solutions and procedures for lending money and loan for underdeveloped countries. USA and European Union cannot make trade sanctions legitimized by the WTO in other countries, so that they prioritize their commercial interests. The fundamental task of international conventions is to establish infrastructural rules and routes, which have orientating character for interactions between nation states and international institutions.

The response of the Author for challenges experienced nowadays is to change drastically the form of capitalism, and to return to the welfare state of organized capitalism, but adapted to the challenges of 21st Century, with regional coverage and engineered at European level.

²⁰ RODRIK: *op. cit.* (2014), 302, 315, 316. p.

It is true, that we need to break radically with the conception of free market, but this finding could not lead to complete isolation of nation state, migration of public policymakers to ivory towers, and the negligence of society's interests. The pendulum swung again after the neo-liberal era, but it should not return to the same place, where it moved from earlier. The task of the therapy, which was thought to be correct by the Author is, that European nation states construct social welfare union based on regional level of XXI. Century, working on the promotion of common good, and in the service of society and citizens. According to the proposed solutions of the thesis, the revitalizing geared to the circumstances of welfare state could be the real „elixir”.

2. Practical applications of the conclusions

The aim of the research was primarily to examine the transformation of traditional sovereignty of nation states, the responsibilities of new regulatory governing powers, the opportunities of public involvement, as well as to find solutions for problems experienced on system level, based on the available literature. Considering this, the Author did not considered the practical application of thesis as priority, rather the scientific theoretical systematization. The thesis can contribute to better understanding of the current discussions in relation of nation state sovereignty, and the further analysis of problems, through identifying some of the challenges nowadays. The author hopes, that the results of the research will be of keynote nature, and some findings of the research can be integrated in some unfortunate cases into scientific thinking.

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