



From the Chair

Liesbet Hooghe

EUSA AT TWENTY: CONFERENCE AT MARINA DEL REY

THE EXECUTIVE COMMITTEE HAD its annual meeting in April. This newsletter contains important information on a slew of decisions, to which we ask you to respond: a call for conference proposals, a call for election nominations to the EUSA executive committee, Prize committees, membership renewal, and your input on new online initiatives. Forms are available online as well as in this Review. Let me take these in turn.

Conference. The upcoming conference in Marina del Rey, near LA, on April 23-25, 2009, will introduce several innovations. First, EUSA is moving to a decentralized program committee. The program, under the stewardship of program chair Frank Schimmelfennig, is divided into six thematic streams: integration theory, institutions, economics and political economy, political sociology, law and public policy, and external relations. Each stream will be handled by a person appointed by the excom; names are listed on the online call for proposals. You will be asked to select a stream. There is no pre-set number of panels by stream, so your choice merely helps in channeling proposals to particular committee members and in organizing the program. If your proposal is not selected by 'your' stream representative, it goes into a common pool available for selection until the program is finalized. The program committee welcomes the broadest possible range of proposals engaging Europe or the European Union—alone or in a comparative frame.

Second, EUSA is introducing workshops as an attractive substitute for poster sessions. In two central time slots (Friday morning and Saturday morning) papers will be grouped in thematic workshops. Presenters will give very brief statements (not full presentations) and then move straight to discussion facilitated by the chair. Multiple workshops will run concurrently in a large room, so that visitors can move around. Our hope is that this format will promote more substantive interaction than standard panels. It is also an excel-

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EUSA Review Forum

Revisiting Landmark Contributions to EU Studies

MANY ASPECTS OF THE EU AS WE KNOW IT today, and major lines of EU scholarship as well, date from the early 1990s. A decade earlier, the view had been widespread that the European Economic Community was moribund. It wasn't going away, but it wasn't likely to develop major new powers. By the mid-1990s, the entity that now went by "EU" had recaptured the aura of inevitable progress that had surrounded its origins. The rapid succession of the "relaunch" around the Single Market 1992 project and the monetary union plan in the Maastricht Treaty of 1991, together with the long-delayed Iberian enlargement and (after 1989) the prospect of many more accessions, gave the impression of a Europe moving toward a union that was both "ever closer" and ever wider. In academia, interest in the EU exploded. Andrew Moravcsik reformulated broader international relations theories into an account of the 1980s relaunch, and then of EU history overall, to portray the EU as an example of normal international cooperation (albeit the most well-developed one). A variety of other scholars defended views more in line with the early pioneering work of Ernst Haas, arguing that institutional processes at work in Europe were carrying it far beyond intergovernmental interaction. In one widely-cited piece, Liesbet Hooghe and Gary Marks helped create the "multi-level governance" school, which later largely evolved into today's burgeoning "Europeanization" literature, with their arguments that the EU was developing into a genuine polity. In another, Walter Mattli and Anne-Marie Slaughter translated an emerging literature on EU legal integration into a powerful renewal of Haas's neofunctionalism.

This issue's Forum brings you commentaries on these three landmark articles by the authors. They address how they think their arguments have stood the test of time. Besides the intellectual interest in considering how these authors perceive their contributions in light of subsequent developments, I hope that these essays will be of use for both graduate and undergraduate teaching. The commentaries discuss some of the choices these scholars made along the way (and a few of their regrets), and will help stu-



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dents to contextualize these major articles not just as forbiddingly brilliant contributions but as the work of real human beings. They should also greatly facilitate comprehension and discussion of these three pieces that are on almost every EU-seminar syllabus.

-Craig Parsons, *EUSA Review* Editor

Good-bye to “Federalist” Theory Andrew Moravcsik

SERENDIPITY OFTEN DRIVES scholarship. I was fortunate to arrive early in a scholarly generation destined to apply general political science theories to the European Union. Political scientists had previously approached Europe with unique concepts, such as federalism, neo-functionalism, spillover, spillback, and supranationalism—teleological ideal-types rather than theoretical concepts able to explain variation in behavior. By the early 1970s, Stanley Hoffmann (one of my thesis advisors) and Ernst Haas (a source of much informal and uncommonly honest advice, despite our disagreements) already conceded in print that EU studies was in a cul-de-sac (Hoffmann 1966; Haas 1975). Inspired in part by their criticism, students of theirs such as Robert Keohane (another of my advisors) and Joseph Nye (a mentor) sought to generate more general theories—thereby founding the new field of international political economy (IPE) and developing new theoretical tools, such as endogenous policy theory, relational concepts of power, and regime theory. Yet no one had gone back to apply the insights of modern international political economy to the EU. This was the research program that underlay “Negotiating the Single Act” (Moravcsik 1991), and much of my subsequent work.

In this early article, my basic point was that intra-EU bargaining resembles interstate bargaining elsewhere in world politics: Governments pursue national interests, then pursue them exercising influence as a function of patterns of asymmetrical interdependence. I opposed view this to work by Haas, Wayne Sandholtz and John Zysman, who had stressed unintended consequences and political entrepreneurship by third parties, such as idealistic Brussels officials and transnational business groups (Haas 1958; Sandholz and Zysman 1989). The course of the SEA negotiations appeared, I thought, to support my view. Governments advanced their own proposals, and the ultimate outcomes reflected the overlapping set of national interests, not the dreams of figures like Jacques Delors.

The article’s weaknesses are too obvious to require much discussion. It was the work of a graduate student, narrow and un-nuanced in many places—very much the beginning, not the end, of a scholarly

debate. It is, most obviously, narrow, lacking essential theories of preferences and institutionalization. The bargaining theory and agenda-setting is simplistic. (The latter would not be provided until nearly a decade later, when I published a theory of informal international political entrepreneurship, thereby—ironically—forging a critical missing link in neo-functional thought). (Moravcsik 1999) Perhaps most importantly, it is empirically thin. In the 1999 article, based on superior theory and a comparison of five cases, it emerged that third-party entrepreneurship has generally been insignificant in EU history, but in one case third parties were relatively somewhat more important: the SEA! This is because the major comparative advantage of third parties vis-à-vis states, it turned out, was not greater information, expertise, legitimacy, or status as an impartial mediator, but superior ability to coordinate package deals across disparate domestic bureaucracies. In the end, Sandholtz and Zysman were more correct than I conceded in 1991, though for reasons neither I nor they fathomed at the time. Yet the case we argued about was atypical. Social science progresses over time: Only in light of better theory and data could one formulate this more nuanced conclusion.

These details matter little. In retrospect, the article's real significance is that it marked the first step toward the formulation of what is still referred to today as a "liberal intergovernmentalist" (LI) framework. The LI framework explains major EU decisions in three stages. Any student of IPE would immediately recognize these theoretical components as basic to modern theories of international cooperation: National preferences are explained with endogenous policy theory. Substantive outcomes of interstate bargaining (on the basis of the preferences) are explained with Nash bargaining theory, operationalized using asymmetrical interdependence. And institutional pooling and delegation (to implement substantive outcomes) are explained using regime theory.

At the time, "Negotiating the Single Act" was universally rejected. Continental Europeans found its argument suspiciously "Anglo-Saxon", neo-functionalists found it too realist, policy analysts and students of comparative politics found it simplistic, practitioners (and admirers of Delors) found it insufficiently deferential to great men, lawyers found it overly political, historians found it drily theoretical and, above all else, federalists found it insufficiently deferential to European ideals. It was cited almost exclusively in a critical mode.

Fast forward 15 years and much has changed. To see this one need look no further than the current state of the EU. LI predicts that without a functional "grand projet", we will not see major forward movement toward institutional reform in the EU—and this is precisely

what we observe. The most striking aspect of European integration since 1992 is its stability. Despite the constitutional debacle of recent years, we observe a "European constitutional settlement" in place: a stable substantive, institutional, and normative balance within which incremental EU policy-making occurs. Amsterdam, Nice and Lisbon mark only incremental movement along slow trends strengthening the Council and Parliament and expanding intergovernmental functions outside the "first pillar." After a disastrous decade of democratic constitutional experimentalism, governments have gone back to classic intergovernmental politics.

Why? Most fundamentally because there is no functional justification for major change. Participants in the EU's recent constitutional convention spent almost no time on proposals for substantive reform, because there was no point: today no proposal akin to the single market or currency enjoys enough support to be taken seriously. Social policy, centralized neoliberal reform, and immigration, attractive though they may be to philosophers, lack either political consensus or functional justification. The status quo is unlikely to be upset, except by a major exogenous shock we cannot yet foresee, or by incremental change.

Enlargement is the proverbial "exception that proves the rule." The only unforeseen exogenous shock since the late 1980s was the end of the Cold War. Socio-economic and political stabilization of Europe's immediate periphery became a concern, generating the only major EU policy shift since Maastricht. Enlargement to the south and east was possible, however, simply by extending current institutions and policies, backed by a modest expansion in intergovernmental capacity for foreign policy and defense cooperation—and so it was done.

Some historical institutionalists maintain that enlargement was unintended and unwanted, rather than an instrumental response to functional pressure. While such theories enjoyed some success in explaining supremacy of European law—though even there it has limits—there have been few empirically compelling efforts to extend it to other areas of EU policy-making. As a general explanation for enlargement, it remains strikingly implausible. Consider, for example, Frank Schimmelfennig's widely discussed claim—to simplify a subtle argument—that EU member states rashly promised to let in new members, and Commission activism plus their own guilty consciences held them to that promise (Schimmelfennig 2003a). Due to "rhetorical entrapment," he claims, 15 members became 27.

This most obvious weakness in this argument, we can see now, is that EU governments have unanimously renewed the promise and the policy over the past two decades: choosing a "big bang" rather



than a mini-enlargement, offering membership to Romania and Bulgaria, extending the policy down the Western Balkans, systematically removing obstacles (French constitutional barriers, the recognition of Kosovo, technical inhibitions), and today even maintaining deliberate ambiguity about the future of Turkey, despite hostile public opinion. Leaders consistently support the policy not because they are idealists, or trapped, but because it serves their perceived national interest. They have used promises and delegation as a means to “lock-in” policy against domestic opponents, again just as LI theory predicts. The current state of the EU makes little sense from any perspective other than one that stresses national interests, interstate bargaining, and institutional commitment.

In scholarly terms, LI theory has also emerged over the past 15 years as the foundation of what one leading scholar terms the “dominant” theory of integration (Pollack 2000). Another speaks of “the centrality of LI to theory and explanation of European integration...and its status as a baseline theory.” (Schimmelfennig 2003:93). Studies of the most consequential EU policies—CAP reform, external trade policy, free movement of people, services deregulation, budgetary affairs, to name a few—uniformly confirm it. Entire research programs (and not just the historical institutionalist arguments above), originally seen as viable alternatives, have floundered. After over a decade of formally modeling the institutional details of the EU legislative process, empirical data suggests that preferences and veto positions, not institutional details, explain outcomes—just as LI theory predicts. (This result holds for constitutional decisions as well as everyday ones.) (Thompson et al 2006). At the opposite theoretical extreme, sustained efforts to show that “socialization” of national and supranational officials in the EU’s Council and Commission structures explain interstate bargaining outcomes have been shown to lack empirical support, as against regime-theoretical alternatives.

The full breadth of the underlying empirical consensus in favor of LI theory is obscured by two odd characteristics of the scholarly literature. One is a selection bias in research topics away from substantively important issues (like agriculture and trade) and toward insignificant, exceptional or emerging issues, and secondary institutions. An example is the enormous interdisciplinary literature on the Open Method of Coordination, notably in social policy. This is intelligent and insightful work, but even its staunchest defenders concede that neither OMC nor EU social policy has yet to generate any major policy achievement equal to those listed above. Or consider the enormous attention given to relatively few cases of successful Commission activism (e.g. Article 90 in

telecommunications), compared to general disinterest in the far more important two-decade decline in the Commission’s power. Another example is the detailed analyses lavished on voting within the relatively weak Parliament, for which we have splendid methodological tools, as compared to the far more powerful Council. It is time to reweight literature reviews, textbooks, and special issues of journals so as to better reflect the importance of what the EU actually does.

A second reason why one does not always perceive LI’s strength in the literature is that many articles focus on novel theories, while using LI as a baseline, control or background. Read the empirical data, however, and one finds that—unlike many such baselines in political science—national preferences, veto power and transaction costs remain the most powerful explanatory variables, with the other factors explaining residuals. One example is Kathleen McNamara’s admirable book-length analysis of EU monetary integration (McNamara 1998). McNamara characterizes her work as constructivist, but in fact much of it quietly works within an broader LI paradigm. She views states as instrumental international actors with exogenous preferences. They bargain among themselves and institutionalize the results. She concedes that economic interests as important in their calculations. Her challenge to orthodox IPE is limited to the very plausible claim that monetary preferences cannot be derived solely from patterns of interdependence but also reflect socially constructed ideas about monetary policy. The notion that monetary policy, an issue-area where material consequences are more uncertain than trade policy, requires a more complex preference function has long been accepted in IPE. Thus McNamara’s results are not only quite consistent with the LI model, but actually depart from it in only one particular—albeit an important one. Much contemporary EU scholarship does likewise, departing from the orthodoxy in only one respect.

This conclusion is not meant to be triumphalist. It is meant to be ecumenical. If the analysis above is correct, scholarship in EU studies is converging toward a common framework—in fact if not in name. Ninety percent of the work in EU studies today, at least that having to do with constitutional change and legislative decision-making, views states as the critical actors with distinct preferences, strategic priorities, and institutional strategies. Increasingly the real debate focuses on the nature of the components: the precise specification of state preferences, interstate bargaining, and institutionalization. (Not all theories fit the mold, but most do.) If we focus our efforts on investigating these detailed empirical puzzles, we will transcend what is perhaps the final vestige of the old style of EU theorizing that dominated the field in 1991: the tendency to frame debates in terms of disagreements among “grand”



theories. The purpose of social science theory, after all, is to transform philosophical debates into empirical ones. This was always the deeper aim of "Negotiating the Single Act." Today it is finally within our grasp.

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Postscript to the "The Making of a Polity"

Liesbet Hooghe and Gary Marks

THE "MAKING OF A POLITY" (1999) diagnoses the coalitions and conflicts that would arise if the European Union were transformed into a polity responsible for fundamental decisions binding on individuals living in its member states. ¹ What if the European Union was such a polity in the making, not merely a means for internalizing policy externalities or regulating trade? What if the choices that confronted Europeans were larger, far larger, than determining the prices of agricultural products or setting external tariffs? What would happen if those who led national political parties, interest groups, and social movements came to realize that national states were being melded into a new institutional set-up, a system of multilevel governance? What would be the contending visions? What fundamental conflicts would arise? Who would be on which side?

We tried to shed light on these questions by describing the genesis of the polity that was emerging after the Single European Act (1986). We strove to stay close to the ground, sketching developments in a straightforward way, yet our purpose was to argue that European integration would be determined not by industrialists, bureaucrats, or diplomats, but by leaders of broad political organizations—political parties, social movements, interest groups—who had contending ideas about basic political institutions.

We were writing for an audience which, at the time, did not believe that European integration amounted to much. Comparative political economists conceived European integration as a side-show which had little effect on national public policy and which had the awkward methodological effect of reducing the independence of the cases available for analysis.

Building on the work of political economists, we argued that the impetus for the making of a European polity was the perceived failure of national Keynesian policy. One response was to shift decision making to private actors; another, complementary, shift was to Europe. This was the point of departure for European integration, "but not the destination," for how was a European market to be governed? How much authority would be vested in European institutions? What would be their policy responsibilities? Just as the creation of national policies over the past century had been framed in distributional, usually, class conflict, so we anticipated that distributional coalitions would contest European policies.

Not that we expected a replay of state building. Left/right conflict over European issues could not follow the path of left/right conflict over national policies. The institutional barriers to market regulation



were quite high and the coalition that could propel Europe over them was weaker than in most member states. There was no coherent European trade union movement, no working class, and little overarching cultural solidarity. In short, the conditions for a European welfare state or neocorporatism at the European level were absent (Streeck and Schmitter 1991). The debate would be about how to regulate markets, not whether markets should be replaced.

We described two overarching political designs or projects around which broad coalitions of political actors would form. A neoliberal project seeks to insulate markets from political interference by combining European-wide market integration with minimal European regulation. Neoliberals and their allies on the economic right want a single market within which national states compete for mobile factors by providing attractive regulatory regimes. They oppose the creation of authoritative European institutions beyond those necessary to sustain market competition. On the other side, a project for regulated capitalism brings together a disparate set of mainstream social democratic and centrist political parties, social movements, and trade unions. They wish to build authority at the European level—which means empowering the European parliament and limiting the veto power of individual governments—to create what Jacques Delors described as an *espace organisé*, a peoples' Europe based on social reform and partnership among public and private actors.²

Fifteen years later, European integration has become more participatory, and is more politicized, than we could have guessed. We claimed that European integration would “become a matter of the widest public discourse,” but we had no notion of how wide and how public that contest would become—in 27 (27!) referendums on Europe that have taken place since the 1992 referendum in France. We recognized that European integration was a high-profile issue which escaped the control of government leaders, but we did not dare to predict how frequently governments might have to accept humiliating defeat on European issues at the hands of their citizens.³ What seemed extraordinary at the time—politicization, mass participation, and elite vulnerability—has become almost ordinary with the passage of time.⁴

But we misunderstood or simply missed some important developments. First, we overestimated the extent to which social democrats would be willing and able to mobilize for supranationalism. We were aware that the center-left coalition for regulated capitalism was “weaker than the sum of its parts because it is extraordinarily heterogeneous (91),” but we believed that there would be common ground among social democratic parties. The 1999 Amsterdam Treaty revealed that this

did not extend to constitutional issues. Social democratic parties, governing in thirteen of fifteen member states, broadened EU competences to employment, social regulation, women's rights, human rights, and the environment—but they did not deepen, at least not commensurately, the authority of the European Union. One reason for this is that social democrats were deeply divided. A coalition for regulated capitalism would have had to encompass Jospin's socialism alongside Tony Blair's Third Way (Pollack 2000). Another reason is that support for redistribution relies on a shared sense of community more than we imagined, and community is relatively weak in today's European Union.

Second, we underestimated the extent to which European integration has intensified, as well as tamed, territorial politics. In “The Making of a Polity” we emphasized that European integration transforms diplomacy into law making, implementation, and adjudication. We were probably right to hypothesize that domestic groups of similar ideological stripes would form transnational coalitions. But we were wrong to believe that ideological conflict would cross-cut and thereby diminish territorial conflict. European integration has actually exacerbated territorial politics because it encompasses diverse countries in a single polity (Hooghe and Marks forthcoming).⁵

Were we to rewrite the paper today, we would surely pay more attention to judicial politics. The courts have been the bane and the boon of regulated capitalism. The bane in that the penchant of the European Court of Justice for knocking down economic barriers threatens social democratic achievements at the national level; the boon in that the Court has created extensive case law on gender equality, regional equality, the family, and protection of the environment (Cichowski 2004; Caporaso and Tarrow 2007). James Caporaso and Sidney Tarrow observe that “social policy is already ‘here’ in the EU, in that market and social policy are increasingly meshed with regulatory and redistributive politics. Karl Polanyi observed in the context of nineteenth century England that the logic of economic exchange is legally and politically embedded, and Caporaso and Tarrow extend this line of argument to the role of European Court of Justice in regulating the single market.

Finally, and perhaps most fundamentally, we did not recognize the force of national identity in fomenting opposition to European integration. The contending visions that we described were political economic. Neoliberalism and regulated capitalism differ on the role of the state in the economy, on the distribution of economic values, and on the relative virtues of economic freedom versus economic equality. They assume that the democratic class struggle takes place within given communities in given territories. They assume that con-



flict is about who gets what (and how). Now we realize that the creation of a European polity engages more fundamental and more disruptive issues having to do with the boundaries of the political community, with the authenticity of national values and traditions, with potentially combustible conceptions of "us" and "them."⁶

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Notes

1 "The Making of a Polity" was published in 1999 as part of a volume that examined the changing European political economy since the 1980s (Kitschelt, Lange, Marks, Stephens 1999). Our first effort to write a paper for the volume *Continuity and Change in Contemporary Capitalism* argued that the European Community was being transformed into a system of multilevel governance which was eroding state sovereignty. This paper was published in the *Journal of Common Market Studies* in 1996 as "European Integration and the State: Multi-level vs. State-Centric Governance."

2 We wrote the first draft of "The Making of a Polity" for a conference held in Berlin in May 2005. As is often the case when the scientific community is grappling with new facts, several people were thinking along similar lines. Our argument was consistent with the finding that social policy was being developed beyond the national state (Leibfried and Pierson 1995) and that European developments reflected a clash of capitalisms (Crouch and Streeck 1997; Rhodes and van Apeldoorn 1997).

3 Since 1992, governments have been defeated in referendums on six occasions. Just seven referendums on Europe took place in the EU over the previous four decades—with no government defeats.

4 The search for an explanation of politicization has led us and others to examine political parties, social movements, and interest groups (see Hooghe and Marks forthcoming, for an overview).

5 In more recent work, we hypothesize that ideo-

logical coalitions form for policies that have similar distributional effects across countries and territorial coalitions form for policies that redistribute across countries (Marks 2004).

6 In an early draft of "The Making of a Polity" we inserted a postscript entitled "Maastricht and the nationalist project" which discussed how nationalism intensified politicization and diminished public support for the EU. We wrote that "Nationalism and anti-Europeanism go hand in hand. Radical streams within mainstream parties of the Right, including the British Conservative party and the French Gaullists, new and not so new extreme rightist parties in Denmark, Austria, Sweden, Italy, anti-Maastricht social movements in France and Spain—each of these privilege anti-Europeanism as a core feature of their programs." However, we cut the section because we were still thinking through the logic of national identity in relation to European integration and we believed that a third project would dilute the economic focus of the paper.

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From "Europe Before the Court" to the World Before Courts

Walter Mattli and Anne-Marie Slaughter

"EUROPE BEFORE THE COURT" DEVELOPED a theory of how the most effective international tribunal in the world, the European Court of Justice (ECJ), succeeded in bringing about the legal integration of the European Community (Burley and Mattli 1993; Mattli and Slaughter 1995, 1998). Fifteen years after its publication, its central arguments hold up remarkably well. Equally important, they help to explain an increasingly large part of the international landscape, as the number of international and regional tribunals has exploded.¹ This increase has attracted the attention of a growing number of scholars, some of whom rehearse the same debates between intended consequences and unintended consequences that we engaged with Geoffrey Garrett and others long ago. Overall, however, time has provided extensive evidence of the ways in which judges can act as autonomous actors with their own interests, as well as the ways in which those interests can mesh with the interests of domestic courts, lawyers, their clients, and even domestic regulatory agencies.

What triggered legal integration in Europe? In the

years following the signing of the Treaty of Rome, small concentrated groups opposed to integration successfully lobbied national governments for non-tariff barriers and other trade protectionist measures, thereby robbing European traders and consumers of significant economic benefits promised in the Treaty. All governments were complicit in trade violations; thus none had an incentive to sue another member-state government for fear of tit-for-tat retaliation. The ECJ judges seemingly could do little since only member states and the Commission had a right to bring cases to them, and very few cases were brought despite a growing number of violations.

We argued that the unexpected actions taken by the ECJ to remedy this situation, and the far-reaching consequences of these actions, corresponded better to Ernst Haas's neofunctionalist account of how European integration was supposed to proceed than conventional theoretical accounts that assumed states got exactly what they bargained for. We identified the actors in this drama as a specialized community of judges, lawyers, legal scholars, and private actors with a vested interest in liberalized markets. Specifically, the ECJ judges promoted the preliminary rulings procedure which provided a framework for links between the Court and individual litigants, their lawyers, and lower national courts, enabling litigants to challenge national regulation incompatible with the Treaty. Through this Court-built alliance, the judges successfully transferred a large portion of the business of interpreting and applying Community law from member-state governments inclined to follow their immediate political interests to national and supranational institutions with a direct stake in holding those governments to their treaty obligations.

The unfolding of legal integration, in our view, displayed all three features of Haas's neo-functional model of integration: functional spill-over, political spill-over, and the upgrading of common interests. Functional spill-over came from the logic of law, the legal reasoning that led the ECJ to steadily expand its jurisdiction to related legal issues. Political spill-over occurred through what Court-watchers had already identified as "transnational incrementalism," a process whereby the acceptance of ECJ doctrines by national courts in some countries led to pressures on courts in other countries to do the same, and through the overall legal process of shifting expectations based on the acceptance of legal decisions as establishing new baselines. The upgrading of common interests took place in the Court's reasoning itself, which justified its interpretation of the Treaty of Rome to further legal integration on the basis of the common interests of member states that led them to conclude the Treaty in the first place.



We identified the context in which these actors engaged in this process as the apparent separation of law and politics. Law proved impervious to political interference by the member-states, not only due to “the mask” of technical discourse, but also to “the shield” of domestic norms of rule of law and judicial independence. However, we also argued that the ECJ could not outrun its constituency without losing its legitimacy, and it had to remain minimally faithful to both substantive legal doctrine and the methodological constraints imposed by legal reasoning. Within these constraints, the ECJ successfully pushed the process of legal integration far beyond what the member-states had intended.

Much excellent research has been conducted since the publication of “Europe Before the Court,” carefully examining and systematically testing several of our propositions about the driving forces of legal integration (Stone Sweet and Brunell 1998; Stone Sweet 2004; Alter 2001; Conant 2002; Cichowski 2007).² The proliferation of international and regional tribunals, however, means that questions of how and when some tribunals work (in the sense of reaching decisions that are then complied with) and others do not are more important than ever. Some of the emerging literature tackling these questions draws on the analytical elements suggested in “Europe Before the Court,” finding much confirming evidence and interesting parallels.

To take only one example, a forthcoming study by Judith Goldstein and Richard Steinberg traces the way members of the Appellate Body of the WTO Dispute Settlement Mechanism have used their discretion in unexpected ways to open up the dispute process as well as to shape trade rules (Goldstein and Steinberg 2009). When US negotiators supported a shift from the GATT to WTO dispute settlement, they expected the new mechanism to neutrally enforce rules that were favored by the US and Europe. They did not expect Appellate Body judges to drive trade liberalization holding all WTO member states to their treaty obligations. Just as in the EU, however, judicial liberalization has become the dominant method of contemporary WTO liberalization. Delegation to the judiciary, established with the creation of the WTO, was accompanied by considerable “agency slack” (meaning room for autonomy of agents from principals). As a result, the Appellate Body has been able to open up the dispute process by allowing *amicus curiae* briefs submitted by non-state actors, as well as by permitting private lawyers to represent governments in oral proceedings, despite US and EU opposition. Goldstein and Steinberg conclude that the shift to judicial liberalization has increased the efficiency of the organization and enhanced trade by freeing member states from capture by entrenched domestic interests.

The prying open of dispute resolution forums by judicial entrepreneurs, fostering strong links between ‘victims’ and these entrepreneurs, is also a significant trend in human rights protection. Kathryn Sikkink, for example, describes how individual judges, such as Judge Garzon in Spain, have become powerful drivers of greater regulation of human rights and in particular of more enforcement, notably by offering new judicial avenues to the victims of human rights abuses. Sikkink notes: “The inclusion of litigants...multiplies by hundreds the number of potential actors who could intervene in core human rights issues” (Sikkink 2009). Similarly to our account, the key actors that emerge here are the members of a specialized community, including judges and transnational networks of activist lawyers; and the enforcement of human rights conventions largely occurs in domestic courts. Sikkink concludes, “We could think of this as an example of the ‘legal integration’ of the kind discussed by Burley and Mattli.”

Notwithstanding this mounting evidence regarding the power of independent tribunals, rationalists following in the footsteps of Geoffrey Garrett continue to insist that states know what they are getting into when they create such tribunals and judges end up fulfilling state expectations, playing little or no independent role. The most recent entry in this category is by Eric Posner and John Yoo, who argue that the only effective international tribunals are “dependent” tribunals, courts closely controlled by the governments that establish them (Posner and Yoo 2005). Helfer and Slaughter point out in response that Posner and Yoo’s own empirical figures actually support the opposite of their claim, showing that independent tribunals are the most effective (Helfer and Slaughter 2005). Helfer and Slaughter’s analysis builds directly on ours and on Helfer and Slaughter’s later article, “Toward a Theory of Effective Supranational Adjudication” (1997).

Scholars will continue to identify and debate the precise factors that explain the relative effectiveness of different tribunals. From our perspective, however, what is most important was our excavation of the micro-foundations of compliance with judicial decisions, the penetration below the façade of “state” compliance with international decisions to the emergence of specific constituencies of individuals—clients, lawyers, and judges—who benefit from appealing to a supranational tribunal and complying with its decisions. We also continue to insist that the judges, lawyers, and litigants that drive legal integration forward are semi-autonomous actors but never rogue actors. They accept, as a professional and often as a moral matter, the discipline and culture of resolving conflicts based on language, logic, and underlying principles. In the right structures



and with the right incentives, they can hold states to their word, both in Europe and around the world.

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Notes

1 The Project on International Courts and Tribunals has documented the "exponential growth" of international and regional judicial entities, including new "hybrid" courts that include both national and international judges. <http://www.pict-pcti.org/>. See also essays in Goldstein et al 2001; Mattli and Woods 2009; Alter 2006.

2 For an excellent review of the voluminous literature on legal integration, see Conant 2007.

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EUSA BIENNIAL CONFERENCE April 23-25, 2009

Call for papers and panels

The European Union Studies Association invites scholars and practitioners engaged in the study of Europe and the European Union to submit panel and paper proposals for its 2009 Eleventh Biennial International Conference, April 23-25 in Los Angeles, California. This conference also marks the 20th anniversary of EUSA. The Program Committee plans to promote the broadest possible exchange of theoretical approaches, disciplinary perspectives and research agendas. Please note the following:

1. On the basics of paper and panel proposals:

- We welcome both paper and panel proposals, particularly those that foster transatlantic dialogue. Panel proposals need to consist of three to four papers.
- Participants are limited to two appearances on the conference program (two papers or one paper and one discussion role; chair roles do not count toward the appearance limit). Participants should therefore submit no more than two proposals.
- For organizational reasons, the program is subdivided into six substantive sections (integration theory, institutions, economics and political economy, political sociology, law and public policy, external relations). Please indicate for which section you would like to be considered. Note that there is no fixed number of panels for each section. Choosing one section rather than another does not enhance or diminish your chances of having your paper or panel accepted.

2. On a new presentational format for EUSA 2009:

- For papers that we judge meritorious but which cannot be included in regular panels, we will offer a new format instead of poster sessions. In two time-slots during the conference (on Friday and Saturday morning) several papers will be grouped in thematic "workshops" around a round table. Presenters will give extremely brief (3-4 minute) statements and then move to discussion. Multiple workshops will run concurrently in a large room, such that visitors can move around and sit in on discussions. Our hope is that this format will preserve some of the openness of poster sessions but will provide more substantive interaction.

3. Teaching workshops:

- EUSA offers two time slots for teaching workshops during the conference. For more information, please refer to the call for teaching workshops that will be published separately.

4. Other conditions:

- The Program Committee reserves the right to make changes to organized panel proposals, including their composition.
- You do not need to be an EUSA member to submit a proposal, but all those appearing on the conference program must be current EUSA members.
- We cannot honor individual scheduling requests; by submitting a proposal you agree to be available from 8:30 a.m. on Thursday, April 23rd through 6:00 p.m. on Saturday, April 25th.

The 2009 Program Committee is:

Frank Schimmelfennig (ETH Zurich), Chair

Lisa Conant (University of Denver), Law and Public Policy

Matthew Gabel (Washington University in St. Louis), Political Sociology

Michel Gueldry (Monterey Institute of International Studies), Teaching Workshops

Mark Hallerberg (Hertie School of Governance and Emory University), Economics and Political Economy

Joseph Jupille (University of Colorado), Institutions

Craig Parsons (University of Oregon), Integration Theory

Michael E. Smith (University of St. Andrews), External Relations

The firm deadline for receipt of paper and panel proposals is September 30, 2008. We regret that we cannot consider proposals received after this date. You will be notified of the Program Committee's decision regarding your proposal by December 15, 2008.

How to submit a paper or panel proposal: All proposals must be submitted via our online proposal submission forms, which will be located at www.eustudies.org beginning August 4, 2008. Proposals must be submitted via the website. We do not accept proposals by e-mail, regular mail or via facsimile. Address all questions about the proposal process to eusa@pitt.edu or by telephone to 412.648.7635.





The European Union Studies Association invites proposals for teaching workshops on Europe and the European Union in connection with its 2009 Eleventh Biennial International Conference in Los Angeles.

The teaching workshops are scheduled for Thursday, 23 April 2009 from 8:30 to 12:30 am and Saturday, 25 April 2009 from 2 pm to 6 pm. Workshops may be planned for two hours or four hours and may be offered on Thursday as well as Saturday. The purpose of these workshops is to provide participants with tools, methods, materials, sources and approaches to teaching the European Union. They should be pragmatic and concrete in nature.

Applications for teaching workshops should be sent to eusa@pitt.edu in PDF format. The deadline is **September 30, 2008**.

Applications should include the following information:

- Target audience: We encourage teaching workshops designed to attract broad and/or diverse audiences including high school, community college, and university teachers (undergraduate and graduate levels).
- Maximum participant size of the workshop
- Preferred time slot
- Detailed workshop description: Please include a preliminary teaching plan with timetable, subjects, methods, and short reading list. Please describe the expected benefits of workshop for participants, including materials, concrete deliverables and skills that they can expect to use in the classroom
- Workshop teachers are encouraged to consider a wide range of active and experimental tools, including (but not limited to): use of case studies, simulated negotiations and role playing, IT/multimedia and teaching the EU, integration of visual and audio sources, use of primary sources, field and service learning, role of languages in EU studies, team-teaching, etc.
- Workshop may address issues such as: classroom activities and techniques, syllabus development, student's evaluation, curriculum development and program assessment, etc.
- List of needed didactical equipment
- Workshop budget: Please detail teachers' remuneration, cost of equipment, cost of materials, etc.
- CV(s) of responsible teacher(s)

You will be notified of the Program Committee's decision regarding your teaching workshop proposal by December 15, 2008. Please address all questions about the proposal process to eusa@pitt.edu or by telephone to **412.648.7635**.



**Half a Century of European
Financial Integration**

Ivo Maes

THIS ARTICLE TRACES THE DEVELOPMENT of half a century of European financial integration, from the Rome Treaty to the 21st century. While it focuses on the process of European financial integration, it is important to keep in mind that European financial integration has never been an end in itself (Maes, 2007). It has been part of the general process of European integration, a fundamental political process, to restore peace and prosperity after the destructions of the Second World War.

One of the crucial aims of the Member States of the European Community, as expressed in the Preamble of the Rome Treaty, was “to ensure the economic and social progress of their countries by common action in eliminating barriers which divide Europe.” Financial integration certainly played an important role hereby, not only in eliminating barriers which divided Europe, but also in contributing to economic and social progress. Indeed, a well functioning financial sector is important for a strong economic performance. It is crucial for the process of “creative destruction,” reallocating capital from declining sectors to those with good economic prospects. This was put very forcefully in the Conclusions of the 2000 Lisbon European Council: “Efficient and transparent financial markets foster growth and employment by better allocation of capital and reducing its cost. They therefore play an essential role in fuelling new ideas, supporting entrepreneurial culture and promoting access to and use of new technologies.” However, while financial integration has clear benefits, one has also to admit that it can entail certain risks. So observed the Committee of Wise Men (2001) that, while it “strongly believes that large, deep, liquid and innovative financial markets will result in substantial efficiency gains and will therefore bring individual benefits to European citizens, it also believes that greater efficiency does not necessarily go hand in hand with enhanced stability.”

During this last half century, the process of European financial integration has largely been driven by three different, but interacting, factors: (1) a global, world-wide process of financial integration, very much market driven; (2) policy initiatives towards European (financial) integration at the level of the European Union as a whole (with the Rome Treaty, the single market project and the 1999 Financial Services Action Plan as the main highlights); and (3) the introduction of the euro and the single monetary policy, adopted by many, but not all, of the countries of the European Union.

Early history

When assessing the process of European financial integration, it is important to keep in the mind the situation at the end of the 1950s, when the Rome Treaty was negotiated. At that time, there were very significant differences between the financial systems of the countries of the European Community (Maes, 2007). They concerned, for instance, the role of the government, the size of the various financial markets, the role of different types of financial institutions or the significance of institutional investors. In several countries, financial systems were characterised by significant degrees of segmentation, leading even to the question whether one could speak of a “national” financial market (CEC, 1966). Moreover, capital controls were pervasive, leading to a significant partitioning of financial markets between countries.

A crucial element was that the financial sector was regarded as a very special sector in which the government had an important role. This was to a large extent a legacy of the interwar period, when bank runs, stock market crashes and the Great Depression had led to significant government intervention in the financial sector. Crucial objectives of the government were the protection of small savers and the prevention of systemic financial crises. The government intervened in a multitude of ways: different forms of regulation (like the prohibition of banks to take shares in industry), the creation of institutions which were responsible for the supervision of the financial sector (in the United States, for instance, the Securities and Exchange Commission was established in 1934), government financial institutions providing market financial services (mostly to provide credit to a specific group which was considered to be neglected by the financial markets). The situation was concisely summarised in the Segré Report: “The way available resources are distributed between the various sectors... depends essentially on decisions taken by the authorities. The scale of public investment, the major role played by official financial intermediaries and the dominant position on the market held by the public authorities leave only a relatively small area in which the play of traditional market forces can determine the allocation of resources” (CEC, 1966, p. XV).

Financial integration was not the topic of a separate chapter of the Rome Treaty. It involves three different types of activities (which are the subject of three different chapters of the Treaty): the right of establishment, the free movement of services and the free movement of capital (Servais, 1996). While these three activities are strongly interrelated, it is important to keep in mind that they are conceptually different. Let us give a short definition of them:

- the concept of establishment involves (a financial institution) setting up permanent-



ly in a Member State, other than the country of origin, in order to exercise activities;

- the free movement of services means the supply of services, by an establishment located in one country, for the benefit of a client in another country;
- a capital movement implies a transfer of assets from one country to another (or, if it is within a Member State, to a non-resident). Moreover, it has to be an independent transaction in its own right (otherwise, it would be a payment).

That financial integration did not enjoy the same priority in the Rome Treaty as the customs union is clear from the chapter on the free movement of capital. The first article of which states: "Member States shall, in the course of the transitional period and to the extent necessary for the proper functioning of the Common Market, progressively abolish as between themselves restrictions on the movement of capital." (Article 67.1). The Treaty thus clearly subordinates the free movement of capital to the common market (comprising free movement of goods and foreign direct investment, cf. Vigneron, 2007). Abolishing barriers to trade in goods was already a highly ambitious objective, and was made subject to Article 109's safeguard clause. Furthermore, Article 73 stipulates that in "the event of movements of capital leading to disturbances in the functioning of the capital market in any Member State," the country concerned can take "protective measures".

Moreover, the Rome Treaty left macroeconomic and monetary policy-making mainly at the level of the Member States. Triffin (1958, p. 1) described the limited monetary dimension of the Rome Treaty as "a Hamlet in which the role of the Prince of Denmark is almost totally ignored."

The first directive concerning the liberalization of capital movements was adopted by the Council in May 1960. It fell far short of full liberalization. Member countries were obliged to unconditionally liberalize short and medium-term trade-related credits, direct investment flows, and transactions in listed shares. These were the financial transactions which were directly related to the physical creation of the common market. They were directly linked to the clause in Article 67, 'to ensure the proper functioning of the Common Market'. Short-term financial transactions, however, did not fall under any obligation to liberalize. A second directive, much less important, was adopted by the Council in December 1962. The main element was the extension of the unconditional liberalization of short- and medium-term credits to trade in services (as opposed to goods only in the 1960 directive).

Meanwhile however, the first cracks in the Bretton-

Woods system had appeared. From the end of the 1960s the Bretton-Woods fixed exchange rate system was increasingly under stress (Maes, 2006). Also in the EEC itself, cracks began to appear in the exchange rate system. The after-effects of the May 1968 revolt caused great difficulty for the French franc. Consequently, the French government decided to use the safeguard clause and took temporary protectionist measures.

During the early 1970s, in a context of turbulence on the foreign exchange markets, the European countries resorted again to capital controls in order to defend their exchange rates (Bakker, 1996). Even Germany, very much against its free market views, introduced measures to limit capital inflows. Also other countries, especially France and Italy, introduced capital controls. However, in these last two countries, they were essentially aimed at the control of capital outflows, as their currencies were under downward pressure.

New impulses

In the 1970s and the 1980s, the financial landscape went through fundamental changes, "both a quantitative and a qualitative jump" (Abraham, 2003). Two tendencies were crucial: the internationalisation of the financial markets and financial innovations. It went together with a growing influence of market forces.

The internationalisation of the financial markets was most evident in the growth of the so-called Eurocurrency markets. As such, Eurocurrencies were not a significant product innovation. Indeed, operations in foreign currency deposits were well known in London before World War One (Toniolo, 2005). At the core of the euro-markets was the eurodollar market. Eurodollars, in Milton Friedman's (1969) classical definition, "are deposit liabilities, denominated in dollars, of banks outside the United States." However, there were also euro-markets for deposits denominated in other currencies, like the Deutsche mark, the pound sterling or the Swiss franc. The prefix "euro" derived from the fact that banks originally active in this market were located in European financial centres.

From the 1970s onwards, financial innovations started flourishing, especially on the international financial scene. Besides the sharp acceleration in the globalisation of financial markets, two broad tendencies can be distinguished (BIS, 1986). Firstly, a move towards securitisation, with banks trying to increase the marketability of their assets. This contributed to a blurring of the distinction between bank credits and the capital markets. Secondly, an increasing importance of off-balance-sheet items. The BIS report here paid special attention to four major instruments: note issuance facilities, which enable a borrower to issue a stream of short-term notes over a medium-term period, and three types of derivative products: currency and interest rate swaps, currency



and interest rate options and forward rate agreements.

Also, attitudes towards risk capital were changing. In several European countries the idea was growing that the aversion of savers towards shares was contributing to a weak financial structure of firms, making them much more vulnerable to adverse economic circumstances. In France, the Barre government passed, in July 1978, the so-called “Monory law” (after Finance Minister René Monory). It provided tax incentives for French households when they acquired shares of French companies, and for certain firms (especially medium-sized companies) when they issued new shares. A crucial aim of the law was to redirect savings from short-term financial assets towards risk capital. Moreover, the law crucially aimed at reinforcing the role of market forces in the French financial system, which was very segmented and oligopolistic (Métais, 1985). In the following years, several other European countries took similar measures.

Naturally, with the growing internationalisation of financial markets and the accelerating pace of financial innovations, the effectiveness of capital controls became more and more eroded (Maes, 2007). Also, and very crucially, free and open financial markets were increasingly seen as important determinants of the competitiveness of financial centres and financial institutions. Moreover, with the Thatcher government, the free market camp in the European Community was significantly strengthened.

Financial integration came effectively on the agenda of the Community with the single market project in 1985. In its “White Paper,” the Commission (1985, p. 27) clearly stated, “The liberalisation of financial services, linked to that of capital movements, will represent a major step towards Community financial integration and the widening of the Internal Market.”

As regards the freedom of establishment of financial institutions and the cross-border selling of financial products, two issues were of crucial importance: supervision and consumer protection. Differences between countries in these areas had formed significant barriers to a single financial market. The Commission’s 1992 strategy aimed to abolish barriers through three major principles: (1) minimum coordination of individual national rules; (2) mutual recognition; and (3) home-country control (CEC, 1989).

The internal market programme adopted this approach for the financial sector (banking, insurance and the securities markets). Four key directives defined the provisions that had to be harmonized in order to allow the free provision of financial services: the Second Banking Directive; the Investment Services Directive; and new Life and Non-Life Insurance Directives. In essence, these directives gave financial institutions the opportunity to offer their services across the EU with a single licence (Gros and Lannoo, 2000). It marked the start of the quest for a single passport.

The measures were supplemented by directives defining specific subjects, such as the solvency ratio and own funds directives in banking, and directives covering unit trusts, listing prospectuses and initial public offerings, in the area of investment services.

As mentioned earlier, the liberalisation of capital movements was closely linked with monetary and exchange rate issues. This would also be so in the 1980s. In May 1986, in order to put into practice the White Paper on the internal market, the Commission presented a programme for the complete liberalisation of capital movements. It would go ahead, along with the relaunching of the monetary union project (Maes, 2002). The Maastricht Treaty not only contained EMU, but put also the free movement of capital on a par with the other freedoms of the Rome Treaty.

The euro and recent initiatives

The introduction of the euro and the single monetary policy have had a particularly strong impact on the financial markets. A significant integration process is under way, as seen most clearly in the money market and above all in the unsecured interbank market (Hartmann et al., 2003). One can refer in this regard to a genuine single European market that is the direct result of the common monetary policy. Moreover, the disappearance of exchange rate risk within the euro area and the integration of the money market also provided a great boost to the integration of the other financial markets (ECB, 2007). A sector in which impressive changes have taken place is the euro denominated bond market.

With the removal of exchange rate risk and the introduction of the euro, yields in the government bond market have converged in the euro area, although the importance of national factors has not completely disappeared. These relate in part to the characteristics of the markets in the different countries. Differences in liquidity and the availability of developed derivatives markets may partly account for the yield differentials. However, bond yields also reflect differences in perceived credit risk, which ought not, of course, to be seen as indicating a lack of integration. The consolidation of public finances under the influence of the convergence criteria and the Stability and Growth Pact has also contributed to a decline in credit risk premia and hence to a convergence of bond yields.

The introduction of the euro also contributed, together with the globalization of the economy, to changes in the behaviour of stock market investors as well as issuers of shares. Investors in shares traditionally adopted a “country” perspective, as the determinants of share prices (profits of firms and interest rates) were strongly shaped by country-specific factors like the evolution of the business cycle and national monetary policies. As we saw above, money market rates and



bond yields have both converged significantly since the introduction of the euro. Greater synchronization can also be observed in the business cycle, due in part to the single monetary policy. National determinants of share prices are thus losing in importance and investors are increasingly adopting a euro area and global perspective. In more general terms, they are attaching greater importance to a sector-based allocation of shares, as profits depend to a significant extent on the evolution of the sector in which the firm operates.

Moreover, the stock exchanges were undergoing fundamental changes (Lefebvre, 1999). From a “club,” where members would meet, they were increasingly transformed into electronic trading platforms. So, their role as “infrastructure providers” for intermediaries on the financial markets was more and more accentuated. Moreover, stock exchanges were becoming businesses on their own. Often they were “demutualised,” with their own shares also listed on the exchange and their capital opened up to non members. Mostly, their supervisory functions, like the investigation of market abuse, were transferred to public authorities. In these transformations, technology was playing a driving role. Furthermore, as electronic trading platforms imply massive fixed costs, economies of scale are becoming ever more important, a crucial driver for a consolidation of the exchanges. Also, the product of a stock exchange is the liquidity that it provides for the shares which are traded. This depends very much on the accessibility of the exchange, with a better accessibility leading to higher liquidity. So, network externalities are important, another crucial driver for a consolidation of the exchanges.

In the banking markets, the wholesale market and capital market related activities are displaying significant signs of increasing integration, whereas the retail markets remain fragmented (ECB, 2007). The introduction of the euro removed one of the barriers between national markets. What’s more, together with growing competition and globalization, the euro is contributing to more aggressive bank strategies in Europe (Abraham, 1998). The low level of retail banking integration reflects barriers such as differences in legal frameworks and practices (e.g. consumer protection and mortgages); traditions and culture; and technical infrastructure (e.g. relatively high fragmentation in retail payment infrastructures).

So, the introduction of the euro acted as a powerful catalyst for the creation of an integrated European financial market. At the same time, it led to a greater awareness of the existence of other barriers and of the need to eliminate them. Consequently, public authorities in the European Union took several initiatives to push forward the process of financial integration.

The Cardiff European Council of June 1998 placed the functioning of markets at the center of the economic reform process. In the spring of 1999, the European

Commission adopted the Financial Services Action Plan (CEC, 1999). The FSAP aimed to tackle three strategic objectives: (1) a Single Market for wholesale financial services; (2) open and secure retail markets; and (3) state of the art prudential rules and supervision. Moreover, it foresaw “flanking measures,” especially in the area of taxation. The FSAP contained a set of 42 concrete measures which had to be implemented in a five year period.

A key issue of the FSAP was the functioning of the securities markets, especially how to adapt the European regulatory framework to the continuously evolving financial markets. In July 2000, the ECOFIN Council appointed an ad hoc Committee of Wise Men, led by Alexandre Lamfalussy, the first President of the European Monetary Institute, to analyse “practical arrangements for implementation of the Community rules” and “propose various approaches to adjusting the practice of regulation and cooperation between regulators.”

The Committee of Wise Men proposed an overhaul of the institutional arrangements for the regulation of the securities markets. The new procedure made a clear distinction between key political decisions and technical implementation. The crucial aim was to speed up changes in regulation. Moreover, it significantly increased the transparency of the regulatory process and extended greatly private sector consultation (Quaglia, 2007). The approach of the Committee of Wise Men was broadly accepted by the European Council of Stockholm of March 2001. In 2002 followed an overhaul of the institutional arrangements for banking and insurance. This extended the Lamfalussy approach to banking, insurance & pensions, and financial conglomerates.

In the following years, the Commission further considered its strategy. A key idea was that less emphasis should be placed on new regulation, but that the transposition and enforcement of existing measures should be privileged. In December 2005, the Commission issued a White Paper on Financial Services Policy (CEC, 2005). This set the agenda for the period 2005-2010. The White Paper gave a high priority to a timely and consistent implementation of the FSAP, as well as to continuous ex post evaluation of existing policies and rules. It argued also that certain areas required further policy efforts: (1) clearing and settlement, where cross border clearing and settlement transactions are far more costly than domestic transactions, due to technical, legal and fiscal obstacles; (2) the retail sector, a clear priority for the Commission, with important initiatives in the areas of mortgage credit, consumer credit and payment services; (3) EU supervisory arrangements; (4) the investment fund industry; and (5) a new EU framework for risk management in the insurance sector (Solvency II).

Conclusion

Looking back after half a century, one sees that Europe's financial landscape has changed tremendously,



becoming unrecognisable compared to half a century ago. On the level of the wholesale markets, financial integration has progressed most, even if certain barriers remain, especially ones related to clearing and settlement. Furthermore, on the level of the retail markets, where less progress has been made, there is scope for further action. This is not really surprising, as retail markets are even more embedded in their national societies, with their traditions, languages, cultures and legal systems (especially regarding the protection of savers and mortgages). It is remarkable that also for the introduction of the euro a distinction was made between “wholesale” and “retail” markets. While the euro was officially introduced on 1 January 1999, de facto, it was mainly used on the wholesale financial markets. Mainly because of logistical challenges, banknotes and coins were only introduced three years later.

Financial integration is a complex process (Maes, 2007). A financial system reflects the socio-economic preferences of a country. These preferences are embodied in legal frameworks, taxation systems or regulatory requirements. Removing barriers to integration is then a little bit like playing with a Russian doll: it is only after the removal of a barrier, that one really sees the significance of the next barrier. Moreover, there are important political economy aspects, as costs and benefits of integration are not evenly distributed. The transition costs have usually to be borne upfront and tend to be concentrated, while the benefits are more widely spread. It then often happens that potential losers “wrap their defence of the status quo in nationalistic rhetoric, appealing to protectionist impulses” (Almunia, 2006).

A crucial challenge is certainly the future of Europe's supervisory arrangements. As remarked by European Commissioner McCreevy (2007), “Europe's supervisory system seems to be creaking under its own weight.” Concerns are expressed regarding both efficiency and stability aspects. Financial operators are complaining about the costs of complying with so many supervisory structures and practices. Moreover, from a financial stability perspective, the framework has been described as a “mind-boggling patchwork” by Lamfalussy (2003), who further advocates a strengthening of its crisis-prevention and crisis-fighting capabilities. But it is also necessary to widen the horizon: financial integration is more and more a global phenomenon. Financial markets are more and more interconnected in real time. The institutional and regulatory framework has to take this into account. Europe's experience in financial integration will be a valuable asset in creating transatlantic and global arrangements.

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Note: the usual restrictions apply.

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EUSA Executive Committee Election Call for Nominations

Nominations for the European Union Studies Association (EUSA) Executive Committee election are now being accepted. Three seats are open for the 2009 election, to be elected to four-year terms.

The seven members of the Executive Committee meet once a year, determine Association policies, and oversee activities including the Review, Prizes, EUSA's website and listserve, interest sections, and the Biennial Conference.

Nominations (self-nominations accepted) must include:

- (1) a letter of interest;
- (2) current curriculum vita (short version preferred);
- (3) one brief biographical paragraph not to exceed 100 words (for use with the ballot);

Executive Committee members must be current members of EUSA who have not already served eight years total on the Committee. EUSA welcomes all qualified candidates, including those from outside academia. It is hoped that the final slate will be characterized by a balance among senior and junior level candidates, among minority and women candidates, as well as a cross-representation of academic disciplines, colleges and universities, and geographical locations.

All nomination materials should be sent by email to the Executive Director, Joe Figliulio, at eusa@pitt.edu. Deadline for receipt of materials is July 1, 2008.

A ballot will be mailed to all current EUSA members by 1 September 2008, and ballots will be due by October 15, 2008.

Election results will be announced early November 2008. The three new Executive Committee members will take office on April 26, 2009, at the EUSA Conference in Los Angeles.





Book Reviews

Beate Sissenich. *Building States without Society: European Union Enlargement and the Transfer of EU Social Policy to Poland and Hungary.* Lanham, MD: Lexington Books, 2007.

BASED ON EXTENSIVE EMPIRICAL RESEARCH conducted in Hungary, Poland and Brussels Beate Sissenich's new book sheds new light on the process of EU enlargement, transnational rule transfer and cross-border networks of actors in the field of social policy. The author tackles some inescapable questions of the European studies dealing with the EU Eastern enlargement process concluded in 2004. Concerning the mechanisms of rule transfer, two are identified and discussed: conditionality and social learning. Although both logics are analytically separated in the introductory chapters which discuss different scenarios of rule adoption, according to the author they are not mutually exclusive in practice.

Concerning the effectiveness of this transfer, the puzzle studied is the following: as a strongly institutionalised and integrated system, acting in conditions of power asymmetry, the EU did not manage to impose all the provisions of its social policy framework even upon the two apparently most advanced candidate countries (Hungary and Poland). EU social policy, and especially its social dialogue, was expected to reinforce stakeholder participation in policy-making at the domestic level. As far as the actors of norm diffusion are concerned, Sissenich examines whether the EU did empower – as expected – non state actors to search for leverage at the European level and thus reinforce their position vis-à-vis central governments. The answer is negative. As in other areas which have been analysed elsewhere in the same context, such as the relations between the centre and the periphery, EU enlargement appears to have been an elite-driven process, which has failed to alter – and has sometimes even bolstered – top-down styles of policy-making at the domestic level.

Mapping the structure of networks, including the relevant social policy organisations in both analysed countries, Sissenich discovers some important findings. While the EU shaped these networks by supporting interest organisations in the candidate states, Polish and Hungarian actors multiplied their respective ties with Brussels without interacting with their counterparts in any other country. Thus the growing centrality of Brussels did not trigger any stronger mobilisation of stakeholders to strengthen the social dialogue. More-

over, both countries undertook minimal legal harmonisation of EU secondary legislation related to labour relations, equal treatment or workplace health and safety. To explain why the interactions between the EU and the candidate countries' state and non state actors did not exceed discursive and formal adaptation, two factors are pinpointed: insufficient state capacity and the weakness of organised interests in the target countries. The question this reader has is whether this explanation, built on aggregated data advanced by other scholars, could be further refined. Instead of limiting the argumentation to dichotomies (strong/weak state, vibrant/absent society), it would be interesting to learn more about the actors of the sectors analysed (rule entrepreneurs or innovators) who tried to influence the outcome of enlargement negotiations in both countries. The author engages several proximate explanations, such as the absence of a single model of industrial relations and social dialogue in EU member states or the fact that social policy was not a priority chapter of the accession negotiations for EU officials. As these factors determine the feeble determinacy and credibility of rules, their analysis could be deepened. Other factors are mentioned only marginally although they seem crucial to understanding the absence of mobilization of labour and employer representatives. Social dialogue was not a salient electoral issue either in the candidate or in the member states, unlike unemployment or the free movement of workers. Much more could also be said about the role of foreign investors and multinational corporations in East-Central Europe, who were far more concerned about increasing market liberalisation and keeping the trade unions weak than by introducing high social standards. Finally, the date selection for the network analysis is not entirely convincing. For example the fact that twelve Hungar-

EUSA members interested in reviewing recent EU- related books, please contact the reviews editor:

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ian and only four Polish non state actors are taken into consideration leads to the exclusion of Polish agricultural and manufacturers associations from the sample.

In summary, Sissenich's book offers useful evidence about the shortcomings of EU rule transfer in the context of enlargement. It would be tempting to add that the demonstration also shows up the limits of deductive conditionality models. Refined explanations taking into account both old and new member states could be of greater assistance in grasping the diversity behind the European "social model".

Dorota Dakowska

Institut d'études politiques de Strasbourg

Paolo Foradori, Paolo Rosa, and Riccardo Scartezzini (eds.). *Managing a Multilevel Foreign Policy: The EU in International Affairs*. Lanham, MD: Lexington Books, 2007.

MANAGING A MULTILEVEL FOREIGN POLICY is an edited collection of essays on European foreign policy (EFP) written by a number of leading experts. The title of the volume is somewhat misleading: it is not really about "managing" EFP (i.e., decision-making, strategic direction, policy entrepreneurship, etc.) but mainly an overview of current themes in EFP, with a stress on security issues. There is therefore very little discussion of other aspects of EFP, such as economics, development, environmental issues, energy, human rights, and so on. Although the volume also lacks an overarching theoretical or conceptual framework applied across the chapters, some of the chapters offer novel insights into the contemporary study of EFP that could be developed into more explicit theoretical propositions or research agendas.

The short introductory chapter by the editors addresses the "system" of EFP and takes a much broader view of the topic than is reflected by the individual thematic chapters. It begins with a standard discussion of intergovernmentalism and neo-functionalism, then presents a more general framework, also largely drawn from the work of other researchers, for analyzing EFP policy types, key actors, and decision-making processes. This system also includes processes such as Europeanization, socialization, and Brusselisation, all of which have been developed elsewhere in the literature. The rest of the chapter briefly discusses the individual chapter contributions, which are organized into three major sections.

Part I, "The EU in International Affairs," includes chapters by Christopher Hill (on the future of the EU as a global actor), Emil Kirchner (on EU secu-

rity governance), and Anton Pelinka (on European political parties and EFP). Hill is especially insightful in terms of the growing complexities of the "soft vs. hard" power dimensions of EFP, while Kirchner suggests a useful framework for analyzing these forms of power in light of the EU's expanding security agenda. Virtually all of the EU's institutionalized relationships now involve some aspects of security so it clearly makes sense to move well beyond a state-centric, militaristic view of European security as found in traditional alliance theory. Pelinka's chapter focuses on the lack of trans-European political parties as a key factor behind the weakness of EFP, yet it is questionable whether the advent of a European party system would provide more coherence and effectiveness to EFP given the limited parliamentary input into foreign policy at both the national and EU levels.

Part II of the volume covers the EU and Interregional Relations and includes chapters by Luk Van Langenhove and Ana-Christina Costea (on the emergence of 'Third Generation' regionalism); Fulvio Attinà (on the European Security Partnership), William Kincaide (on differing EU and U.S. approaches to international terrorism), and Vittorio Emanuele Parsi (on post-Iraq transatlantic relations). The emphasis on the more pro-active externalization of the EU's own priorities as a key feature of "Third generation" regionalism is especially interesting, as is Attinà's chapter on the European Security Partnership, which has some obvious parallels with Kirchner's approach. More dialogue between these chapters, particularly in terms of how each author defines "Europe" as a region and as a set of governance problems, would have been very useful.

Part III of the volume deals with "Areas of Intervention" and includes chapters by Giovanna Bono (on EU approaches to conflict management), Harald Müller (on the proliferation of weapons of mass destruction), and James Sperling, (on the future of the transatlantic alliance). As with Parts I and II, these chapters are heavily security-oriented and pay much attention to distinguishing the EU's views from those of other key players, particularly the U.S. Bono's chapter continues the discussion of the complex balance between soft and hard power raised in Hill's chapter, and extends this to debates over the EU as a "civilizing force" in light of the emerging "responsibility to protect." Müller's chapter examines the EU's difficulties in dealing with states such as Iraq and Iran, and Sperling returns to the traditional theme of NATO-EU alliance politics, including the questions of enlargement and task expansion/change in each institution.

Overall *Managing a Multilevel Foreign Policy* is similar to other edited collections on EFP that appear on a regular basis. Although it pays much attention to



security, transatlantic relations, and the EU's overall "actorness," in my view the core theme of the volume involves change, across a range of dimensions and with a variety of consequences. However, rather than investigate this theme in detail the tone of some of the chapters is somewhat speculative, which seems like a missed opportunity to offer more rigorous development of concepts in favor of unfalsifiable forecasting, a common problem in volumes such as these. It is therefore more useful as a teaching text rather than as a coherent research contribution. Similarly, there is little original empirical material and no conclusion to draw together main themes from the individual chapters. Finally, the lack of an index is especially frustrating to those who might use this book as a research resource.

Michael E. Smith
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Naurin, D. *Deliberation behind closed doors: transparency and lobbying in the EU.* Colchester, UK: ECPR Press, 2007.

IN THE CURRENT HEAT OF EU transparency debates, Naurin's research asks timely and plausible questions about the contribution which transparency oriented measures can really make to democratic arenas. He finds systematic empirical evidence of recourse to public interest reasoning by private interest actors in circumstances where such actors believed they were engaging in private bi-lateral dialogue with policy makers. He asks what these findings might mean for approaches grounded in assumptions about the supposed civilising effect of transparency, recording that 'there is more uncertainty here than is usually recognised' (p.3). He develops this by summarising what is known about the negative externalities of transparency, drawing particular attention to the loss of problem-solving capacity as actors withdraw from bargaining to the trenches of fixed position taking, and provides a rejoinder for contexts where transparency is utilised as a convenient weapon of unqualified public good. A highlighted consequence is that, under conditions of transparency, private interest actors (such as representative business associations) recourse more to self-interested arguments in the knowledge that their interest constituency (such as firms) can monitor them, and are not only less willing to give way, but the systemic capacity for deliberative style debate is diminished. Finally, he reminds us that output oriented transparency measures are no substitute for the development of substantive accountability mechanisms on the input side.

Naurin places his research as supportive of ear-

lier work in an EU context, most notably that by Joerges and Neyer, which found similar evidence of deliberative public-interest reasoning adopted by private interest actors in the backstreet location of comitology committees where the light of transparency does not shine. Whilst the weight of evaluative commentary has been incredulous of such an outcome in such a context, few 'public affairs practitioners' would be surprised about the need to emphasise public interest dimensions to intensely held private interests. This reflects the basic realities of the EU system which can be overlooked at moments of convenience, i.e. its multi-level nature character, its ease of access, the absence of majoritarian politics, and the resulting compromise basis of public policy making, driving the need to broaden the constituency of appeal, preferably by finding legitimacy alliances.

Naurin used the EU 2001 Access to Documents Regulation as both the pivotal moment of change in reasoning by private interest actors, and his means to access documentation from which to undertake content analysis. A key factor lay in the interpretation of this Regulation, both to have retroactive effect (i.e. it was surprisingly held to apply to documents written before the Regulation came into effect), and to extend it to documentation originating from third parties whereby such authors may be consulted over, but cannot veto, release. These factors clearly mean that authors of lobbying letters could not have known of the likelihood of public domain release. Naurin chose letters written by business actors because of the assumption that these would form the most likely scenario for private interest justification, and through content analysis found a high degree of public-spirited arguments. He compared these with similar dossier letters written to Swedish public administrators, where long established freedom of information conditions means that authors would have been aware of the possibility of their release, and found that the number of letters containing self-regarding justifications to be higher.

The likely corollary in an EU context is to make the extrapolation beyond the date when the Regulation came into force of the likely subsequent recourse to private interest justification. This would however be qualified by a significant methodological question: to what extent, and when, were the authors of letters aware of the Regulation? A conversation with the author of a number of the letters obtained by Naurin (reproduced in the monograph) indicates a lack of knowledge of the Regulation for some considerable period following its introduction, accompanied by confirmation that the need for justificatory public interest reasoning doesn't change.

Naurin draws comparison throughout to the Swed-



ish tradition of transparency, against which any other political system can hardly be compared. This results in a tendency to make normative statements about the general lack of transparency of the EU, which is somewhat ungenerous given the raft of measures since the 2001 White Paper on Governance (open consultations and responses, web directories of experts/advisors etc, generous interpretation of access to documents measures, etc) aimed at strengthening procedural democracy. Whilst these are open to somewhat dismissive treatment by commentators as 'mere output' measures, they lie within the realm of the achievable set against the more systemic problems (for the EU) of input oriented political accountability devices, and Naurin's analysis thus deserves wide consideration. He easily succeeds in his goal of 'questioning the intuitive obviousness' of the transparency case.

Justin Greenwood

The Robert Gordon University, Aberdeen

Beate Kohler-Koch and Berthold Rittberger (eds.). *Debating the Democratic Legitimacy of the European Union*. Plymouth, UK: Rowman & Littlefield Publishers, Inc., 2007.

THE EU IS A CONTESTED POLITY yet its decisions have a direct impact on the daily lives of around 500 million Union citizens. This is an important and welcome book as it is explicitly devoted to discussing different perspectives on European democracy. It brings together an impressive list of first class EU scholars with interesting and well-written contributions.

The 13 chapters are organised around five main topics. The first part deals with the constitutional journey of how the principle of democracy has become incorporated into the EU Treaties (Von Bogdandy). The second part is devoted to what role parliamentary democracy plays in the Union both with regard to the influence of national parliaments on EU policy-making (Auel and Benz) and the development and position of the European Parliament (Maurer and Rittberger), as well as to how a decentred polity such as the EU needs stakeholder networks in addition to parliamentary politics (Lord). In the third part, attention is moved from the level of institutions to civil society and the public sphere. Here it is shown how political communication can have an important democratising role in providing a catalytic effect on establishing a common European public space (Eder and Trenz). Social protest movements can also be attributed such an effect on the EU level as they are no longer only targeting their demands towards the state, but are now pursuing multilevel strat-

egies placing demands and protests also at the European level (della Porta). The fourth part addresses different aspects of political participation ranging from a discussion on the relationship between participation and effective policy-making (Heinelt) to an analysis of the concept of participatory governance (Greven) and a discussion on the Commission's consultation practice (Kohler-Koch). The fifth and last part contains one chapter reflecting on what kind of input deliberative democracy could have on the EU institutional system (Schmalz-Bruns) and a second on the deliberative supranationalist understanding where EU law can be seen as the legitimate adjudicator between the conflicting systems of law in a multilevel system (Joerges).

According to the editors, the aim of the book is to: "...offer the reader a wide-ranging panorama of different theoretical approaches to EU democracy, and by doing so we wish to stimulate a broader discourse that cuts across different strands of scholarship on democracy and the EU." (p. 3). The interdisciplinary character as well as the different theoretical perspectives on democracy are obvious strengths of the book, yet the latter is also one of its weaker points in the sense that the chapters could have been better related to one another. The problem is that beyond the very general topic of democracy in the EU there is no common theme or research question that binds the chapters together and consequently supplies the book with a more overarching rationale. A more stringent conceptual framework or a concluding chapter summing up the findings could have integrated the various pieces and consequently offered an additional depth to the self-standing chapters. For instance, in the introduction, the editors present a three-dimensional typology emphasising different aspects of democracy (i.e. (1) political institutions versus civil society, (2) voting versus deliberation and (3) instrumental versus intrinsic understanding of participation) that is supposed to organise the chapters in functioning as a heuristic tool. A concluding chapter could have revisited and re-examined the now rather under-developed typology. Having said this, the book does indeed succeed in introducing the reader to a 'wide-reaching panorama' of various intakes to the many democratic dilemmas facing the EU and as such merits a wide audience furthering the debate on European democracy.

Anne Elizabeth Stie
University of Oslo



(continued from p. 1)

lent way to accommodate a larger proportion of paper proposals than at previous conferences. Papers presented at these workshops will, of course, be eligible for the EUSA Prize for Best Conference Paper.

Third, EUSA is introducing teaching workshops, which will run on Thursday morning and Saturday afternoon. There is a separate call for proposals. These panels will be open to a broad audience including high school teachers, community college teachers, faculty, and graduate students, are eligible.

The Marina del Rey meeting will mark EUSA's twentieth birthday, and we plan to celebrate in style. In addition to delightful social happenings near the Pacific Ocean, we are working on intellectual fireworks. One such event will be a Plenary under the title "Made in the EU: What EU studies has to offer to the discipline." The purpose is to reflect on whether and how studying the European Union has generated insights beyond EU studies. After a stage of discussing whether the EU is an $n=1$ and a stage of importing other disciplines' insights into EU studies, have we reached the stage of enriching and exporting to the disciplines? Where, and where not? What are some fruitful developments, and—possibly—drawbacks? How does the current state of EU studies compare with the first fabulous generation of EU studies in the 1950s-1960s? We are working to put together a strong Plenary, which will include our 2009 Life-Time Achievement Awardee, Philippe Schmitter.

Elections. This Review contains a call for election nominations to the EUSA executive committee. Nominations are due by July 1, 2008, ballots will be sent out by September 1, and are due by October 15, 2008. EUSA is one of a handful of associations which selects its officers via direct elections. Please make use of your right as EUSA member and stand for election. Three slots are available; Frank Schimmelfennig, Amy Verdun and I will be stepping down after the Marina del Rey conference. Please email your nomination to Joe Figliulio (eusa@pitt.edu).

Prizes. The Review details procedure for the Prizes for Best Paper (chair: Dan Kelemen), Best Book (chair: Amy Verdun), and Best Dissertation (chair: Neil Fligstein). Self-nominations are accepted for the Best Paper prize; books must be nominated by the Presses, and dissertations by department chairs. The 2008 EUSA Haas Fund Fellowship Competition for summer dissertation research was completed. Many thanks to Andrea Lenschow and Mitchell Smith, who helped me select among 50 applications. The awardees for 2008 are Jennifer Hadden (Cornell), to conduct fieldwork in Brussels mapping the network structure of environmental civil society organizations pressuring the European

Union, and by Jennie Schulze (George Washington University) for fieldwork in the Baltic countries on "The Language of Belonging: The Russian Minority in the Baltic States." Congratulations to both, and I look forward reading your field reports in this Review in the Fall.

Fees. The Excom announces a raise in membership fees from September 1, 2008. EUSA fees have not kept up with inflation while the association has faced sharply rising costs at a time of tightening funding and slowing membership growth. Over the past year EUSA drastically scaled back meeting costs, slashed operational costs by going online, and cut general administrative expenses. We also approached funding organizations, sponsors, and firmed our ties with institutional members. But we need your help as well to keep us healthy and creative. EUSA is introducing a three-tiered system whereby the two-year membership fee varies with a member's economic capacity: lowest fee and minimal increase for graduate students and community college teachers, lower fee and small increase for members with a gross annual income below \$70,000 (Euro 47,000), and higher fee and increase for others. Conference fees will keep up with inflation. When all is said and done, EUSA fees, even for the highest-paying members, will remain comparable to or lower than those in similar associations. Precise increases depend on the next quarter's budgetary evolution, and will be published in the next Review.

Blogs. The Excom, in the persons of Dan Kelemen and Erik Jones, is working on a plan to use the EUSA website for hosting blogs and chatrooms on European studies. This fits beautifully in our philosophy to go online—and it adds that most instructive interactive feature. Interest sections will be asked to coordinate at least one such initiative to be hyperlinked to their page, but we also appeal to the membership to provide input. When you know of an interesting blog, would like to start one, if you have ideas about a chat room or would like to run one, please contact Erik Jones (ejones@jhbc.it) or Dan Kelemen (dkelemen@polisci.rutgers.edu). Erik and Dan are particularly keen to hear from the graduate community. The target date for having the online framework in place is October 1, 2008, but this will, of course, be an ever-evolving initiative. EUSA is nearly twenty—strong, eager, and immeasurably curious to learn. Life has just begun.

Liebet Hooghe, UNC Chapel Hill and VU Amsterdam



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