

EUROPEAN INTEGRATION AS REGIONAL VARIANT OF GLOBALIZATION:  
THE CHALLENGES TO NATIONAL DEMOCRACY

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ABSTRACT

European integration, as a regional variant of globalization, has produced much more dramatic change for members of the European Union than globalization has for other advanced industrialized nations, both in terms of the economy and the polity. This has in turn generated much greater challenges for EU countries with regard to national democratic governance and legitimacy than for countries affected by globalization alone. Such challenges involve not just such questions as how to adjust national economies or to adapt national institutions to EU exigencies but also how to legitimate such changes to the citizenry in terms of traditional conceptions of economic order and social justice as well as political representation and participation. In order to illustrate this, this paper considers the differential impact of the EU on three European countries, France, Britain, and Germany.

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## EUROPEAN INTEGRATION AS REGIONAL VARIANT OF GLOBALIZATION: THE CHALLENGES TO NATIONAL DEMOCRACY

Globalization has often been characterized as generating tremendous change for the nation-state, both economically and institutionally.<sup>1</sup> On this score, European integration, as a regional variant of globalization, has produced much more dramatic change for members of the European Union than globalization has for any advanced industrialized nations, including EU member-states. This is not only because the EU has created a liberalized regional economic zone that rivals any other globalized regional or national economies but also because the development of the European Union as a supranational set of institutions far outdistances any found at the global level. With the economic liberalization attendant upon European integration, EU member-states' governments have given up much more national autonomy in decision-making than countries subject only to the forces of globalization. In exchange, however, they have also gained a kind of shared supranational authority that goes way beyond anything experienced by countries subject to globalization alone. As a regional variant of globalization, therefore, the experience of the EU can tell us much about the potential benefits as well as problems for advanced industrialized democracies worldwide if and when global institutions reach the level of maturity of EU ones.

The benefits of EU membership, to begin with, have been significant. Unlike the very partial and uneven coverage of global treaties and treaty-related organizations, EU member-states benefit from commonly agreed-upon policies in a wide range of spheres, from common monetary policies and a common currency (for 12 out of 15 members) to common industrial standards, regulatory policies, and regulatory authorities. As such, the European Union has succeeded in serving not only as a conduit for global economic forces, by opening up member-states to competition in the capital and product markets, but also as a shield against them, through common macroeconomic and microeconomic policies that improve European member-states' competitiveness through the discipline of monetary integration and the economies of scale afforded by the Single European Market—to say nothing of the protections afforded by common agricultural policies, external trade policies, a strong anti-trust authority, and so on.<sup>2</sup>

In consequence, one could argue that the EU has gone farthest in the direction hoped for

by many globalization critics, through the creation of a supranational governance organization that not only seeks to dismantle existing structures in favor of the new but at the same time makes new rules to ensure that those new structures work appropriately—by protecting the norms and standards societies have come to value most as they open up new economic opportunities through liberalization. And in fact, these new rules and structures have provided EU member-states with tremendous benefits not only from larger European financial markets, more intra-European trade, and greater European economic stability but also from higher general European standards and better protections for all citizens of the EU, to say nothing here of the gains from the beginnings of a European political entity and a collective European identity. However, these new rules and structures also come at a cost: risks to traditional governance patterns and conceptions of democracy.

The challenges for EU member-state governments involve not just such questions as how to adjust national economies or to adapt national institutions in response to EU (and to a lesser extent global) pressures but also how to legitimate such changes to the citizenry. Legitimation is necessary because the changes have affected both the economy and the polity, striking at the very foundations of EU member-states' self-conceptions by challenging traditional conceptions of economic order and social justice as well as of political representation and participation. In consequence, countries require national discourses that serve not only to justify the changes as necessary for the economy, through cognitive arguments that demonstrate how the reforms would solve the country's problems, but also to legitimate them as appropriate to the polity, through normative arguments that appeal to values, whether long-standing or newly-emerging.<sup>3</sup>

But although all countries require such legitimation, countries differ in the kind and extent of legitimation needed. This is related not only to the extent of economic adjustment and institutional adaptation undertaken in response to Europeanization, which can be explained in terms of such factors as countries' economic vulnerability to the pressures of Europeanization and globalization and their political institutional capacity to reform, itself is a function of the political interactions among policy actors and the public within a given set of institutional arrangements. It also depends on the kind of adjustment and adaptation in question, which follows from such factors as the degree of fit (or misfit) with national legacies in terms of economic policies and governance practices and with national preferences as informed by the

values and interests of key policy actors and the public.<sup>4</sup> But while these factors set up the conditions for change, national legitimating discourses help explain the dynamics of change, by serving as the means by which key policy actors reconstruct ideas about the kind and extent of change required and communicate these to the general public in such a way as to shape perceptions of economic vulnerabilities and policy legacies, influence preferences, and enhance political institutional capacity to reform.<sup>5</sup>

To illustrate the differences among countries' problems of legitimation with regard to the kind and extent of economic adjustment and institutional adaptation, I examine the impact of the economic and political changes related to European integration on three leading EU member-states countries, France, Britain, and Germany. I argue that of the three countries, France since the 1980s has undergone significant changes both in kind and extent related to European integration and has had great problems of legitimation in both economic and political arenas. By contrast, Britain has undergone fewer changes in response to European integration, given that it reformed early in response to globalization, and has fewer problems of legitimation in the economic arena, although the problems in the political arena remain significant. Finally, Germany has undergone the least change and has had the fewest problems with legitimation until the mid 1990s, when problems arose with regard to the economic arena.

### ***The Challenges to Traditional Conceptions of Economic Order and Social Justice***

European integration has challenged traditional conceptions of economic order and social justice by promoting convergence in member-states' monetary policies through the pursuit of European Monetary Union (EMU) and liberalization in their industrial policies through the establishment of the Single Market. These in turn have had spillover effects on the welfare state and, thereby, challenged traditional conceptions of social justice, despite the fact that the EU itself has done relatively little to establish common policies in this arena (nor could it, given the diversity of welfare systems).<sup>6</sup> But although all countries have been affected by EU-related policies and pressures, the challenges to traditional conceptions of economic order and social justice have been greater for some than for others, depending upon the extent of economic vulnerability and the kind of fit of EU-related policies with national economic and social policy legacies and preferences, while the changes in national economic and social policies also depended on their political institutional capacity to reform, as enhanced by their discourses of

legitimation.

### The Differential Challenges to Member-States' Economic Policies and Ideas

To begin with, European monetary integration—starting with the European Monetary System in 1979 that put increasing pressures on governments to turn to monetarism and budgetary austerity, to establish an independent central bank, to keep to low inflation rates, public deficits, and public debts in accordance with the Maastricht criteria for those joining EMU, and ultimately to give up their national monetary autonomy to the European Central Bank along with their national currencies—has altered expectations about how EU member-states should manage the economy. But this has been more significant for some countries than others, depending upon questions of fit with national macroeconomic policy legacies and preferences.<sup>7</sup> Thus, while the European standard was a near perfect fit for Germany, where the requirements for an independent central banking authority focused on damping inflation have been the German policy legacy and preference, this was not true either for France, which until the early 1980s preferred a macroeconomic management system in which the government-controlled central bank promoted growth through inflation, or for Britain, which has still not given up on its traditional preference for a government controlled central bank maintaining stability (although it has started central bank down the road to independence).

Similarly, moreover, European market integration—accelerating with the Single European Market in the mid 1980s that pushed all countries toward greater market-orientation through the reduction in non-tariff barriers; product harmonization and "mutual recognition" of manufactured goods; common rules in health, occupational safety, and environmental protection; deregulation in such sectors as the financial markets, telecommunications, electricity, and transportation; competition policy oversight on business mergers and acquisitions as well as state aid to industry; and labor market flexibility via benchmarking exercises—has altered expectations about how governments should interact with business and labor. Again, however, questions of fit with national microeconomic policy legacies and preferences make for differences in impact.<sup>8</sup> While the European ideal was a good fit for Britain, where the preferred relationship between government, business, and labor has been more 'hands-off' by way of a liberal state which leaves business and labor largely free to decide for themselves the direction of their economic activity, it has been less so for Germany, where the relationship has been cooperative by way of an 'enabling' state which coordinates economic activity with business and

labor, and the least for France, where it has been dirigiste (or state-led) by way of an interventionist state which organizes cooperation between business and labor and directs their economic activity.<sup>9</sup>

In the absence of EU-wide social policies (other than the voluntary, self-set targets of the benchmarking exercises), EU economic policies nevertheless exert pressures for reform on national welfare states. The Maastricht criteria for monetary union in particular have had spillover effects on the financing of the welfare state, by limiting the state's ability to fund social welfare programs and to deal with unemployment—although a whole host of other factors are also significant, not the least of which are the changing demographic ratios of the working population to the retired and the market restructurings in response to competitive pressures and liberalizing policies that have, initially at least, contributed to rising unemployment.<sup>10</sup> EU member-states, in consequence, have been left largely on their own to cope with social security deficits, unemployment, and/or poverty in a climate of budgetary austerity.<sup>11</sup> But they have, again, coped differently, given differences in levels of economic vulnerability, which for Britain and France came early, for Germany very late, as well as in policy legacies and preferences. The legacies differ with regard to the level of benefits, whether relatively low (as in Britain) or high (as in France and Germany even more so); the criteria for their distribution, whether according to need (Britain) or to work history (again France and Germany); and their purpose, whether for poverty alleviation in the short-term (Britain) or income maintenance over the long-term (France and Germany). They also differ with regard to the role of the state in the provision of services, whether relatively high (France), medium (Germany, where intermediary groups are more significant), or low (Britain, with the exception of health and education). These differences in policy legacies also affect preferences, given that where the benefits of the welfare system are widely distributed they are naturally seen to be in the interests of the many and a matter of social solidarity (France and Germany) while where the benefits are more narrowly focused on the interests of the unfortunate few they are considered more a matter of individual responsibility (Britain with the exception of health and education).<sup>12</sup>

### The Challenges to French Economic Policies and Ideas

For a country such as France, where national pride has been bound up with the glories of an interventionist state that saw its role as maintaining autonomous control over a national

economy requiring protection from external economic forces, the challenge from European integration to traditional conceptions about the economic order have been tremendous. The challenges began in the early 1980s, when increasing economic vulnerability linked in part to European monetary integration and the competitive pressures of European market integration as well as to globalization left the Socialist government seemingly no choice other than to reverse the country's dirigiste policy legacies, despite the fact that this went against the government's own preferences. Because of the political institutional capacity of the government to impose reform—given a unitary state with power concentrated in the executive, where the sanctions come only periodically, from elections or protest in the street—policy change proceeded rapidly once the decision was taken. In the face of tremendous economic crisis in 1983, the government altered the country's growth-oriented macroeconomic management system to conform more to the German model and European ideal, by turning to monetarism and budgetary austerity, then stuck to its hard money policy (the franc fort) even when under great pressure (e.g., in 1992 and 1993), and subsequently led, with Germany, the drive to EMU.<sup>13</sup> Moreover, the government at the same time began to dismantle its interventionist microeconomic management system to make it more like the British model and the European ideal, by engineering the retreat of the state through liberalization of the financial markets, deregulation of the rules governing business, privatization of publicly-owned enterprises in the competitive sector, and the decentralization of the labor market.<sup>14</sup> These reforms have transformed the French economy from a state-led model of capitalism to a more market-oriented one in which the state is much less present, although the state still plays a more directive role than in Germany or Britain.

Throughout the 1980s, while French governments were largely successful in constructing a discourse justifying the reforms in terms of economic necessity, they were markedly unsuccessful in legitimating the changes in terms of their appropriateness. The most they did was to appeal to French national pride as they spoke of the economic combat for national survival and the need to relaunch growth and fight unemployment in the face of the external constraints imposed by globalization and the need to remain in the European Monetary System. Once the Socialists abandoned their socialist discourse in the early 1980s when they converted to liberal economic policies and the right failed to sustain their neo-liberal discourse of the mid 1980s in the face of electoral defeat, French governments, for the lack of a better discourse, managed little more than a pro-European and anti-global rhetoric which related most changes to European



integration and presented them as necessary to protect the country economically against the incursions of globalization. The lack of normative legitimation was not a significant problem in the 1980s, when the cognitive arguments at a time of crisis were sufficient to convince the general public of the necessity of reform, while those most affected by the economic restructuring were bought off through the expansion of the welfare state. But this became a significant drag on governments' political institutional capacity to reform in the 1990s, when European monetary integration intensified pressures to restructure the welfare state and when European market integration threatened areas of the economy that lie at the very heart of French conceptions of state economic responsibility and the public interest.<sup>15</sup>

In France, successive governments have had great difficulty reconciling neo-liberal reform of welfare and liberalization of the public services industries with traditional conceptions of social justice. These include the generally-held commitments to "social solidarity" that had become the watchword of the postwar period for the right as much as the left; the common understandings of the obligations of "l'état républicain" that originated in the Third Republic with education and later health services but reached their heyday with the postwar public infrastructural services; and the obsession with equality that goes back to the French Revolution (even if it has been honored more in the breach). In the 1980s, even as modernization through economic restructuring produced high rates of unemployment, the most governments said about social justice in their public discourse was that they would continue to protect national values of social solidarity and the obligations of the "Republican state"—presumably through generous unemployment benefits and early retirement programs. Beginning in the early 1990s, however, once governments sought to reform the welfare state in earnest, successive governments of the right did not even try to address questions of social justice as they launched initiatives which were met by protest after protest, culminating with the massive strikes at the end of 1995.<sup>16</sup> Only the Socialist government beginning in 1997, which addressed social justice questions head on with a credible discourse about the need to balance economic efficiency with social equity, has had the political institutional capacity to engage in significant welfare state reform while avoiding the massive protests and strikes—although by 2001, even this hit roadblocks, as business pulled out of its joint role with labor in social security administration to protest government action on work time rules (mainly the 35 hour week).<sup>17</sup>

Added to the problems of reforming the welfare system have been those related to the

impact of European market integration on the "service public" infrastructural services (e.g., telecommunications, energy, transportation), which have a special pride of place for the French both as concrete examples of the state's obligations to provide the citizen with essential services and as symbols of the technical prowess of the state's "national champions" (e.g., the national telecommunications company, France Télécom and the minitel; the national railroad, the SNCF, and the high-speed train, the TGV; the nationalized airline Air France and the Concorde; the national electricity company, EDF and nuclear power). Economic changes in these areas continue to be contested, with strong worker protest in response to threats of privatization and deregulation. Only France Telecom has been partially privatized, the result of a change in the policy preferences of the government and top management which then negotiated a change in the EU legislation and in turn used the EU in the discourse to legitimate the change.<sup>18</sup> In most other cases, however, the discourse has continued to defend the traditional idea of the public services, with the Jospin government even attempting to protect the idea of the public services through a clause in European level legislation. But this will do little to protect the public infrastructural services from the increasing pressures not only of the European Competition Directorate-General but also of fellow member-states to open up their markets more fully to competition. And so far, French governments have been unable to come up with a discourse that would reconcile the economic imperatives with deeply-held values about the continuing importance of state provision of public services.

French economic adjustment to Europeanization, thus, has entailed instituting policies that went against policy legacies and preferences, without a sufficiently normatively legitimizing discourse. Britain had fewer problems with its own economic adjustment to the EU, given that it anticipated many EU-related reforms and opted-out of others, while it had a fully normatively legitimizing discourse for the reforms related to globalization which it did institute.

### The Challenges to British Economic Policies and Ideas

In Britain, the challenges from Europeanization with regard to traditional conceptions of economic order have been minor as yet, at least as compared to those of France, given a liberal state that has long conceived of its role as one of maintaining an open, global economy and that has gone much farther in opening it up since the late 1970s. Although Britain has instituted even more radical neo-liberal reforms of its economic organization than France, these came ahead of

the pressures from Europeanization, with monetarism and budgetary austerity, liberalization of the financial markets, deregulation and privatization of business, and the radical decentralization of labor markets instituted in response to the pressures of globalization.<sup>19</sup> These reforms were shaped by Prime Minister Thatcher's neo-liberal ideology and their implementation facilitated by even greater political institutional capacity than the French, given the combination of the traditional institutional concentration of power in the executive resulting from the Westminster system with a new political concentration of power resulting from the divided opposition. But although Thatcher had the capacity simply to impose her pro-market, anti-state program via the strong state apparatus and little to fear from elections, she nevertheless engaged in an elaborate discourse with which she sought to persuade the general public that her neo-liberal program was not only necessary, because "there is no alternative" (TINA) in order to get the economy back on its feet, but also appropriate, because based on long-standing national values favoring a limited state and liberal economic principles.<sup>20</sup> This discourse, by legitimating economic reform through normative as well as cognitive arguments, helped ensure that policies that were highly controversial in the early 1980s had come largely to be accepted by the general public by the mid to late 1980s.<sup>21</sup>

Britain's early liberalizing economic reforms in response to globalization also enabled it to easily absorb subsequent EU policy initiatives related to European market integration, since these mostly fit with its new policy legacies and preferences. (Where problems have occurred, they have primarily been due not to the substantive content but to the governance process, which has emphasized statutory law over voluntary arrangements—see below.) European monetary integration was another matter, since it went against not only the country's policy legacies of a government-controlled central bank but also the government's preferences under Prime Ministers Thatcher and Major. Britain's opt-out negotiated at the time of the Maastricht Treaty has ensured that it has not had to give up its monetary policy autonomy to the ECB or its currency. And although under Prime Minister Blair since 1997, government policy has moved some way toward EMU, by setting the central bank on the road to independence and shadowing the euro, monetary policy autonomy has not as yet been affected.<sup>22</sup> If and when Britain finally joins EMU, however, the government will have major problems of legitimation, since its discourse will have to justify relinquishing the country's symbol of national autonomy, the pound sterling, along with the autonomy it had retained through its opt-out. This requires not just a discourse about the

necessity of the policy but also about its appropriateness for the polity in terms of national sovereignty and identity, something the Blair government had yet even to begin to articulate by the beginning of his second term in office. And although the government has the political institutional capacity to impose reform, it has not had the courage, faced with possible electoral sanctions from a public long used to a pro-global and anti-European discourse from the media as well as from the Euroskeptic Conservatives, beginning with Thatcher in the late 1980s and reaching a crescendo during the 2001 election campaign.

European social policy even in the absence of significant common initiatives, such as work rules related to occupational safety and health, has also been problematic. This is because it was seen in conflict with reforms in the 1980s that crushed union power and increased labor market flexibility—so much so that Prime Minister Major negotiated an opt-out on the Social Chapter of the Maastricht Treaty. Even Blair, who gave up Britain's opt-out when he gained power in 1997, has opposed any common EU measures seen as undermining flexibility. This helps explain why he has enthusiastically endorsed the benchmarking exercises in employment and social policy, which seeks to improve flexibility and performance while leaving the decisions about how to do so to member-states themselves.

The problem for British governments generally is that since the 1980s its policies and values regarding the welfare state have diverged sharply from those of the bulk of EU member-states. In contrast to France, for example, not only did reform begin much earlier, start from a lower level of generosity with regard to social assistance and pensions and of state provision of services (except in education and health), and go much farther, it was also more fully legitimated by appeal to values of individual responsibility which were more readily reconciled with neo-liberal economic policies than values of social solidarity.

In the 1980s, Thatcher's discourse rejected postwar values in favor of looking to the more distant past, by harking back to Victorian values in order to distinguish between the "worthy poor" and the "feckless and the idle" as she cut social assistance to the unemployed, single mothers, and youth and by evoking the country's liberal traditions as she introduced competition in health and education.<sup>23</sup> But although Thatcher went quite far in welfare reform, she was unable radically to overhaul the provision of public services, given public resistance to any perceived attacks on health and education in particular. For the completion of the Thatcher revolution, the country had to wait for Blair, who introduced tuition fees in education and

workfare in his first term and has proposed the neo-liberal reform of the delivery of public services for his second term.<sup>24</sup> In legitimating these changes, however, Blair's discourse has looked to the future, by appealing to the values of the "risk society" under conditions of globalization while insisting that he has been taking a "third way" between the old right-left divide when implementing workfare, through "positive action" rather than the Conservatives' "negative action" in order to provide "not a hammock" as old Labor would have but a "trampoline" that would remedy problems of "social exclusion." Thus, at the same time that Blair has been appealing to values of individual responsibility, he has also introduced values of social solidarity—also evident in increased spending on health, education, and even social assistance.<sup>25</sup> The result is that the British welfare state may be coming closer to the continental, but it is still far from the French approach, let alone the German, where there has been comparatively little neo-liberal reform of the country's economic organization or social welfare system in the face of on-going support for traditional conceptions of economic order or social justice.

### The Challenges to German Economic Policies and Ideas

For Germany, the challenges from Europeanization to traditional conceptions about the economic order have been least significant until relatively recently. This is mainly because other countries converged on the German model in the macroeconomic sphere while Germany itself was able to delay much microeconomic liberalization until the 1990s. Until the 1990s, in fact, it felt little pressure to alter a postwar economic system of coordinated capitalism that made it maximally competitive in Europe and the world more generally—or a discourse that was both pro-global and pro-European discourse as it presented the German future as only enhanced by both Europeanization and globalization. More specifically with regard to European monetary integration, because Germany's policy preferences with regard to the independence of inflation-fighting central banks were generalized to the rest of Europe, its policy legacies were not at all threatened until the very end of the process, once the Deutschmark was replaced by the euro and the Bundesbank's authority over monetary policy replaced by that of the ECB in 1999.<sup>26</sup> It is at this point that the challenges to Germany's self-conceptions have become potentially significant, however, given that the German mark and the Bundesbank have been at the heart of Germany's postwar identity as an economically stable state—but only if the European institutions fail to

promote stability in the way that the German institutions have traditionally. And so far, the jury is still out, especially since although the weakness of the euro has been something of a source of discomfort conceptually for the Germans, used to a strong currency, it has been practically very useful for maintaining the competitiveness of German exports.

With regard to European market integration, moreover, Germany also had few problems until the 1990s. This was mainly because its lack of economic vulnerability through the 1980s meant that it did not feel the need at the time to engage in the liberalizing and deregulating policies of France or Britain—nor did it have similar numbers of nationalized industries to privatize. Only beginning in the early 1990s, when the costs of unification combined with the competitive pressures of globalization to generate economic crisis, did reform become imperative. But it was slow in coming, given that policy change must be negotiated and cannot be imposed in a federal state with power dispersed among a wide range of policy actors, and that agreements were difficult to reach where policies went against not only the country's policy legacies but also the preferences of key actors.<sup>27</sup> Germany deregulated only in the mid 1990s in a number of competitive sectors that saw reform in France and Britain already during the previous decade, such as the financial markets, where deregulation had been stymied by the opposition of the banks and the Länder.<sup>28</sup> In a number of the public service sectors such as telecommunications, electricity, and transport, however, the country had the political institutional capacity to go much farther with deregulation and privatization than France once it got started. In electricity, for example, after similar initial resistance to EU reform efforts, Germany changed its preferences and reversed its policy legacies to deregulate more extensively than anything even the EU demanded, while using the EU in its discourse to legitimate change.<sup>29</sup>

But although Germany has so far been able to accommodate these liberalizing reforms, it may have reached its limits, given that EU regulatory requirements are already causing Germany to move toward more liberal forms of regulation and economic organization without as much managed cooperation. Moreover, certain decisions in recent years by the EU competition authority have challenged practices that are at the very basis of the German model of coordinated capitalism, such as the rejection of Saxony's aid to Volkswagen or its contesting the Landesbank's right to provide small and medium-sized firms' with low cost loans at rates with which commercial enterprises could not compete. The question for Germany is whether it can adjust to EU-related liberalization as well as the pressures from European and global competition

without destroying the German model of coordinated capitalism, by making relations within business—between businesses and banks, subcontractors, and suppliers—as well as with labor less cooperative and more competitive.<sup>30</sup> The main challenge for the Schröder government is how to ease the adjustment process through reforms that liberalize the economy without jeopardizing the most basic elements of coordination and cooperation in German capitalism. And for this, he needs to reframe the terms of the discourse to convince some of the key players, in particular labor, not only that reforms are necessary, of which not all the unions are convinced, but also that they are appropriate, because they do not jeopardize the values that underpin the postwar social compromise. But because the German economy is a tightly coupled one, this means ensuring that policy changes in economic organization also do not negatively affect the welfare state—a tall order since it too has been under pressure for change.

For Germany, where the welfare state has been even more generous than the French in terms of benefits, albeit with a lower level of services provided by a mix of intermediary groups and the state, the very recent beginnings of a rollback to the welfare state have been equally challenging to traditional conceptions about social justice. This is because the welfare state has come to be seen not only as a matter of state obligation, given a long history of social solidarity dating back to the time of Bismarck but also as a matter of near property rights, given the earnings-related basis of social security.

Welfare reform, moreover, has been even slower in coming than in France, not only because there was less need, since serious economic problems did not crop up until the 1990s, with unification, but also because reform was even more complex institutionally, given how much more tightly coupled the welfare system is with the rest of the economic system.<sup>31</sup> The comparatively high wages, solidaristic wage policies, strong job protections, and generous unemployment benefits and pensions for the core workforce went hand in hand with the informal incomes policies that promoted wage moderation, with the apprenticeship and training system that produced a highly-skilled workforce, and with the long-term employment that ensured a steady supply of highly-skilled workers, all of which together constituted part of the formula for German postwar economic success through high productivity and high quality goods. Reforms of the organization of the economy would therefore necessarily have direct effects on the welfare system, and vice-versa. Increasing flexibility in wages and employment, for example, would jeopardize not only the solidaristic wage policies but also a pension system that depended upon

full time employment at reasonably high wages for a life-time, while reforms of the welfare state, for example, through partial privatization of pensions, would undermine the solidarity symbolized in balanced employer-employee contributions as well as the notion of workers' pensions as near property-rights.

What is more, because such reform must be negotiated among state (federal and Länder), business, and union actors, political institutional capacity to reform depends at least in part upon the reconceptualization of the traditional notions of economic order and social justice by those self-same actors. This includes those whose interests as well as values are most threatened by change, to wit, the unions that represent the ever-shrinking core workforce of male breadwinners, and not the unemployed, women, or immigrants who are left at a disadvantage by the traditional system. So far, Germany has yet to come up with a common discourse, let alone agreement, on reforms capable of reconciling liberalizing the economy and reforming the welfare state with the commitment to social solidarity. What attempts there were mostly failed, as when Chancellor Schröder first borrowed from the British discourse of the "third way" in summer 1999, then the French socialist discourse in the fall before settling back into the traditional discourse by the end of the year—none of which did much for the government's reform efforts.<sup>32</sup> What progress has been made, and only modest progress at that on pensions or on labor flexibility, has come without the benefit of a discourse able to speak to the appropriateness of reform.

### ***The Challenges to Traditional Conceptions of Political Representation and Participation***

The problems for European member-states precipitated by Europe-related change do not just affect the economy, they also affect the polity. As European economic policies replace national economic policies, the European institutions that generate those economic policies have increasingly taken precedence over the national even as national governance processes have increasingly become multi-level. This is because as EU member-states have tied their national currencies to the euro and opened their national markets to the European, their national executives have become European decision-makers, their national parliaments, judiciaries, regions, and administrations have become implementers of European decisions, and their nationally organized interests have become part of European lobbies and governance networks.<sup>33</sup>

This new European governance system strikes at the very foundations of national political democracy by throwing into question which branches or units of government should



have what sorts of responsibility for which kinds of decisions, as well as about who should rightfully participate in decision-making at what stage of the process in which ways and with what degree of accommodation. And it thereby challenges traditional conceptions of political representation and participation. But although all countries have been affected by the development of EU governance institutions and processes, the challenges to traditional conceptions of political representation and participation have been greater for some than for others, depending upon the extent to which the EU governance system fits with national government legacies and preferences, while the changes in national political practices also depended upon their political institutional capacity to change, as enhanced by their discourses of legitimation.

#### The Differential Challenges to Member-States' Political Practices and Ideas

More specifically, the quasi-federal European governance institutions—where the EU Commission has powers of initiative and oversight and the Council of Ministers powers of decision (increasingly with the European Parliament) over an expanding number of domains formerly the purview of national executives and/or parliaments alone; where the decisions of the European Court of Justice take precedence over those of national courts; and where regional policies create linkages between the EU and sub-national levels that circumvent the national—has altered expectations about national allocations of power and authority. But this has been more significant for some countries than others, depending upon questions of fit with national government institutions.<sup>34</sup> For example, the diminution in national executive autonomy that follows from shared EU authority and ever-increasing numbers of EU regulations and directives is more problematic in terms of fit for countries like France and Britain, as unitary states with power and authority concentrated in the largely autonomous executive, than for a federal state such as Germany, where the national executive has never had much autonomy, and has always had to share power and authority with other national and sub-national units of government. Moreover, the reduction in national parliaments' legislative powers of initiation and review as well as of their relative powers vis-à-vis national executives as a result of the increasing importance of the EU level has been more difficult for Britain, given its long tradition of parliamentary sovereignty, and Germany, given the federal division of powers between executive and legislature, than for France, given the traditional subordination of parliament to the executive. In addition, the precedence of the European court over the national has been more a

matter of concern for countries with a strong and independent court system, such as Germany and to a lesser extent Britain, while the spillover effects of this, an increase in the independence of the national courts from the national executive, has created more concern in France, where the courts have traditionally been subordinated to the executive. Finally, the enhanced independence of the regions from the national executive through regional policies, committees, and funds has posed little problem for federal Germany, where the *Länder* already have great independence, but it has caused some problems for the French, where the regions are subordinated to the center, and more for the British, given that there are no politically-constituted regions in England, and devolution only started in the late 1990s for Scotland and Wales.

Similarly, moreover, the EU's quasi-pluralist governance processes—whether in policy formulation, where the EU Commission has opened access to a wide range of national, sub-national, and international non-governmental as well as governmental organizations alongside the official representatives of national governments, or in policy implementation, where the Commission along with the ECJ ensure that the relevant national government units apply the EU rules appropriately and without exception, that is, without leaving room for administrative discretion or voluntary arrangements—alter expectations about who should have access to policymaking at what stage of the process and who should apply the rules in what manner. But again, questions of fit with national governance processes make for differences in impact.<sup>35</sup> For example, the EU model of relatively open interest access more closely approximates the German corporatist governance process, where a range of non-governmental interests, mainly business and labor, are also allowed in, than it does the British statist process, where interests have some access through Parliament even though the executive mostly makes its decisions autonomously, or than the French statist process, where interests are barely allowed into the policy formulation process by a highly autonomous executive. Moreover, the EU's closed, legalistic process of policy implementation is closest to the more legalistic parts of the German process and has not affected the corporatist parts, while it is farthest from both the French process, where administrative discretion has traditionally allowed for exceptions to the rules, and the British, which had long preferred informal agreements and self-governing arrangements to codified rules.

### The Challenges to French Political Practices and Ideas

Adaptation to EU-related institutional change has not been easy for France, where the

philosophical justification for a strong, autonomous executive has its origins in Jacobin notions of the role of the state as the direct representative of the people, to do its bidding without obligation to any other authority (including the historically dependent judiciary, the traditionally weak legislature, and the steadily centrally controlled periphery) by formulating policy without intermediation by other actors (in particular organized interests, which have always been regarded as illegitimate if not organized by the state) and by implementing policy with administrative discretion (i.e., by accommodating interests where they deem it appropriate, through exceptions to the rules). The EU necessarily violates these tenets, by decreasing executive autonomy with respect to the EU as well as other national authorities, by allowing organized interests into EU level policymaking that are not allowed in at the national level, and by denying the executive its traditional flexibility in implementation.

But French leaders, instead of responding directly to this, for example, by seeking to build new governance patterns and a new conception of democracy in light of changes resulting not only from European integration but also from internal dynamics, have generally obscured the changes. For example, instead of admitting the loss of national executive autonomy with respect to Europe, they have emphasized their leadership role in the EU. In so doing, they have presented European integration as an extension of national sovereignty not only because it promotes national interests that France can no longer protect on its own but also because it fulfills France's "civilizing mission" dating back to the French Revolution, and thereby serves as an enhancement of French citizens' universally established political rights.<sup>36</sup> But while this discourse may serve to persuade citizens that European integration serves national preferences, both in terms of interests and values with regard to the polity, it does little to address the very real EU-related changes in national governance institutions.<sup>37</sup>

These changes in national institutions are largely positive. The greater independence of national judiciaries in consequence not only of the ECJ but also of internal processes beginning in the 1980s has served as a check on unbridled executive power and, sometimes, corruption in high places—much to the discomfort of governmental elites, a number of whom have found themselves threatened with jail. The greater independence of subnational authorities, which also benefited from decentralizing reforms beginning in the early 1980s, has engendered a dynamism that has proven a boon to local economic development—even if the French state has periodically tried to reassert control through the prefects.<sup>38</sup> Only the decrease in legislative power by the

already weak French Parliament could be characterized as problematic, something acknowledged at least by Prime Minister Jospin, who has suggested that if he were to win the presidency in 2002, he would seek to expand the parliament's powers in relation to the executive (although no mention was made of its role with regard to EU policymaking).<sup>39</sup>

The changes in governance processes, moreover, have also been positive, by providing greater access in policy formulation to interests excluded at the national level and by ensuring greater equality and predictability in the implementation of the laws. But they have also served to undermine one of the main principles of French democracy: the flexibility in implementation that balanced out the lack of consultation in policy formulation. The loss of flexibility in implementation is in fact highly problematic because those interests which have never had much access at the national policy formulation stage and have not taken advantage of the greater European openness in policy formulation (whether for lack of access or organization) now find themselves also increasingly cut out of the decision-making process at the national implementation stage (because of the impossibility of government accommodation). And they are therefore more likely to engage in confrontation where they perceive themselves to be negatively affected by European integration. This is not the case for business interests, since they are and have been present as an influential force at the EU level for a long time. But it is true for the farmers upset by changes in the Common Agricultural Policy, the truckers angry about EU-mandated liberalization, and the workers in the infrastructural "service public" industries unhappy about reductions in benefits and worried about privatization and deregulation, who have been prone to strikes, protests, and job actions in response to their lack of access or input into the decisions that most affect them.

French governments, however, have done little to ameliorate the situation, for example, by improving interest access to national policy formulation and even to European policy formulation via national channels to make up for the loss of accommodation in implementation (with the exception of business interests). Jospin's government may be something of an exception, since he has sought greater concertation with business and labor in the social policy arena and established expert committees on controversial issues. But these are minimal measures when one considers the vast array of issues areas that could benefit from greater interest involvement in policy formulation. All in all, neither the Jospin nor earlier governments have done much to make up for their loss of political institutional capacity to impose reform by

increasing their ability to negotiate reform—and therefore will continue to suffer from disruptive protests and strikes. Instead, the executive has mostly engaged in rearguard action, by trying to deflect attention from its losses in national autonomy and flexibility with actions and a discourse that seeks to show at least symbolically that France continues to lead at the European level, whether by periodically insisting that Frenchmen be made commander of the southern fleet of NATO or head of the European Central Bank, or by pushing for an employment chapter in the Amsterdam Treaty or a clause in EU legislation on the public services—even if these at least at the time were mainly face-saving devices.

The discourse, in other words, only prolongs the popular illusion that the state remains autonomous and can therefore be held accountable for policies jointly-decided in Brussels over which it often has little control. This is detrimental not only to French democratic legitimacy, because it is likely to lead to popular disillusionment, but also to the future of European integration. Equally problematic, however, is that by continuing to project the vision of a unitary state where the reality is increasingly federalized, given the increasing dispersion of power among governmental authorities at multiple levels with more open access to interest groups, the discourse also misleads the public about the changing nature of French governance while possibly undermining efforts for further political integration.

### The Challenges to British Political Practices and Ideas

In Britain, adaptation to EU-related institutional change has been somewhat less difficult than for France, mainly because the executive has great power in a more limited sphere. Britain's philosophical justification for a strong, autonomous executive, which has its origins in the historical power of the monarchy, has since the Magna Carta been tempered by the historically evolving power of Parliament as well as in recent times by a more independent judiciary and today by devolution of subnational units, while its purview has been restricted by the traditional emphasis in policy implementation on maintaining a large private sphere open to informal, self-governing arrangements and by allowing somewhat more interest access in policy formulation via Parliament. The EU, in consequence, has not violated British tenets of government quite as much as the French with regard to the judiciary and to interest access, but it has done much more so with regard to parliament and subnational authorities, while it has had an equally significant albeit different impact on the traditional flexibility in policy implementation.

The greatest problem for British institutions has to do with the EU-related loss in powers of the British Parliament, given the centrality of parliamentary sovereignty to the traditional conception of political representation as well as to the collective political identity. Although the British executive's discourse on the EU's impact on parliamentary sovereignty has been somewhat disingenuous, since the executive's role as the representative of the parliamentary majority has meant that it has as often as not been inveighing against EU incursions on its own autonomy, it has at the same time been seeking to defend deep-seated notions of political rights. Because the British notion of rights is embodied in parliamentary sovereignty and justified by reference to history and the traditional liberties of Englishmen, rather than to the universal rights of man, as in the French case, European integration is more likely to be perceived as a threat to rights which, because they were historically established often in struggle against the continent and not only the crown, can also be seen as fundamentally anti- (continental) European.<sup>40</sup> For this and other reasons not elaborated herein (including how European integration affects the trans-Atlantic relationship), European integration has been perceived more as a threat to national sovereignty than as an extension of it.<sup>41</sup>

But rather than addressing this issue head on, for example, by building new conceptions of political rights to respond to changes resulting not only from European integration but also from internal dynamics, pro-European leaders in Britain have tended to avoid questions involving the polity altogether. Throughout the postwar period, in fact, they have sought to justify European integration almost exclusively on the basis of economic interests, leaving to the Euro-skeptics all discourse on issues of national sovereignty and the challenge to the traditional values of the polity.<sup>42</sup> In so doing, they have missed an opportunity to build a more positive view of how European integration contributes to either long-standing or newly-emerging values, including questions of political and social rights when it comes to such things as ECJ rulings on equality for women, the recently adopted Charter on Human Rights, the 48 hour work week, or the indirect pressures for greater local democracy that came from the EU's emphasis on principles of subsidiarity, which only added to the more direct pressures from the subnational units themselves, and contributed to the Blair government's decision to devolve significant powers to Scotland, Wales, and Northern Ireland.

The British executive has an equally significant problem with regard to the EU-related changes in national governance processes, which are not so remediable through legitimating

discourse alone. The problem stems from the fact that the EU undermines the traditional flexibility in policy implementation through informal agreements, voluntary rules, and self-governing arrangements by the proliferation of formal, statutory rules and regulatory agencies in increasing numbers of areas. This is not only a problem for the economy but also for the polity, since it speaks to the rigidification of the public domain through increasing juridification and an expansion of the public sphere into areas that had heretofore been kept in the private. For the British, this European preference for compulsory, rather than voluntary, compliance rules only increases the likelihood of legal conflict as it undermines the traditional British civility that emphasized resolving conflicts informally, according to long-established and long-accepted but never formalized rules.<sup>43</sup> Paradoxically, similar changes have been attendant on purely British-led liberalizing reforms linked to deregulation and privatization—but these have generally been passed over in silence. The problem for the British executive is that however much it voices its objections to EU-related juridification in the discourse, this will do little to change things, short of getting the EU to stop passing directives. But while this rather negative discourse about the impact of EU rules on the British polity will have little affect on the EU, it will on British public opinion. And when combined with the lack of any positive discourse on European economic integration that serves to counter arguments about threats to national sovereignty, it may make it more difficult for any British leader to integrate the country more fully into the EU—whether economically by joining the euro or politically by countenancing some form of European federation.

### The Challenges to German Political Practices and Ideas

In Germany, finally, adjustment to institutional change has been least difficult so far, mainly because of a better fit between the EU and Germany in governance systems and ideas about political democracy. The underlying assumption about political democracy in the German federal system, as in most such systems, is that it is best served by a division of powers which is vertical between central and lower level units of government but also horizontal between executive, legislative, and judicial branches, such that citizens' rights are protected from government excess through checks and balances on a government power that is dispersed among a wide variety of governing authorities. This differs greatly from the underlying assumptions in unitary states, whether the French or the British, that democracy is best served by a strong,

central authority with power concentrated both vertically and horizontally, such that the government has the responsibility as well as the capacity to respond to citizens' wants and needs effectively. While the EU's federal governance system undermines the assumptions of the unitary state both as a result of the primacy of its multiple centers of power and authority and of how these serve to diminish the concentration of power and authority in the executive, it reinforces the assumptions of the German federal state, given the multiple centers of power and authority that only add to those at the national level in federal systems.<sup>44</sup>

The match in ideas about the appropriate organization and purpose of political democracy, moreover, is reinforced in Germany by postwar ideas about Europe. These ideas have little to do with questions of national sovereignty, since the German state has never been more than at best "semi-sovereign,"<sup>45</sup> given the structure of its institutions and the constitution that explicitly allows the transfer of sovereign rights to international organizations (Article 24 in the Basic Law). For Germany, Europe could neither represent a threat to national sovereignty, as in Britain, since the executive has never had the autonomy of the British executive, nor an extension of national sovereignty, as in France, since postwar German ambitions could certainly never countenance such a thing. Instead, German ideas about Europe are all bound up with questions of national identity and the postwar experience. These ensured that rather than being "other," as Europe is for the British identity, or an add on, as it is for the French identity, Europe is Germany's national identity. "Europeanness" as "Germanness" was the way in which German national identity was reconstructed in the early postwar period in an effort both to reject the previous German national identity associated with a militarist and authoritarian nationalism and to ensure that Germany would have a peaceful future as part of a more federal Europe.<sup>46</sup>

Moreover, throughout most of the postwar period, German national interest was reconstructed as European interest. Only very recently have the Germans begun to reassert a sense of national interest as separate from the European, reflecting the feeling that it was time for Germany to regard itself as a normal country, and for others to do likewise, as Prime Minister Schröder made clear in a statement in 1999<sup>47</sup>--in order presumably to have Germany contribute less to the communal purse. The main question for Germany today is how close the reconstruction of a more particular national interest stays to its long-standing concerns with European interests writ large, and how this will mesh with its national identity construction of "German as European." So far, national interest and identity remain close to the European, as



evidenced by German initiatives on future political integration of Europe, their support for enlargement, and even for a European army.

However, despite the basic fit with the Europe in terms of ideas about democracy, identity, and interests, Germany has still had difficulties in terms of its institutional adaptation to the EU. These are not only related to the economy, in particular the need to adjust its economic organization and welfare state in response to growing external economic pressures and EU institutional ones, as discussed above, but also to the polity. EU governance institutions have in fact at various junctures generated imbalances in the allocation of power among governmental authorities, in particular by reducing the powers of the legislature and the regions (represented in the second house of the legislature) in favor of the executive through its primary role in EU decision-making. Unlike in France or Britain, however, the balance of power has largely been reestablished through Parliament-led negotiations at the time of the Maastricht Treaty that served to reinforce the legislature's own powers and concomitantly those of the Länder.<sup>48</sup> Moreover, the EU has also affected the independence of the judiciary, with the German Constitutional Court having held out on its recognition of the primacy of European law over the national, mainly because of concerns about the appropriateness of the German government giving up its powers to a not-sufficiently-democratic set of institutions at the supranational level. And the Bundesbank has of course lost its autonomy to the ECB with the advent of the euro.

EU governance processes have also affected German governance processes, but less than for France or Britain. This is mainly because the EU has allowed corporatist governance processes to continue where they exist while its more legalistic approach to implementation conforms to the German approach where corporatism does not come into play. What is more, because business, labor, and subnational units all have access to European policymaking via national as well as European channels, they have not felt cut out of the policy process in the way that many French interests have.<sup>49</sup>

For Germany, in short, the fit of national ideas and governance system with the EU governance system ensures that the problems with regard to European integration will not come from the polity but rather from the economy. Whereas both France and Britain have managed to adjust their economies for better or worse to the demands of Europeanization as well as globalization, Germany is still struggling. The problems for the polity will come if Germany does not manage to make the necessary adjustments to the economy to the satisfaction of the key

players and the public. In this event, the legitimacy of the polity, and with it Germany in Europe, will become the central issue.

## CONCLUSION

The ultimate success of the economic adjustments and institutional adaptations related to European integration, then, depends not only on levels of economic vulnerability to globalization as well as Europeanization, on fit of EU policies or institutions with national legacies and preferences, or on countries' political institutional capacity to reform but also on the ability of national discourses to legitimate such changes by reevaluating traditional conceptions of economic order and social justice as well as political representation and participation. The task for national governments is a particularly difficult one, however. It is hard enough to construct and maintain a national legitimating discourse when policy elites largely have autonomy with regard to their policy responses to external economic forces. But with European integration, they have not only lost significant substantive autonomy to the EU with regard to their economic policies and practices, they have also lost constitutive autonomy to the EU with regard to their political institutions and processes. And for questions of both the economy and polity, governments must find new ways of legitimating change, by showing how the country's prospects are enhanced rather than diminished by the country's participation in the EU as a supranational economic system coordinated by a supranational governance authority to which it is increasingly subordinated and which has a significant, although differentiated, impact on the national economy and polity.

Among the three major European countries, France, having undergone major transformation in the economic and political arenas in response to global and European pressures, remains in search of a coherent discourse capable of legitimating those changes, although it appears closer to one with the Jospin government in the economic arenas, while the political arena remains in question. By comparison, Britain, which anticipated many of the economic changes required by Europeanization and successfully resisted others, managed to construct a coherent national discourse with regard to the economic arena, but which also leaves the political arena still in question. Germany, which had until lately been able to avoid change in consequence of its economic strength and its institutional organization, has maintained a postwar discourse that is only today in the process of recasting as it confronts the need to reform

in the economic arena, but it has little such need in the political arena.

As a regional variant of globalization, in sum, European integration has had tremendous impact on its member-states. And therefore, if and when global institutions begin to constitute global authorities capable of instituting common policies of the kind developed in the EU, national governments will begin to face challenges similar to those of EU member-states. What is clear from the experience of EU member-states is that any responses to such global authorities and policies will also be greatly differentiated not only as a result of national differences in economic conditions and political institutions but also in how national discourses seek to legitimate change in the economy and polity.

### Footnotes

<sup>1</sup> For overviews of the impact of globalization, see: Andreas Busch, "Unpacking the Globalization Debate: Approaches, Evidence and Data," in Demystifying Globalization eds. David Marsh and Colin Hay (London: Macmillan, 2000); Linda Weiss, "Globalization and National Governance: Antinomy or Interdependence?" Review of International Studies vol. 25 Special Issue (December 1999); Martin Rhodes, "Globalization and West European Welfare States: A Critical Review of Recent Debates," Journal of European Social Policy vol. 6, no. 4 (1996), pp. 305-327; Anthony G. McGrew, "Conceptualizing Global Politics," in Anthony G. McGrew and Paul G. Lewis et al., eds., Global Politics: Globalization and the Nation-State (Cambridge: Polity Press, 1992); Malcolm Waters, Globalization (London: Routledge, 1995).

<sup>2</sup> For overviews of the EU and its impact, see: Desmond Dinan, Ever Closer Union: An Introduction to European Integration second edition (Boulder, CO: Lynne Rienner, 1999); John Peterson and Elizabeth Bomberg, Decision-Making in the European Union (New York: St. Martin's, 1999); Helen Wallace and William Wallace, Policy-Making in the European Union Fourth Edition (Oxford: Oxford University Press, 2000); Loukas Tsoukalis, The New European Economy Revisited (Oxford: Oxford University Press, 1997); Willem Molle, The Economics of European Integration: Theory, Practice, Policy 3<sup>rd</sup> edition (Aldershot, Hants: Ashgate, 1997).

<sup>3</sup> See Vivien A. Schmidt, "Democracy and Discourse in an Integrating Europe and a Globalizing World," European Law Journal vol. 6, no. 3 (2000).

<sup>4</sup> For a discussion of the range of factors affecting policy adjustment, see: Vivien A. Schmidt, "Europeanization and the Mechanics of Economic Policy Adjustment." European Integration online Papers (Eiop) vol. 5, no. 6 (2001). For a more focused discussion of economic vulnerability and institutional capacity, see: Fritz W. Scharpf, "Economic Vulnerability and Institutional Capacity" in Welfare and Work in the Open Economy Volume I: From Vulnerability to Competitiveness ed. Fritz W. Scharpf and Vivien A. Schmidt (Oxford: Oxford University Press, 2000); for the interaction of economic vulnerability and policy legacies, see: Anton Hemerijck and Martin Schludi, "Sequences of Policy Failures and Effective Policy Responses" in Welfare and Work, Vol. I, eds., Scharpf and Schmidt.

<sup>5</sup> For more discussion of the role of discourse, see: Vivien A. Schmidt, "Values and Discourse in the Politics of Adjustment" in Welfare and Work eds. Scharpf and Schmidt; Schmidt,

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“Democracy and Discourse.” For the relationship of discourse to the others factors in policy adjustment, see: Schmidt, “Mechanics.”

<sup>6</sup> On the problems of continuing “negative integration” in European market integration in the face of a lack of “positive integration” in the social policy arena, see: Fritz W. Scharpf, Governing in Europe (Oxford: Oxford University Press, 2000); Fritz W. Scharpf, “Economic Integration, Democracy and the Welfare state,” Journal of European Public Policy, vol. 4, no. 1(1997), pp. 18-36.

<sup>7</sup> See James Forder and Anand Menon, The European Union and National Macroeconomic Policy (London: Routledge, 1998).

<sup>8</sup> See Hussein Kassim and Anand Menon, The European Union and National Industrial Policy (London: Routledge, 1998).

<sup>9</sup> See Vivien A. Schmidt, “Still Three Models of Capitalism? The Dynamics of Economic Adjustment in Britain, Germany, and France” in Roland Czada and Susanne Luetz, eds., Die Politische Konstitution von Märkten (The Political Constitution of Markets) (Opladen: Westdeutscher Verlag, 2000).

<sup>10</sup> Andrew Martin, “What Does Globalization Have to Do With the Erosion of Welfare States? Sorting Out the Issues.” ZeS-Arbeitspapier Nr.1/1997, Zentrum für Sozialpolitik, Universität Bremen, 51 pp; Paul Pierson, ‘Skeptical Reflections on ‘Globalization’ and the Welfare State’, paper presented at the International Conference on Socio-Economics, Montreal, July 1997.

<sup>11</sup> Stephan Leibfried and Paul Pierson, “Semisovereign Welfare States: Social Policy in a Multitiered Europe,” European Social Policy, ed. Leibfried and Pierson, p. 74.

<sup>12</sup> See Schmidt, “Values and Discourse.”

<sup>13</sup> See Michael Loriaux, France after Hegemony: International Change and Financial Reform Ithaca: Cornell University Press, 1991.

<sup>14</sup> Vivien A. Schmidt, From State to Market? The Transformation of Business and Government (Cambridge: Cambridge University Press, 1996); Peter A Hall, Governing the Economy: The Politics of State Intervention in Britain and France (New York: Oxford University Press, 1986).

<sup>15</sup> Vivien A. Schmidt, “The Politics of Adjustment in France and Britain: When Does Discourse Matter?” Journal of European Public Policy vol. 8, no. 2 (April 2001).

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<sup>16</sup> Jonah Levy, "France: Directing Adjustment?" in Welfare and Work. Vol. II eds., Scharpf and Schmidt.

<sup>17</sup> Vivien A. Schmidt, "Does Discourse Matter in the Politics of Welfare State Adjustment?" Comparative Political Studies (forthcoming May 2002).

<sup>18</sup> Mark Thatcher, Politics of Telecommunications (Oxford: Oxford University Press, 1999).

<sup>19</sup> Hall, Governing the Economy; Wyn Grant, "Great Britain: The Spectator State," in Industrial Enterprise and European Integration: From National to International Champions in Western Europe ed. Jack Hayward (Oxford: Oxford University Press, 1995); Christopher Johnson, The Grand Experiment: Mrs. Thatcher's Economy and How it Spread (Boulder: Westview Press, 1993).

<sup>20</sup> See David Marquand, The Unprincipled Society (London: Fontana, 1988).

<sup>21</sup> Schmidt, "Politics of Adjustment in France and Britain;" and Schmidt, "Does Discourse Matter."

<sup>22</sup> See: M. J. Artis, "The United Kingdom," in The European Union and National Macroeconomic Policy ed., James Forder and Anand Menon (London: Routledge, 1998).

<sup>23</sup> See Schmidt, "Values and Discourse;" Schmidt, "Does Discourse Matter;" and Schmidt, "Politics of Adjustment."

<sup>24</sup> Martin Rhodes, "Restructuring the British Welfare State: Between Domestic Constraints and Global Imperatives" in Welfare and Work. Vol. II eds., Scharpf and Schmidt.

<sup>25</sup> Schmidt, "Politics of Adjustment;" Schmidt, "Values and Discourse;" Schmidt, "Does Discourse Matter."

<sup>26</sup> See Kathleen R. McNamara, The Currency of Ideas (Ithaca: Cornell University Press, 1999), Chapter 6; William E. Paterson, "EMU and Germany," in Break Out, Break Down or Break In? Germany and the European Union after Amsterdam ed. Carl Lankowski (Washington: AICGS Research Report no. 8, 1998).

<sup>27</sup> Josef Esser, "Germany: The Old Policy Style," in Industrial Enterprise and European Integration: From National to International Champions in Western Europe ed., Jack Hayward (Oxford: Oxford University Press, 1995).

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<sup>28</sup> See Susanne Lütz, "The Revival of the Nation-State? Stock Exchange Regulation in an Era of Internationalized Financial Markets." Journal of European Public Policy vol. 5, no. 1 (March 1998): 153-69.

<sup>29</sup> See: Eising Rainer and Jabko, Nicolas "Moving Targets: Institutional Embeddedness and Domestic Politics in the Liberalization of EU Electricity Markets," Comparative Political Studies (forthcoming); Schmidt, "Europeanization and Mechanics."

<sup>30</sup> Wolfgang Streeck, "German Capitalism: Does It Exist? Can It Survive?" in Modern Capitalism or Modern Capitalisms eds. Colin Crouch and Wolfgang Streeck (London: Frances Pinter, 1997).

<sup>31</sup> Philip Manow and Eric Seils, "Germany" in Welfare and Work. Vol. II Scharpf and Schmidt, eds.

<sup>32</sup> See Schmidt, "Values and Discourse;" and Schmidt, "Does Discourse Matter."

<sup>33</sup> On multi-level governance, see: Gary Marks, Liesbet Hooghe, and Kermit Blank, "European Integration since the 1980s: State-Centric versus Multi-Level Governance," Journal of Common Market Studies vol. 34, no. 3 (1996); on governance networks, see: Beate Kohler-Koch, "Catching up with Change: The Transformation of Governance in the European Union," Journal of European Public Policy, vol. 3, no. 3 (September 1996).

<sup>34</sup> Vivien A. Schmidt, "European 'Federalism' and its Encroachments on National Institutions." Publius vol. 29, no. 1 (Winter 1999): 19-44; Vivien A. Schmidt, "Federalism and State Governance in the EU and the US: An Institutional Perspective" in The Federal Vision: Legitimacy and Levels of Governance in the US and the EU eds. Kalypso Nicolaides and Robert Howse (London: Oxford University Press, 2001).

<sup>35</sup> Vivien A. Schmidt, "National Patterns of Governance under Siege: The Impact of European Integration" in The Transformation of Governance in the European Union ed., Beate Kohler-Koch and Rainer Eising (London: Routledge, 1999); Schmidt, "Federalism."

<sup>36</sup> See: Thomas Risse, "An Europeanization of Nation-State Identities?" in Europeanization and Domestic Change Maria Green Cowles, James Caporaso, and Thomas Risse, eds., (Ithaca: Cornell University Press, 2001); and Henrik Larsen, Foreign Policy and Discourse Analysis (London: Routledge, 1997), p. 97.

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<sup>37</sup> See Vivien A. Schmidt, "The Effects of European Integration on National Governance: Reconsidering Practices and Reconceptualizing Democracy" in Democratic and Participatory Governance: From Citizens to 'Holders'? ed. Philippe Schmitter and Jürgen Gröte (in progress).

<sup>38</sup> Vivien A. Schmidt, Democratizing France: The Political and Administrative History of Decentralization. New York and Cambridge: Cambridge University Press. 1990.

<sup>39</sup> Le Monde, Feb. 14, 2001.

<sup>40</sup> See William Wallace, "What Price Independence? Sovereignty and Interdependence in British Politics," in International Affairs" vol. 62, no. 3 (1986), p. 383.

<sup>41</sup> Andrew Gamble, Britain in Decline: Economic Policy, Political Strategy, and the British State (London: Macmillan, 1985), p. 73.

<sup>42</sup> See discussion in P. W. Preston, Europe, Democracy and the Dissolution of Britain: An Essay on the Issue of Europe in UK Public Discourse (Aldershot: Dartmouth, 1994), Chapter 7; Stephen George, An Awkward Partner: Britain in the European Community (Oxford: Oxford University Press, 1990), pp. 93, 96; and Stephen George, "Cultural Diversity and European Integration: The British Political Parties," in National Cultures and European Integration: Exploratory Essays on Cultural Diversity and Common Policies ed. Staffan Zetterholm (Oxford: Berg, 1994), pp. 55, 59..

<sup>43</sup> See Schmidt, "National Patterns of Governance."

<sup>44</sup> See the discussion in: Schmidt, "Effects of European Integration" in Democratic and Participatory Governance ed. Schmitter and Gröte.

<sup>45</sup> Peter Katzenstein, "Introduction" in Industry and Politics in West Germany: Toward the Third Republic ed. Peter Katzenstein (Ithaca: Cornell University Press, 1989).

<sup>46</sup> See Risse, "Europeanization" in Europeanization and Domestic Change Cowles, Caporaso, and Risse, eds.; Ulf Hedetoft, "Germany's National and European Identity: Normalisation by other Means," in Break Out, Break Down or Break In? Germany and the European Union after Amsterdam ed. Carl Lankowski (Washington: AICGS Research Report no. 8, 1998); Jonathan P.G. Bach, Between Sovereignty and Integration: German Foreign Policy and National Identity after 1989 (New York: St. Martin's Press, 1999), p. 67.

<sup>47</sup> Welt am Sonntag, Feb. 27, 1999.



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<sup>48</sup> See Thomas Saalfeld, "The German Houses of Parliament and European Legislation" in National Parliaments ed. Norton; and Simon Bulmer, The Domestic Structure of European Policy-Making in West Germany (New York and London: Garland, 1986), pp. 219-222.

<sup>49</sup> Schmidt, "National Governance."