Democracy at Risk? The Impact of European Integration on National Patterns of Policy-making

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Abstract

This paper explores the impact of European integration on. member-states' policy-making processes and democracy. It first examines the similarities in impact, particular the diminution in member-states' governmental autonomy with the subordination of national institutions to European institutions, whether national ministries, courts, or standard-setting bodies, and with the loss of national control over national constituencies such as business interests and regional authorities. The paper then focuses on the differences in effects related to member-states' particular state-society relationship and on other factors related to country size, institutions, culture, history, and economic structure and competitiveness. It finds that the policy-making processes of the smaller European countries have suffered the greatest amount of disruption from integration, followed by France, whereas Germany, Britain, and Italy, for very different reasons, have so far experienced the least.

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European integration has brought significant political and economic changes to the nations that together make up the European Union. The economic changes that have affected the state's role in the economy and the regulatory environment for business have been widely documented, beginning slowly with the removal of customs barriers in the sixties and accelerating in the eighties with the relinquishing of control over exchange rates; the opening of the financial markets; the ending of price controls; the modifications in competition policy, product standards, and sectorial rules governing different businesses; and all that the opening of the borders entails in terms of the free movement of goods, services, capital, and people. The political changes that have followed upon the economic have also been largely recognized, and include the new importance of European level institutions; the organization of interests around the EC/EU for the purposes of exerting influence over and gaining access to decision-making; the revision of national laws and policies in keeping with European regulations and directives; and the growing role of national judiciaries.

Less attention has been paid to the impact of these economic and political changes on national patterns of policy-making and business-government relations, as business looks increasingly to Brussels for decisions that formerly were made in national capitals and member states collectively make decisions formerly the purview of national governments alone. But although often overlooked, the impact of these political and economic changes have been significant. Not only have they diminished nation-state control over national institutions and national constituencies, but they have also combined to bring about major alterations in the balance of relations among major players in the policy-making process in member-states. Business generally has become stronger, more independent and mobile, and less in need of the close relationships with government or of the compromises with labor that it had developed
throughout the postwar years. Labor, by contrast, has become weaker with respect to business at the same time that it has increasingly been shut out of policy-making processes by liberalizing governments. Finally, government has become more dependent, with Brussels having usurped much of its autonomy in policy formulation and much of its flexibility in policy implementation. The result is

that societal interests, with the exception of business interests, have less access to decision-making at the national level, let alone at the supranational level. Put another way, European integration has increased the strength of business by freeing it from its traditional constraints at the same time that it has weakened the nation-state, in particular as regards the voice of the people through legislatures and non-business, societal interests.

There are those who would counter that European integration will have strengthened the nation-state, by reenforcing executive power and reinvigorating the rule of law;1 and that business will always be subject to national regulation, whatever the origin of that regulation. This is no doubt true, but it suggests a partial view of what constitutes strength for the executive, and implies a limited definition of the nation-state, since it ignores the role of legislatures and societal interests. Moreover, it entirely overlooks the potential impact of all of this on the state-society relationship.

To begin with, while the power of the executive may be enhanced, its autonomy has been diminished, as governments must negotiate with others on the approval of policies that in the past had been theirs alone, and as European institutions formulate policies that take precedence over those established by national institutions. Moreover, the strengthening of the executive and the judiciary refers primarily to powers to impose on legislative and societal interests, and not to state capacity, which has in many cases been weakened. By liberalizing their trade policies, by deregulating their economies, and by privatizing their enterprises, national governments have much less control over what they can do in their own territory or what their own multinationals do elsewhere, and they no longer have the resources they had in the past to solve social problems.

Most importantly for issues of democracy in the nation-state is the fact that at the same time that the executive may very well have been strengthened, the legislature has been weakened, to say nothing of the societal interests that have increasing difficulty gaining a voice in decisions made at the supranational level that cannot be modified at the nation-state or local levels. In other words, deliberative democracy also suffers as a result of European integration. But it suffers differently, depending upon the nation's particular state-society relationship and on other factors related to country size, institutions, culture, history, and economic structure and competitiveness.

Within Europe, the smaller European countries have probably suffered the greatest amount of disruption, with the unbalancing of the corporatist relationships between business, labor, and government that had served them so well throughout much of the postwar period, a result of their increasing vulnerability to external pressures. France has also undergone significant change, with its statist pattern of policy-making undermined not only because of the deregulatory reforms that loosened the ties that traditionally bound business to government, but also because of the EU model of policy-making that leaves French societal interests in particular with less voice. Germany, Great Britain, and Italy, for very different reasons, have so far experienced the least amount of change: Germany, because it did not have to change much to meet European and international competition or to respond to the requirements of European integration, although its corporatist relationship is now under siege as a result of unification; Great Britain, because its policies and its institutions largely anticipated the economic reforms required by the EU while its governments resisted other reforms that would have brought about major change; and Italy, because its governments have lacked the capacity to carry out the reforms demanded by integration, although it is now in crisis as a result.

Thus, nation-states are experiencing the disruptive effects of European integration at different rates, and although many will undergo a weakening of the nation-state and of the voice of the people, a few may find one or the other strengthened, Italy being a case in point. Overall, however, democracy is at risk.

None of this is to suggest that we should therefore turn back the clock, and abandon attempts at coordinating economic policy. It is rather to Point to the dangers inherent in these attempts, and to recommend that European governments begin to think today of ways of overcoming the greatest threats to national democracy and, by extension, to stability. The challenge for European nation-states is to provide new vehicles for democratic expression at the national level that also provide national democratic access to supranational decision-making.

The Pressures on the Nation-State and the Diminution in Governmental Autonomy

Together with the obvious economic and political benefits to member states, European integration necessarily brings a diminution in governmental autonomy and, as such, represents a threat to national sovereignty. This has been a recognized and accepted trade-off ever since the European Community was set up, but it has in recent years become a matter of intense public debate, as integration has accelerated. Prior to the Maastricht Treaty, only Prime Minister Thatchers Britain seemed concerned with the issue. At the time of the ratification of the Maastricht Treaty, which proposed monetary union and greater political union, however, concerns about national sovereignty came to the fore in a number of other countries: the referendum in France passed only by a slim margin; the one in Denmark did not pass at all (and the subsequent referendum passed only after major concessions to the Danes' sovereignty concerns); none was even held in Great Britain, for fear of the results. Moreover, whereas Austria, Sweden, and Finland chose in national referenda to join the European Union, Norway opted out, as did Switzerland in an earlier popular vote.

The concerns about the threat to national sovereignty are real, although they are clearly offset in the view of most European governments by the benefits of European integration. They center primarily on the subordination of national institutions to European institutions as evidenced by the fact that increasingly the decisions of the European Commission, the European Court of Justice, and European standard-setting bodies take precedence, respectively, over the decisions of national ministries, national courts, and national standard-setting bodies. They also involve the loss of national governmental control over national constituencies, in particular business, which has direct access at the European level, and regional authorities, which have direct linkages to the EC/EU, unmediated by national authorities.

The Subordination of National Institutions

The loss of governmental autonomy involves not simply the fact that each member state in the Council of Ministers is only one of twelve, or now fifteen-here one could argue that nation-states give up a bit of national sovereignty to gain supranational sovereignty--but also the fact that power has largely been given over to the EU Commission and to the European Court of Justice. As has often been noted, the European Union suffers from a "democratic deficit," given a Council of Ministers that relies more on the European Commission and its bureaucracy for recommendations than on the European Parliament, which performs only a consultative role.2 This only compounds the problems at the nation-state level, given that the EU enhances the powers of the executive to the detriment of the legislature and societal interests through a "two-level strategy" to overcome domestic opposition: first, through its mantle of legitimacy and, second, through the creation of policies by way of an insulated process that offers national legislatures and societal interests few opportunities for comment or change.3 The Maastricht reforms that gave the European Parliament a legislative function and strengthened its control over the executive reduced but did not eliminate this democratic deficit.4 Nor did the various reforms in member states that followed upon treaty ratification.

The EU Commission is probably the single institution that represents the greatest challenge to member-states' autonomy. Not only does the Commission draft the directives that governments must then put into practice, once passed by the Council of Ministers, but it also rules on, and overrules, actions that governments used to decide unilaterally in such areas as industrial policy and regional policy. Although member-states quite clearly participate in the formulation of policy, whether as official national delegates to the EU or as members of interest group lobbies seeking to influence policy content and agenda, not to mention as members of the Council of Ministers who approve the policies, the Commission plays the key role as policy initiator as well as enforcer. Moreover, its institutional policy-making process, by basing decisions primarily on technical and economic arguments, enables the Commission to maintain its legitimacy while denying undue political influence to any individual country or its nationals.5 The result is that member governments have limited control over the outcome of Commission decisions, regardless of the amount of political pressure they might seek to bring to bear, and despite the fact that their own citizens may be major players in the Commission. The Directorate-General on Competition, to take only one example, has in several instances not allowed the French government to provide

grants to nationalized enterprises on the grounds that they were disguised subsidies, and it rejected the proposed acquisition of de Havilland by Aerospatiale, much to French dismay and protest.6 The problem for the French was that they sought to apply political pressure late in the game rather than to provide technical arguments that might have swayed the Commission at an early stage.7 The French have not been alone in experiencing this problem, however. The British, too, in the sale of Rover to British Aerospace, did not have early enough discussions with the European Commission and, despite the political intervention of Prime Minister Thatcher herself, suffered much back and forth before the deal was ultimately approved.8

The ECJ has been a less noticed, but every bit as important, force in the subversion of national autonomy. It has been acting as if it were the supreme court of a federal system in which it is the guardian of an entrenched written constitution by which it had been empowered, rather than the court of a loose economic federation which, although its decisions are binding on national governments, has no formal power over national legal systems and no enforcement powers.9 The most dramatic instance of this judicial activism is the case of the fishing industry in Great Britain, which the British government had protected against open competition by leading the charge in the Council of Ministers against the passage of a proposed directly to liberalize the European fishing industry. In a case brought by Spanish fishermen against the British, the ECI ruled against Great Britain (Commission v. United Kingdom, 1991) on the grounds that the proposed directive should have been passed and therefore had become EC law, even though it had been defeated in the Council of Ministers.10 Another, less dramatic case involves the ECJ's 1987 decision that overturned the West German regulations limiting beer sold in Germany to that which was brewed in accordance with requirements established by the Bavarian Duke Wilhelm IV in 1516 and reconfirmed in 1952 (this made unnecessary passage of a draft directive that had been shelved since 1970 as a result of German brewers' opposition).11

Societal interests have also been able to use the ECJ to alter national practices. Although business groups have appealed to the ECJ the most in seeking to alter national practices that it finds not in conformity with EU laws and directives, social interest groups have increasingly turned to the ECJ as well, generally to force recalcitrant national governments to implement EC legislation. This has been very much the case in the United Kingdom in such areas as the quality of drinking water and equality between working women and men. 12

Another European level institution, the European Court of Human Rights, has also undermined governmental autonomy at the same time that it encouraged the judicialization of politics, by taking a procedure that had been the prerogative of the executive and making it judicial. For example, the ECHR's decision in a 1985 case in the Netherlands did not simply overturn the Crown's decision on an administrative appeal, reached on advice of the Administrative Litigation Division of the Council of State; it altered the procedures for appeal to the Crown and forced the upgrading of the Administrative Litigation Division to an independent administrative court.13 Similarly, Sweden, in response to a series of cases where it was found guilty of violation of the European Convention for the Protection of Human Rights because it had failed to provide for adjudication by an independent and impartial tribunal, also ended up setting up a procedure for appeal to the Supreme Administrative Court in the case of many decisions made by the government or an administrative board not headed by a judge.14

Even standard-setting in the EC/EU, although the result of complicated negotiations that can often result from the impetus of national standard-setting bodies or industry groups, represents a threat to national sovereignty. This has been especially the case since the institution of qualified majority voting in the EC, which has the potential of imposing on individual member-states. As it turns out, however, majority voting remains largely an exception to the
consensual rule, although the possibility of a vote has encouraged compromises in areas of product regulation that had been blocked for years.15 Compromise does mean, however, that age-old traditions are sometimes placed in jeopardy, such as square gin bottles, or the British custom of hanging turkeys for close to four weeks, by contrast with continental customs of aging turkey for little more than two weeks (the compromise solution was hanging for no more than about three weeks). 16

Admittedly, the European Community has sought to minimize all such threats to national sovereignty as much as possible through the principle of subsidiarity, which seeks to ensure that regulation occur at the lowest administrative level possible. As a result, the EC/EU has had a marked preference for standardization either through directives, which leaves national governments with the responsibility for transposing the standard into the national legal system and implementing it, or

through mutual recognition, which provides for the acceptance throughout the EU of products that meet the standards of one member nation (as long as national provisions do not violate primary Community law). Both approaches provide for greater flexibility than any set of across-the-board regulations, which in the early years risked being so rigid that EC regulators were sometimes said to be intent on regulating even the distance between the fines of forks.

The use of directives, however, also means that formal compliance through the adoption of a directive by the national legislature does not always lead to real compliance, that is, to implementation. But even when it does, it is difficult to assess that compliance because implementation is often of necessity very different, given different regulatory cultures and practices. 17 The regulation of pharmaceutical products is a case in point Harmonization and post-marketing surveillance is not easy, given differences in drug preference, drug expenditures, and amount of use. As a result, the harmonization process is lengthy and as often as not countries reject drugs that had received marketing authorization in one country and a favorable recommendation by the EC regulatory body. 18 The use of directives, thus, maintains a modicum of governmental autonomy at the risk of uneven or unequal application of the rules.

Mutual recognition is also not a panacea. For at the same time that it ensures the greatest governmental autonomy in standard-setting, it allows for competition among member states' regulatory activities. This at least in theory would enable firms to allocate their resources in such a way as to avoid heavy regulatory burdens, thus triggering a 'race to bottom.'19 But such a race has yet to materialize. And the principle of mutual recognition remains the most charitable to national autonomy of EC/EU processes.

The extension of standard-setting to a range of domains outside the original charter also threatens governmental autonomy. In the EC, the social field was for the most part originally placed outside the supranational competence of Community institutions (although coordination among member states in a variety of areas was recommended), and Commission activity in this area was modest between 1958 and the end of the 1970s (with the exception of environmental policy, which began in 1967, even before any clear legal basis). The Single European Act of the mid eighties changed much of this, for example, by allowing directives in the field of occupational safety and health to be adopted by the Council by qualified majority vote (Article 118A), and by insisting that the Commission start from a high level of protection in health, safety, and environmental and consumer protection (Art. 110A), which represented the minimum standard for member states that were free to adopt standards at higher levels. Subsequently, the Maastricht Treaty added a new section on consumer protection, innovations in the area of occupational health and safety, qualified majority voting for most environmental protection measures, and even put in transport safety.20 Moreover, there is a new awareness of the need for increased consumer protection legislation if the single market is going to take off.21

Only in the welfare and labor areas has governmental autonomy remained for the most part intact. Member-states have essentially been left alone to deal with the crisis of the welfare state, as governments have had to cut back pension payments, cap unemployment compensation, and reduce medical reimbursements all over Europe. This is because there has so far at least not been any interest in establishing a European welfare state.22 But even though the social welfare policy area has remained largely the domain of the nation-state, with the national constituencies involved relatively unaffected by integration, there have been increasing spillover effects, as competition rules on pharmaceuticals, for example, have an impact on national health service costs, or the free movement of professionals and services break down borders even with regard to social delivery systems.23

Member-states have also had to cope individually with the problems of the labor market, and in particular the high rate of unemployment which was 18. I million in Europe in 1993, up from 14.3 million in 1991, and expected to reach 19 million in 1994. Autonomy here has been a result of the continued member-state resistance to Europe-wide labor standards, despite national constituencies that have been at least indirectly affected by European integration, given governments that have tried to keep the lid on wages in order to resist inflationary pressures that could jeopardize their currencies and their place in the European Monetary System.

The social charter, which first carne up in 1972 and led to the drafting of a social action plan that sought to "advance the rights of workers by strengthening the role of unions and by imposing social obligations upon employers in such matters as health and safety at work, minimum wages, employee participation and contract hiring," 24 initially met much resistance from member states, with some

concerned to retain the principle of subsidiarity and others insisting that it would be unconstitutional within the context of the Treaty of Rome, which was primarily economic.25 In the early eighties, by contrast, a combination of conservative governments, weak labor, and nervous employers proved the obstacle.26 Only subsequent to the Single European Act did the issue return, pushed by labor, and only once Jacques Delors became the EC Commission President did it become a reality, with the Community Charter of Fundamental Social Rights for Workers of 1989 adopted by all member states except Great Britain. Nonetheless, it was a 'solemn proclamation" rather than a legally binding document, and entirely voluntary in terms of its implementation by member states. Moreover, it was not included in the Maastricht Treaty, primarily because of Great Britain's threat to pull out of the treaty altogether if it was included.27

Thus, in those policy areas where nation-states currently have the greatest difficulties, they retain sole jurisdiction. Moreover, the national constituencies themselves have little access or impact at the European level. Those served by the welfare state--in particular the poor, the elderly, the indigent, and the disabled, have no Europe-wide organizations to speak of. And labor, although present at the European level, has little effective input into the European policy-making process. The unions have been slow to organize at the European level, too busy trying to defend themselves against the impact of integration, and hampered by the lack of any pan-European labor movement. Other constituencies, such as regional governments and business, by contrast, have had access and influence.

The Loss of Control over National Constituencies

European integration has both directly and indirectly affected national governments' control over business. The direct effects have been well-documented: The move to market liberalization has led to increased business freedom from the rigid regulations and price controls of the past, while the end to borders and the commitment to free movement of capital, goods, and services, has promoted business mobility and encouraged cross-border as well as national business concentration through merger and acquisition. The indirect effects have been less apparent but equally significant, and involve changes in the business-government relationship that follow from the direct effects of integration as well as from the increasing importance of European institutions in economic policy-making. The close ties between business and government at the national level have been loosened, with businesses that traditionally looked to the nation-state alone now turning to Europe as well, and with national governments that formerly negotiated alone for their countries now finding themselves often upstaged by national businesses. For business has great access and influence at the European level.

Business is organized and represented in the European decision-making process not only indirectly through national governments, but also directly at the European level. Having been quick to recognize the need to organize together with European counterparts as well as to prepare for the new competitive European environment,28 business tends to be the major interest represented at the European level, by contrast with labor, consumer, and environmental groups that tend to be much less well organized, if they are present at all. Moreover, although business has no official role and business lobbies no legal recognition, business contact with the directorates-general of the European Commission has increased exponentially, with some business lobbies consulting with some directorates on a regular basis--so much so that the European Commission recently decided that it wanted a register of industry lobbies. At the national level, moreover, business tends to be consulted at the very least informally when international or regional negotiations affect them.

The nature and extent of business influence, however, varies from sector to sector. In many cases Euro groups have little importance except for 'fraternal contact among members, because the national route to influence is much more important.'29 Increasingly, however, given the qualified majority voting rule that means that any single country can be overridden, business interests have recognized that contact with EU level officials and participation in European business associations are crucial.30 Whether they ensure such contact directly on an individual firm basis or through their European or even international associations generally depends upon the perceived effectiveness of the lobby. The pharmaceuticals industry tends to rely on its association, which since the 1970s had to confront international bodies interested in imposing regulations, and has managed to turn the threat of transnational regulation around, influencing EC/EU proposals for patent law harmonization and using

the EC/EU to challenge national pricing arrangements.31 In biotech, too, industry associations play a significant role, with the Commission group relying on one of the lobbying organizations, SAGB (Senior Advisory Group Biotechnology), a direct membership forum, for expert advice.32 In other sectors, however, individual firms tend to impose, as in the automotive industry, where the European group tends to be weak;33 and in the case of "outsider" multinationals, such as the Japanese car manufacturers . 34

The actual impact of business on policies is of course difficult to assess because of the numbers of interests involved. Draft proposals of policies are revised often, and sometimes radically, following representations from different member states-something quite different from
the experience of Britain and other Northern European states, where changes to published White papers and the like are relatively rare. One thing is clear, however: Regardless of the access, agency capture of the kind found in the United States is infrequent, given the range of interests seeking influence in each policy area,35 while clientelism of the Italian variety is also rare, given the bureaucratic culture that places more value on technical arguments than on political influence.36 And yet, business interests are sometimes invited in by the bureaucracy itself, as in the case of the ah hoc consultative group on chlorofluorcarbons set up by DG XI (Environment) to negotiate targets for the reduction of Cfs-which significantly excludes environmental and consumer interests.37 Often, moreover, the lack of technical knowledge by experts leads them to rely on industry experts. All of this, combined with the need to make decisions quickly, means that they risk falling into quasi-clientelistic relationships.38 But even if not, it means that business has privileged access to European decision-making that complements its long-standing access at the national level. Moreover, it suggests that policy interactions have shifted from an almost exclusive reliance on national government bargaining to one that includes, if it is not dominated by, business actors in the transnational private sector.39

Business, in short, has become an increasingly independent actor in Europe. Interestingly enough, this increasing independence has not generated near the worry that one might have expected from national governments. On the contrary, business has often been welcomed by national governments as full partners in the negotiation process, primarily because they remain convinced for the moment at least that whatever nationally-based businesses consider to be in their own interests is also in the national interest.40 By contrast, there has been great concern in national capitals over the increasing independence of regional governments. The direct linkages with Europe that provide them with outside sources of funding have only enhanced the powers that local authorities in many European countries gained in the seventies and eighties through decentralization reforms.41 And although national policymakers on the whole appreciate the need for European regional policy and structural funds, whether because of the problems of uneven development generated by internal market and monetary and fiscal
convergence or the risks Of the "beggar-my-neighbor' characteristics of American states and municipalities where there is a lack of control over national spatial development incentives,42 they regret the loss of national control over regional authorities that European intervention entails.43

National governments' concern over their loss of control, of course, differs greatly from
one country to the next. The French, needless to say, with their long history of centralization and regional level governments that alone in Europe are entirely without independent legislative powers, have been disquieted by the trend.44 But it is probably Great Britain, which has recentralized in recent years, that is likely to be the most threatened by it.45 There is no room here to go into the specifics of the different countries' views of the new relationship between the European Union and the regions, but suffice to say that most countries are uneasy about the loss of power and control over the regions, with some in addition fearing that Europe will only encourage their own regions with strong autonomy movements to challenge the nation-state's power over them, Scotland, Catalonia, the Basque region, and Corsica being cases in point.46

Thus, the European Union, whether through policy recommendations, court decisions, standardization procedures, or business and regional access and influence, has in many different ways undermined the autonomy of national governments. No one is complaining much, however, because in exchange for the loss of autonomy has come a larger market, higher standards generally, better protection for all citizens of the EU, and greater economic stability. Moreover, national governments have found that the economic challenges represented by European integration have provided incentives for change that would not otherwise be there, while the policy imperatives created by European

integration have for the most part enabled them to overcome the resistance of entrenched interests and the institutional hurdles to change.

What most national governments overlook in their assessment of the impact of European integration, however, are the problems related to democracy and democratic access to decision-making. These have the potential of becoming a destabilizing element for national governments in cases where citizens feel cut out of the decision-making process and disadvantaged by European integration. But the nature and degree of threat here differs from one country to the next.

National Responses to European Pressures and the Changes in Governmental Policy-making Processes

The unwritten story behind European integration lies not so much in how the European Union is diminishing the autonomy of the nation-state or in how business and regions are escaping nation-state control, but in how the political and economic changes brought about by European integration have in turn affected nation-states' policy-making processes. These changes have in most instances undermined the nation-state's particular kind of democracy by strengthening executive power vis-a-vis societal interests and freeing business from its traditional constraints. But this has occurred in different ways, a function not only of the particular state-society relationship embodied in the policy-making process (corporatist, statist, or pluralism, but also on such factors as country size (small or large), culture, and history; governmental structure (federal or unitary) and capacity (to reform or not); labor history (conflictual or consensual) and organization (cohesive or fragmented); business size (large or small), organization (cohesive or fragmented) and orientation (domestic or international); and on the degree of opening to the outside as well as the extent to which the nation had to change in order to meet the competitive challenges created by the new international economic environment. Moreover, different European countries have experienced these changes to differing degrees, with the smaller European countries and France the most affected, Germany, Great Britain, and Italy the least.

The Smaller European Countries: Unbalancing the Corporatist Relationship

In recent years, the corporatist systems of social concentration developed by the smaller European countries in the postwar period, in which business and labor, represented by peak associations, together with government, represented by state agencies, formulate and implement policy, often absent any independent role for parliament, has become unbalanced, although for some this came much sooner than for others.47 The pressures of internationalization that include membership in the European Community have been major contributing factors, and this despite the fact that small European states with corporatist policy processes had been thought more capable of responding to outside challenges because of their tripartite relationships than larger states.48 The problem is that the traditional "class compromise" that has helped explain the stability of corporatist polities49 no longer works in a world of capital mobility and financial integration, where labor rightly sees business less bound to it, morally or economically, and where business can obtain concessions from both labor and government without the traditional compromise. Governments, moreover, no longer able to use public spending programs to reconcile the conflicting demands of labor and business as they had in the past without running into macroeconomic trouble (given a financial world that sees any such action as contributing to inflationary pressures, a signal for capital outflow and foreign currency speculation), have had less interest in maintaining the old tripartite arrangements, promoting change instead by embracing market-oriented policies.50

This has been occurring at different rams in different small European states primarily in relation to their degree of openness to international financial and business pressures. While such EU members as the Netherlands, an ideal-typical corporatist state, and Belgium, much lower on the corporatist scale, found their particular brands of social concertation in jeopardy by the early eighties, non-EC members Austria, the other ideal-typical corporatist state, and Sweden were able to delay the impact of international economic constraints until the late eighties.

EC membership, of course, has been only one of a number of factors that help explain the vulnerability of the social concertation systems of small European countries. In addition to this, one of the major differences between Belgium and the Netherlands, on the one hand, and Austria and Sweden on the other, has been that the former countries have had strong, internationally oriented financial institutions that acted as major advocates of financial integration and trade liberalization, while the latter have not. On top of this have been institutional differences involving the size, organization, and orientation of business concerns: Swedish and Austrian business associations have been large and cohesive, with Swedish business, although large and international, as domestically rooted as smaller and non-international Austrian business (with the exception of state-owned enterprises). By contrast, Belgian business and its associations have been divided culturally along linguistic lines as well as in terms of size, while Dutch business and its associations have been divided along domestic/international orientation lines. There have also been differences in labor history and organization, with Swedish and Austrian unions large and cohesive, with a history of consensual relations with business, while Belgian and Dutch union have been more fragmented and conflictual.

Finally, there have been political differences, in particular social democratic governments that continued their commitment to the social welfare state in Austria and Sweden long after Belgium and the Netherlands' had elected center-fight governments that sought to cut back social spending and government intervention in the market economy.51 But this only meant that Austria and Sweden were able put off the inevitable a bit longer, although the signs of strain in the corporatist relationship were increasingly apparent.52 By the nineties, Austria and Sweden have also begun embracing the changes, membership in the EU among them: Sweden, pushed by the collapse of its currency and the election of a center-fight coalition; Austria, concerned by fears of its increasing marginalization and lack of internationalization.

Germany: Corporatism under Siege

Germany, although also generally characterized as a corporatist nation, has not had the same problems as the smaller European nation-states.53 Given its position as the lead economy in the European Union and one of the most advanced of advanced industrialized nations, it has not been vulnerable to the same external pressures as the smaller European nation-states. With the mark the lead currency in the European Monetary System, Germany, or more specifically its independent central bank, the Bundesbank, has set monetary policy for all the EMS members, and has led all the other EU countries in imposing restrictive monetary policies and austerity budgets to guard against inflation. But whereas for Germany, the past few years of austerity and relatively high interest rates has proven salutory, given the pressures resulting from unification with East Germany, for many other European countries this has often entailed deeper recession, given that the even higher interest rates that they had to impose in order to keep their currencies well within the band of fluctuation of the EMS, have slowed growth and dampened their economies unnecessarily (and in the cases of Great Britain and Italy, even led them to leave the EMS for a time).

The level of internationalization of German business, which has made it one of the major export nations in the world second only to Japan, together with its particular business structure, with the close business-banking partnership that provides long-term, low-cost financing at the same time that it protects it from takeovers, has also made German business less vulnerable to outside pressures and more resilient. Moreover, Germany's social concertation system had made possible innovations in production systems, and in particular the move from Fordism to flexible specialization,54 that spared it the radical restructuring that businesses of other nations went through from the late seventies on. It is only very recently that German firms have begun the rationalizing of operations and the shedding of workers that have been endemic to most other advanced industrialized nations with the exception of Japan (which is also only now experiencing such pressures). As a result, Germany has managed to maintain its corporatist set of relationships intact much longer than the smaller, corporatist European countries.

In other ways that have more direct impact on the corporatist form of democracy, Germany has also not suffered from the ill-effects of integration. Because Germany has been committed to the "three 'Cs': consensus, corporatism and cooperative federalism," and because that consensus is

institutionalized, both the 'social partners' in the tripartite relationship and the 'governmental partners' in the federal system have had access to supranational decision-making. Business and labor associations have been largely included in deliberations involving major moves forward on European integration (e.g.., with conferences held in 1988 on the implications of the Single Act), while the l. Länder, which play a major role in policy implementation in a great number of areas affected by EU regulation, have been largely brought into the policy formulation process by the federal government55

Most importantly, perhaps, German institutions did not have to change much to respond to the requirements of European economic integration. To begin with, the German federal system, with its emphasis on the importance of law as a regulatory instrument and its respect for local government parallels EU practice in the first instance and is supported by the EU principle of subsidiarity in the second.56 Moreover, the central bank was already independent, unlike in France and Italy (until 1993). In addition, Germany had no need to alter its business- government relationship, especially as compared to France. Not only was the government already less present in the economy in terms of nationalized enterprise (at least compared to France subsequent to the 1981 nationalizations), but the government also played no formal interventionist role in the economy, although it provided subsidies and the like for key industries on an ad hoc basis.

This is not to suggest, however, that Germany is the ideal, market-oriented economy. Much the contrary, as other European nations increasingly discovered, once their businesses were successfully blocked from acquiring German companies by the German BundesKartellamt on alleged anti-trust grounds, and once they saw the level of subsidies provided business by the .Länder. In fact, despite the formal governmental commitment to market-orientation since the end of World War II, German business relations have generally been characterized more by cooperation than competition, aided by the banks that sit on the boards of competing firms and, as both a source of credit for and an owner of equity in major German firms, often play the kind of leadership role for industry that the government plays in France.57

European integration, in short, has not jeopardized Germany's corporatist democracy because it has been protected by the power of its economy and the nature and organization of its institutions. Germany nevertheless today finds its corporatist relationship under siege, the result of unification with East Germany. The signs of strain are at the margins of society, reflected in the rise of anti-foreigner sentiment and in the rise of right-wing extremism. They are brought about by the high unemployment rates and adjustment problems experienced in the former East Germany, as well as by the malaise in the former West Germany related among other things to growing ambivalence with regard to unification and resentment of its costs.

France: The Statist End to Old-Style Statism

While Germany is one of the EU countries that has so far felt the least change, France is one that has felt the most. France's statist pattern of policy-making, where governments have typically formulated policy unilaterally but allowed societal interests in at the implementation stage with the politics of accommodation, cooperation, or confrontation, has been disrupted by European integration.58 This is not only because of the major deregulatory reforms that have transformed the economy from a state-led into a more market-oriented one59 thereby loosening the ties that have traditionally bound business and government, or because of the decentralizing reforms that have transferred national powers and resources to local authorities.60 It is also because governments have lost autonomy at the formulation stage, given the primacy of Brussels, and they have lost flexibility at the implementation stage, given the EU regulatory model that brooks no exceptions to the rule, ensuring that societal interests will find less accommodation, and may therefore have to resort to more confrontation.

The French business-government relationship, to begin with, has changed dramatically as a result of European integration.61 For France, membership in the European Community, with its "liberal" bias, has from the very beginning acted as a major spur for French governments to move away from then traditional dirigiste or state-directed, economy to one with a greater emphasis on the market.62 The conflict between the two competing strands of economic management policy, that is, of dirigisme and liberalism, came to a head in 1983, when the socialist government, faced with a choice between

abandoning major elements of its dirigiste policies or the European Community (and in particular the EMS that it had joined in 1979), decided to remain in the EC and, therefore, in favor of liberalism. French exceptionalism could not last long in an increasingly interdependent, global economy and in an integrating Europe. Thereafter, the strict monetary policies and economic austerity program that diminished government resources almost guaranteed the further liberalization of the economy since, no onger able to stimulate industry through demand, the socialists had to tut to more supply-side measures in order to improve the competitiveness of French industry, with deregulation a top priority.63 The return of the center-right in 1986 only brought further state disengagement with extensive privatization and deregulation, and this essentially continued when the socialists returned to power in 1988, with deregulation and privatization, either officially or unofficially, remaining the order of the day, pushed by the imperatives of European integration as well as the capital needs of firms. State ownership was progressively diminished and state control weakened in favor of the creation of a truly mixed economy in which public and private, nationalized and privatized financial and industrial concerns own and control one another through cross shareholdings following the German model of banking-industry partnership. By the nineties, the traditional dirigisme in which French governments set macroeconomic policy relatively independently of the international economic climate and engaged in micromanagement of the microeconomic sphere had ended.

The result is that the ties that traditionally bound French business to government have been loosened. Business has become increasingly independent of the state, and not only in consequence of the deregulatory policies that divested the state of its traditional dirigiste instruments. As business has been increasingly subject to the imperatives of world competition, the constraints of the market, and the demands of technological advancement, it has looked less to government for guidance, And as alternative sources of financing have grown as a result of the opening of the markets along with the internationalization of capital, business has turned less to government for support. Moreover, as French big businesses have gotten bigger, consolidating, concentrating, and expanding worldwide in response to the challenge of European competition, other supranational firms have become their allies and the EU their interlocutor. French business now has the kind of access to policy formulation at the EU level that it never had at the national level, where lobbying has traditionally been regarded as illegitimate, and it has been encouraged in this by the national government itself.64

While French business has become freer from the traditional constraints, French government has become less free. European integration has generally diminished governmental autonomy in policy formulation, as we have already seen, at the same lime that it has done little to enhance the powers of national parliaments, which in the case of France are already exceedingly meager. Most dangerous for France's statist model of democracy, however, is that it has diminished governmental flexibility at the implementation stage. In the statist model, societal interests that traditionally have had little input into policy formulation have generally been accommodated at the implementation s/age, where civil servants as often as not adjusted the rules to respond to interest group needs in order to avoid potential confrontation. This approach to implementation, summed up in de Tocqueville's famous phrase: 'The rule is rigid but the application flexible,' is in jeopardy. Because the EU regulatory model regards any exceptions to the rule as illegitimate, its increasing presence has called into question the administrative nature of the French state, where making exceptions is the rule. Societal interests that have little access to EU policy-making, by contrast with business, will therefore find themselves increasingly shut out of any direct access to the decision-making process at both the front and the back ends. And, finding less accommodation, they may engage in more confrontation, albeit with less success. This has been most apparent in the agricultural sector in the context of the GATT talks. 'Vegetables on the highways and pigs in the street," however, have not been as effective as they have in the past, because the government is no longer as free to bend, or not, to the pressures of confrontation.65

In short, although Euro integration has encouraged modernization of France's economic institutions, it has generated a crisis for France's political institutions, as citizens and their elected representatives find themselves increasingly frozen out of the policy-making process. Policy-making is left to only a few top elected officials--speaking generally through their civil service representatives; to large. business interests--speaking either directly or through their lobbies; and to bureaucrats, whether those at the EC level responsible for formulating policy or those at the national level responsible for implementing them. The crisis manifests itself in the
increasing disillusionment with government officials and the attacks on then' probity; in the disaffection of the electorate and the rising extremism of the right; and in the general malaise that

comes from the increasing banality of political discourse and the lack of new ideas that have followed the disintegration of left-wing and right-wing ideological divisions. Until the French find a way to adapt their statist model of democracy to the new realities, the crisis is likely only to deepen.

Great Britain: Liberal Staffsin with a Difference

Great Britain has felt the impact of integration much less than has France, despite the fact that it, too, has a statist pattern of policy-making, where governments can formulate policy absent significant interest group input. This is because Great Britain in some ways anticipated the changes demanded by European integration, in particular with regard to the business-government relationship, and in others successfully resisted them, especially with regard to social regulation.

Great Britain has historically had a more laissez-faire ideology, more open financial markets, and a less close business-government relationship than either France or Germany. To begin with, throughout the postwar era, it has had a more 'liberal' and international approach to economy policy than most of its European neighbors, often sacrificing the domestic economy on the altar of its ambition to remain a world power. Whether the policy involved deflating the economy in order to maintain a strong pound sterling or restraining domestic investment in an effort to strengthen the balance of payments--which was, as Andrew Shortfield noted, 'like a blind man with a single automatic gesture at his command'-the government put international economic considerations above those of domestic economic health.66 And they seem to have continued this under Thatcher and Major, with laissez-faire ideology substituting for world ambitions, and openness to the Japanese a Trojan horse in the EU, at least as other member-states see it.

Moreover, although Great Britain, like France, has traditionally had a powerful executive and strong bureaucracy, it has also had "an abiding prejudice which sees it as the natural business of government to react-not to act," in particular with regard to business.67 This cultural aversion to government intervention in the economy, combined with the size of. its markets, has always ensured the government a smaller role with regard to economic matters, and problems whenever it tried either statist experiments similar to those of France in the planning sphere or corporatist ones in the social concertation sphere.68 Thus, although the executive is strong, as in the ideal-typical statist model, it is so in a limited sphere. It was this strength, however, that enabled Prime Minister Thatcher, once elected in the late seventies, to begin her radical program of privatization and deregulation, even before the pressures of European integration seemed to demand it.69

Great Britain, in short, has been if anything ahead of the European Community in the economic arena, in macroeconomic and microeconomic policies as well as in its openness to the international economy, and therefore less vulnerable because already responsive to the pressures which hit both France and the smaller European countries hard. Moreover, although it has in some sense been behind European member-states in the social arena, it has managed to avoid some of the potentially most onerous (in its view) aspects, in particular with regard to the social charter (as discussed above).

What is more, Great Brittain's particular form of liberal statist democracy has up until now been little affected by integration, especially by comparison with France. Because of the traditional role of Parliament as a forum for the vigorous debate of ideas, society through its parliamentary representatives at the very least has the appearance (although not necessarily to reality) of having had more voice on the whole set of issues related to integration than did France, where there was little discussion until the debate on the Maastricht referendum. Because the rule of law is more respected in Great Britain (and Germany) than in France (given not only the politics of accommodation but also the dependent position of judges up until very recently), the European model of regulation has not been as disruptive as it has been in France at the implementation stage--much the contrary, as Great Britain has one of the best records on implementation of EU directives. And because British common law is similar in its precedent-
setting approach to that of the EU, the validity of European Court of Justice decisions has not been questioned as much as in France.

In one area, however, Great Britain is likely to have increasing problems. Because Great Britain alone among European member-states has recentralized, taking power back from local governments, it is likely to find the subsidiarity principle as it applies to subnational authorities increasingly difficult to

reconcile not only with its own policies toward local governments, but also with its own use of the subsidiarity principle to defend against the further shift of powers to EU institutions.70

Statism, Italian-Style: Paralysis followed by Crisis

Like Great Britain, Italy has changed less in response to the pressures of European integration than has France, but not from a lack of need. Italy has been unable to carry out the reforms required by integration, given a statist polity characterized by a weak executive and parliamentary paralysis. Its current on-going economic and political crises result from this as well as from the internal collapse of its institutions stemming from corruption scandals.

Unlike France or many of the smaller EU member-states, Italy has yet to shift to strict monetary policies and to submit to the discipline of the market. During the eighties, in fact, at a time when other EC members were deregulating, privatizing, and instituting austerity budgets to reduce inflation and deficits, Italy was not. Despite Italy's enthusiasm for going forward with European integration, seeing this as a way of reinforcing the executive from the outside, much of its actions remain in violation of Maastricht guiding principles. For example, although Maastricht recommends an open market economy with free competition favoring an efficient allocation of resources, Italy only recently recognized the market economy; it had no competition law until 1990; it continued direct interventions on prices and quantities, thus distorting resource allocation; and persisted in providing state subsidies and other aid to public sector companies. It also fell short on the Maastricht recommendations for public finance, the monetary regime, and the financial regime, having failed to monitor sufficiently government deficits (now 1.7 times the EC average) and public debt (now at 1.7 times larger than that of the G-7 nations). The principle of full independence of the central bank was ensured only in 1993 (before it only had limited operational independence); and price stability has yet to become the monetary regime's primary objective. Moreover, in the financial regime, credit controls remained between 1973 and 1983 (and occasionally later), while restrictions on capital outflows continued from 1973 to 1990.71

Much of the problem for Italy has been its particular model of statist policy-making, which is ideal-typically weak by comparison with France's ideal-typically strong one. Rather than the state appearing an entity apart from governing parties, in then' service but independent of them, administered and embodied by a bureaucratic elite that is impermeable to outside interests, Italy has been characterized by "partitocrazia" or party government. In Italy, parties predominate, controlling the state, with parties deciding what to send to parliament and dominating the interest articulation process, such that where groups exercise influence, they do so as clients and/or patrons of political parties. But despite the fact that one party dominated Italian politics for forty-five years, this is not a one party system in which all the rewards are solely for party members. Rather, it is the system of consociativismo, or consociationalism, in which opponents are coopted by bringing them into the governmental machinery, ensuring compromise and coexistence such that even disagreements over substantive policy issues do not jeopardize governing coalitions (although they may lead to the creation of new governments and cabinet reshuffling). The result is the system sottogoverno in which Italian state and society have virtually been colonized by political parties, with the spoils that include jobs in the bureaucracy and in state-owned firms apportioned according to the electoral weight of the parties, including the Communists.72

Just recently, this system has collapsed under the weight of the pressures of European integration, the fall of the Berlin wall and the end of the communist threat that had served to justify the consociative balance, and, most importantly, the corruption that by the early nineties had careened out of control as dramatized by the mani pulite, or clean hands, and tangentopoli or bribe city, scandals. With this collapse, many changes are likely to occur, although when remains questionable since the reform of the electoral system has not as yet led to any other major institutional reforms.

The executive has yet to produce the promised deregulatory and privatization laws, in large measure because parliamentary paralysis remains, a result of the fact that the parliament is a transformative rather than arena legislature, with government lacking the parliamentary mechanisms that ensure passage of its programs, as in France or Great Britain. And there has been no change so far in the structure or culture of the bureaucracy. Most importantly, however, even if the reforms are

passed, there is some question as to whether they will hold since Italy continues to be characterized by a process of policy-making that goes way beyond France in following the principle that ensures that rigid rules are bent in the implementation. In other words, the future may very well mimic the past, when 'the formal dirigisma of these state-sponsored reforms was belied in practice,' with the threatened interests managing to resist changes 'through evasions or to get changes in policy or its implementation that frustrate the global intentions of the reforms,'73 and where confrontation was an accepted course of action when accommodation or co-optation were not available.74

This, of course, was "democracy, Italian style.'75 But it is a style that, much as in France, will be increasingly at odds with the demands of the European regulatory model. Unlike France, however, where it is the bureaucracy that has been leading the changeover to this model, in Italy, it is most likely to be the judiciary, which has proven itself in the recent scandals, and which is the only self-governing judiciary in the world without political oversight (other than Portugal now).

Conclusion

Thus, the impact of European integration has been varied, with some countries' policy-making processes more adversely affected than others, a result of their particular state-society relations, histories, institutions, and economies. All have nevertheless experienced some impact from integration, and this is likely only to increase over time, given that the overall balance of forces has changed: While business has for the most part become stronger and more independent of national governments, labor has become weaker in relation to business and to liberalizing governments which have themselves, in turn, become more dependent upon Brussels, having lost much of their autonomy in policy formulation and flexibility in policy implementation. Most societal interests, with the exception of business interests, as a result, have less access to decision-making at the national as well as European level.

This lack of access is not necessarily a problem in cases where societal interests remain convinced that governments are representing their interests at the national as well as European level. But as national governments have continued to deregulate and privatize, to reduce taxes, and to diminish their own control over economic policies generally, they have generally had less and less capacity to meet societal needs in the face of economic downturn, especially in such areas as employment and social welfare. The result is that those societal interests whose needs have not been met have become increasingly disenchanted both with national governments and the supranational agreements into which they have entered, and have become a potentially disruptive force. Unless nation-states make then' citizens feel that they are participating in the supranational decisions that increasingly affect then' lives, the legitimacy of both the European Union and the nation-state will be increasingly open to question. Each country, however, has to find its own way of revitalizing its democracy.

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