EU Regional Policy in Theory and Practice

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ABSTRACT

The reforms of the European Community's regional policies carried out over the course of the 1980s have their theoretical groundings in theories of economic growth based on the work of Gunnar Myrdal. Based on the concept of cumulative causation, these theories predict increasing geographical divergence in economic conditions as barriers to free trade are removed. Through the reform of its structural funds, the European Commission sought to deal with this problem by encouraging micro-economic transformation of lagging regions. A number of problems, theoretical as well as practical, have complicated the implementation of this reform, however.

1) Content of regional programs, even after the reform, has not always reflected their theoretical intent. In some cases, funds going to maintain lagging economic activities and structures rather than promote transformation. In others, income has been transferred (through public works projects, for example) in the absence of any gain in indigenous productivity, leading only to an increase in demand for the products of the "core" -- and very possibly encouraging out-migration.

2) Assumptions that the Commission would readily find regional "partners" prepared to collaborate in the spirit of the reformed policy have proven true only in exceptional cases. The unanticipated consequence has been a further source of divergence (among targeted regions) between those with the capacity to benefit from the Community's intervention and those without.

3) The deep-seated contradictions between the basis of regional policy and that of the single market project have not been sufficiently addressed. Fundamental areas of incompatibility may well exist between the two projects, making it impossible to pursue both at the same time.

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The purpose of this paper is to explore an aspect of the European Union's regional, or cohesion, policies that is too often dismissed or overlooked, namely the ways in which it has been justified and the sources of those justifying arguments in competing theories of economic growth. Our motive for this is twofold. The exploration of the inner workings of the EU policy-making process and sheds light on more general models and theories of public policy. Through it, we explore both the link between ideas and policy, and the relative importance of motives and justification in explaining a given initiative. In addition, we conclude that an appreciation of the choices made in the justification of EU regional policy goes far in explaining its subsequent implementation and evaluation.

From the outset, this essay has drawn inspiration and method from a number of sources which, while they have become generally accepted in the study of national public policy, are seldom applied to European Integration. Most obvious is the distinction made by Majone (1989) between the *motive* and the *reasons* behind a decision, and his discussion of the importance of reasons. Also central have been a number of studies that considered the relation between theoretical ideas and concrete policies and, in particular, the role played by conceptual paradigms. (Muller and Jobert, 1987; Jobert, 1994; Hall, ed. 1989)

In general this essay argues against a too-simple view of European integration that sees the Union's policy outputs simply as the unmediated product of the intersection of national preferences within the constraints provided by the EU's formal institutions. In so doing, we seek to open up explicitly black boxes such as "informal agenda setting" or "agency slippage" found even in relatively sophisticated models of EU policy making. There is more to the role of the European Commission, we suggest, that a simple preference for more rather than less integration.

The empirical case used to illustrate our general point is a familiar and important one, the reform of regional or cohesion policy -- largely through reform of the rules governing the structural funds -- over the course of the 1980s.[1] The regulatory substance of this reform, we argue, can only be understood in the context of a choice among general theories of economic growth.

1. The Role of Ideas

Policy making within the European Community provides a particularly pure example both of an "expert-led" process in which theoretical ideas "trickle up" from specialists to policy makers and of a "state-centered" process in which civil servants rather than politicians determine the content of outcomes. (Hall, 1989) This is not to say that politics, bargaining and coalitions are altogether absent form the process. One of the peculiarities of European Community policy making, nevertheless, is the exceptionally sharp distinction between "politics" and "policy."

Policy areas such as regional development have two distinct components which can be thought of as budgetary and regulatory -- how much money will be spent, and how it will be spent. Although these two questions should ideally be considered together, they are in practice altogether separate. Budgetary issues in the EC have always been and continue to be treated in a purely inter-governmental fashion. The Council, and to a much smaller degree the European Parliament, serve as fora for bargaining and coalition formation among member states. Regional policy is no exception to this rule, indeed it can

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[1]The principal instruments of Community regional policy are the so-called structural funds: the European Social Fund (ESF), the Guidance section of the European Agricultural Guidance and Guarantee Fund (EAGGF) and the European Regional Development Fund (ERDF). The Integrated Mediterranean Program (IMP) directed money from the three funds, along with additional Community resources, to selected regions of France, Italy and Greece between 1986 and 1992. The best brief introduction to the Community's regional policy as a whole is Doutriaux (1991). For background in English see Marks (1992); for the IMP, De Witte (1990); for the 1988 reform, Lowe (1988).

be seen as one of its paradigmatic examples. (Pollack, 1995) From the perspective of the technicians in the Commission's Directorates General, budgetary decisions can be seen as exogenous, and largely arbitrary.

While member states have the institutional means to enforce their budgetary preferences, their position with respect to the regulatory component of regional policy is quite different. Here, it is the Commission which has the institutional advantage. Within the budgetary envelope given it by the member states in Council, the Commission in the 1980s demonstrated the ability to reshape the regulatory architecture of regional policy along lines of its own devising. (Smyrl, 1995) Not only were EC institutions as a whole more than a forum for intergovernmental bargaining the Commission in particular played the role of a self-willed actor in this process.

This view of the Commission should be seen as a critique of the interest-group pluralism of Mazey and Richardson (1993, 1996) as much as a challenge to intergovernmental models -- liberal or otherwise. (Moravcsik, 1993) In the reform of regional policy, the Commission did not act as a "broker" among interests (Mazey and Richardson, 1996) but as a problem-solving bureaucracy along the lines set out by students of public policy such as Heclo (1974) or Kingdon (1984).[2]

In this context, tracing the theoretical sources of the Commission's ideas with respect to regional economic development takes on considerable interest. Like the national bureaucracies described by the contributors to the Hall (1989) volume, the Commission made a choice among competing economic theories and, when a political opportunity presented itself, acted on that choice in drafting binding regulations for the Community.

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[2]This view of the Commission's role is the conclusion of Smyrl (1997). For purposes of the present paper, it is adopted as a starting point. We do not attempt to prove it.

2. Conceptual Paradigms and the Justification of Policy

The mark of the Commission's theoretical choices is most clearly visible in the texts explaining and justifying the reforms of the 1980s (see section 3, below). A skeptical observer might well cast doubt on the importance of such texts. Are they not so much "cheap talk," and as such ignored in practice? To this challenge we propose two answers. In the first place, the Commission's theoretical choices marked the structure of the programs as well as their justification (see section 4, below). Even if this were not the case -- and, as we shall see, the translation was in fact imperfect -- there is reason to believe that the justifications themselves have an importance beyond that usually accorded to them.

In the work of Giandomenico Majone can be found a particularly clear statement of the importance of justification. In the case of individual decision makers, he suggests, it is vital to distinguish "those considerations on which a person acts" -- *motives*, and "those which may be used in interpersonal communications" -- *reasons*. (Majone, 1989: 29) He goes on to point out that reasons, in this sense, even if they are nothing more than *ex post* justifications of decisions whose "true" origins lie elsewhere, are important in their own right for much the same reason as a judicial opinion written after the decision it explains: "any subsequent development in the case, (for example an appeal) will be based on the published opinion, not on the actual process followed by the judge in coming to his decision." (*ibid.*)

Applying this reasoning explicitly to the realm of public policy, Majone concludes that, "Even when a policy is best explained by the actions of groups seeking selfish goals, those who seek to justify the policy must appeal to public interest and the intellectual merits of the case." (1989: 2) A number of implications can be drawn from this.

In the first place, the reference to "groups seeking selfish goals," once stripped of its normative implications, provides a conceptual bridge to pluralist models of rational politics. Indeed, the notion of interests could easily be substituted for that of motives. Secondly, it is worth noting that there is no reason, *a priori*, to assume that the individual or agency seeking to "justify the policy" will necessarily be the same as that whose "selfish goals" (or rational interests) the policy furthers. In our case, they are quite distinct.

Finally, and most importantly in the context of this essay, it must be emphasized that justification of this kind necessarily involves choice. Neither "public interest" nor "intellectual merit" are unambiguous or absolute. In practice appeal must be made to a particular view or understanding of the public interest. Indeed, policy advocacy may well involve an attempt to redefine the public interest. Likewise, a judgement on intellectual merit presupposes a non-arbitrary choice of framework -- by the standards of what "scientific" body of theory are a given policy and its outcomes to be judged? How the Commission sought to justify the particular reforms that it backed is thus a question worth investigating. As we will see, more than one theoretically tenable choice was available to it.

3. Theories of Economic Growth

The question to which "regional policy" is addressed can be understood as part of the larger problem of economic growth. Beginning from the empirical observation that income is distributed unevenly across space within the Community and the normative position that this is an unacceptable situation, a number of policy conclusions might be reached. Which one is selected depends heavily on decision-makers' understanding of the mechanisms of economic growth.

Neo-classical growth theory as well as some models of the new endogenous growth theory proceed from the assumption that market forces, if left to themselves, will lead to convergence of economic parameters across space. Accordingly, these theories offer a formal framework in which to analyze changes in regional income distribution. Inequality in distribution of income between regions, according to this model, can only persist if market forces are not able to correct regional imbalances. Otherwise, any imbalances in income distribution resulting from a geographically-specific exogenous shock will be equalized as consequence of price flexibility and factor mobility.

Neo-classical growth theory is based upon Solow's (1956) steady-state growth model.[3] Central to Solow's model, in turn, is the Cobb-Douglas production function that assumes constant returns to scale, diminishing returns to specific inputs (*i.e.* labor and capital), and free substitution between inputs (at least in the medium and long term). In this model, an economy grows until it reaches the steady-state position representing a stable general equilibrium in which variables grow at constant rates. This is the case when the saving rate equals the rate of investment, which is necessary to provide the same per capita income for those people added to the existing population through the growth rate of population. The per capita income in the steady state varies inversely with population growth and directly with the savings rate and the level of technology.

Convergence, in this model, takes place because of the prediction that the lower the starting level of per capita income the faster the growth rates. If per capita income is lower than the steady-state income the economy has potential for more savings, and thus investment in relation to national income is low while marginal return to new capital is high. Capital deepening will follow.

On the basis of a large number of assumptions -- such as perfect competition, full employment of all input factors, identical regional production functions with constant returns -- the model predicts convergence between rich and poor economies. Generalized growth in per capita income can only be induced through exogenous change, *e.g.* in technology. Economies with the same steady-state position must convergence since they have identical productions functions, saving rates and growth rates in population. Poorer regions have higher growth rates since they are economies with less capital per worker

[3]For a recent review and critique of neo-classical growth models as applied to the European Community, see Fagerberg and Vespagen (1996).

which tend to have higher rates of return and higher growth rates deriving from the assumption of diminishing returns to capital. In rich economies the opposite growth process is present.

In such a model, persisting geographical disparities in production or income can only be the product of market imperfection. Some of these, such as differing rates of mobility of various factors of production and the impact of physical geography -- both in terms of sheer distance from potential markets or of transport infrastructure -- have been taken into account by subsequent analyses inspired by the neo-classical growth model, but at their core remain the fundamental assumptions of constant returns to scale on the one hand and decreasing return to factors of production on the other. So long as these assumptions approximate reality, a unit of capital invested in a capital-poor region will yield a higher return than the same unit invested in a capital-rich region. The former should thus be magnets for investment and -- market imperfections aside -- display higher growth rates than the latter. Geographic convergence is a strong prediction of all growth models that share these features.

The implications of this model for public policy are clear. Removal of market imperfections is the only legitimate role ascribed to government authorities. This does not imply a purely negative role for the public sector. Investments in transport and communications infrastructure, for example, would presumably have a positive impact by alleviating the market-distorting impact of distance.

Any attempt to re-direct factor flows directly, however, (through subsidies to investment in poor regions, for example) is doomed at best to irrelevance. To the extent that they have any effect at all, such interventions are likely to decrease aggregate welfare by mis-allocating factors, thus lowering the overall level of production.

Divergence between poor and rich regions, on the other hand, is the central prediction of polarization theory. Myrdal's concept (1957) is generally seen as critique of mainstream economic theory as applied to underdeveloped regions. As a political economist, Myrdal used an institutional approach and a broad definition of development and economic growth in his analysis. Although market imperfections are prominent in his analysis, his critique of the neo-classical model goes far beyond this: for Myrdal, regional inequality is an outcome of the economic market system and not something market forces would prevent.

The reason for this is found in the fundamental assumptions underlying Myrdal's analysis. In contrast with the neo-classical model's assumption of constant returns to scale, the theory of Circular or Cumulative Causation assumes increasing returns through specialization and economics of scale. Hence, small economic advantages in certain regions expand. As a result of interaction between economic and non-economic (e.g. sociological) variables, the dynamic of cumulative causation leads to a movement away from an equilibrium position. In relations between regions advantages of growth poles can become cumulative, while less developed regions may experience impoverishment.

The implications of this model for regional economic development are varied, since a number of "effects" are possible. On the one hand so-called spread effects can reduce regional inequality through a gradual expansion of "core" features into contiguous areas. For under-developed regions too distant to be affected by "spread," however, "backwash effects" contribute to regional divergence. Because of increasing returns to scale, it continues to be profitable to invest capital in regions that are already capital-rich. Through the action of national banking systems this can actually result in the transfer of capital (in the form of savings) from capital-poor regions to capital-rich ones -- precisely the opposite of what neo-classical logic would have suggested.

In the agglomeration as in the ceo-classical model, the need for labor in capital-rich regions encourages migration to them. The nature and impact of immigration are understood very differently, however. Myrdal emphasizes that migration is a self-selecting process; those who chose to move will tend to be the most employable, leaving behind in their regions of origins a residual population even less attractive to potential investors.

Because political power is assumed to follow wealth, finally, economic under-development is likely to be matched by political marginalization, contributing further to the vicious cycle of under development and divergence. This is particularly evident with respect to trade policy. Citing the historical example of Italian unification, Myrdal suggests that the dual shock of the removal of internal barriers to trade and of the imposition of an external trade policy suited to the interests of the more advanced northern regions of Italy contributed to a deterioration in the relative economic position of the Mezzogiorno. The removal of market imperfections, in other words (trade barriers between north and south Italian regions) was a force for accelerated divergence.

The dynamics of Myrdal's analysis and its implications for policy distinguish his approach from the rationale of general equilibrium. The divergence of economic growth as well as the unequal distribution of political power and property interferes with the notion of equity and efficiency. Myrdal concludes that direct planning of institutions and governmental interventions are needed to overcome economical obstacles. Negative effects on regional development should be neutralized by a transfer system and a system of redistribution since public expenditures in poorer regions are above their tax revenues and vice versa in richer regions.

A strong implication of Myrdal's model, moreover, is that the disposition of the resources transferred should be controlled to a large extent by the political leaders of the regions in question. It is they, presumably, who have the incentives to use the resources transferred to build up the regions human and physical resources, rather than to facilitate their exodus. In Myrdal's economic theories, thus, can be found an argument not just for economic planning and resource re-allocation but for a measure of fiscal federalism.[4]

4. The EU's "Regional Problem" and its Solutions

The European Commission is not in the habit of citing theoretical economists in support of its policy proposals. Through examination of the reports and studies by which it justified existing Community policies or sought to encourage new ones, it is possible nevertheless to trace the theoretical sources of policy choices.

As early as 1964, long before the EC had a "regional policy" of its own, the existence of a regional problem was recognized by the Commission. In the final report of an "expert group" sponsored by the Commission, published that year, the problem of regional-level underdevelopment is stated in clearly Myrdalian terms:

> Concerning the less-favored regions, under-development has a tendency to increase through the opposite of the cumulative process that accentuates progressive movements in regions where economic development is satisfactory. In the latter, the pressure of permanent evolution of needs solicits initiative and creative imagination, stimulating the progress of productivity.
>
> In less-favored regions, in contrast, the insufficiency of general structures and of the skill level of the labor force discourages the implantation of industry and incites the most active portion of the population to seek employment in other, better equipped, regions, leaving in the less-favored region only a population characterized by an inadequate level of skills. The region is thus emptied of those elements whose initiatives might allow activities leading to development to be undertaken. It tends accordingly to be trapped in the downward spiral of economic degradation that was long considered inevitable. (CEC, 1964: 24, 25)

Although the underlying assumptions concerning returns to scale are not mentioned in this analysis, all of the other elements of the "cumulative causation" model are in place. The conclusion, in particular, is

[4]Myrdal makes this argument explicitly in the case of inter-national inequalities, stressing the need for poor nations to have economic plans of their own.

that the situation observed will not be self-correcting. Left to itself it will result in a "downward spiral" of increasing under development.

Such a situation, the experts' report suggests, is unacceptable for a number of reasons. It is economically inefficient since it leads to the mis-allocation of resources. For countries committed to welfare-state policies of income support, divergent development exacts a direct fiscal cost as taxes must be raised in wealthy regions to maintain income levels in poorer ones. Divergent development, finally, has unfortunate political and social consequences -- consequences which constitute a danger for the balance and unity of the Community. (CEC, 1964: 25)

The experts' report also draws a clear link between economic development and political factors. Picking up on the "fiscal federalist" implications of Myrdal's model, it notes in particular the importance of participation by the legitimate authorities of the regions to be developed:

> To correct the unfavorable conditions that are at the origins of regional under-development, it is sometimes necessary to call on intervention on a scale beyond the capacity -- technical or financial -- of the region itself; the intervention of the state is then necessary. Ultimate success, nevertheless, depends on the effort put forth by region's population to utilize and make the most of this contribution.
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> This can only happen if the regional leaders participate directly in the making of regional policy, and take on the responsibility for its success in the eyes of the local population. (CEC, 1964: 27)

The "Myrdalian" themes of the 1964 report -- the political danger represented by regional disparities, the inadequacy of purely market-driven solutions and the need both for national (or Community) assistance <u>and</u> local political participation -- were taken up by successive reports of the European Commission in the years that followed.

The 1973 report on "Regional Problems of the Enlarged Community" -- the so-called "Thompson Report" -- picked up a number of themes first broached in the 1964 experts' report. Resource transfer to lagging regions was justified both in political terms, as a necessary to ensure continued support for integration, and in terms of economic rationality.

> Unless the Community's economic resources are moved to where human resources are, thus sustaining living local communities, there is bound to be disenchantment over the idea of European unity. the long history and diversity of the European peoples, the historical and cultural values which are the moral wealth of each region, make the establishment in each region of the groundwork of an up-to-date economy a mater of capital importance. (CEC, 1973: 4)
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> ...
>
> To entrepreneurs, the advantages of expanding in an already crowded area often appear attractive. There is a network of suppliers and the mass market is on the doorstep. But if it were practicable to make them bear the full economic cost of their expansion, their calculation would look very different.
>
> From any rational point of view of the economic interests of the Community as a whole, uncontrolled congestion is more costly than the positive intervention involved in regional policy. If workers are sucked in to meet the needs of expansion of the area, there is the cost of providing them with social capital -- the houses and schools and hospitals and recreation -- to enable them to do the job. There is also the waste of social capital they leave behind them. A real economic balance sheet should prove expenditure on regional policy -- provided it is rationally deployed in the interests of long-term self-sustaining growth -- to be a good investment. (CEC, 1973: 6)

Significantly, the Thompson report placed its argument in favor of regional re-distribution in the context of Community-wide economic and monetary union.

> It is clear that rapid progress towards Economic and Monetary Union would be arrested if national economics had not undergone the transformation needed to avoid divergences between the economies of Member States. (CEC, 1973: 6)

In this juxtaposition are the seeds of a serious theoretical contradiction. The economic justification for EMU, after all, is a purely neo-classical one. It is based on the premise that market forces left to themselves will ensure both the optimal level and the efficient distribution of productive activity and that removing market barriers is thus unambiguously good. If this is true, the rationale for regional policy disappears. If it is false, the goal of EMU is suspect. Far from being resolved, this potential contradiction remained at the heart of the Commission's thinking on regional policy.

In successive surveys of regional conditions produced by the European Commission, the spatial economics of the Union were repeatedly characterized in terms both of (static) disparity and of (dynamic) divergence. In its report on the "social and economic situation and development of the regions of the Community," the Commission underscored persistent differences in unemployment rates and per capita GDP not only among but within the various member states. (CEC, 1980)

The solution to this problem was to be found in a system of targeted resource transfers, a policy for which the Commission argued repeatedly throughout the early 1980s.[5] The European Regional Development Fund, authorized in 1975, might have been a first step in this direction. In practice, however, the fund was "regional" in name only, consisting of transfers to national states whose subsequent disposition was largely unregulated -- and in many cases unknown. (Mény, 1982) Reform of the ERDF was thus central to the Commission's efforts.

When political circumstances finally made reform possible in 1985 and again in 1988, the mark of its theoretical origins was clearly visible. The "integrated approach" on which the reform was based gave priority to micro-economic transformation of production structures within targeted regions. In an unprecedented move, moreover, regional authorities were given an explicit role in selecting and managing projects. In the words of Commission President Jacques Delors, in his initial presentation of the reform to the European Parliament, "What we are aiming for are relevant and practicable integrated programs devised by the regions themselves." (CEC, 1985; 95)

5. From Theory to Practice

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[5]Among documents of particular interest in this context: CEC, 1981; CEC 1983; CEC, 1986; CEC, 1987.

From the discussion above, it is clear that Myrdalian notions of spatial economics have, from the outset, been central to the European Commission's vision of regional development policy. In the beginning, it seems likely that both the Commission and the outside experts on which it relied were influenced by Myrdal's work itself. Subsequently, a number of the model's central notions were internalized by the Commission -- as they had been previously by national planning agencies. Whatever the mechanism for their adoption and propagation, these ideas were incorporated into concrete policy instruments when exogenous conditions provided an opportunity for a Commission-led regulatory reform of EC regional policy in the 1980s.

From this several observations follow, each of which might be taken as a starting point for further analysis and research. Most obviously, evaluation of post-reform ECRP should take its theoretical basis into account. It is counter productive in the extreme to assess ECRP, centered as it is on Myrdalian micro-economic principles, as if it were an exercise in Keynesian macro-economic demand stimulus. To criticize ECRP because its budget, either globally or in the context of a given region, is too small in proportion to the overall economy to have a noticeable stimulus effect is to miss the point entirely. This was not its purpose. Indeed, if Myrdal's model is correct, such a stimulus in the absence of a change in micro-economic structures, far from being beneficial, would in all likelihood worsen a region's economic situation. A more appropriate assessment of ECRP would be centered around the two related questions of internal consistency and external validity.

The question of internal consistency consists in asking whether the concrete measures financed by ECRP were in accordance with the general principles espoused by its designers. In many cases, there is reason to conclude that they were not. Measures to sustain agricultural production and employment, for example, are a mainstay of programs for "rural development" in throughout the Community. However laudable in their short-term effects, such efforts clearly do little to encourage the sort of structural transformation required to integrate peripheral regions into the high-growth "core" of the Community's economy.

More generally, a complaint often heard about the EC regional programs is that the projects they finance are little different from what national governments would have done -- or, indeed, were already doing. In this light it is worth taking a hard look at EC regional policy as it has evolved in practice. Is it contributing to micro-economic "structural" transformation in targeted regions or will it turn out to be yet another example of "development without autonomy," to take a phrase applied by Carlo Trigilia to the Italian South? In other words, are moneys from the EU structural funds actually being spent in ways that benefit core regions, rather than stimulating the periphery? To the extent that purchasing power is transferred to the periphery in the absence of productivity-increasing structural change, the net effect will be an increase in peripheral demand for the products of the core. If this proves to be the case, EC regional policy will have done no more than replicate the long-discredited model of Italy's post-war "southern policy."

More troubling because less amenable to change is the question of external validity. Evaluated in properly "Myrdalian" terms, it is not clear that the appropriate preconditions for policy success ever existed. In particular, the capacity of local authorities to use the resources transferred in appropriate ways was at best extremely uneven. Evidence from France and Italy suggests that in many cases regional authorities were either unable or unwilling to play the role ascribed to them by the Commission's "fiscal federalist" interpretation of Myrdalian growth theory. (Smyrl, 1997) Although positive examples can be found (the regions of Brittany and Tuscany, for example) these seem to be the exception.

More common are regions that fail altogether to utilize the resources made available, a situation particularly common in southern Italy, or that use them in ways indistinguishable from the pre-existing policies of national governments, the case of a number of French regions. Both of these deviations from the Commission's expectations underscore the importance of an implicit assumption of fiscal federalism. To the extent that this is true, it suggests at least a partial explanation for the problem of internal consistency alluded to above. Perhaps the reason why the reality of "partnership" with regional authorities often fails to live up to expectations, is that the regional partners themselves fail to play the role expected of them.

This role, is an all-important one. In order for the system to function, the peripheral decision-makers to which authority over resources is transferred must be willing and able not only to exercise this authority but to do so in ways consistent with the prescriptions of the agglomeration model of economic growth. The Commission's strategy was predicated on the belief that such regional "partners," to the extent that they did not already exist, would be created by the Community's reformed regional policy itself. More often than not, this has not been borne out in practice.

If EC regional policy were no more than a disguised system of budgetary re-distribution among member states, observations along these lines would have little importance. As might be expected from Majone's analysis of public policy, however, the Commissionsjustifications for its policy innovations have taken on a life, and an importance, of their own. Critical assessments of the reformed regional policy, whether by the Community's own Court of Auditors (1990) or from external experts (for example, Bianchi, 1990; Allen, 1996) take as their starting point and standard for comparison not the inter-governmental bargains that lay behind the 1985 and 1988 reforms but rather the justification of the reforms as set out by the Commission. It is on this basis, an idealized version of the "integrated approach," that the programs are judged -- and most often found wanting.

A final problem is the persisting contradiction between the theoretical justification for ECRP and the logic of the single market project. The reform of the structural funds was "sold" to the member states in large part as a "*politique d'accompagnement*" for the single act, a necessary correlate and adjunct to it. In fact, it is no such thing. While the single market project is thoroughly neo-classical in its economic orientation, predicated on the premise that removing barriers to the internal market will ultimately benefit all citizens of the Community, the reform of ECRP, as we have argued, is based on very different principals.

It is worth noting, in this context, that national antecedents to European regional policy in countries such as France or Italy, reached their high point in the 1960s against a background of state-led (and highly protected) economies. Nothing could be more different than the ideology of market-led liberalization which has driven the single market project. It is far from clear that a commitment to regional development and convergence is compatible, either in theory or practice, with a guarantee of Community-wide movement of labor and a structural bias toward low external trade barriers. At the very least, the question should be addressed explicitly by those who will have to live with the consequences.

6. In Lieu of Conclusions

It is our intention, in writing this paper, to raise questions rather than to settle them definitively.In so doing, we hope to contribute to the continued enrichment of the scholarly debate on the nature and progress of European integration. At the same time, we suggest that a number theoretical models from outside of mainstream political science (let alone "European Studies") provide useful insight into questions of general interest to students of the European Union. In the case of the economic theories discussed in this paper, this is because they were used by practitioners as both inspiration and justification for actual policies. Models of public policy, meanwhile, provide a framework within which the study of ideas can be incorporated into the more familiar world of interests and institutions.

With respect to the EC regional policy itself, the concerns we raise are, we believe, of practical as well as theoretical import. Until the internal and external consistency of regional policy is addressed directly, and the logic of regional policy confronted with that of the single market, the reform of the structural funds is likely to remain a puzzling and poorly understood case of "implementation failure."

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