

**THE DYNAMICS OF EUROPEAN INTEGRATION:  
THE ROLE OF SUPRANATIONAL INSTITUTIONS<sup>1</sup>**

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**1 - Introduction**

No single theory or disciplinary approach can possibly explain a complex, dynamic, and in many respects unique process like European integration. The best we can do is to search for theoretical constructs capable of throwing some light on various aspects and stages of the process, and especially on the strong mutual dependence among its constituent elements. The result will not be an elegant or even a fully coherent theoretical explanation, but this is the normal state of affairs in political science. We are not aware of any grand theory of how, say, the American government operates. What we have is a set of partial and rather disconnected theories about the presidency, the cabinet, the logic of congressional action, the politics of regulation, policy making for social security, the development of judicial review, and so on. It would be very surprising indeed if a single set of conceptual lenses would reveal the logic of Community action. What has been said about statistical inference is a fortiori true for political science: it is better to be approximately right than precisely wrong.

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In the context of European integration, to be approximately right means, above all, to recognize that the process is driven by several engines operating according to different principles and sometimes out of sync: the member states, to be sure, but also subnational governments, supranational institutions, semi-public bodies like the European standardization committees, transnational experts, and economic and public interest groups attempting to shape the preferences of national governments but increasingly lobbying directly the Commission and the European Parliament. Nor should one discount the significance of random shocks like German unification, the disintegration of the Soviet Union, or severe economic crises.

To hold that only national preferences are truly fundamental while other institutional actors are largely epiphenomenal is, in our opinion, to repeat the mistake of the economic theory of politics as applied to the analysis of public regulation (Stigler, 1971; Peltzman, 1976; Becker, 1983). As Terry Moe has argued, the virtual ignorance of institutions that characterizes the economic theory of regulation is the direct consequence of a presumed chain of control: groups control politicians and politicians control bureaucrats, so the groups get what they want -- policy will reflect the underlying balance of power among the various interests. Indeed if one assumes such a chain of control, "there is little to be gained from modeling politicians, bureaucrats, and their complicated surrounding institutions, since they simply operate to provide a smooth, faithful translations of interests into policy" (Moe, 1987:275). But to assume that control is unproblematic is to adopt a "negligible transactions costs" view of the world (ib.:279), whereas political institutions arise precisely because the transactions costs of policy making are usually far from negligible.

It seems to us that theorists of intergovernmentalism implicitly adopt a negligible transactions costs view of European integration. National interests gave rise to

European institutions; national leaders make the final decisions on legislation and institutional reform -- so much is clear from the Treaty of Rome. However, these constitutional provisions are not sufficient to explain the dynamics of the institutional system created in 1957. Supranational institutions like the Commission, the Court of Justice and the Parliament have interests of their own, including survival, growth and security. They take actions on their behalf, not simply on behalf of the "underlying" national interests. Also, as already noted, other institutional actors like regional governments and interest groups increasingly seek to influence Community policies by lobbying directly the Commission and the Parliament rather than national governments. And, of course, all actors -- including the member states -- must adapt their strategies to the possibilities and constraints created by the jurisprudence of the Court of Justice. A unidirectional causal chain: domestic interests ---> state preferences ---> interstate bargaining ---> outcomes (Moravcsik, 1992) does not capture the dynamics of the process -- especially the strong mutual dependence of its elements -- any more than the economic theory of politics captures the dynamics of regulatory policy making.

In line with the methodological stance sketched above, this paper does not offer any grand theory of European integration. We only seek to explain some aspects of the institutional dynamics of European integration, and in particular the role of the European Commission as policy entrepreneur. This does not mean that we share the neo-functional belief in a necessary tendency toward greater autonomy of supranational actors; on the contrary, we are of the opinion that the key to understanding the dynamics of European integration is to grasp the relationships of mutual dependence that tie together the various actors. But neither do we accept the intergovernmentalist view of the Commission as a mere facilitator of interstate bargaining. We propose to show that such a view is untenable by challenging one

empirically testable implication of intergovernmentalism. This is the notion of least common denominator bargaining, a sort of Ricardian theory of Community decision making. As in Ricardo's theory of economic rent the price of a good is determined by the unit cost of the output produced by the marginal firm, so according to intergovernmentalist models, the quality of policy decisions in the EC is determined by the preferences of the least forthcoming (or marginal) government. Hence, barring linkages, the outcome must converge toward the least common denominator position.

Now, this proposition is not generally valid even in situations most favorable to intergovernmentalist views, namely, interstate bargaining over institutional reform. For example, at the Milan European Council of June 1985, Britain, Denmark, and Greece voted against the calling of an intergovernmental conference to negotiate amendments to the existing treaties. Yet, only six months later, their governments were willing to accept a number of far-reaching changes. Again, in the so-called Dooge Committee which paved the way to the intergovernmental conference, the same three member states insisted on the necessity of retaining the Luxembourg compromise which makes resort to majority voting unlikely. Yet with the Single Act they later accepted a substantial expansion of majority voting. Apparently, state preferences do change, and at least in this case, domestic politics is not a plausible explanation of the change.

As we show in a later section of the paper, the notion of least common denominator solutions is even less tenable, as a general proposition, in the field of socioeconomic regulation -- a crucially important area for the internal market programme and for the entire process of European integration. Such "anomalies" cannot be easily explained by the intergovernmentalist approach. We shall argue that a satisfactory explanation must include the role of the Commission as policy entrepreneur.

## 2 - Understanding the Single Act

### 2.1. Placing the Single Act in Context

In the history of the European Community the second half of the decade of the 1980s is an extraordinary period of policy innovation and institutional activism, in sharp contrast with the decline of the 1970s but also qualitatively different from the dynamism of the 1960s. The great achievement of the sixties was the progress made in establishing the customs union, both internally and externally. The last remaining custom duties between the six founding member states were abolished, ahead of schedule, in 1968. However, this progress in negative integration was not matched by a corresponding forward movement in positive integration. With exception of agriculture and trade, little progress was made either in the development of the common policies called for by the Paris and Rome Treaties -- notably in the fields of transport and energy -- or in coordinating the economic and social policies of the member states.

The loss of momentum of the seventies may be explained, in part, by the joint impact of two severe economic crises and of the institutional strains imposed by the first enlargement of the Community. Economic recession weakened the determination of governments to resist demands for protectionist measures by domestic producers. Thus, even the process of removing technical barriers to trade slowed down considerably. Since 1974, a large number of proposals were held up in the Council because of objections and reservations expressed by the national governments. In policy areas like the liberalization of capital movements even the "acquis communautaire" seemed threatened when the application of some parts of the directives adopted at the beginning of the 1960s was suspended in a number of member states invoking safeguard clauses (Schmitt von Sydow, 1988).

The enlargement from six to nine members could only increase the "lourdeur" of Community decision making,

especially in the light of the notorious Luxembourg compromise of January 1966. The effect of the compromise was that, by tacit agreement, the Council of Ministers hardly ever took decisions by majority vote despite the fact that the Rome Treaty provides such a procedure on a wide range of issues.

However, it would be wrong to assign to the national governments sole responsibility for the progressive loss of efficiency of Community institutions during this period. The attempt to achieve an integrated market by harmonising thousands of laws and regulations of six, nine, and finally twelve countries at various levels of economic development and with vastly different legal, administrative and cultural traditions, was bound to fail. In order to harmonise national legislations under Article 100 of the Treaty of Rome, a binding provision must generally already exist in at least one member state. As the EC Commission noted in 1980 in a communication to the European Parliament, "it is not hard to see how cumbersome is a procedure that requires Community consensus to solve a problem that could be created by one national civil servant working with two or three experts" (Commission of the European Communities, 1980:5).

According to the same document, "it has never been the Commission policy to harmonise for the sake of harmonisation". Indeed, the Commission added five years later, "a strategy based totally on harmonisation would be over-regulatory, would take a long time to implement, would be inflexible and could stifle innovation" (Commission of the European Community, 1985:18). But this was precisely the strategy followed, with few notable exceptions, for nearly two decades. As Lord Cockfield once put it, in those years the Commission seemed to operate according to the rule: if it moves, harmonise it!

In short, the impasse reached at the end of the 1970s was due not only to external causes like economic crisis and the consequent revival of protectionism, but also, and more seriously, to basic flaws in the prevailing mode of Community

policymaking and in the very philosophy of integration. These are the flaws which the Commission's White Paper on Completing the Internal Market (COM(85) 310 final) and the Single European Act (SEA) attempted to correct. While it is still too early to determine whether the corrections were sufficient to ensure the ultimate success of the enterprise, there is no doubt that the two documents introduced major conceptual and policy innovations. However, the nature of these innovations is somewhat ambiguous. At one level, the internal market programme could be seen as a huge exercise in deregulation, its primary purpose being the opening up of previously protected markets and the removal of barriers to trade and free competition within the Community. But a closer examination of the programme reveals that although the language is borrowed from neoliberalism, the actual proposals often involve a high degree of regulation in terms of harmonization of basic standards. On balance, we shall argue, the 1992 programme is less an exercise in deregulation than in regulatory reform.

## 2.2. Policy innovation in the European Community: the Commission's White Paper

As soon as Jacques Delors was nominated for the presidency of the EC Commission, he began searching for an idea, a strategic concept capable of imparting new momentum to the process of European integration. He considered several possibilities -- monetary union, increased cooperation in foreign and defense matters, institutional reform -- but after a tour of European capitals he reached the conclusion that completion of the internal market was the most promising programme for "relaunching" the Community.

To understand how this choice was made and how the Commission's White Paper eventually became one of the turning points in the history of the EC, we need to consider in general terms the relationship between conceptual innovation and policy development (Majone, 1989: 161-166).

The capacity of policymakers to respond to incessant change in economic conditions, political climate, and societal values depends crucially on the availability of a rich pool of ideas and proposals. The existing stock of ideas shapes the policymakers' response to events by defining the conceptual alternatives from among which they can choose. On what conditions will the production of new ideas be intense or slow, or more intense in one policy area than in another? Why are some proposals accepted while others are rejected or ignored? More generally, how is conceptual innovation linked to policy development?

To pose such questions is to suggest that policy development may be analyzed as the outcome of a dual process of conceptual innovation and of selection by political actors from the pool of available policy ideas. The locus of conceptual innovation will be called the policy community, while the political arena is the locus of selection.

A policy community is composed of specialists who share an active interest in a certain policy or set of related policies: academics, bureaucratic and interest-group experts, consultants, policy planners, opinion makers and, in some contexts, even judges. The members of a policy community represent different interests, hold different values and belong to different schools of thought, but they all contribute to policy development by generating and debating new ideas and proposals.

The effectiveness of the selection procedure will depend on the rate and quality of conceptual innovation. Without a continuous stream of new proposals selection will have nothing to work on. Hence, the policy community must be sufficiently open and competitive so that truly novel variants may emerge. At the same time, selection can be effective only where the community is not too open. If each and every proposal were taken seriously, the burden for the selection mechanisms would soon become unbearable, leading to a breakdown of evaluative criteria. To avoid this, policy communities rely on various criteria to screen ideas that



deserve further consideration. The final selection by political actors will usually be made from among the proposals that survive the screening. The most important screening criteria are: technical and economic feasibility, administrative simplicity, acceptability in the light of the values held by members of the policy community itself, and receptivity of the proposal by the political decision makers (Kingdon, 1984).

Different sources had contributed to the pool of ideas available to the new Delors Commission when it took office in January 1985: various services of the Commission itself; members of the European Parliament such as Altiero Spinelli's "Crocodile Group" and the more pragmatic "Kangaroo Group"; and groups of influential businessmen, at times working with Commission officials, like the Thorn-Davignon Commission, UNICE (the Union des Confédérations de l'Industrie et des Employeurs d'Europe), and especially the Roundtable of European Industrialists (Sandholz and Zysman, 1989; Green 1993).

Many ideas found in the White Paper and in the SEA itself can be traced back to proposals advanced by particular members of this transnational policy community. Thus in 1983 the Kangaroo group launched a public campaign for the adoption of a detailed timetable for the abolition of all non-tariff barriers within the EC, and in the following year the European Parliament adopted a resolution on the internal market based on an in-depth report, Toward European Economic Recovery in the 1980s by M.Albert and J.Ball. UNICE was a strong advocate of majority voting to increase the efficiency of Community decision making. Proposals for technology programmes and for European technical standards came from the Thorn-Davignon Commission, while the "Europe 1990" plan of Wisse Dekker, at the time chief executive officer of Philips, became the best known business plan for completing the internal market (Moravcsik, 1991). Several elements of the White Paper, from the idea of a target date to the emphasis on tax harmonization and the liberalization of government

procurement policies, can already be found in Dekker's plan (Green 1993).

As already noted, the EC Commission was an early and very active participant in the policy debate on market integration. Already in 1981 it had presented a communication on "the state of the internal market" to the European Council, followed by a second communication on "relaunching the internal market" in 1982 and by a report on the "assessment of the functioning of the internal market" in 1983. In that same year a new Internal Market Council was created for the purpose of achieving a better coordination of activities related to the internal market. Experience had shown that the piecemeal approach of the specialized Councils -- i.e. of the Councils of ministers of finance, agriculture, health, and so on, according to the issue under discussion -- made it difficult to synchronize work in order to put together package deals acceptable to all the member states (Schmitt von Sydow, 1988).

A lengthy stage of debate and persuasion is typical of most major policy innovations. As John Kingdon notes, "debate and persuasion are needed "to soften up" both policy communities, which tend to be inertia-bound and resistant to major changes, and larger publics, getting them used to new ideas and building acceptance for their proposals. Then when a short-run opportunity to push their [--i.e., policy entrepreneurs'] proposals comes, the way has been paved, the most important people softened up. Without this preliminary work, a proposal sprung even at a propitious time is likely to fall on deaf ears" (Kingdon, 1984:134).

In fact, only one week after he took office, President Delors was able to announce to the Parliament the new Commission's intention to ask the European Council to pledge itself to completion of a fully unified internal market by 1992. Because of the work already done by the staff of the Commission and by other members of the policy community, the programme for "Completing the Internal Market" could be presented to the heads of government in the form of a white

paper already on 14th June, 1985 and was endorsed by them at Milan on the 28th and 29th of the same month.

Recall now the selection criteria mentioned above: technical and economic feasibility; administrative simplicity; value acceptability; and political receptivity. The internal market programme satisfied those criteria much better than the other proposals that had been discussed, such as budgetary and institutional reform, reform of the common agricultural policy, and economic and monetary union. The internal market programme required no additional spending from national or Community budgets, and no major transfer of competences to Community institutions. At the same time, the idea of eliminating hundreds of national regulations and technical barriers to trade was very attractive to influential members of the Commission like Lord Cockfield; to multinational companies; to the conservative government of Mrs. Thatcher but also to the French, German and Benelux governments; and to advocates of privatization and deregulation throughout Europe. Finally, the new strategy of mutual recognition (see next section) could be presented as the logical development of the laissez-faire doctrine developed by the European Court of Justice in the famous Cassis de Dijon judgement and in a number of related cases.

No other available alternative presented so many advantages or managed to skirt so many obstacles and potential pitfalls. Radical reform of the common agricultural policy did not seem, then as now, politically feasible. Budgetary and institutional reform were not sufficiently inspiring goals for the relaunching of Europe. On the other hand, economic and monetary union was certainly an attractive goal especially to the five Commissioners who had been ministers of finance in their national governments; but its economic and technical feasibility was uncertain while member states' fears regarding its political and financial impact made it difficult to draft a realistic timetable (Schmitt von Sydow, 1988).

In retrospect, the alternative finally chosen by President Delors appears to have been the only one with a sufficiently high probability of success. Careful attention to feasibility conditions and the long process of "softening up" of elite and public opinion apparently made the crucial difference between the prompt approval and smooth implementation of the internal market programme, and the uncertainties and delays of the process of ratification of the Maastricht Treaty. In the following section we show that the Commission played an equally important role in the elaboration of the SEA.

### 2.3. The Dynamics of Institutional Change

Many interpretations of the Single Act emphasize the importance of intergovernmental bargaining (Garett, 1992) and tend to diminish the influence of the Commission. According to Moravcsik, for instance, none of the explanations that can be advanced "suggests that supranational actors influenced the substance of the Single Act... While logistical support from the Commission may indeed have hastened a final agreement, there is little evidence that it altered its substance." (Moravcsik, 1991: 46) Likewise, Keohane and Hoffmann argue that "Delors and his fellows Commissioners did no more than focus the States' attention on the one issue - the single market - that was acceptable to the three major actors, Britain, West Germany and France" (Keohane and Hoffmann, 1990: 287, see also Laursen, 1992:235).

The role of national governments cannot be denied. After all, a glance at the EEC Treaty shows that it could not be otherwise: Article 236 requires that any treaty amendment be ratified by all Member States according to their constitutional requirements. Thus, whenever a significant amendment to the Community's institutional structure is considered, there is no way around an agreement among national governments. We can therefore only subscribe to Keohane and Hoffmann's view, according to which any attempt

to understand the Single Act must begin with a recognition that governments took the final crucial steps leading to its negotiation and ratification." (Keohane and Hoffmann, 1990: 284, emphasis in the original)

Yet, as these authors recognize, "attributing major changes to an intergovernmental bargain only begs the question of accounting for such an agreement". Their analysis emphasizes the role of shared objectives, of programmatic agreements among national governments, which they depict as a pre-condition for spillovers. However it could be argued that such an analysis leaves open a number of questions. How can one explain that European governments, which had been arguing - at times bitterly - during the first half of the 1980s over the relaunching of the Community, suddenly found it possible to reach a compromise over such a fundamental reform, which included inter alia a generalization of majority voting? As indicated above, at the time of Milan European Council, there was not even a consensus on the necessity of an institutional reform, let alone its substance.

Following the line of "reasoning backward" suggested by Keohane and Hoffmann, we would submit that this paradox can be understood only by reference to the outcome of the negotiation. Identifying the main bargains contained in the Single Act is the key to understanding the dynamics of the process.

As regards the internal market, which was to emerge as the hardcore of the Act, three main bargains can be identified. The first, and by far the most important, was the linkage between the Single Market and institutional reform. From the beginning of the 80s on, the emphasis had been laid primarily on the necessity to strengthen the Community by developing its supra-national character. Such an approach, which appealed to a number of countries, was clearly unacceptable in some national capitals. Reconciling such radically opposed views had proved extremely difficult. Indeed, the Dooge Committee had been unable to reach a

compromise; hence the many reservations that were attached to the majority opinion in the Committee's final report. Given such premises, there were widespread fears that the intergovernmental conference would prove unable to reach a compromise.

However things changed rapidly at the opening of the Conference. The turning point was in early September 1985, when the Commission presented its first contribution to the discussion. What the Commission proposed was to agree to a number of changes in the operation of the Community, with a view to establishing by the end of 1992 "an area without internal borders", as defined in the Commission's White Paper on the Single Market. Of central importance in this respect was the proposed change of voting procedures: the Commission asked that majority voting be made possible for all the proposals listed in its White Paper.

The importance of this shift cannot be over-emphasized. The completion of the single market certainly represented a seductive objective for most Member States, as according to the dominant view, this was necessary for Europe to face international competition. Moreover, the pragmatic line suggested in the White Paper, not least because of its apparent de-regulatory bias, did appeal to the British government, which was among the most vocal opponents of institutional reforms. As noted above, in itself, completing the single market did not require a major transfer of competences or of financial resources to the Community. Under these conditions, moving to majority voting was less likely to harm the "essential interests" of the Member States.

As one insider observed, this economic approach to institutional questions accounts for a large part of the success of the negotiation, as it contributed to allay some of the fears voiced by the minority members of the European Council in Milan (De Ruyt, 1989, at 71). However, this does not suffice to explain the final outcome, for completing the single market entailed certain risks for two groups of Member States. On the one hand, the less developed countries feared

that the removal of border controls could put at risk their less competitive economies, thereby leading to increased regional discrepancies (McAleese and Matthews, 1987). On the other hand, some Member States with a well-established tradition of intervention in the areas of environmental or consumer protection were concerned about the possibility of being exposed to the competition of countries with lower standards of protection, which might ultimately force them to level down their regulatory requirements. For these two groups, majority voting was no mere institutional issue; the possibility of being overruled had quite concrete implications.

Here again, the Commission played an instrumental role in bridging the gaps among the various national positions. Two proposals tabled in September 1985 offered a number of safeguards to protect the specific interests of the two groups (Corbett, 1987: 248-50). The guarantees eventually inserted in the Single Act consisted of a mix of "macro-" and "micro-political" elements. Among the former, one can mention the establishment of environmental and regional policies (social and economic cohesion in Euro-language) as fully-fledged Community competences, and the guidelines addressed to the Commission, which has been invited to address specific concerns - be they differences in economic development or regulatory concerns - when drawing up its internal market proposal. "Micro-political" guarantees consist of protective clauses such as those contained in Articles 100a(4) or 130r, which enable Member States facing certain specific problems to remain temporarily insulated from the European market (Dehousse, 1989: 118-120).

The core of the Single Act can therefore be said to rest on three main bargains: the linkage between the internal market and institutional reform, the trade-offs between market integration and social regulation, and between market integration and economic cohesion. Even if these can be described as "intergovernmental bargains", it is clear that they were greatly influenced by the Commission. Evidence

suggests that by focusing attention on the single market, the Commission circumscribed an area in which a compromise could be reached by the Member States. In doing so, it set a framework in which the above-mentioned bargains could be struck. This explains how a negotiation that started with an open confrontation ended up in an agreement which could satisfy all twelve Member States. Most accounts of the negotiation indicate that the Commission's September proposals radically transformed the atmosphere of the debate. Moreover, they had a decisive influence over the substance of the various compromises that eventually emerged. Most of the proposals tabled by the Member States took the form of amendments to the Commission's texts; none of them questioned the overall scheme suggested by the Commission (De Ruyt 1987, pp. 72-73).

However, it cannot be inferred from this that the Single Act simply reflects the Commission's wishes and expectations. If the Commission played a key role as regards the internal market, its influence was much more modest in other areas. Title III of the SEA, dealing with European Political Cooperation, i.e. cooperation in foreign policy matters, was largely inspired by two drafts, tabled respectively by the UK and by France and Germany (Corbett, 1987: 251). Even as regards the internal market, the SEA bears the mark of the strenuous negotiation that gave birth to it. Rather than an inspired exercise in constitution-making, it can be seen as reflecting a number of quid pro quos among the aspirations and fears of Member States. Hence its piecemeal character and its ambiguity.

Indeed, the Commission's initial reaction after the signing of the Single Act was rather one of disappointment, as was that of many upholders of supranationalism (Pescatore, 1987). The Commission even felt it necessary to dissociate itself somewhat from the eventual outcome by setting out its reservations in a declaration which was not attached to the Final Act (Gazzo 1986: 115). Some of the criticisms levelled by the Commission were to prove correct. The refusal to grant



the Community new competences as regards the free movement of persons or the retention of the unanimity rule for the harmonization of tax laws clearly undermined the capacity of the EC to reach its 1992 objective: little progress has actually been made in these two areas. Yet, several points listed in the Commission declaration subsequently turned out to be less negative than it was feared. The failure to recognize the Commission's power to issue implementing rules for EC legislation, which was to be at the center of the "comitology" dispute in the ensuing years, has not had a significant impact on the single market programme; the much-criticized safeguard clause of Article 100a(4) was actually never invoked and the European Parliament, though being given limited rights only in the newly established cooperation procedure, was able to increase significantly its role in the legislative process. Thus, it appears that to some extent at least, the Commission itself did not fully appreciate the importance of the changes contained in the Single Act.

Which lessons can one derive from this analysis? Without detracting anything from the value of intergovernmentalist analyses of the SEA, it might be said that they fail to fully explain the factors that account for the success of the negotiations. True, the Single Act can be seen as containing a series of intergovernmental bargains. Yet the substance of these bargains and the process that led to their emergence cannot be understood without reference to the role of the Commission. Acting as an "honest broker" among diverging national interests, the Commission has been able to identify an area - the internal market - where progress towards integration could be made without putting at risk the "vital interests" of any Member State.

Going one step further, it might be said that the role of supranational institutions in the process of institutional reform has been largely underestimated. The success of the Single Act owes much to the role played by the Commission and to the pragmatism of the legislative programme contained in its 1985 White Paper. In turn, the strategy outlined in the

White Paper largely rested on one concept - mutual recognition - worked out by the ECJ in its landmark Cassis de Dijon ruling. Taken separately, none of these elements would have sufficed to impose a far-reaching reform. Yet, they greatly influenced the outcome of the intergovernmental negotiations: failing any of these pre-conditions, there are reasons to believe that no significant reform of the Community's institutional system could have been achieved. Thus, the existence within the Community of autonomous institutions, endowed with the capacity to act on their own, be it in the legal or in the political sphere, is a variable that needs to be considered in any study of its institutional evolution.

Mention should also be made of the law of unintended consequences. No one really suspected how far-reaching were the changes contained in the eventual compromise. To many, the declared objective of the Single Act - the implementation of the Single market programme - appeared as a weak restatement of the premises on which the Common Market had been built thirty years earlier. The Luxembourg compromise, which had hampered decision-making in the past, was left untouched (Pescatore, 1987). No wonder, then, that the Commission, the European Parliament and a number of integration-minded governments made no mystery of their dissatisfaction, while the British government, traditionally reluctant towards integration, declared itself satisfied with the eventual outcome. Yet, this apparent lack of ambition might also be seen as one of the keys to understanding how the Single Act was readily accepted in many national capitals. Had some of the Member States realized the scope of the changes contained in the Act, it is far from sure that they would have gladly subscribed to it.

This suggests that institutional reform is easier to achieve when it is not pursued for its own sake, but emerges as a logical implication of substantive policy choices. Once the general idea of completing the internal market was accepted, it proved possible to convince even the most

reluctant Member States that a shift towards more majority voting was necessary in several areas. Had the objective itself not met with a consensus, the change would not have been possible (Dehousse, 1989: 134). The healthy institutional pragmatism of the Commission, much in the line of the functional approach followed by a Jean Monnet, therefore accounts for much of the success of the Single Act.

### **3 - Regulatory Policy-Making in the EC**

Advocates of the intergovernmental model often view the regulatory policies pursued by the EC as a new reflection of the Member States' national interests. The emphasis on mutual recognition in the Commission's 1985 White Paper, for instance, has been explained by the convergence of national interests around a new pattern of economic policy making, which entailed a rediscovery of the virtues of the market economy and a corollary shift towards deregulatory programmes (Keohane and Hoffmann, 1990, p.288).

Though these developments were clearly related, it is far from clear that the relationship was one of strict causality. First of all, the White Paper, far from advocating an exclusively deregulatory approach, rather envisaged a mix of mutual recognition and harmonization. As a result, deregulation at national level has often been accompanied by re-regulation at EC level - a phenomenon which is difficult to account for in strict intergovernmental terms.

#### **3.1. How deregulatory was the White Paper?**

The two basic methods proposed by the Commission in order to complete the internal market by the target date of 1992 -- the "new strategy" of mutual recognition of national regulations and standards, and the "new approach" to harmonization -- were inspired by different regulatory philosophies. Hence the possibility of conflicting interpretations of the 1992 project. There was, in fact, a strong neoliberal flavour in the language used by the

Commission, echoing the reasoning of the European Court of Justice in Cassis de Dijon, to justify the principle of mutual recognition:

if a product is lawfully manufactured and marketed in one Member State, there is no reason why it should not be sold freely throughout the Community. Indeed, the objectives of national legislation, such as the protection of human health and life and of the environment, are more often than not identical. It follows that the rules and controls developed to achieve those objectives, although they may take different forms, essentially come down to the same thing, and so should normally be accorded recognition in all Member States ... What is true for goods, is also true for services and for people. (White Paper, point 58).

It has not escaped the attention of analysts that a strategy of mutual recognition of national regulations and standards entails competition among regulators. In turn, this could create the conditions for "social dumping" and "competitive deregulation" as each country attempts to gain advantages for its own industry and to attract foreign investments by lowering the level of regulatory constraints which firms must meet. Certainly, it is argued, it can be no coincidence that the warm endorsement of the proposals of the Commission by the member states was given at a time when the ideology of competition and free markets dominated the thinking and, to some extent, the policies of governments throughout Western Europe.

However, from the outset, the practical scope of the new strategy is more restricted than many wanted to believe: "in principle ... mutual recognition could be an effective strategy for bringing about a common market in a trading sense" (White Paper, point 63, emphasis added). But, the document continues,

while a strategy based purely on mutual recognition would remove barriers to trade and lead to the creation of a genuine common trading market, it might well prove inadequate for the purposes of the building up of an expanding

market based on the competitiveness which a continental-scale uniform market can generate. On the other hand, experience has shown that the alternative of relying on a strategy based totally on harmonization would be over-regulatory ... What is needed is a strategy that combines the best of both approaches but, above all, allows for progress to be made more quickly than in the past (White Paper, point 64).

Thus, the "new strategy" was not, after all, the strategy chosen by the Commission. The White Paper's focus on mutual recognition, as one of the drafters of the document admitted, was "not motivated by ideological or political reasons, but by tactical and practical considerations, namely to reduce the Council's workload and to obtain rapid results" (Schmitt von Sydow, 1988: 96). A case of "reculer pour mieux sauter"? "Indeed, harmonization is not dead and may sooner or later start to flourish again. It has been relegated only in the specific context of the White Paper and its objective of abolishing all barriers to the free movement of goods, persons, services and capital. Mutual recognition achieves this objective, but it does not satisfy all aspirations of consumers and producers ... only harmonization can implement effective Community policies for e.g. the protection of the environment or can give the Community a leading role in the fields of public health, technical security and consumer protection" (ib.:97).

The realization that mutual recognition did not signify the end, or even a significant limitation, of EC regulation may have led to Mrs. Thatcher's notorious Bruges speech in 1988. At any rate, the strategy actually followed by the Commission is a blend of several elements: an attempt to draw a clearer distinction between what is essential to harmonize and what may be left to mutual recognition of national regulations; legislative harmonization of national rules to be restricted to laying down essential health and safety requirements which will be obligatory in all member states; gradual replacement of national product specifications by

European standards issued by the Comité Européen de la Normalisation (CEN) or by sectoral European organizations.

An excellent example of this original mix of deregulation (mutual recognition) and re-regulation (EC-wide harmonization of essential supervisory rules) is the Second Banking Directive (89/646/EEC) which became effective on January 1, 1993. Within the regulatory framework provided by the Second Banking Directive and by other more narrow directives harmonizing such things as the definition of own funds (capital) and solvency ratios, a European bank will need a single license from its home country to be allowed to establish branches or directly market financial services in any other EC country. With few exceptions, the host country has no power to seek further authorizations or exercise supervision. This is, of course, a direct consequence of the principle of mutual recognition.

What we have here, as in most other directives inspired by the new strategy, is deregulation at the national level combined with re-regulation at EC level. The apparently paradoxical combination of deregulation and re-regulation is what is meant by "regulatory reform". In this sense, the essence of the new strategy is neither deregulation nor even re-regulation but, more precisely, regulatory reform.

### 3.2. The "deepening" of Community Regulation

In speaking of re-regulation at the supranational level we are not simply referring to the continuously expanding volume of EC legislation. It is true that EC legislation has reached a level where it is practically impossible to understand the domestic policies of the member states in most areas of economic and social regulation without taking Community policies into consideration (Majone 1992). However, even more impressive than this quantitative growth, and certainly more difficult to explain within the framework of the intergovernmental model, is the increasing strictness or "deepening" of EC regulation. The SEA provided for the first

time an explicit legal basis for environmental protection, and established the principle that environmental protection requirements shall be a component of the Community's other policies (Art.130 r(2), EEC). It also introduced the principle of qualified majority voting for occupational health and safety, and the notion of "working environment" which opens up the possibility of regulatory interventions in areas such as ergonomics which traditionally have been outside the field of health and safety at work. Finally, Art.100 a(3) urges the Commission to take a high level of protection as a base in its proposals relating to health, safety, environmental protection and consumer protection.

The Treaty of Maastricht, if ratified, will continue this development by establishing consumer protection as a Community policy, defining a role for the Community in public health -- especially in research and prevention -- and introducing qualified majority voting for most environmental legislation.

The qualitative deepening of EC regulation is revealed by several indicators (Majone, 1993), of which only two will be mentioned here. First, measures concerning health, safety and environmental and consumer protection no longer have to be justified by the goal of eliminating obstacles to trade and distortions of competition. Prior to the SEA, articles 100 and 235 of the Rome Treaty did indeed limit regulatory policy making to problems with a substantial economic impact. However, as Reh binder and Stewart (1985) have pointed out, even before the SEA the thesis of the exclusive economic motivation of, for example, EC environmental law, was wrong because it ignored the fact that environmental priorities are set by the Community environmental programmes; and these are not based on narrow economic objectives, but seek to promote environmental quality as an important goal in its own right.

The second important indicator of "deepening" is the innovative character of some recent regulatory decisions. As noted above, it is generally assumed that EC regulations, in order to be accepted by the member states, cannot go beyond

a lowest common-denominator solution. The fact that national interests are strongly represented at each stage of Community policy making seems to preclude the possibility of innovation, while giving a bargaining advantage to those member states which oppose high levels of protection. Hence the fear of "social dumping" often expressed by countries with advanced social legislation. According to the conventional wisdom, the Community could at best hope "to generalize and diffuse solutions adopted in one or more Member States by introducing them throughout the Community. The solutions of these Member States normally set the framework for the Community solution" (Rehbinder and Stewart, 1985: 213).

Even in the past this assessment was not quite correct (Majone, 1993). However, the most striking examples of regulatory innovation were made possible by the SEA, in particular by the introduction of qualified majority not only for internal market legislation but also for an important area of social regulation such as health and safety at work. Thus, Directive 89/391 "on the introduction of measures to encourage improvements in the safety and health of workers", goes beyond the regulatory philosophy and practice even of advanced member states like Germany (Feldhoff, 1992). Among the notable features of this directive are its scope (it applies to all sectors of activity, both public and private, including service, educational, cultural and leisure activities); the requirements concerning worker information; the emphasis on participation and training of workers; and the very broad obligations imposed on employers.

Equally innovative are the Machinery Directive 89/392 and, in a more limited sphere, Directive 90/270 on health and safety for work with display screen equipment. Both directives rely on the concept of "working environment", and consider psychological factors like stress and fatigue important elements to be considered in a modern regulatory approach. For example, Annex I of the Machinery Directive states, inter alia, that "under the intended conditions of



use, the discomfort, fatigue and psychological stress faced by the operator must be reduced to the minimum possible taking ergonomic principles into account". It is difficult to find equally advanced principles in the legislation of any major industrialized country, inside or outside the EC.

In fact, despite the frequent allegation that Community policy-making is under the control of the most important Member States (Garett, 1992: 552), the Commission, usually with the support of the Parliament, seems increasingly to be able to innovate with respect to existing national policies. Thus, the Machinery Directive was inspired by the regulatory philosophy of two small countries -- the Netherlands and Denmark who first introduced the concept of "working environment" into their legislations -- and opposed by Germany in an attempt to preserve the power of its own regulatory bodies (Feldhoff, 1992; Eichener, 1992). The model of a policy making system dominated by the interests of a few key member states seems to need substantial revisions.

### 3.3. Why Supranational Institutions may be needed

A revised model of regulatory policy making in the Community must include two elements that have been largely overlooked by the received theories: first, the characteristic problems of "regulatory failure" which arise in an international context, limiting the usefulness of inter-governmental solutions; and, second, the fact that regulation is a very specialized mode of policy making and, as such, requires a high degree of technical and administrative discretion.

If national regulators were willing and able to take into account the international repercussions of their choices; if they had perfect information of one another's intentions; and if the costs of organising and monitoring policy coordination were negligible, market failures with transboundary impacts could be managed in a cooperative fashion without the necessity of delegating powers to a

supranational level. In fact, it is quite difficult to verify whether or not inter-governmental agreements are being properly kept. Because regulators lack information that only regulated firms have, and because governments are reluctant, for political reasons, to impose excessive costs on industry, bargaining is an essential feature of the process of regulatory enforcement. Regardless of what the law says, the process of regulation is not simply one where the regulators command and the regulated obey. A "market" is created in which bureaucrats and those subject to regulation bargain over the precise obligations of the latter (Peacock, 1984). Because bargaining is so pervasive, it may be impossible for an outside observer to determine whether or not an international regulation has been, in fact, violated.

When it is difficult to observe whether governments are making an honest effort to enforce a cooperative agreement, the agreement is not credible. For example, where pollution has international effects and fines impose significant competitive disadvantages on firms that compete internationally, firms are likely to believe that national regulators will be unwilling to prosecute them as rigorously if they determine the level of enforcement unilaterally rather than under supranational supervision. Hence the transfer of regulatory powers to a supranational authority like the EC Commission, by making more stringent regulation credible, may improve the behaviour of regulated firms. Also, because the Commission is involved in the regulation of a large number of firms throughout the Community, it has much more to gain by being tough in any individual case than a national regulator: weak enforcement would destroy its credibility in the eyes of more firms. Thus it may be more willing to enforce sanctions than a member state would be (Gatsios and Seabright, 1989). In fact, the Commission has consistently taken a stricter pro-competition stance than national authorities like the British Monopolies and Mergers Commission, the German Bundeskartellamt, or the French Conseil de la Concurrence.

In short, the low credibility of inter-governmental agreements explains the willingness of member states to delegate regulatory powers to a supranational authority. At the same time, however, governments attempt to limit the discretion of the Commission by making it dependent on the information and knowledge provided by national bureaucrats and experts. We must now explain how the Commission often manages to overcome these limitations.

#### 3.4. The Commission as Policy Entrepreneur

The offices of the Commission responsible for a particular policy area form the central node in a vast "issue network" that includes not only experts from the national administrations, but independent experts (also from non-EC countries), academics, public-interest advocates like environmentalists and leaders of consumer movements, representatives of economic and professional organizations and of regional bodies. Commission officials listen to everybody -- both in advisory committees, which they normally chair, and in informal consultations -- but are free to choose whose ideas and proposals to adopt. They operate less as technical experts alongside other technical experts, than as policy entrepreneurs, that is, as "advocates who are willing to invest their resources -- time, energy, reputation, money -- to promote a position in return for anticipated future gain in the form of material, purposive, or solidary benefits" (Kingdon, 1984: 188).

In his study of policy innovation in America, Kingdon identifies three main characteristics of successful policy entrepreneurs: first, the person must have some claim to be taken seriously, either as an expert, as a leader of a powerful interest group, or as an authoritative decision maker; second, the person must be known for his political connections or negotiating skills; third, and probably most important, successful entrepreneurs are persistent (ib.: 189-90). Because of the way they are recruited, the structure of their career incentives, and the crucial role of the

Commission in policy initiation, Commission officials usually display the qualities of a successful policy entrepreneur to a degree unmatched by national civil servants. Actually,

the Commission officials' typical motivational structure is quite different from that of the average national government official. While the staff of the national governments is often recruited from persons who tend to be -- compared with their peers who choose an industrial career -- solid, correct, security-oriented, conservative, risk-averse and often somewhat narrow-minded, the Commission recruits its staff from people who are highly motivated, risk oriented, polyglot, cosmopolitan, open-minded and innovative... From the beginnings in the 1960s and up to the present, it has indeed been officials of a special type who chose to leave the relative security of their national administrations to go to Brussels to do there a well-paid but extremely challenging job ... The structural conditions of recruitment and career favour a tendency to support new ideas and to pursue a strategy of innovative regulation which attempts to go beyond everything which can presently be found in the Member States (Eichener, 1992: 51-52).

Because of this tendency to favour innovative regulatory solutions, even national experts may find the Community a more receptive forum for their ideas than their own administrations. The Machinery Directive offers a striking example of this phenomenon. The crucially important technical annex of the directive was drafted by a British labour inspector who originally sought to reform the British regulatory approach. Having failed to persuade the policy makers of his own country, he brought his innovative ideas about risk assessment to Brussels, where they were welcomed by Commission officials and eventually became European law (ib.:52).

Moreover, what is known about the modus operandi of the advisory committees suggests that debates there follow substantive rather than national lines. A good deal of copinage technocratique develops between Commission officials

and national experts interested in discovering pragmatic solutions rather than defending political positions. By the time a Commission proposal reaches the political level, first in the Committee of Permanent Representatives (COREPER) and then in the Council of Ministers, all the technical details have been worked out and modifications usually leave the essentials untouched. The Council may of course delay a decision or reject the proposal outright, but these options are becoming increasingly problematic under the qualified majority rule and the "cooperation procedure" between the European Parliament and the Council introduced by the SEA. However, these institutional innovations are not by themselves sufficient to explain the relative autonomy of the Commission in regulatory matters. Two key characteristics of this mode of policy making must also be considered: regulation does not impose direct fiscal burdens on the national governments and thus does not generate as much controversy as fiscal issues in which winners and losers are more visible (Peters, 1992); on the other hand, drafting regulations requires expertise, and reliance on expertise entails granting the necessary administrative and technical discretion.

#### 4 - Why Maastricht nearly failed

One of the most puzzling elements of the integration process is its absence of continuity. Integration is not a linear sequence, but rather a succession of stops and gos. Any survey of the dynamics of that process must try to account for these seemingly aphaazard developments.

So far, we have argued that the revival of integration in the 1980s and the ensuing developments in the realm of regulatory policies could not be explained only in terms of interstate bargains and that reference must also be made to the key role of supranational institutions, in particular the EC Commission. We shall now attempt to show that mutatis

mutandis the same approach can be of help to understand the difficulties to which the Maastricht Treaty has given rise.

#### 4.1. The Changing European Framework

This is not the proper place for a detailed description of the negotiations that led to the Maastricht Treaty (see e.g. Corbett 1992, De Schoutheete 1991). Yet some remarks are necessary to illustrate the dynamics of the process.

In the first place, it ought to be remembered that the impetus for a further institutional change initially came from the Commission. The Commission and its President had not been satisfied with the meager harvest of the Single Act in the field of monetary policy. When it appeared that contrary to initial expectations, substantial progress was being made towards the completion of the single market, the Commission started to insist on the necessity to approach anew monetary matters. As early as 1987 a major study conducted at its request argued that in a Community with stable exchange rates, the liberalization of capital movements would make it more difficult for Member States to conduct autonomous macro-economic policies. Greater coordination was therefore necessary, lest the risk of major disruptions in the European monetary system (Padoa-Schioppa et al, 1987).

This point, which was to receive a striking confirmation with the currency crisis of September 1992, proved sufficient to get the Member States to move, in the wake of the adoption of the directive on the liberalization of capital movements. In June 1988, President Delors secured the European Council's approval for his proposal to establish a high-level working party to discuss the establishment of economic and monetary union. This group, mainly composed of governors of the Member States' central banks, but chaired by Delors himself, largely endorsed the Commission's views and suggested a gradual

approach leading ultimately to a single currency (Committee for the Study of Economic and Monetary Union, 1989).

In June 1989, the European Council therefore approved, in spite of reservations voiced by Great Britain, the convening of an intergovernmental conference to discuss the changes to be brought to the EEC Treaty. Thus, by presenting economic and monetary union as a direct corollary of earlier choices (in this case the single market), the Delors Committee remained faithful to the pragmatic, functional approach which had made a success of the White Paper. Contrary to what happened in the past, it was now for those who opposed such a change to engage into theological debates on the virtues and limits of European integration. This is exactly what Mrs Thatcher did in her widely publicized Bruges speech.

Changes in the international environment, however, were to completely disrupt what appeared to be a well-established plan. The collapse of communism in Eastern Europe and the rapid move towards German unification introduced a number of uncertainties. Issues such as the place of Germany in the new Europe or the fate of the security link with the United States, which had been skillfully avoided for a couple of decades, were brought to the fore within a few months. Together with the prospect of a growing number of applications for EC membership, they raised a series of crucial questions as to the scope of the integration process. Should the Community remain limited to Western Europe, or is its vocation to expand to the whole continent? Could the emerging security problems still be handled by NATO, or should the Community's security dimension be strengthened? Both sets of questions had important implications for the institutional development of the Community. President Mitterrand and Chancellor Kohl's proposal to initiate discussions on the response to be given to these new developments was rapidly approved by the European Council in June 1990. However, in order not to disrupt the discussions on economic and monetary union, which had been proceeding

over the previous two years, it was decided to convene a second intergovernmental conference, which would focus on political union, i.e. on the institutional agenda. We shall see below that this choice was of some importance.

#### 4.2. When Policy Entrepreneurs fail

The Maastricht Treaty, which resulted from one year of negotiations, bears the mark of this unexpected change in the agenda. The commitment to monetary union is largely regarded as its dominant achievement: The Treaty foresees a gradual move towards a single monetary policy, culminating with the adoption of a single currency by the end of the century at the latest. The harvest is more meager in the realm of political union. Despite pressure towards greater cohesion on the international plane, the Member States have felt unable to integrate fully foreign policy in the Community framework. The same is true of the Community's nascent immigration policy. As a result, the newly born European Union has been given a complex structure: it is based on the existing Communities, flanked by the intergovernmental pillars (common foreign policy and the so-called "cooperation in the fields of justice and home affairs").

Within the Community framework, only incremental changes have taken place. More room has been provided for majority voting but it was not generalized, as requested by the Commission. A new co-decision procedure has been established, to reinforce the Parliament's role in the legislative process, but Parliament's ultimate weapon rests in its capacity to reject the Council's common position -a negative power which might prove difficult to use. Potentially further-reaching - though largely unnoticed- is the new procedure for appointing the Commission: the Community's executive will now have to count on the support of a majority in Parliament before it can be appointed (Article 158). As important as this latter reform may be, the idea is by no means new: it has been in



the air since the time of the Genscher-Colombo initiative, in the early 1980s.

How can one account for this mixed result? We have seen that three elements had largely contributed to the success of the Single Act: the Commission's capacity to act as a honest broker among the Member States, the emphasis laid on a substantive programme -the Single Market- rather than on institutional reform per se, and the apparent lack of ambition of the reforms which were proposed. At all three levels, things were different at the time of negotiating the Treaty on European Union.

The Commission had carefully planned the negotiations on economic and monetary union. The necessity of a move in that direction was largely accepted in national capitals, and the Commission had been able to rally strong support around its proposals, as shown by the crisis which led to the resignation of Mrs Thatcher. It came to the intergovernmental conference with a clear plan, which greatly conditioned the negotiation and the ultimate outcome. Things differed greatly as regards Political Union: there the Commission was unexpectedly faced with a task for which it was not prepared. It only moved after several Member States had tabled their own proposals (Corbett, 1992: 276). As a result, it was often put on the defensive.

Clearly, the fact that negotiations took place in two distinct fora made it more difficult for a consensus on institutional reform to emerge. As indicated above, at the time of the Single Act, the decisive shift to majority voting was accepted only in the wake of the Single Market programme. Isolating institutional matters made it virtually impossible to strike similar bargains. A global discussion took place only at the Maastricht Summit -too late for the output of the separate negotiations to be significantly altered.

Moreover, by addressing separately institutional issues, the Member States opened a Pandora box from which emerged a set of contradictory visions of the Community's institutional future. Little could be gained from a theological

confrontation on the respective merits of the federal model supported by the FRG, Italy and Benelux countries, the more intergovernmental model upheld by France and the even looser cooperation advocated by the United Kingdom. The absence of a project able to rally a large consensus, including supporters of the status quo, was clearly felt in the discussions on qualified majority voting or on the Union's foreign policy. As a result, given the consensus-based nature of the reform process, the intergovernmental conference on Political Union was bound to achieve some sort of lowest common denominator. Thus, although a majority of Member States had indicated their preference for a single institutional structure in May 1991, the views of the minority ultimately prevailed (Corbett, 1992: 279).

Lastly, one should appreciate that things have radically changed since the Single Act. The momentum that ensued has enabled the EC to be present in a number of areas, and the Member States have learned that they were no longer able to control fully the Community machinery. Though decision making remains largely consensual, the isolated opposition of some governments can now be bypassed. This new dynamism has increased the stakes of any reform proposal: a surprise breakthrough like the Single Act was no longer possible. Member States clearly feared being caught up in an "engrenage" that would drag them much further than they wished. Hence, inter alia, their enthusiasm for the Subsidiarity principle.

Put together, these elements account for the substance of the compromise reached in Maastricht in December 1991. Yet the ratification debates have been dominated by the eruption of public opinion, which had been largely absent from earlier reform processes.

There is every reason to believe that if the Maastricht Treaty had simply been submitted to national parliaments, as had been the case for the Single Act, it would have been ratified without excessive difficulties by all Member States. Even the Danish Folketing gave it an overwhelming majority

(De Schoutheete, 1992, p.74). But its rejection by the Danish people and the narrow victory of the "yes" in the French referendum seem to indicate that public opinion is no longer willing to leave a free hand to political elites in the integration process. Elements such as the introversion generated by the economic recession, the uncertainties linked to changes in the international environment, combined with a growing mistrust in political leaders throughout Europe, may explain that shift. The lack of transparency of Community mechanisms and the shortage of information on their actual operation left much room for emotional arguments. As a result, the debate focussed more on the alleged virtues and shortcomings of European integration, than on the Treaty itself. Moreover, the compromise character of the Treaty on European Union made it a difficult document to defend: in the ratification debates, it was not unusual to hear people deplore simultaneously transfers of sovereignty and the Community's democratic deficit, without much consideration for the fact that the latter can only be remedied at the expense of further transfers of sovereignty.

## 5 - Conclusion

The above analysis suggests that the importance of supranational actors, in particular of the EC Commission, has been generally underestimated in recent analyses of the process leading to institutional change in the Community.

Undoubtedly, institutional reform requires bargains to be struck among the governments of the Member States. But the Commission, acting both as a policy entrepreneur and as a mediator among divergent national interests, has a key role to play in the process. The breakthrough achieved with the Single Act cannot be explained without reference to the role played by the Commission, which was itself acting in the wake of the pathbreaking Cassis de Dijon case. Likewise, the discrepancy between the transfers of sovereignty accepted willy nilly by the Member States in the field of monetary

policy and their reluctance to accept significant changes in the institutional structure of the EC is a reflection of the Commission's incapacity to exert, in the conference on Political Union, an influence similar to the one it enjoyed in the conference on Economic and Monetary Union. Caught by surprise -as was everybody- by developments in Eastern Europe, the Commission was unable to put forward a mobilizing plan that might have convinced the Member States to consent to further transfers of sovereignty. As it was unable to take a leading role, the conference ended up on a series of guid pro quos among the Member States, with the Commission constrained to adopt a fairly defensive stance. This, however, is to be seen as the exception that proves the rule according to which the Commission's role is an important variable in the integration process.

Like neo-functional analyses, our approach sees in the behaviour of supranational actors a key to understanding the integration process. But, in contrast with those analyses, we do accept the fact that national governments continue to make the crucial policy decisions in the Community. At the same time, however, we believe that this element is not in itself sufficient to explain the unfolding of the integration process. What is decisive in our view is the interaction between the various actors involved. Although we have insisted much on the mutual influence of the Commission and the Member States, the game is not limited to these two kinds of players. Other actors, like the European Parliament, the Court of Justice, or interest groups can also exert considerable influence. The power play is therefore extremely complex and can give rise to extremely diverse results.

Indeed, it is not altogether clear that the functional approach that made a success of the Single Act will yield similar results in the future. The very success of the Community may make this difficult. European matters are now considered much more seriously than they have been in the past. Large sectors of public opinion have come to realize

that they can be affected by what is decided in Brussels. This has awakened some concern, both among opinion leaders and in public opinion at large in the face of what appears -- -rightly or wrongly- as a centralist drift. No matter what has been said above on the virtues of a functional approach, there are reasons to believe that further progress towards integration will require a grand institutional debate.

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