Old Divides, Recent Approaches, Future Bridges: 
Studying European Economic and Social Policy

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I. Introduction: Beyond the Divides

The study of the European Union is an intricate endeavor that reflects the difficulties in grasping its often unique and always complex qualities. Since the first steps toward European unification shortly after the Second World War, political debates and theoretical disputes between scholars have abounded. Political science saw theoretical approaches in the 1960s and 1970s come and go with the ups and downs in the actual European integration process; even some “old wine” enjoyed a renaissance “in new bottles” when they were thought to be well-suited to explain new and surprising turns in the 1980s. Following the transition from well-defined functional organizations such as the European Coal and Steel Community (ECSC) of the early days to the post-Maastricht European Union (EU) with its three pillars, social scientists have embraced a plethora of labels to describe the “nature of the beast” (Risse-Kappen 1996)—“a strange superpower” (Buchan 1993); “Zweckverband” (functional association); “would-be polity” (Lindberg and Scheingold 1971), “consociational democracy” (Taylor 1991); “less than a federation, more than a regime” (Wallace 1983); “multi-tiered polity” (Leibfried and Pierson 1995); and “consortio” or “condominio” (Schmitter 1996). Some of these labels are attempts to cast the EU in other well-known historical forms of governance, while some current descriptions are novel inventions to capture the uniqueness of the polity and its *sui generis* quality.

After years of dormant theory-development, the renewed interests in Euro-politics—that is, the interaction between state and non-state actors in the context of the existing and evolving national as well as European institutional environments—has also led to a rich proliferation of methodologies, ontological
assumptions, and normative biases. Frequently, these research traditions—at times incommensurate—engage in heated and entrenched debates which not always have moved the study of Euro-politics forward. The protagonists in the early debates of the 1970s as well as in the 1980s are well-known—intergovernmentalism and supranationalism (or neofunctionalism)—and do not need further elaboration here (for excellent overviews see Moravcsik 1991; Caporaso and Keeler 1995). More recently, however, the “great divide” as one scholars calls it (Caporaso 1994) seems to be that between scholars of international and comparative perspectives (e.g. Risse-Kappen 1996; Caporaso 1989).

A recent controversy about the virtues of using theories from comparative politics (CP) and international relations (IR) demonstrates the difficulties of reconciling their disciplinary differences. Simon Hix (1994) suggests that CP is suited to studying the “politics” of and in Europe, while IR is better equipped to understanding the process of European “integration.” Challenging this claim, Hurrell and Menon (1996) argue that a division of labor along such strict lines is futile and that CP and IR together must inform the study of both Euro-politics and European integration. Like Hix (1996), we concur with this claim; the European Union is a product of politics throughout the process of European integration, and both comparative and international perspectives are required to capture the totality. Although there seems to be some agreement that conceptual and theoretical bridges need to be built between CP and IR, neither Hix nor Hurrell

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1 Another sign of the richness of the field is the proliferation of state-of-the-art volumes on the subject from numerous disciplines, including international relations, comparative politics, economics, sociology, public policy, and geography. For example, see Eichengreen and Frieden 1993; Hayward and Page 1994; Jachtenfuchs and Kohler-Koch 1996; Leibfried and Pierson 1995; Marks, Scharpf, Schmitter and Streeck 1996; Sbragia 1992; Wallace and Wallace 1996; and Amin and Tomaney 1995.
and Menon offer any immediate suggestions how these bridges should be built, across which divides they ought to be constructed, and how far they can reach.

In this paper, our ambition is to contribute to the integration of the international and comparative perspectives in the context of EU-studies. However, we extend the former discipline to include both contemporary research in International Political Economy (IPE) and classic European integration theory, and extend the latter discipline beyond comparative politics to include insights from comparative sociology. By combining these perspectives we go beyond old divides in EU-studies to provide some suggestions as to where new bridges can be fruitfully built and where they are likely to be strong and lasting. While making use of the existing literature on European integration, we are primarily concerned with ascertaining the value of a number of contributions outside the study of Euro-politics which we think can play pivotal roles in bridging conceptual divides in EU-studies, as well as more generally between the international and comparative perspectives. Our primary observation is that there are a number of intellectual affinities between contemporary comparative politics and sociology (CPS) of advanced capitalist countries and contemporary international political economy (IPE) which have rarely been explored in EU-studies, and which can be fruitfully exploited to create richer and theoretically more rigorous accounts of Euro-politics.

In addition to this introduction, the paper has five sections. Before discussing the shortcomings of the old divides and where bridges may be constructed in the future, we outline a stylized model of Euro-politics (Section II). This model specifies different stages of the policy process: preference formation; domestic coalition building and strategy choice; EU-level strategy and bargaining; and EU-level and national policy outcomes. The model sketches the national responses to exogenous economic and/or EU regulatory changes, as well as the role and interaction of national and European-level institutions in shaping that
process. The model is constructed and employed for heuristic purposes in order to explore what segments of the Euro-policy process are illuminated by the old divides, where recent approaches have made a contribution, where obvious links are missing, and, most importantly, where future bridges can be constructed to furnish more comprehensive accounts of Euro-politics.

In Section III we briefly locate the shortcomings of the classic approaches to Euro-politics and point at the need to go beyond these. Using the stylized model we develop in Section II, we sketch in Section IV how research in IPE and CPS allow us to strengthen bridges where rudimentary links already exist and construct new bridges where they are missing. We emphasize in particular the importance of employing a multi-level analysis of Euro-politics and the importance of comparative methodologies in tracing the causal significance of various aspects of the policy process. Section V entails two case-studies from European social and economic policy that are used to illustrate the theoretical points made in the previous section. The first case-study deals with the European social dimension and the European Works Council Directive and shows how processes of “positive integration” (that is, integration by means of new regulations) are mediated by and have different impacts on national and EU-institutions. The second case-study of EU industrial policy and the use of industrial subsidies illustrates how processes of “negative integration” (that is, the partial or complete removal of existing regulations) are shaped at crucial moments by the institutional context at home and abroad. Finally, in the conclusion (Section VI) we outline the implications of our findings and provide a roadmap for future research at the intersection of CPS and IR.
II. A Stylized Process Model of Euro-Politics

For the purposes of illustrating the shortcomings of the old divides and the possible contributions of recent approaches to building bridges across the international and comparative divide, we employ a stylized model of Euro-politics as a heuristic device (see Figure 1). It is a highly stylized account of various stages and processes that affect what we collectively refer to as Euro-politics, by which we mean those national and European-level political exchanges between state and non-state actors that affect the process of European integration and national policy-making. This heuristic model allows us to trace the main aspects of Euro-politics and point out where theoretical and empirical scholarship has made—and may make—significant contributions.

---Figure 1 here (Stylized Model of Euro-politics)---

The model is relatively straightforward and maps the different stages in and levels of Euro-politics, as well as the sequence of responses by national and European actors to exogenous changes such as the challenges posed by globalization and new EU regulations. In this multi-level process model we distinguish between different stages at the supranational—largely EU—level (Level I), and the national level (Level II) which is represented by one flat plane (although in reality it stands for a perpetuity of national polities). While the international perspective in this conceptualization emphasizes the interaction across levels (the vertical dimension), the comparative perspective looks at differences and commonalities across states (the horizontal dimension).

The multi-level process model also seeks to capture the different stages in Euro-politics (in our notation: from A to E or [A→E]). The starting point of our model are exogenous changes; for example, increasing levels of economic
Figure 1: Stylized Model of Euro-politics

Level 1: Supranational Level

A. Exogenous Change (globalization, EU regulations)

B. Change in Preferences/Cleavages

C. Domestic Coalition Building and Strategy Choice

D. Euro-level Strategy and Euro-level Bargaining

E1. EU Response (EU measure/institutional change)

E2. National Response (policy/institutional change)

= EU's Institutional Context

= National Institutional Context

= European institutional context (intersection between national and EU contexts)
globalization or new EU regulatory policies [A]. These changes may have an impact on societal (state and non-state) actors and affect their policy and institutional preferences [B]. The next stage involves the cleavage “transformation” (Lipset and Rokkan 1967) from preferences into domestic coalitions and the choice of political strategies [C]. At the European level (say, one of EU’s three pillars), the supranational strategies of actors and bargaining between these [D]—such as member-governments; the European Commission and other EU bodies; and lobbying groups—may lead to particular European-level responses (EU measures and/or institutional changes) [E1] such as the adoption of new treaties or institutional structures. At the national level—particularly in the absence of a transnational consensus for action or when adapting to new measures emanating at the EU-level—national responses [E2] in some or all countries can preempt, mediate or undermine EU-level policies depending on the structure of national institutions. In other words, the simplified model depicts one stage where external pressures play out [A], two national [B, C] and one Euro-level stage [D], how pressures are transformed into responses, and finally the possibility that outcomes are manifested at both the European [E1] and national levels [E2].

The process model visualizes some temporal and causal processes between these stages (using arrows [→]) which represent the influence from one segment to another and how strategic decisions affect later ones. Exogenous changes may affect the composition of actors’ preferences [A→B] and alter the structure of domestic coalitions and affect the adoption of new strategies at the national level [B→C]. We also include a number of potential side-effects and feedback mechanisms that work in different directions than a straightforward sequence model would suggest. Sometimes national societal actors—instead of relying on the national path of interest aggregation [B→C→D]—try to directly or by way of supranational interest organizations (e.g. ETUC or UNICE) influence Euro-level
institutions and decision-making processes \((B\rightarrow D)\). Moreover, we conceive of three "feedback" mechanism (cf. Pierson 1996): past national responses may cause new Euro-level strategies and bargaining \((E2\rightarrow D)\); former EU policy decisions "structure the alternatives" of current and future EU-level decisions \((E1\rightarrow D)\); and finally these decisions may feed into new exogenous pressures, pose new challenges, and initiate a new policy cycle \((E1\rightarrow A)\).

Finally, the model visualizes the institutional context\(^2\) under which national and Euro-level politics operate [the striped vertical and horizontal areas in which the boxes are embedded]. The institutional context serves to indicate how the transformation process from preferences to decision-making at the national level \([B\text{ and }C]\) is affected by the respective member-state's institutional architecture [marked with vertical stripes], and how decision-making at the national and Euro-level \([C\text{ and }D\text{ respectively}]\) are shaped by the EU's institutional context [marked with horizontal stripes]. More importantly, the checkered area where the vertical and horizontal stripes cross-cut indicates the increasing importance of the interaction between national institutional constraints and those of the European Union in shaping the domestic coalitions \([C]\) that emerge in favor of (or against) particular EU policies \([E1]\) and the national strategies adopted by each member-state \([D]\). The national institutional context also frequently plays a role in the implementation of EU policies by member-states \([E2]\).

\(^2\) We use the concept of institutional "context" as opposed to institutional "filter" since the latter suggests that national institutions primarily intervene as "transmission belts" to process external pressures as many IR theories seem to assume. Instead, the notion of an institutional context captures not only the role of institutions in translating exogenous pressures and generating changes in preferences, but also the role of national institutions in constraining the choices of national actors and the structure of domestic coalitions.
III. Moving Beyond the Shortcomings of the Old Divides

Although this heuristic model is a simplified version of what takes place in the real world, it allows us to illustrate where existing contributions in EU-studies have been made. As Hix (1994) notes, most theories in IR are interested in connections between the various boxes and events at the interstate level [Level 1], while traditional CP has emphasized the importance of what takes place within those boxes and primarily emphasizes events within nation-states [Level 2]. If we use the chart and trace the interventions by the classic theories of European integration, neofunctionalism (Haas 1958) and intergovernmentalism (Hoffmann 1968; Taylor 1983), we note that both theories skip important segments of the policy process and interrelations between them. The causal argument of neofunctionalism emphasizes how exogenous regulatory changes lead to the demand for further integration among societal groups and ultimately produces new EU-responses [A→B→E1→A]. In contrast, intergovernmentalism emphasizes the effects of exogenous changes on the relative balance of power between governments and how negotiations between these lead to particular outcomes [A→D→E1]. These approaches are also differentiated by the fact that neofunctionalism typically emphasizes the role of incremental changes in EU policies (such as sectoral industrial policy plans) and the importance of feedback effects [E1→A], while intergovernmentalism emphasizes major EU policy changes (such as the Maastricht Treaty) and seldom feedback effects. Rarely does either approach address the impact of EU-level policy and institutional changes at the national-level and what role the domestic institutional context plays under such circumstances [E1→E2].

These and other shortcomings of these contrasting theories have been noted elsewhere (e.g. Caporaso and Keeler 1995), and some changes have been made to each research tradition to address certain limitations. For instance, Burley and
Mattli (1993), who make extensive use of neofunctionalist theory, introduce the importance of EU-level bodies like the European Court of Justice (ECJ) in affecting the European integration process [D—>E1]. On the other side of the theory divide, Moravcsik (1993, 1994) has radically improved the intergovernmental model by introducing the importance of domestic preference and coalition formation in leading to national policy choices [B—>C], as well as the role of the strategic setting in which national decision-makers bargain with national and foreign parties. However, in neither case has much attention been paid to the role of national institutions in shaping the preferences of domestic actors, domestic coalitions, or the choice of strategy. Instead, comparisons between countries have remained relatively uninformed by the role of national institutions and comparisons have primarily been made between national policy-decisions in a horizontal fashion within nation-states [Level 2].

If most IR studies are guilty of foregoing an analysis of the role national institutions play in shaping Euro-politics it may be because they have lacked an interest in the effects of European integration at the national level. However, in the contemporary context of Euro-politics it is no longer possible for IR to neglect the role of national institutions in shaping (1) the bargaining positions of member-states or (2) the feedback effects of policy and institutional changes in the EU on domestic politics since in both cases these processes not only shape how countries adopt EU policies but also what their positions will be in future negotiations. As such, IR must attach greater importance to both vertical comparisons (e.g. what effect do different national responses have on the selection of Euro-level strategies [E2—>D]), as well as horizontal cross-national analysis [within Level 2] to trace the implications of national institutions in shaping what strategies are adopted at the supranational level [B—>C—>D].
Similarly, on the other side of the divide, most work in CPS is culpable for not attaching enough attention to the role of exogenous economic and regulatory changes, which may be due to a more narrow interest in "national" politics (or because of fears for losing their methodological base\(^3\)). Consequently, the emphasis in CPS has primarily been on horizontal cross-national comparisons [within Level 2]—although this approach is becoming increasingly anachronistic as multiple constraints and opportunities are a function of the interaction between national and European-level institutions. As such, CPS ought to devote greater attention to vertical comparisons and study what role EU-institutions have in shaping domestic coalitions and the choice of strategy [the checkered area around C], and to what extent exogenous changes affect domestic responses [A→B, and E1→E2].

Generally described under the label of "multi-level governance" a group of scholars—who almost without reservations come from a CPS background—have begun to explore the effects of the increasingly integrated and reciprocal nature of national and EU institutions (e.g. Marks, Hooghe, and Blank 1996; Marks, Scharpf, Streeck and Schmitter 1996; Pierson and Leibfried 1995). This approach differs from two-level game theories (Putnam 1988; Moravcsik 1993) which emphasize how statesmen must involve in a strategic game of double-edged diplomacy with both national constituencies and other states. The multi-level governance approach does not \textit{a priori} assume who the central actors are and emphasizes instead the larger context within which Euro-policy decisions are made and the reciprocal role of national and European institutions in the policy process. These scholars have both illuminated the interaction between levels [the checkered area in the model], as well as the feedback effects of European-level policy and

\(^3\) On how the impact of supra- or international factors on domestic societies may undermine the very basis of the comparative method, see Ebbinghaus (1995).
institutional developments (see, in particular Pierson 1996). While these recent interventions in EU-studies have done much to fill in the missing links in the stylized model, some limitations exist also in these accounts. As the next section will make clear, however, many of the limitations we have identified here can be approached by turning to work in contemporary CPS and IPE which has addressed some of the issues in the model—though most often without specific reference to European integration, which as a consequence means that they are often ignored by EU students.

IV. Bringing In Recent Approaches

By virtue of the fact that the interaction between national- and European-level politics has asserted itself as a predominant feature, the study of the European Union offers a virtual laboratory for social scientists to test what role national and European institutions independently or together play in specific contexts. Going beyond the conceptual divide between comparative and international perspectives, EU-studies should use the full potential of a combined vertical (multi-level) and horizontal (comparative) approach to examine the ways in which different national and European-level institutions and policies interact. In this section we identify four central questions in EU research which would benefit from new conceptual bridges. These questions address both the effect of national factors on European politics, as well as the impact of EU-level institutions and strategies on national politics.

(1) Temporal variations. Why does the same national (state or non-state) actor or Euro-level agent respond differently to EU-policies over time? Why does the same collective actor or agent support different types of EU-legislation at different times?
(2) Variations across issue-areas. Why does the same actor support different EU-programs in various issue-areas? Why is the same country affected differently in various issue-areas?

(3) Cross-national variations: Why did two or more countries respond differently to the same EU-regulations? Why do different countries advocate different EU-programs?

(4) Cross-national convergence: Why have member-states become more or less similar in their policy choices, and what role has the EU played in this process?

These are only four—but arguably crucial—research questions that are raised in contemporary EU-research and which require a comparative approach. While we have limited the questions as they pertain largely to member-states, they are also relevant in studying other actors and issues. How, then, can we make use of existing scholarship in addressing these questions? The following section outlines how we may approach these issues by making use of work in IPE and CPS.

The traditional domain of IR is that of interstate bargaining [D]. Within the literature on international cooperation and conflict numerous theories have been constructed to explain why particular international institutions emerge (for an overview, see Ruggie 1992; Baldwin 1993). Among contemporary IR scholars of the EU we witness by and large a shift in research concerns—rather than debating how European governments have overcome the perils of international anarchy (i.e. the absence of an international governing authority), the focus is on how member-states govern their interactions within the European Union. As such, the question becomes one of why the EU has chosen particular mechanisms for international coordination in specific issue-areas. Although the study of international coordination is extensive in IR (for a conceptual overview, see Stein
1990) and could be fruitfully used in analyzing the effects of particular modes of coordination, IR has generally not addressed why states often prefer different institutional arrangements for particular forms of coordination. To address this question, IR scholars must develop a theory of domestic politics that explains why a state adopts a particular EU strategy in its negotiations with other member-states.

Overcoming the pitfalls of the “billiard ball” model common to much of international relations, some scholars have highlighted the importance of domestic considerations [C] in interstate bargaining between national governments [D]. Two-level game theories (Evans, Jacobson, and Putnam 1992), for instance, see national interests not as a priori given but as the result of a domestic bargaining process that restrains national executives in their interstate bargaining. However, this approach remains largely a top-down analysis and only rarely sees the position of national governments at the international bargaining table as a result of bottom-up politics where domestic constituencies have defined the policy of the government and where these policies may change over time as societal preferences and domestic coalitions are reshaped as a consequence of exogenous changes. Moreover, its emphasis on “big bang” EU-policy decisions obfuscates from appreciating the daily impact of EU policies on member-states.

The International Political Economy (IPE) branch of IR provides an important contribution to conceptual bridge-building across the “great divide.” During the late 1970s and 1980s, many IPE scholars drew attention to the effects of external economic changes (e.g. economic interdependence) on domestic politics (Gourevitch 1978), and looked in particular at the mediating functions of domestic institutions (Katzenstein 1978) and the composition of national coalitions (Gourevitch 1986). More recently, scholars have traced the impact of similar external pressures on the policy preference of domestic actors (Frieden 1991;
Milner 1988), the structure of domestic cleavages (Rogowski 1989), as well as the constraints posed by external economic challenges on domestic policy-making (Keohane and Milner 1996). Moreover, some scholars have developed institutional process models (Garrett and Lange 1996) which stress the role of institutions in shaping national interest formation and coalition building (Krasner 1995).

In our stylized model of EU politics, this body of work addresses some or all segments of the national processes triggered by exogenous change [A→B→C→E2]. However, this body of work rarely deals with what function these links play in shaping national policies and strategies as they relate to the EU [B→D→E1 or C→D→E1]. An exception is Moravcsik (1993, 1994), who—in joining the two-level game and interdependence approach—traces the links between national politics and European policies [A→B→C→D→E1]. However, Moravcsik, like many other IR specialists, pays little attention to the role of the national institutional context [vertically striped area] in shaping preferences [B] and domestic coalitions [C]. In fact, most of the work in IR employs relatively general notions of what domestic institutions entail, and pays almost exclusive attention to the make-up of societal actors without considering what effect national institutions have in shaping the preferences of similar domestic constituencies in different countries. While in the context of EU studies we may note that this body of IR research presents by far the most solid way of understanding why national actors have particular policy preferences—for example, why firms with significant market-shares across Europe support European economic integration—this body of work has considerable difficulties in explaining why firms with similar make-

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4 The division between scholars in IR and CP is somewhat arbitrary here since many people we identify in either tradition rightfully could make claims to fit both labels. Our categorization, which primarily serves a heuristic purpose, is based on the attention they pay to the role of independent variables that are external or domestic.
ups, say in terms of asset specificity (cf. Frieden 1991), but which come from different member-states have divergent preferences with regard to EU policies and institutions. Similarly, most IR work does not provide the theoretical tools to understand why common EU-regulations are dealt with differently across member-states and implemented (or transposed in EU parlance) to varying extent. To fully appreciate why these variations persist we need to pay stronger attention to the role of the national institutional context in shaping domestic events [B, C] and also consider their subsequent impact on both EU and national policy outcomes [E1 and E2].

In addition to the contribution of recent approaches in IR and IPE, CPS is ideally placed to overcome some of the shortcomings of the former research traditions. The path-dependent nature of institutional change and their role in shaping the preferences, domestic coalitions, and policy choices of countries occupies a central position in comparative politics and sociology (see Steinmo, Thelen, and Longstreth 1992; Hollingsworth and Boyer 1997; Crouch and Streeck 1997). While IR often jumps from exogenous changes to intergovernmental bargains and on to EU policy outcomes [A→D→E1], CPS provides many insights into how national cleavage structures crystallize and why particular domestic coalitions are formed [C] (e.g. Lipset and Rokkan 1967), and what role national institutions play in the transformation of exogenous pressure to national responses [A→B→C→E2] (Garrett and Lange 1996). While the public debate on globalization and EU regulation often suggests that European nation-states will become more alike, such claims of convergence have been disputed by cross-national studies that have compared the structure of countries' political economies, welfare states, and labor relations (Boyer 1996; Crouch and Streeck 1997; Esping-Andersen 1990). Instead of expecting a convergence around a model of “best practice”, there are indications—even in the EU context—of the reconsolidation of
past national diversity as national societies adapt to the new pressures (Fioretos 1997) and emulate some success stories by a process of trials and errors in institutional adaptation (Boyer 1996).

Classic and more recent approaches in CPS help explain how exogenous changes are mediated by national policy responses. Already in the seminal work of Stein Rokkan (some in collaboration with S.M. Lipset), the importance of domestic and international factors in the crystallization of social and political cleavages, and the long-term consequences of frequently “frozen” structures of interest intermediation for the “structuring of alternatives” was given extensive attention. Today’s political parties or interest groups often reflect the cleavage structures of the past and provide a historically sedimented set of institutions that represent some but not all interests effectively. While there is structural inertia, and the socio-economic and political structures are highly institutionalized, we can see at critical conjunctures new cleavages reshaping the socio-political landscape (as has been the case when states have joined the EU [Olsen 1995]). Moreover, comparative studies of interest groups and social movements have pointed at the Europeanization of interest organization that by-pass the national arena and directly address Euro-level institutions—albeit they sometimes meet a number of barriers in doing so within a fragmented multitiered polity (Ebbinghaus and Visser 1997; Schmitter and Traxler 1996; Streeck and Schmitter 1991).

Also recent historical-institutionalist accounts by many American scholars with an interest in federalism, political economy, and European governance, have stressed that “institutions matter” (Weaver and Rockman 1993) in constraining strategic choices of actors as well as in providing these with particular political opportunities. For instance, political institutions provide specific “veto points” for societal interests to intervene in the policy-making process at both the national level and/or Euro-level (cf. Pierson 1996). The introduction of the study of “agenda
setting" powers under American federalism (Tsebelis 1994) and from the study of joint decision-making traps under German federalism (Scharpf 1988) into the analysis of EU decision-making have proved to be fruitful. Indeed, such comparisons may not only provide insights by making parallels with the US but also by showing the uniqueness of the European multitiered polity (cf. Sbragia 1992b). Finally, empirical policy analysis has also pointed at significant cross-national differences in the ways in which EU laws are implemented (or transposed), and the role and function of bargaining parties in influencing subsequent policy-making.

Historical institutionalism not only provides insights into the sources of variations across countries and the effects of EU's complex institutional structure, but it also points at the path-dependent nature of institutional adaptation at both the national and European levels. For example, insitutionalists have pointed out that the nature of strongly institutionalized national welfare states which in some instances stand in contradiction to EU's multitiered governance structure, are too deeply entrenched to be replaced by EU institutions or a common welfare state (cf. Leibfried and Pierson 1995b). Legal experts have also pointed at the function of EU law, the principle of the acquis communautaire and the ECJ as a force for integration (Burley and Mattli 1993; Weiler 1991). Moreover, as Paul Pierson has argued, the very constraints of EU politics such as unanticipated consequences, sunk costs, and the impact of supranational agents, may actually contribute to paradoxical and path-dependent trajectories in the process of EU integration and be a significant reason why it is so difficult to reverse the process.

So far we have mapped out where IR and CPS—generally outside the context of EU-studies—have made some significant contributions along various aspects of the stylized model. How, then, can we construct bridges between these disciplines and fill in some of the missing links in the stylized model and answer
the questions we raised above. In the next section we identify some ways in which this can be done, and we use two case-studies of European social and industrial policy to provide further nuance to our suggestions.

V. Two Case Studies from European Economic and Social Policy

This section explores the implications of the previous discussion for the study of European social and industrial policy, which are two policy domains that are nicely suited to show how bridges can be built between IR and CPS. Social and industrial policy were for a long time the sovereign domain of national welfare states and closely linked. However, the national autonomy of welfare states which are deeply integrated in the world economy and in the European Union has become increasingly limited. The two cases that are sketched here provide two contrasting examples of positive and negative integration, the obstacles and problems in regulating social policy at the European level, and the differences in the views of member-states on industrial policy despite relatively firm EU regulations that are thought to promote convergent policies. The case-studies make use of the process model to illustrate how these cases have been studied in the past, as well as in showing how one can better grasp the complex policy patterns within Europe in a way that facilitates the use of multi-level and comparative analyses.


We turn now to an example from EU social policy which shows a piecemeal process of “positive” integration or reregulation at the European level. While the core function of social policy in national welfare states is to supplement and correct market failures, its role at the European level has largely remained tied to “market making” (Streeck 1995) and in particular to questions arising from the free
movement of capital, labor, goods and services (Leibfried and Pierson 1995b). The Treaty of Rome included only few competencies for community action in social matters, and only in the 1970s after the Paris Summit in 1972 was the first Social Action Programme launched. However, with the exception of some landmark pro-European decisions by the European Court of Justice, progress on the planned directives for the harmonization of social and labor policy was relatively slow and limited to particular issues such as the regulation of health and safety, equal pay, and company restructuring.

Attempts to foster a social dialogue between the social partners at the European level failed in the late 1970s with the deterioration of corporatist cultures and political swings to the right in several countries. The Delors Commission sought to complement the Single Market project by relaunching the social dialogue and by expanding common social and labor policy by both a legislative and voluntarist route. However, the Conservative British government and European employers—while favorable to market deregulation—were hostile to any reregulation at the Euro-level, and, given the veto option under unanimity rule, the progress for pro-active policies was slim. The SEA had extended qualified majority rule to a few select and usually market-making social issues, but overall not much progress was made and the Social Charter that called for more action remained a purely “solemn declaration” from which Great Britain abstained. However, in the run up to the Maastricht Treaty a comprise was achieved at the last minute with the Social Protocol and permitted Britain to abstain while allowing other EU member-states to proceed with “positive” integration with the help of expanded competencies and the partial extension of qualified majority voting rules. This new avenue not only led to a “variable geometry” in the territorial sense (EU policies with and without the UK) but also in the sense of increased functional subsidiarity: there was now more flexibility and decentralized
regulation—even legal backing for self-regulation—and a stronger role for the social partners which participated in consultations. Since then a number of long-stalled measures passed under the Social Protocol or were dealt with in voluntary agreements. With the New Labour government in Britain declaring that it will sign the Social Protocol there is now an opportunity for EU's long-awaited "Social Chapter." Whatever recent hopes may be, however, there is in general a broad consensus that Europe's Social Dimension is falling behind political and economic integration, and speculations about its future course has instigated a debate between optimists and pessimists (see, for instance, the Ross 1995 vs. Streeck 1995 accounts in Leibfried and Pierson 1995).

Studies of European integration have adopted different perspectives in looking at the process of EU social policy making: some have concentrated on EU-level institutions and their restricted competencies, and others have analyzed cross-national differences and the difficulties of harmonizing standards and the dangers of regime competition. Neofunctionalist accounts of social policy saw an extension of regulatory competencies as a result of a spill-over from advances in market integration. The free movement of labor, capital, goods and services, it is argued, requires social policy measure to cope with the negative effects of economic integration. [According to our model, neofunctionalists assumed: A—>B—>E1.]

Intergovernmentalist, while often recognizing the need for social policy coordination at the European level, have generally doubted whether such measures could find broad support across the EU while the Union was operating under unanimity rule. Moreover, intergovernmentalists assume that EU member-states are reluctant to expand the competencies of the EU, and that they will resist the introduction of qualified majority voting and the transfer of resources from the national to supranational level in the social and labor policy domains. These
neorealist accounts look at the Council as the bottleneck for advancement of the Social Dimension. The vetoes against an expansion of EU social policy by the British government under Mrs. Thatcher supported the argument that the common denominator for common European social and labor laws was relatively limited [thus in this perspective stage D was the crucial missing link A→D→E1 that explained the weak competencies]. In this perspective, advances in European social policy that would set minimum standards to protect high-wage countries from “social dumping” required side payments to low-wage countries in order to succeed (Lange 1993).

More recently, Euro-studies have looked at the national level for a better understanding of the difficulties and prospects of an EU social policy (Leibfried and Pierson 1995; Marks, Scharpf, Streeck and Schmitter 1996). Since the 1980s some studies (e.g. Katzenstein 1985) have shown the impact of economic openness [A] on national cleavage formation [B] and interest intermediation [C], and others have sought to explain why particular national styles of industrial relations and welfare state regimes have persisted (Esping-Andersen 1990) [E2]. However, we still await similar studies of the impact of EU regulations on the structure of member-states' welfare regimes. Comparing national corporatism and neovoluntarist and fragmented Euro-interest intermediation [B→D→E1], a number of structural disadvantages for organized labor to press for pro-active EU social policy have also been noted (Ebbinghaus and Visser 1997; Streeck and Schmitter 1991; Schmitter and Traxler 1996).

However, also in the intergovernmentalist perspective of two-level games [looking at C→D], a disaggregation of "national interest formation" has been acknowledged (Moravcsik 1993). The formation of national interests in the making of EU's social policy reveals variations across countries in how governments could
relies on "productivity coalitions" between labor and capital to strengthen their own national position.

Finally, comparative EU studies point at the problem of a "regulatory conundrum" (Rhodes 1995), where different industrial relations and welfare regimes exist and lead to a menu approach in Euro-politics [E1] and which is inherent in the variable geometry of the Social Protocol and in the implementation (and enforcement) of EU law at the national level [E2]. Moreover, these policies—whether national, preemptive and/or European-wide measures—lead to policy feedbacks (Pierson 1996) which alter the workings of the internal markets [A] and have an impact on future EU social policy making [D] by presenting constraints or by causing a process of political learning (Leibfried and Pierson 1995).

The importance of extending EU-studies with a multi-level perspective and looking into the interactions, transitions and feedbacks over time and across levels can be exemplified with a case-study of a concrete EU social policy measure: the European Works Council Directive of 1994. With the restructuring that followed from the first oil chock, the problems of safeguarding collective and individual labor rights became an issue at the European level [A→E1]. Two limited EU measures that partially harmonized national protections on collective redundancies (1975) and the transfer of undertakings (1977) were passed. However, two other broader initiatives from the 1970s that sought to harmonize collective labor rights for participation in European companies were blocked: the Fifth Directive of 1972 and the regulation of a European Company (SE) Statue including participation rights. Both measures applied a company law and harmonization approach to securing participation rights stipulating that a German/Dutch type of consultation procedures be applied in national law (Fifth Directive) or in companies under the SE Statue. Although many member-states were in favor of a SE Statue for economic reasons they were opposed to the
stipulated model and the issue was suspended in 1982. Efforts in the 1980s to increase the flexibility of the Fifth Directive by allowing different options based on various national models of participation, and a new initiative to allow only for workplace information rights (Vredeling proposal) become similarly stalled in the 1980s.

While the need for a European reregulation in the face of merger waves and the restructuring of multinational companies seem to have become widely acknowledged not only by organized labor and the Commission, there has been a deadlock in the European Council for more than twenty years. The early proposals that took the route of a company law and harmonization approach and which required unanimity and suggested a German-style model remained without success because it was not in the interest of all member-states \([D\rightarrow E1]\). The more flexible proposals in the 1980s were more inclusive and allowed countries to apply the option closest to their own model in industrial relations and thus allowed a broad national consensus \([C\rightarrow E]\). However, this menu option met with criticism in those countries with relatively high and well defined national standards since they feared that transnational companies with their headquarters elsewhere would be able to undercut national standards and instigate processes of "regime competition" between different models (Streeck 1997). While organized labor pressed for EU reforms in Brussels \([B\rightarrow C]\), some singular Euro-forums emerged on a voluntary basis in France and Germany and were given support by the state and unions respectively.

The situation changed with the recently signed Social Protocol (Falkner 1995). A European Works Council Directive which stipulated information rights in larger transnational companies was watered-down by the Commission in the hope to win the British consent, but it was to no avail (Hall 1992). Also the social partners proved unwilling to settle the matter alone: employers could not agree
on a position given very different labor-management traditions [C—D], and organized labor pinned their hopes on a directive under the Social Protocol. This route was finally taken and led to the EWC Directive of 1994. However, it gave incentives for management and labor to come up with voluntary agreements within two years and allowed for much discretion in defining information and consultation procedures and rights. In fact, while voluntary agreements were rare before, there was now a proliferation of such management-labor agreements before the deadline of setting up bargaining committees in September 1996.

Moreover, national transposition of the Directive allows for further flexibility, including in the choice of model and enforcement procedures (statutory or by collective agreement). Thus, domestic coalitions and strategies [C] emerged as a consequence of distinct national applications [E2] and became part of the variable geometry of EU’s social policy [E1]. This may have repercussion on future decisions at the European level [E2—D], where national preemptive moves or national implementation varies from the common floor of EU policy. On the other hand, the British case shows that although the government did not participate in the EWC Directive, British (as well as non-EU) transnational companies had to apply the Directive in their continental subsidiaries and that many of them voluntarily applied their EWC agreement to include also their British workers. Thus, when the New Labour government joins the Social Chapter—at least in respect to EWC—not much will change since many British companies have de facto already applied the EWC rules. The EWC case is a good example of the need for a better understanding of the diversity in industrial relations practice and their interaction within the European institutional context. This is crucial not only in explaining the failures and successes in EU regulation but also in accounting for why implementation of such measures differ across member-states.


European Industrial Policy and Industrial Subsidies

If EU social policy attempts were primarily characterized by “positive” integration and reregulation, then its industrial policy is best described as a process of “negative” integration and deregulation. During the 1960s and 1970s, the EC used extensive subsidy programs to support declining industries (shipbuilding, textiles, coal, steel, textile, and automobiles) and also imposed protectionist barriers. Since the mid-1980s, however, the EU has gradually removed barriers to trade and abolished discriminatory policies in favor of market-conforming practices. The core of this process was the Single European Market (SEM), which in itself often is seen as a market-directed form of industrial policy which had as its primary goal to improve the competitiveness of European industry (Geroski 1989; see also Bangemann 1992). Towards the late 1980s, demands were also raised by some European governments and industry for a more extensive European industrial policy for the purposes of aiding European companies in meeting the onslaught of foreign competition through a variety of protectionist and market-promoting initiatives. The Bangemann Proposal from 1990, named after the German Commissioner who authored it, was the prelude to an important part of the Treaty on European Union adopted by the European Council in Maastricht in December 1991 and gave the EU the competence to pursue an industrial policy. Article 130 of that treaty reads: “The Community and the Member States shall ensure that the conditions necessary for the competitiveness of the Community’s industry exist.”

Although this phraseology is often attributed to the demands of the French government for a more interventionist industrial policy in line with its emphasis on grands projets, the remainder of the Article reveals the non-interventionist character of EU’s industrial policy. Although the Article states that “The Commission may take any useful initiative to promote...coordination [between
member-states and the Commission]," and that the Council may design "specific measures in support of action taken in the Member States," the Article also states that these measures must be "[i]n accordance with a system of open and competitive markets." Thus, despite frequent expectations—and in many instances explicit demands—for an interventionist EU industrial policy where the Commission were to play a similar role to that of national governments in the 1970s, EU's industrial policy became liberal and market-conforming at its core.

The timing, shape, and scope of EU's industrial policy raises a number of interesting questions. For instance, why did it take until 1991 until the member-states adopted a position on the topic? Why does the current policy emphasize horizontal subsidy programs and a liberal trade regime instead of the sectoral and protectionist policies of the past? Why does the Article contain rather vague formulations and why is it primarily designed to "encourag[e] an environment favorable to initiative and development of undertakings throughout the Community, particularly small- and medium-sized undertaking," to "encourag[e] an environment favourable to the cooperation between undertakings," and to "fostering better exploitation of industrial potential of policies of innovation, research and technological development"? Finally, why did member-states initially advocate different constellations of EU's industrial policy, and why did the final version as it exists today become the accepted model? In the remainder of this section, we will provide brief answers to these questions—with particular reference to the issue of industrial subsidies—and with regard to our previous discussion about alternative understandings of EU politics and integration.

It may be argued, in a neofunctionalist mode, that the shape of EU's industrial policy was the effect of spillover from the SEM which required that there be strict limits to member-states' ability to protect indigenous firms through discriminatory subsidy programs. According to this logic, existing EU-regulations
reshaped the preferences of European producers, and led to new EU-regulations [or, according to the chart, E1—>A—>B—>E1]. While there is some merit to this argument, it fails to appreciate the consequences of economic developments outside of the EU associated with economic globalization and how this process had already begun to reshape producers' interests in a liberal trading order and minimal barriers to free trade. For instance, Milner (1988) shows that even in France where firms have had a tradition of supporting protectionist policies began to support free trade already in the 1970s because of changes in their international commitments. As such, the neofunctionalist account overestimates the role of the SEM [that is, E1—>A] and underestimates the importance of changes in the global economy in altering the preferences of national producers [A—>B] and in shaping new coalitions [C] in favor of a liberal policy regime even in the field of industrial policy.

In contrast, an intergovernmental analysis may suggest that the timing and shape of EU's industrial policy was a consequence of the policy preferences of—and compromises between—EU's strongest member-states (Germany, France, Britain) and attempts to balance against competitors outside the EU. In this interpretation, the emphasis is on the deals brokered between member-states and how these produced a particular outcome [D—>E1]. While there is some merit also to this interpretation, it is incomplete without a careful analysis of what role new preferences among member-states played what the source of those preferences were [B], how and why domestic coalitions were reshaped and led to new policy positions in the late 1980s and early 1990s [C], as well as what role non-governmental actors played in influencing the negotiations between member-states [B—>D].

More importantly, neither approach allows us to explain why exogenous economic and regulatory changes had different effects in the member-states. The
agreement to adopt Article 130 at Maastricht was not the automatic result of the convergence of preferences among member-states. In fact, Britain, Germany, and France had very different views on the shape of EU's industrial policy. Britain adopted a minimalist position and wanted (if a policy at all) very strict limits to the capacity of the Commission to initiate large-scale industrial programs; Germany supported a middle-of-the-road position which promoted limited Commission powers and horizontal subsidy programs; and France advocated a strong role for the Commission which would enable it to coordinate large-scale industrial programs and administer subsidies. To address this issue, as well as why the adoption of EU's industrial policy has met with different responses in various member-states [E1→E2], requires us to look more closely at the role of national institutions in shaping the policy preferences of domestic actors [B], the policy choices of member-states [C], as well as national responses to changes in domestic coalitions [C→E2] and new EU-regulations [E1→E2].

Institutional political economy shows that the policy preferences of economic actors and their aggregation is fundamentally determined by the architectures of national economic institutions, that their preferences are sticky, and that institutional change is slow and piecemeal (e.g. North 1990, Hall 1986). Thus, we expect the responses of economic agents in different countries to reflect their embeddedness in national economic institutions. This was clearly the case in Britain, France, and Germany where the alliances formed between national industry and governments reflected the desire to have EU's industrial policy comply with existing national arrangements. Thus, for example, French companies and their government sought to transfer the function of the latter to the European Commission in order to sustain future long-term industrial projects reminiscent of the national champion strategy in France (cf. Schmidt 1996). Similarly, German companies sought to ensure that EU's industrial policy reflect
the German emphasis on horizontal subsidy programs, limited intervention by public authorities, and an emphasis on inter-firm collaboration. Finally, British companies and the government sought a minimalist version of a common industrial policy because they were not interested in expensive and extensive programs in the high-tech sector, since the structure of the British economy had already provided firms in that sector with relative success (cf. Soskice 1994). In overall terms, then, even under similar external pressures like long-time EU regulations on state aid and heightened international competition, the policy choices across Europe reflected the role of national institutions in shaping the policy choices of member-state governments. Moreover, the ways in which these countries have implemented EU's rules concerning industrial subsidies varies considerably because of the differences in national institutions, and there are wide discrepancies in the member-states' usage of various forms of subsidies.

Thus, in the context of the politics surrounding EU's industrial policy, we suggest that we turn to existing work in the institutionalist tradition in sociology and political science in order to explore both the domestic sources of member-states policy choices within the EU as well as the importance of domestic institutions in the implementation of EU-level regulations. Indeed, work in those traditions, we maintain, provide the links which can help us build the sort of theoretical bridges that we need to more fully appreciate both the nature of the constraints of national institutions on the policy choices of member-states within the EU [C→D], the role of those in processing EU regulations [E1→E2], as well as the feedback effects of past EU-decisions on the future policy preferences of societal actors [E1→A→B].
VI. Conclusion

This paper echoes the recognition by Garrett and Lange (1996: 74) that "[t]he international-comparative divide is increasingly anachronistic." The "great divide" between IR and CP—whatever its value for maintaining disciplinary coherence, a specialized division of labor, and parsimonious theory construction—has proven to be a particularly strong obstacle in understanding the complex and multitiered nature of contemporary European politics. Both comparative and international perspectives should inform each other, and in this paper we have pointed at some recent contributions in these traditions and how they can help in constructing bridges across old divides within the context of EU-studies. The paper notes the importance of some recent studies in IR that go beyond the emphasis on interstate bargaining and which look at the domestic sources of international relations. However, it was also noted that the role of national institutions in shaping EU politics as well as in implementing EU-level policies often are left unexplored in much IR research, and that the day-to-day policy-making in Europe is largely neglected. To address these weaknesses we introduced some recent empirical and theoretical work in the tradition of historical institutionalism and multi-level governance and identified where and how they can serve as important bridges. Together, these research traditions can explain why differences persist across countries despite similar external pressures, as well as what role past institutional legacies and policy feedbacks from the EU-level have on the member-states of the EU.

The stylized model of Euro-politics which we introduced in Section II illustrated the value of adopting a comparative perspective, using a multi-level analysis, and employing the insights from historical institutionalism in constructing bridges between IR and CPS. When these three parts are combined
we achieve a more comprehensive understanding of the parts and processes of European politics and integration.

The horizontal and comparative perspective provides a tool to understand how under different national institutional context and domestic actor constellations EU policy strategies emerge. Comparison not only serves to uncover the variations or similarities in responses to global or EU policy changes but also help us uncover whether important preconditions (such as shared policy and institutional preferences) exist and which may facilitate or undermine future cooperation at the supranational level. In contrast to the traditional application of the comparative method, the use of comparative analysis should be part of a combined approach that acknowledges the interaction across levels and the importance of institutions and changes over time.

The use of vertical multi-level analysis complements the comparative approach in studying the complex multi-tired EU by explaining the interaction and interdependence between the national and European levels of politics. The multi-level approach should go beyond a “top-down” two-level game theory and follow the policy process through its stages from exogenous changes to domestic responses, how it plays out at the European level, as well as how policy decisions within the EU in turn have an impact at the national level. In contrast to traditional two-level game models, we should also take into account the possibility of interest politics that by-pass the classic intergovernmentalist route [C→D]. Moreover, we have stressed that such an approach should not focus merely on Euro-level outcomes [E1] but also on national responses that may preempt, affect implementation, or even contradict some EU policies [E2].

Finally, the use of historical-institutionalism allows scholars to introduce a time dimension into the process model. Historical institutionalism demonstrates how national and EU-level institutions affect each other over time, as well as the
behavior of actors in a multiteried polity over time. Historical institutionalism also helps us understand the path-dependent nature of the EU policy-making process, the importance of the sequence and contingency of events, the significance of institutional inertia at both levels, as well as the feedback effect of past policy decisions.

As Milner and Keohane observe (1996: 257): "neither comparative politics nor international relations can be coherently understood without aid from the other." Thus, while scholarship in each of these traditions separately have made significant contributions to EU-studies, it is when they intersect that they achieve their full potential as bridge-builders between the old divides in EU-studies. The three devices we have identified here should not be used in isolation, but should inform the study of the EU together. Thus, instead of talking past each other or becoming involved in heated debates about the advantage of one or the other perspective, we should concentrate our conceptual work on combining their strengths. However, this endeavor should not be limited to theoretical amalgams devoid of empirical articulation and confirmation. In fact, the starting point for the future should be empirical studies that go beyond a rich description of the complex and interactive nature of Euro-politics and policies, and that explain new theoretical links that can help us disentangle the interaction between various levels, different institutional contexts, and the nature of contingent events. Ultimately, it is only through careful empirical research and the use of multiple theoretical insights that we will be able to answer perhaps what remains the most elusive question, namely how come that there is so much European unity despite so much diversity. In finding an answer to this question we may also uncover why there are so few commonalties among scholars despite their common interests.
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