

**ECONOMY, SOCIETY AND POLITICS IN THE
EUROPEAN COMMUNITY: A FRAMEWORK FOR ANALYSIS.**

**ECONOMY, SOCIETY AND POLITICS IN THE
EUROPEAN COMMUNITY: A FRAMEWORK FOR ANALYSIS.**

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1. INTRODUCTION

European integration has been the subject of extensive scholarly interest as political scientists, economists and lawyers seek to understand the nature of the European Community and the dynamics of the integration process. Integration excites interest because it influences both economic and political well-being and poses particular challenges to political and economic theory. The European Community does not lend itself to ready classification. European integration is creating a common economic unit, a part formed polity, and a profusion of societal ties across the states of Western Europe. As a regional bloc, the Community has a presence in world politics and emerges at the beginning of the 1990s as the core organization in Europe. Developments in European integration in the 1980s, in addition to the challenges facing the European Community in the 1990s, has led to renewed scholarly interest in integration.

This paper outlines the approach being adopted by the authors in a research project entitled 'Economy, Society and Politics in the European Community'. The project - which will involve a political scientist, an economist and scholar in international relations - is motivated by conviction that the study of European integration confronts a number of analytical problems. The central thrust of the work is to approach these by taking the emphasis off integration and looking at the economic, social and political realities in European society which underlie integration.

Section 2 contains a synopsis of the main elements of the new found dynamism in the European Community in the 1980s, in order to demonstrate the conceptual challenges facing students of European integration. The central challenges concerns the very nature of the Community, the driving forces of integration and the dynamics of the integration process. But the existence of unsolved conceptual problems is of more than academic relevance and may have a bearing on some of the political, economic, cultural and institutional problems which confront the European Community and European society.

The challenges of analysing integration are discussed in more detail in Section 3. Here we outline some of the problems we seen in existing research. The revival of formal integration has led to a resurgence of interest in traditional integration theories, notably, neofunctionalism. While reformulated and sophisticated intergovernment accounts of recent developments clearly have some explanatory power, they beg questions about the domestic - social and political - dimension of integration. Nor do they deal adequately with the impact

of market forces, culture and technological change. A particular problem in the study of integration arises from the limitations of the economists' conception of the political. In our view this limits the value of economics in both its roles in integration - as a guide to policy and as an analysis of integration. However, the economic analysis of economic integration has certainly made major advances in recent years. Nevertheless, we note some limitations of recent economic analysis of key issues in European integration.

Section 4 outlines the elements of an alternative approach. Although the objective is to understand the European Community, the driving forces of integration and the dynamics of the integration process, these can be approached indirectly. The idea of taking the emphasis off integration, and of going back to the economic, political and social reality, implies an approach which is interdisciplinary, theoretical and historical. Benefit can be derived by applying to the study of European integration the 'interactive vision' which has been developed in recent years in the study of international political economy and comparative sociology. Indeed, we argue that movement towards an interactive outlook can now be identified in a range of social sciences. A number of implications of this approach are outlined; among these is the necessity to make the unit of economic and social analysis a subject of thought. This can open up the study of the national-international connection. The method of taking the emphasis off integration implies a theoretical and empirical focus on states, economies and societies - and the relations between them. The question of nations and nationalism may be a critical one in analysing the form which European integration takes and the limits to the process. Finally, developments in European society and economy (and, perhaps politics) suggest a reexamination of the significance of territoriality and regionalism.

2. A RESURGENCE OF FORMAL INTEGRATION

(i) The Resurgence of Formal Integration

At the beginning of the 1980s institutional paralysis, the effects of recession and a contentious budgetary debate, prevented the EC from confronting a series of pressing issues. There was little or no collective purpose among the member states. As scholars of integration were alluding to the possible disintegration of the EC, political and economic forces were gathering which would, by the mid-1980s, lead to a revival in the fortunes of the EC and a resurgence of formal integration among the member states (Kaiser, *et al.*, 1983). This

resurgence of formal integration, which took the scholarly community by surprise, raises a number of unresolved analytical issues about the dynamics of integration. The pace and scope of change in the European Community and the wider European arena since the mid-1980s require us to re-open the conceptual debate about European integration. A short synopsis of the main elements of the new found dynamism in the European Community highlight the conceptual challenge.

The negotiation and signing of the Single European Act (SEA) was the outcome of pressures for reform that has been building up in the EC since the mid-1970s. The 1992 project, with its aim of establishing a barrier free internal market by 1992, was the policy catalyst of the SEA. This, in turn, required institutional change and an enhancement of the Community's decision-making capacity. Institutional paralysis was overcome with the extension of qualified majority voting in the Council. Alternations to the Council were only possible if accompanied by increased powers for the European Parliament which had been attempting to strengthen its position within the institutional landscape since direct elections in 1979.

The implementations of the SEA led to a five year budgetary settlement which doubled the amount of financial aid going to the lesser developed parts of the Community. The apparent success of the internal market program led to renewed debate about economic and monetary union (EMU). The argument was made that a genuine common market required a single currency. The Strasbourg European Council (December 1989) agreed to the opening of an intergovernmental conference (IGC) to negotiate a treaty on EMU. While Community institutions were engaging in the preparatory work for an EMU IGC, the question of political union emerged with renewed urgency because of the transformation of world politics in 1989. The collapse of communism and German unification profoundly altered the environment within which European integration would evolve in the 1990s. Western Europe could no longer be considered a distinct regional entity in global politics. The states of Western Europe were faced with the challenge of responding to the needs of the former communist states as they searched for economic and political stability. The relative stability of nuclear stalemate and bloc to bloc confrontation has been replaced by war in the former Yugoslavia and in parts of the former Soviet Union. The civil war in Yugoslavia has led to an enormous loss of life, abuse of human rights and destruction of property and economic activity. Security no less than economic well-being is a major issue on the European agenda.

The Treaty of Maastricht was the outcome of year-long negotiations among the member states which produced a revision of the Rome Treaties including provision for EMU, a chapter on a common foreign and security policy and a codification of an evolving system of co-operation of justice and home affairs. The preamble to the Treaty establishes the concept of citizenship of the union, which amounts to the existing rights to free movement and a number of political rights. Maastricht brings the Community into the core of State activity - money, justice and foreign policy. If the dynamic period following the Fountainebleau European Council in 1984 represented the possibilities of European integration, 1992 amounted to 'annus horribilis' for advocates of further integration. In 1992 the Community found itself with an over-crowded internal and external agenda. The Maastricht Treaty, which was to establish the framework for integration in the 1990s, is not proceeding smoothly from completion to ratification. The EC faced a series of crises beginning with the Danish 'no' to the Treaty on European Union (2nd June 1992); the Danish 'no' called the fate of the Treaty into question as unanimity is required for a revision of the Treaty. This, in turn, called into question the prospect for EMU, which raised questions about the stability of the EMS. As recession began to bite and the costs of German unification became apparent, a monetary crisis ensued which led to the departure of the lira and the pound sterling from the EMS and significant devaluations of a number of other currencies. The ERM crisis undermined the British Prime Minister and made the ratification of the treaty a time-consuming and tortuous process in the House of Commons.

(ii) The Conceptual Challenge: the Nature of the European Community

The debate on Maastricht in the three countries where referendums were held (Denmark, Ireland and France), showed that there was public unease about the direction of the Community and integration. The intensification of constitution-building by the Community may well have surpassed the capacity of national political systems. The multileveled and complex nature of the EC makes it inaccessible to the mass publics. Even if Maastricht is ratified, it will be implemented in a very different environment from that which pertained in the optimistic days of 1989. Scholars are left with the challenge of keeping track of a rapidly changing kaleidoscope of events and of providing what Kelstrup defines as 'aggregate conceptualization' or 'macro-interpretation' of the Community (Kelstrup, 1992, p.14) Keohane

and Hoffman draw attention to the theoretical gap when they note that many accounts of integration have discarded older theories of integration without putting anything theoretical in their place. Recourse is made to mere description of processes and events'. (Keohane and Hoffman, 1991, p.9). Milward in his work on the origins of the European Community concludes that historical evidence undermines the early neo-functional analyses of integration. Although Milward simplifies neo-functionalism, and does not pay sufficient attention to the undoubted changes that occurred in neo-functionalism writings over time, he highlights the importance of the material, political and intellectual circumstances in which integration takes place. Milward throws down the gauntlet to the social sciences when he argues that 'History has conquered theory' (Milward, 1992, p.18).

(iii) The Practical Relevance of Unsolved Conceptual Problems

The conceptual and theoretical challenge facing us is of more than academic relevance and may have a bearing on the political, economic, cultural and institutional problems which confront the Community. The great issues confronting Europe go to the heart of democratic politics, security and economic well-being. We must re-examine the relationship between states and markets, between states and the wider international system and between economics and politics. Yet scholarly consideration of many of the problems facing Europe barely reflects this.

The discussion of the internal market, so far dominated by economists, has tended to ignore or treat as a mystery the social institutions in which the market is embedded. The 1992 message was one of deregulation, of eliminating a myriad of national rules that hamper the free flow of the factors of production. The academic and policy discussion has downplayed the fact that 'markets do not operate in a political vacuum. They require a firm institutional framework and effective processes of governance to ensure their efficiency' (Metcalf, 1992, p. 122). Metcalf argues that it would be unwise to assume that 'the removal of legal and institutional obstacles to trade will prove more or less self-regulating through the operation of micro-level competitive processes' (p. 122). The Community's capacity for macro-management will be tested in the post-legislative stage of the 1992 project.

The EMU debate reflects a narrow and limited view of the issues involved. Important governance issues were obscured in a technical discussion, carried out by mandarins and central bankers, concerning the creation of Euro-Fed and the rules that should govern its

operation. The relationship between a European Central Bank and the political process, and between monetary policy and macro-economic management were down-played and consigned to the undergrowth. It is, of course, far easier in a treaty to make prescriptions for monetary policy and a system of central banks than it is to deal with the related issue of macro-economic management.

The systemic changes in Europe as a result of the collapse of communism and the reunification of Germany raise questions about the appropriateness of institutions that were designed to manage West European problems in the aftermath of the second world war. The role of Germany in the 'New Europe', enlargement and emergence of the regionalism all bring the questions of Europe's boundaries, 'European identity', the 'European project' and the strength of national, local and regional identities sharply into focus. These issues are not just ones of statecraft, nor are they confined to the 'Who gets what, where and how' of politics; rather they go to the heart of the 'princely realm' or the ethical and moral dimension of politics (Krasner, 1984, p. 233).

3. THE CHALLENGES OF ANALYSING INTEGRATION AND PROBLEMS IN EXISTING RESEARCH

European integration poses particular challenges to students of economics, politics and society. An adequate understanding of the driving forces of integration must evolve from an interdisciplinary approach. This is more easily asserted than achieved because contemporary social science is characterised by excessive specialisation. We are locked into our disciplines (a line in a university budget) and sub-disciplines. Yet the multifaceted nature of integration has long been recognised (Nye: 1971, pp. 24-59). European integration has been driven by political and economic forces and sustained by economic benefits, law, institutions and systemic influences.

(i) Analysis of the Politics of the EC

Discussion of the European Community and the politics of integration pose particular difficulties for political science. The Community represents a level of political activity which falls uneasily between international politics and domestic politics. It is much more than an international organization but much less than a new state. This polity-in-the-making offers political scientists a virtually unique opportunity to observe, record, analyse and explain the

emergence of properties that have long since been routinised and sacralised at the level of national states (Schmitter, 1991, p.28). For years, students of comparative or one country politics ignored the existence and impact of integration on national politics. There is some evidence that this gap is now being filled as many of the recent volumes on West European politics include European integration (Gallagher, *et al.*, 1990; Handcock, *et al.*, 1993, pp. 461-529). There has been reluctant recognition that national politics can no longer be 'contained in a container' - to borrow a phrase from the French regional economist, Perroux'. That said, these volumes do not integrate the analysis of the Community with national politics, they merely add a chapter on integration.

Post-war European developments pose a challenge to the classical paradigms of international politics. European integration tends to belie the realist and neo-realist paradigms of international politics. A world system characterised by anarchy does not easily accommodate the experience of the European Community, which is characterised by the growth of a security community among its member states and an intense pattern of co-operation. Nor does the neo-realist paradigm allow for the fact that sovereignty can be divided and shared among the group of states (Kelstrup, 1992, p.18). Realism and neo-realism fail to take account of multiplicity of institutions that mushroomed in Western Europe in the post-war period. These institutions condition and mould the games states play (Laffan 1992). Moreover, it was the fact of European integration and early studies of integration that led the scholarly challenge to classical realism. This challenge produced theories of interdependence which owed a considerable intellectual debt to the work of the early writers on integration. In turn theories of interdependence, particularly regime theory, contributed to the study of the EC in the 1970s and 1980s. However, important as this work has been, it does not take adequate account of the role of domestic politics and the interaction between states and civil societies.

With the downturn in the fortunes of the EC in the 1970s, scholarly work on integration began to treat the Community as a policy-making process, with detailed studies of the formulation and implementation of common policies. These, frequently, interesting, studies of the complex bargaining in the EC suffer from a kind of functionalism. They take as given the managerial role of the member states and the Community without asking why certain issues are on the agenda and other issues are not. This disaggregated view of the

Community, although it partly reflects the reality means that discussions of the articulation and representation of interests tend not to look much beyond national interest.

The resurgence in formal integration since the mid-1980s has been accompanied by a resurgence of interest in traditional integration theories, notably, neofunctionalism. Moravcsik aptly suggests that the standing of neo-functional theory among political scientists is a lagged function of the standing of the EC in the eyes of Europeans (Moravcsik, 1991, p. 75). Neo-functionalism remains the most ambitious attempt to analyse the dynamics of integration and is still of interest and application to the study of integration (Keohane and Hoffman, 1991; Pederson, 1992; Tranholm-Mikkelsen, 1991; Burley and Mattli, 1993). These writers acknowledge the usefulness of neo-functionalism - particularly functional, political and cultivated spillover - but also highlight its limits. European integration has always been about more than the progressive management of spillovers.

An intergovernmental account of the resurgence of formal integration, defined by Moravcsik as 'intergovernmental institutionalism', is also prominent in the literature. This view 'affirms that the primary source of integration lies in the interests of the states themselves and the relative power each brings to Brussels' (Moravcsik, 1991, p. 75). Although Moravcsik acknowledges that supranational institutions cement inter-State bargains, his view of the Community is that of a union of states which represent national interests. Yet, the project he purports to explain is the signing of a treaty that had as its objective the creation of a single European market area. 'Intergovernmental institutionalism' is not adequate to account for the impact of market forces, culture, technological change and social interaction.

Moravcsik seems to be too dismissive in his account of the role of corporate Europe. Just because the Kangaroo Group and the Round Table cannot be identified publicly as key actors until the Dooge Committee and the IGC was underway, does not mean that business interests were void of influence. The Thorn Commission (1981-1985), particularly Davignon, had been discussing Europe's competitiveness with a number of leading industrialists from the early 1980s onwards. More importantly, the emphasis on inter-State bargains begs questions about the domestic dimension of integration.

(ii) The Economist's Conception of the political

The earlier development of integration theory strongly reflect the methodological and philosophical milieu of the 1960s. A central element in the integrative logic of functionalism

was the development of issues in which scientists and technicians play vitally important roles (Dougherty and Pfalzgraff, 1990). This emphasise on technocratic projects strongly reflects the instrumental rationality which dominated positivist social science in those decades. This conception of the relationship between specialised knowledge and collective action for attaining economic, political and social objectives has now been challenged from a variety of directions. Within integration studies, Haas, *et al.*, examined the role of technical experts and found limited ability of experts in international organisations to achieve the formulation and implementation of "rational" policies (Haas, *et al.*, 1977). More generally and more recently developments in the philosophy of science and the philosophy of the social sciences have called into question many of the tenets upon which earlier conceptions were based (O'Donnell, 1992).

However, these developments have not yet had a major impact on economics. This is doubly significant since economics plays a dual role in integration. It is one of the "sciences" which is applied by experts in practical measures of integration. But it is also one of the approaches applied to the study of integration. In each of these roles it displays some weaknesses which derive from its core conceptions. These are most evident in the way it handles the interaction of the economic with the political - an interaction which is surely central to the subject of integration.

This is so because mainstream economic theory is not neutral with respect to how political factors are conceived. If economics shared with other social studies the positivist aspiration to achieve scientific status, the *content* of orthodox economic theory adds a further twist to this. The analytical core of the orthodox economics is the idea of individual utility maximisation subject to the constraints of given endowments. This suggests to the economist that all agents are also motivated to maximise their individual utility. This leads many economist to view the various political agents in the following three ways. First, *politicians* are viewed as either cynically self-motivated or ideological driven and irrational. The former attitude arises where the model of utility maximisation is applied to political behaviour; the later attitude arises where this model cannot plausibly be applied to politicians who are patently pursuing other ends. But within the instrumental view to rationality, and very directly within orthodox economic theory, ends other than individual utility maximisation, such as substantive social ends, as viewed as *purely ideological* - reflecting individual and essentially *irrational* or *non-rational* beliefs (Xenos, 1989, p.79). Second, *bureaucrats* are viewed as

individual or collective maximisers, using their position to maximise public expenditure and control. Finally, *voters* are also seen as a utility maximisers - even in their political behaviour.

This conception of the political limits the value of economies - in both its roles in integration. In practical issues of integration, it encourages a notion of a globally national policy, which is resisted only because of stupidity or sectional interest. In the study of integration, this application of economic logic to politics, leaves many aspects of the European political process quite mysterious.

(iii) The Economic Theory of Integration

The theories of political integration and of economic integration address somewhat different questions. Theories of political integration attempt to explain *why* and *when* integration will take place. In addition, they say something about what happens when integration occurs, but relatively little about the cost and benefits of integration or what to do to achieve integration. By contrast, the economic theory of integration directly addresses what happens when integration occurs, the costs and benefits of integration and has a lot to say about what to do to achieve integration. It has, traditionally, said relatively little about why and when integration will, or will not, occur. Focusing on the effects, the cost and benefits and steps to achieve integration, much of the economics of integration is addressed to policy issues in the European Community.

The traditional economic theory of integration consists of the application of international trade theory to a situation where trade is freed only between a set of countries forming a customs union or common market. Consequently, the profound developments in international trade theory in the past decade have, in turn, changed the theory of economic integration (Krugman, 1987). These changes have greatly improved the ability of the theory to explain patterns of trade, the costs and benefits of trade and its distributional effects. Furthermore, it seems possible that theories of trade which incorporate economies of scale and imperfect competition could eventually throw light on the question which traditional theory tended to neglect: why and when integration occurs, or fails to occur. It might do this by developing more realistic theories of the behaviour of key agents in integration - governments and corporations. However, this may call for some dilution of the highly deductive approach which is common in economic theorising (Mueller, 1993).

As noted earlier, these developments in the economics of integration bring parts of economic analysis towards the kind of interactive outlook which may be helpful in analysing

European integration. Reservations about the current economic analysis of integration arise when we consider its use in discussion of specific policy issues in the European Community. Much of the analysis of monetary integration and EMU makes use of the notion of a natural rate of unemployment; yet this concept is analytically dubious. The discussion of EMU has featured quite mechanical and naive models of the relevant institutions. The relation between money and the state has been neglected, as have the links between *monetary* and *economic* policy. Although great advance has been made in the analysis of market integration, little attention has been given to the way in which markets are embedded in social networks and institutions, and what this implies for the transnational integration of markets or the creation of a 'single' European market. The analyses of the cohesion problem frequently conceptualise this as a problem of *market access* arising from *distance*, thereby reducing the *cohesion* question to a purely *regional* question. This work, and much of Community cohesion policy, embodies what geographers and regional theorists now call "spatial separatism" - the notion that it is possible to identify, separate and evaluate the spatial as an independent phenomenon or property of events examined through spatial analysis (Sack, 1974). Finally, the theory of public finance - particularly the Musgravian theory of assignment of allocation, stabilisation and distribution functions - is sometimes proposed as offering an rigorous analytical basis for implementing subsidiarity. This is questionable, and ignores the complex political effects of market integration to which Pelkmans has drawn attention (Pelkmans, 1982). Indeed, it is surprising that his seminal work, drawing attention to the complex dynamics of integration, has not led to more economic research on the political economy of market integration. The common thread in these reservations about economic analysis of integration is, of course, the limited analysis of the links between economic integration, on the one hand, and political, institutional and social factors, on the other. It should be repeated, of course, that the integration of these dimensions is extremely difficult, and poses a major challenge to European studies.

4. ELEMENTS OF AN ALTERNATIVE APPROACH

Reservations about certain traditional work on the European Community have been outlined in Section 3. Our research project has a constructive as well as a critical purpose. In this section we outline some characteristics of an alternative approach. To a considerable

extent, this alternative will consist of the application to the Community of social scientific concepts and theories, which are widely used elsewhere, but seem seldom to be applied to the EC. Our approach will also draw on recent developments in the social sciences - particularly, politics, international relations and economics - in an *eclectic* way. We believe that ideas in the social sciences can be combined and recombined in new ways which will allow a reconceptualisation of integration. The second part of our research project will consist of the application of this reconceptualisation of integration to four central elements of European integration: governance, the internal market, macroeconomic management and money, and the international role of the union.

The remainder of this section outlines some of the characteristics of this approach, starting with the most general and proceeding to some more specific ideas.

(i) Taking the Emphasis Off Integration

Although our objective is to understand the nature of the EC, the driving forces of integration and the dynamics of the integration process, we are convinced that these are now best approached indirectly. Knowledge of integration might now be advanced by going back to the economic, social and political reality which underlies integration. At a basic level, this approach derives from the observation that most political, social and economic agents in European countries pursue various political, social, economic and cultural projects, not the project of European integration. It is the relation of these projects and practices to European integration that we wish to understand. In all probability, it is these which drive integration and set limits to it also. The idea of taking the emphasis of integration, and of going back to the economic, political and social reality, determines a number of other characteristics of our research project - particularly its *interdisciplinary*, *theoretical* and *historical* nature.

(ii) Interdisciplinary, Theoretical and Historical

A central objective of our approach is to combine the study of the political, the economic and the international dimensions. However, we do not take lightly the task of producing genuinely interdisciplinary work. Most social sciences - such as economics, politics, international relations and sociology - have, at their core, conceptions which not only define their own sphere of inquiry (which may be an inevitable product of specialisation) but also involve some conceptualisation of the other spheres. In Section 3 we cited the example of

economics: mainstream economic theory is built on core concepts of economic life which, if they are taken seriously, imply a particular conception of social and political life also. Each subject area seems to have an ontology which is, implicitly or explicitly, general. Trigg highlights precisely this problem when he says "economics cannot be right to view society in an individualist manner, if sociology is right to look at it from a holist point of view" (Trigg, 1985, p.130). At the level of theory, we could usefully begin by questioning the very concept of 'the economic', 'the social' and 'the political'. But this merely underlines the magnitude of the task of linking an economic and political analysis of the European Community.

Taking the emphasis of European integration, and focusing on the economic, social and political reality which underlies it, necessarily implies that our study will have a considerable *theoretical* component. Indeed, our emphasis on the economic, political, social and cultural projects which agents in European society pursue, should connect our study of Europe to some of the old-fashioned themes of social science: the accumulation of capital, the pursuit and use of state power, class conflict, the creation and use of ethnic identities etc. Indeed, a general characteristic of our approach is the attempt to apply to the European Community many of these core concepts of social science which, though they are actively used in other branches of inquiry, seem seldom to be applied in European Community studies.

There is now, among students of the European Community, a definite sense that progress in our understanding requires a somewhat more theoretical approach. The idea of applying more theory is, as noted above, one of the central motivations for our work. It should be made clear, however, that we do not have in mind the application or development of highly *deductive* theories of integration. Economics has long been the most consistently theoretical of the social sciences and this has, at various times, led to attempts to develop equally theoretical approaches in other fields - such as politics and international relations. Because of the dominance of positivism in economics, these attempts sometimes led to the development of equally deductive theories of politics, international relations or society, and to the idea that these might be *tested against reality* in the manner prescribed by logical empiricism.

In our view the effectiveness, practicality and philosophical foundations of this outlook are now questionable. Developments in the philosophy of science have revealed serious problems in the positivist methodology (O'Donnell, 1992). Although economics, as a subject,

is remarkably immune from relevant developments in the philosophy of science, there has, in recent years, been a revival of alternative, less-deductive, approaches. In several branches of economics, economic outcomes are seen as less determinate, more contingent. Furthermore, among the factors which are seen to shape actual outcomes are historical and institutional phenomena. Among some economists at least, institutions are no longer seen as merely distortions to market processes, and co-operative behaviour is no longer seen as perverse or mysterious. Although highly sophisticated logical analysis can be applied to many of these institutional phenomena, these are increasingly seen as partial without empirical work. More important still, the empirical research is seen, not as necessary to *test* the theory (which turns out to be virtually impossible), but as necessary to *fill out the theory* - to give it much of its meaning. In this context, it would be unfortunate if studies of the European Community, using political science or international relations, attempted to emulate the positivist methodology of economics, at the very moment when economics is beginning to move beyond that approach.

In view of these considerations, although our approach to the study of European integration will be theoretical, it will not be highly deductive. We would see our research as adhering to a broadly post-positivist methodology. We accept that this methodology has not been outlined in a rigorous programmatic form and that it involves no universal, fixed, criteria for evaluating the plausibility of any given interpretation. However, this does not imply that there is no rational basis for distinguishing the better from the worse, the more plausible from the less plausible interpretations (Bernstein, 1983, p.196). In introducing research on comparative political economy which takes a broadly similar approach, Evans, Rueschemeyer and Stephens identify a methodology which they call *analytical induction*. This involves starting with historically grounded case studies, but with comparative and theoretical implications as the endpoint of the analysis (Evans *et al.*, 1985, p. 13).

An historical approach is a further characteristic of the study we are now beginning. While it is certainly unnecessary to defend an historical approach to the study of European integration, the ideas outlined above do have significant implications for how this historical element is viewed. The use of fairly eclectic open, non-deductive, theory has the effect of putting historical analysis at the centre of the research and, furthermore, of *linking it with theory*. The history is not used to validate the theory but to generate and complete it. As Evans, Rueschemeyer and Stephens say "the historical character of even the contemporary

analyses ... is not fortuitous, but (we would argue) inherent in the task of analysing the causes and consequences of state structures ... working respectfully with historical data, while at the same time straining to develop potentially generalisable theoretical interpretations of the cases analysed, is the heart of analytical induction" (Evans *et al.*, 1985, p.13). More generally, a post-positivist approach to social science places considerable emphasis on interpretative *narrative* and this reinforces the common-sense recognition of the role of historical material in the study of European Integration.

(iii) The Interactive Outlook

In conducting this research on economy, society and politics in the EC the guiding conception is the idea that, despite the great openness of most European economies, the outcome emerges from an interaction between the international economic forces, the structural characteristics of the national economy and society and domestic and Community policy. Recognition of this interaction has recently been described as "central to a balanced assessment of Community membership" (Keatinge, *et al.*, 1990). This interaction between international and indigenous factors has also been identified as relevant in explaining the long-run development of various countries (Mjoset, 1992). Indeed, at an international level a number of social sciences have, in recent years, each moved towards an 'interactive vision' which sees the effect of global of economic forces on a given country or region as contingent on the indigenous economic, social and political structures and policies (Evans and Stephens, 1988). Movement towards this outlook can be identified in international trade theory, regional economics, business theory, geography, comparative political economy and development theory.

Lest this interactive outlook seem empty, it may be useful to briefly illustrate it and draw out some of its implications. The interactive outlook, as stated above in general terms, may seem to be no more than a framework; while what is required (in thinking about the factors which shape European integration) are substantive theories and propositions. In fact, the interactive outlook is more than a framework. It has emerged precisely from the development and/or fusion of particular theories. This point, and the meaning of the interactive outlook, can be illustrated by briefly considering the form it takes in each of the subjects listed above.

International Trade Theory

Recent developments in international trade theory have significantly altered economists' understanding of the effects of free trade on the three main subjects of trade theory: the patterns of trade, the gains from trade and the effects on income distribution. Most of the developments derive from the introduction of economies of scale. Introduction of economies of scale, and the related phenomena of industrial structures, intra-industry trade and product differentiation, reveals a wide variety of possible outcomes from the integration process. For example, the effects of freeing trade between two countries in a particular industry is dependent on the market structures (competitive, oligopolistic, or monopolistic), income levels and market size in each country, prior to trade. In addition, economies of scale, though they can be treated in a static analysis, strongly suggest dynamic forces. For example, Helpman and Krugman say that in practice "it is likely that one of the most important sources of economies of scale (and imperfect competition) lies in the dynamic process by which firms and industries improve their technologies" (Helpman and Krugman, 1985). This emphasis on innovation suggests the significance of firms' strategies, but also of institutional factors which support or inhibit innovation.

Regional Economics

In regional economics there has been a distinct move towards recognition that the economic outcome results from an interaction of wider forces of regional specialisation and factors indigenous to a region. While much regional economics has long rejected the neoclassical theory of regional convergence by market forces, it tended to replace this with theories of cumulative causation (Myrdal, 1957; Kaldor, 1970). The focus of these theories on external demand, as the ultimate determinant of a region's prosperity has now been questioned. The existence of strong tendencies to regional concentration of advanced economic activity is no longer understood as implying that industry will *definitely* concentrate and regional fortunes will *definitely* diverge. One reason is that the process of regional change, just like the process of economic development, is not a steady journey along a path of either concentration or dispersal. It is an inherently uneven process which occurs in bursts of progress and sharp reversals. This unpredictability and contingency suggests that other forces are also very important and, furthermore, that among these might be such factors as

political and social structures and economic policies (Albrechts, *et al.*, 1989; Chisholm, 1990; Moulaert, 1991).

Geography

Similar movement towards an interactive outlook can be identified in geography. The limits of contrasting traditional approaches - such as regional geography and quantitative geographic modelling - have been identified and, to some degree, transcended (Entrikin, 1991). What is significant for our purposes is that the fusion of these traditional approaches is producing geographical work which strongly embodies the interactive outlook outlined above. The general theme of much of this work is the relationship between social organisation and spatial change. The task is to develop an understanding of both the general economic forces and socio-economic relationships within the world-economy and of the unique features that represent local and historical variability (Knox and Agnew, 1989). The approach is one which attempts to explain economic geography by references to a combination or interaction of general processes, differing pre-existing structures and individual responses.

Business Theory

An interactive outlook is also evident in some recent business theory. Work such as that of Porter (1990) moves beyond management-centred or strategy-centred accounts to embed firms within the wider milieu of clusters and national institutional arrangements. While the prospects of individual firms are influenced by these factors, the actions of firms also shape the environment to some degree.

Technical Change and Innovation

Yet another version of the interactive perspective can be found in the growing body of literature on technical change and innovation. It has been recognised in recent years that the current wave of technical and organisational change is essentially, and not just incidentally, *transnational* (Perez 1983; NESC, 1989). This has prompted some economists to combine an analysis of the pressures within firms to extend beyond national frontiers with analysis of capitalist development at the international or global level (Chesnais, 1988).

Comparative Political Economy

Finally, an interactive outlook has become important in comparative political economy and the sociology of development (Evans and Stephens, 1988). Its development in this area highlights the degree to which it can be more than a framework and can arise from the clash of substantive theories. The development of comparative political economy arose out of a rejection of both modernisation theory and dependency theory. The new approach rejected these deterministic theories and argued that the effects of involvement in the world capitalist economy are contingent on a range of national and international factors. Among the factors considered in this historical comparative approach are the nature and capacity of the state, political mobilisation, the patterns of foreign direct investment and international economic ties, agrarian class relations, working class organisation, the welfare state, industrial policy and geopolitics: As Evans and Stephens say:

The thrust of current work is neither to decry the development costs of engagement in international commerce nor to extol the benefits of openness. The aim is rather to explicate the political and social structural factors that enable individual countries to transform ties to their benefit, while simultaneously analysing the way in which the changing structures at the international level facilitate or limit possibilities for transformation (Evans and Stephens, 1988, p. 757).

The approach is simultaneously structural, historical and analytical.

These subject areas and theories are outlined here not only to illustrate the interactive outlook but also because they are relevant to the assessment of the factors which shape Europeans development and European integration. Adoption of this interactive perspective confirms the validity of considering not only economic issues but also social, cultural, historical and political factors. While consideration of this wide range of factors precludes the possibility of exact quantification and prediction, and will therefore be anathema to some traditional economists, it is consistent with the modern post-positivist philosophy of the social sciences (Bernstein, 1983) which does, in fact, have considerable relevance for economics (O'Donnell, 1992).

Three Implications of the Methodology

The general characteristics of the approach outlined above have a number of more specific implications for our study of European integration. Three of these can be stated briefly here. The first is an inclination to recognise the *contingent* or conjunctural nature of the integration phenomenon. An important characteristic of the interactive outlook is

acceptance of the historical and contingent nature of social and economic processes. Much of the observed European integration process may not be essential to integration *per se*, but may be contingent on the material, political and intellectual *circumstances* in which this integration happened to take place. Keohane and Hoffman make a somewhat similar point in quoting Haas's awareness of the importance of a 'shared objective'. They argue that in the 1950s this was 'a pragmatic synthesis of capitalism and socialism', while in the 1980s it was deregulation (Keohane and Hoffman, 1990). Indeed, the approach of taking the emphasis off integration allows for the possibility that integration may have few, if any, general characteristics. Consequently, although our approach is resolutely committed to a more theoretical approach to European integration, we make no presumption that this requires a 'theory of integration' as a separate or identifiable construct.

A second implication of the approaches outlined above is acceptance that integration can both progress and regress. This contrasts with a view - common among economists and modernisation theorists in other disciplines - that integration is a one way process reflecting the evolution from isolated and traditional economies to internationally engaged economies and, eventually, globalisation. Likewise, our approach rejects any conception of a one-way path from "traditional", local, class-based, religious, societies to homogenised, international, society (Goldthorpe and Whelan, 1992). Although there are definite tendencies to internationalisation of economic and business activity, these must not be assumed to be unilinear and must be examined in a way which explores the many dimensions on internationalisation. The European economy was, in many respects, more integrated before the Napoleonic Wars than it has been in the twentieth century. Although these insights and questions are fairly well known in history, international political economy and development theory, they have not been adequately reflected in study of the EC. This prompts us to view integration in a wider context - a context in which the progress or regress of integration may be a residual in the play of much larger forces.

Third, the approaches outlined above suggest that in the study of European integration we veer between extremes on two different conceptual issues. In the area of international political economy or comparative sociology the essence of the interactive outlook is precisely a rejection of two contrasting approaches which, despite their obvious limitations, have a continuing conscious or subconscious appeal. One view is that each national society is an organic entity, contained within itself, to which general laws of economics, politics, or society

can be applied. The alternative view is that national outcomes are determined by external forces and the needs of a world system. A second dichotomy may also be avoided: that of markets *versus* states and, particularly, a strong contrast between the idea of "natural" or "spontaneous" markets and the explicitly constructed social structures that compose the state.

As Evans, Rueschemeyer and Stephens say:

States create markets and the possibility of markets. Without the "third-party enforcement" provided by the state, and, even more important, the "noncontractual elements of contract" provided by the normative orders that states sustain, markets shrivel. Even multinational capitalists, who may at first glance appear to strive for the freedom of statelessness, construct strategies of accumulation that depend on strong internationalist states. The growth of markets, in turn, is central to the emergence of the modern state ... And ... world markets are both necessary to and require something like the modern interstate system in which rival states compete geopolitically. They require a framework that ensures predictability for transnational interactions (Evans, *et al.*, 1985, pp. 11-12).

It seems likely that our understanding of European integration could be improved by bringing to bear on it, ideas which have been used successfully in comparative political economy: (i) that markets, including international markets, are politically constructed; (ii) that the capacity of states to shape markets varies across states and across markets; and (iii) state apparatuses and strategies "can be undone by the very markets they help foster" (*ibid*). This conception of the ties and tensions between states and markets would be an advance both on the view of the Community as simply a union of states and on the view that the Community exists in response to an inexorable logic of a European market.

(iii) Units of Analysis

An important feature of the interactive perspective, and of many of the theories which work within it, is that it makes the unit of economic and social analysis a subject of thought. It is necessary to ask whether and in what sense we can talk of national society, the national economy, national firms, the European regional problem and the Community's cohesion objective. These questions have a concrete relevance in the current project because they arise when we assess the effects of international economic developments on each member state of the EC and on the integration process, the relevance of 'globalisation', the business strategies of firms and the issue of cohesion. It can also be argued that they have deeper relevance in the resolution of certain key questions in social science.

In regional economics and geography there has, in recent years, been a recognition of the importance of questions raised many years ago by the French economist Perroux. He objected to the treatment of economies as if they were 'contained in a container', usually the national territory as defined by political frontiers.

In considering business strategies and the factors which will shape them we face questions concerning units of analysis. Should we assess the competitive position of member states by considering the business strategies of their national firms only? Certainly, the dominant tradition is to link the economic prospects of a society and an economy directly to the prospects of national firms. For example, Porter's *Competitive Advantage of Nations* identifies the advantage of nations with the advantage of its national firms. His work has recently been criticised on the grounds that many firms no longer have a nationality in any meaningful sense and it is important to ask whether these arguments have relevance to European countries (Reich, 1990; 1991; Thomsen, 1992; see also Graham and Krugman, 1989).

Consideration of business strategies raises another question concerning units of analysis. It is common to see 'globalisation' considered as one of the factors which will shape business strategies and national economies. But the idea of globalisation is frequently no more than an extension of the idea of the national firm and the national economy: globalisation arises when firms spill over national boundaries. Consequently, the concept of globalisation also needs to be examined critically (see Kay, 1990).

Similar issues concerning the unit of economic and social analysis arise in international political economy. Wallerstein argues that:

it is futile to analyse the processes of societal development of our multiple (national) "societies" as if they were autonomous, internally evolving structures, when they are and have been in fact primarily structures created by, and taking form in response to, world-scale processes (Wallerstein, 1991, p. 77).

It should be clear from what has been said above that units of analysis are problematic within other subject areas and on the basis of other theoretical approaches also. In accepting Wallerstein's scepticism about the concept of German or Belgian society it is not necessary to accept his argument that "it is this world-scale structure and the processes of its development that provide the true subject of our enquiry" (Wallerstein, 1991, p. 77).

Finally, the relevant unit of analysis is a problem in another important theme in European integration - cohesion. Recent analytical approaches in geography and, to a lesser extent, regional economics, explore the relationship between regional and social inequality and question the conventional definitions of regional problems, regional interests and regional policy objectives. Traditionally, the European Community has equated inter-regional equity with inter-regional income equality. But there are fundamental problems in defining and measuring inter-regional equity in this way and these have implications for Community policy.

Furthermore, the case of regions confirms a more general argument concerning units of analysis: that the choice of units of analysis, which might seem merely definitional, actually influences the theories which are then developed to explain the phenomena. The conventional approach to regional disparities in the EC reduces the cohesion question to a purely regional question. It is then a short, and frequently subconscious, step to the assumption that problems *in* peripheral regions are problems *of* peripheral regions, that problems *in* rural regions are essentially problems *of* rural regions. Similar connections between the choice of units of analysis and the choice of theoretical explanation arise in other subject areas.

(iv) The International, Continental, National Connection

The interactive outlook allows us to break through the somewhat artificial scholarly boundaries between comparative politics, on the one hand, and international politics, on the other, and between economics and politics. A holistic approach to the study of integration require this because the Community is an arena of politics and a single market area embedded in the wider international system. The member states have had a lot to do with the creation of the single market but they do not control economic activity within it nor do they control the personal and cultural experiences that flow across borders in Europe.

Analysis of integration must take account of the interaction between national societies and political systems, the international system and the Community. Ruggie draws attention to the importance of the international, EC and national connection when he suggests that the Community.

may constitute the first 'multiperspectival polity' to emerge since the advent of the modern era. That is to say, it is increasingly difficult to visualize the conduct of

international politics among community members, and to a considerable measure even domestic politics, as though it took place from a starting point of twelve separate, single fixed viewpoints ... the constitutive processes whereby each of the twelve defines its own identity and identities are logically prior to preferences increasingly endogenize the existence of the other eleven (Ruggie, 1993, p.172).

Sandholtz puts it in a less abstract manner when he suggests that "national interests of EC states do not have an independent existence; they are not formed in a vacuum and then brought to Brussels. Those interests are defined and redefined in an international and institutional context that includes the EC" (Zandholtz, 1993, p.3). National political systems co-exist with the EC polity and international organizations.

The international-national connection is receiving increased attention in the social sciences (Almond, 1989). This literature sees international politics and as extension of domestic political economy, and domestic politics as an extension of international politics, with the lines of causation moving in both directions (Ikenberry, 1986, p.44). Gourevitch makes a similar point when he argues that:

The international system is not only a consequence of domestic politics and structures but a cause of them. Economic relations and military pressures constrain an entire range of domestic behaviours, from policy decisions to political forms. International relations and domestic politics are therefore so interrelated that they should be analysed simultaneously, as wholes (Gourevitch, 1978, p.911).

Whereas Gourevitch is concerned to trace the impact of the international system on domestic politics and policy choices, the task here is to construct a framework for analysing the interplay of international, EC and national forces.

(v) States and Societies

The method of taking the emphasis off integration implies a theoretical and empirical focus on states, economies and societies. Although states are major actors in the process of European integration, and although European integration has been an important concern for European states, the study of integration tends to ignore other systems and contacts within which these states function. Not only does the study of European integration tend to be excessively state-centric, but in studying the role of the state in the integration process the emphasis tends to be on the state in its role as an agent in bi-lateral and multi-lateral bargaining. While this approach has, of course, considerable relevance, it may overlook both the ambiguities of the "national interests" which states represent and the degree to which states' international activities are dominated or shaped by other important roles.

In order to move beyond a 'national interest' view of integration encapsulated in 'intergovernmental institutionalism', we must revisit the West European nation state. Balanced assessment of the driving forces of integration requires a renewed focus on the role of the contemporary European state and its relationship both to civil society and the international system. There is a long history of state-centred social enquiry in continental Europe, captured by Dyson in his seminal work on the state tradition in Western Europe, which was not found in the Anglo-American world (Dyson, 1980). The state was too abstract a concept for the empirical or positivist traditions of Anglo political analysis. More recently, there has been a burgeoning US literature using the state as a central organising concept (Rockman, 1990). This renewed emphasis on the state is coming at a time when the contemporary state is facing considerable challenges to both its capacity and legitimacy.

Our inclination is to focus, initially, on three roles of the state: its role in economic governance, its role as orchestrator of social consensus and legitimacy and its role in managing the fiscal, administrative and political balance between national, regional and municipal levels of government (Hirst and Thompson, 1992). The role of the state in governance of the economy, and specifically its role in negotiating or underwriting key compromises between labour, capital and agricultural interests, seems particularly important in the period of formal European integration. The breakdown of the post-war golden age has prompted significant changes in systems of regulation and these also have significance for European integration. But causation does not run one way. Integration, and particularly internationalisation of the economy, influence the ability of states to play its role in governance of the economy and in construction of a distributional coalition.

It will be of considerable interest to map the general evolution of the role of the state in economic governance. This has a double significance in the study of European integration. The first arises from the dominant role of states in the European Community; any significant change in the role or structures of the European state is, automatically, a change in the governance of the European Community. Second, changes in the role of the state should change the yardstick against which we measure the Community as a quasi-state. For example, it has recently been argued that there is an emerging system of "governance without government" (Rosenau and Czempiel, 1992). If this is happening to a significant extent in European countries, then it implies both a change in methods of governance *within* the

European Community and, perhaps more significantly, a change in our conception what the Community is and may become.

Overall, it seems most useful to compare the EC with modern states as they really are, rather than with some classical notion of the state. A similar approach has been taken by Marks (1992), who does not see a great difference between "the complex, open-textured and fluid" nature of the Community's policy system and the general "realities of political power and decisionmaking in Western Europe" (Marks, 1992, pp. 222-3). In taking this approach we do not exclude the hypothesis that the fate of the EC depends on it acquiring some of the classical functions and structures of states - such as those of security and the monopoly of coercion. We simply allow this to be one of several possible conclusions, rather than presuming it by adopting a definition of the state which predetermines the outcome of the analysis.

Dissatisfaction with the analysis of the European Community in terms of states' representation of national interests enjoins us to eschew a similar approach when considering domestic politics and individual states. That is, we should adopt an approach to domestic politics which does not use the concepts of *interests* and their *representation* in a naive way. Simple conceptions of how self-interest predominates in public life have been challenged - empirically, logically and philosophically. On the basis of a survey of empirical research, and without departing from rationalistic premises, Lewin concludes that "it seems as if people are led to act in their political roles by certain 'convictions' about what is best for society as a whole, by certain ideologies" (Lewin, 1991, p. 112). This suggests that interests cannot be viewed as separate from values. This, in turn, complicates the analysis of political competition and representation, since it implies that the ends or objectives of policy (or of agents and groups) are not given, but are contingent on economic, political and social developments - *and on the way these are conceptualised*. This implies that study of domestic politics must take seriously the dominant values and assumptions in any given period and accord some role to the way these are articulated.

In studying national states and societies there will, of course, be a tension between the desire to find general (or even essential) characteristics of the modern European state and the recognition of diversity and contingency. Although certain general characteristics of the capitalist state can be identified (Jessop, 1987) these may determine actual institutional and behavioral patterns in only a loose way. Thus, even key functions of the state - such as

economic governance - can take different forms depending on a range of structural, cultural and political factors. Certainly, when we consider sovereignty - commonly seen as a central issue in European integration - we may find that this has quite different meanings and significance in different member states. Our focus is not just on the role of the state as such but on the capacity of different West European states. Capacity affects not just the ability of different states to perform particular functions domestically but also affects their ability to participate in the 'integration project'. Laws passed in Brussels must be implemented and enforced within member states to ensure that a genuine internal market comes into being. This implies both political and administrative capacity. Moreover, capacity defined as 'strong' or 'weak' may have considerable bearing on the importance or role of the 'integration project' to particular states. Integration may be a central political pillar or prop for some West European states.

In analysing the West European state, we must also be mindful of the state as a normative order, as an arena where notions of the common good still hold sway. Habermas argues that the West European state will continue to exert a strong structural force in Europe because 'democratic processes have hitherto only functioned within national borders. So far, the political public sphere is fragmented into national units' (Habermas, 1991, p. 14). This has considerable bearing on the tension between integration and democracy and may contribute to a more sophisticated analysis of the democratic deficit.

Bringing Integration Back In

Although the central procedural device of the research project we are now beginning is to take the emphasis off integration, it is, of course, necessary to bring integration back in. This can be done in two ways. The first and major way is our intention to use a reconceptualisation of integration in a study of four central themes of European integration: governance, the internal market, macroeconomic and monetary management and the international role of the EC. But even before we get to this second phase, the approach will allow some consideration of the project of integration, as one among several economic, political and ideological projects which figure prominently in western European politics. Applying to this project the same approach as is applied to other movements in domestic politics would lead one to look at the combination of interests and values which it serves, its

relation to other interests and values and the way in which the integration project was articulated.

(vi) Nations, Nationalism and Nation States

In both policy discussion and academic research European nations are, explicitly or implicitly, accorded great significance. It is frequently assumed that the continuing existence of European nations, and of states which are the "expression" of these national identities, both determines the forms which European integration takes and defines the limits of the process. It would be of great assistance to our understanding of European integration if the validity of this assumption could be evaluated. In order to be evaluated it needs to be formulated much more precisely and confronted with some fairly rigorous conceptualisation of nations, nationalism and their relation to the state.

It is unlikely that very general conceptions of nations and nationalism will suffice, since it is necessary to distinguish between different patterns and dimensions of nationalism. The historical patterns differ from eighteenth century American nationalism, nineteenth century European nationalism to twentieth century third world nationalism and Hobsbawn adds, as a distinct category, late twentieth century nationalism (Hobsbawn, 1990). The dimensions of nationalism include cultural nationalism, political nationalism and, what Breuilly calls, 'official nationalism' (Breuilly, 1985). It is not clear which of these dimensions are still significant in European societies, but some assessment of this is necessary before the implications of nations and nationalism for European integration can be analysed.

Smith has distinguished between 'primordial' and 'instrumental' approaches to nationalism (Smith, 1983). The first sees nationalism as a reflection of some underlying structure, while the second sees it as an argument deployed in political competition. The idea that European nations, and related nation states, define and limit European integration is, implicitly, a primordial view of nationalism. Whatever about nineteenth century European nationalism, such an approach cannot be assumed to accurately account for the national element in modern European society.

The analysis of the national element in Europe, and its implications for European integration, can conform to the methodology outlined above. In particular, it requires the use of theory, but this should not be deductive theory in which the properties of nations and nationalism are traced to a single, strong, underlying causal factor. Breuilly has concluded that

"the method of argument with brief references to some examples does not suffice because the choice of examples may be unbalanced and because a more detailed consideration of those examples may undermine the original point that was being made" (Breuilly, 1985, p. 74). In his view strong causal explanations of nationalism (such as Gellner's explanation of nationalism by industrialism) fail to account adequately for the variety of observed experience. The alternative is "a fruitful combination of historical analysis and theory" based, in part, on a "theoretically informed collection of case study material" (*ibid*). This bears a close similarity to the method of analytical induction used by Evans and others in comparative political economy. It reflects a commitment to theory, but to theory which is *open*, in the sense that empirical evidence is not seen as an external *test* of the theory but as part of the theory. This approach to the study of nation and nationalism also chimes with the instinct to make units of analysis a subject of inquiry and thought. Rather than assuming the continued relevance of European nations, and *nation* states, we would prefer, at least initially, to place the nation (and its expression as nationality) in a complex hierarchical system, rather than automatically making it one half of a dichotomies, such as national/international and nation/ethnic minority.

(vii) Territoriality and Regionalism

An emerging theme in research on Europe is the nature of territoriality and the growth of a new regionalism. For a variety of reasons this requires some consideration in any attempt to derive new conceptualisations of European integration.

As noted above, it is most important not to confuse internationalisation, or even globalisation, with the emergence of uniformity or spatially even economic development. One of the most interesting aspects of recent geographical and regional studies is the analysis of the interaction between the global nature of enterprises and markets and the local/unique nature of each of the places where production and consumption take place. Thus, internationalisation seems to develop side by side with differentiation; the very international nature of the overall production system increases the economic significance of the differences between places. While some elements of economic and social life become homogenised, other become differentiated. It follows that these international patterns will have specific consequences in various Community regions.

This, apparently paradoxical, relationship between internationalisation and differentiation is reflected in both economic and political management and in the

interpretation of regional development. There is definitely some emergence of a new regionalism in Europe. The role of regional authorities and agencies in economic management has increased. This reflects both the decline of national demand management and disappointment with traditional instruments of post-war regional policy (Albrechts, *et al.*, 1989). This increased use of regional economic interventions is strongly supported in recent thinking on regional development. While we are a long way short of a comprehensive theory to explain uneven development, recent work has focused on innovation and indigenous agglomeration forces as significant elements in the process of regional development, on the grounds that there are an important component of the economic advantage of leading regions. In what are sometimes referred to as "new" structural policies, support for firms tends to focus on research, marketing or skills, rather than grants for acquisition of fixed assets.

These increasingly significant regional interventions are focused on the factors which are now believed to shape regional competitive advantage. They take the supply side of the regional economy seriously, in ways earlier policy did not (Chisholm, 1990). Despite internationalisation, they accord a more significant role to local initiative. The new approaches recognise the potential role of regional uniqueness and seem, therefore, to be consistent with the current pattern of regional restructuring and the strategies of firms.

The emphasis in these new forms of regional policy is on development of infrastructure in its widest sense. This involves an emphasis on amenity, communications infrastructure, education and training and the development of an information and contact-rich environment. In many cases, R&D is supported, especially in small firms. The development of business services is given a priority (Albrechts and Swyngedouw, 1989). Modern regional development theory suggests that "it is the mutual dialectics between top-down structural development and bottom-up local uniqueness which actually determines the regional development process" (Albrechts, *et al.*, 1989). The new forms of structural regional policy are frequently designed as a combination of top-down, supranational (and national) planning and co-ordination, and bottom-up animation of indigenous actors.

In some cases this enhanced role of regional governments in economic regulation is combined with increased regional consciousness and the emergence of regional political and cultural movements. An important task in our survey of economy, society and politics in the European Community is an assessment of the implications of these developments for the nation state and for the EC. It can also be asked whether the process of economic and

political integration is *promoting* the increasing importance of effective regional government (Hirst and Thompson, 1992). Just as it cannot be *assumed* the nation state is being eroded from above by the European Community, nor can it be *assumed* that it is being eroded from below by the emergence of regional and non-national identities. It can be argued that nation states "will remain crucial in that it is they who provide the domestic constitutional framework and policy support for effective regional government" (*ibid*, p.387). It would also be of interest to ask why the debate on the democratic deficit in the EC has, to a very considerable extent, revolved around the concept of a 'Europe of the regions'. While this concept is treated with a certain contempt by both national governments and students of the European Community, it may be the case that it advocates have - albeit in an idealist way - identified serious gaps in the political and governance structure of Europe.

The issue of territoriality and regionalism in Europe is one which can be explored with the, somewhat hermeneutic, methodology outlined in this paper. In many ways the problem of the regional/national connection parallels the problem of the national/international connection. Both require a willingness to adopt units and levels of analysis in a flexible way. Both require to be analysed as, at least in part, produced by other, more elementary economic, social and political forces. Finally, both require a combination of objective and subjective perspectives. Such a combination is provided by recent development in the theory of territoriality. This tension between the objective and the subjective, and the parallel between the regional/national problem and the national/international problem, is well described by Entrikin in *The Betweenness of Place: Towards a Geography of Modernity*:

Confusion arises from the attempt to balance a global and a local perspective. We are constantly reminded of our global inter connectedness, but we live our lives at the local scale. The cultural anthropologist Paul Rabinow has referred to the awareness of this dualism as "critical cosmopolitanism:" We share ... a specificity of historical experience and place ... and a worldwide macro-interdependency. Although we are all cosmopolitans, *homo sapiens* has done rather poorly in interpreting this condition. We seem to have trouble with the balancing act, preferring to reify local identities or construct universal ones. We line in-between (Entrikin, 1991, p.44).

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