Lecture 13  
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# Introduction

## In the news

## Grieco article - relevance of theory and need to ensure theory helps address facts. If facts change, theory may need to change.

### First point -- intellectual honesty and willingness to examine own preferred theory carefully -- being an analyst rather than an advocate.

### Second point -- EU does not fit well with realist theory and yet still not throwing out the baby with the bathwater.

### Realism: huh?

#### Why does the EU seem to challenge realism?

##### Basically the opposite of realism: voluntary transfers of major sovereignty to institutions with explicit autonomous power

##### Realist John Mearsheimer predicted intra-European conflict would grow after 1990…

### Do you buy Grieco’s argument that realism still has something to say here?

#### Sure, power still matters…

#### But do responses of other Europeans to German power—binding them in supranational institutions—make any sense for realists?

# Theory and the future of the EU?

## **Institutionalism**

### Greek bailout – major evidence of institutional influence – think counterfactually. Without EU would Greece (177% debt to GDP ratio) receive $75B from and $45B from France.

### Brexit and 2017 French vote reflected sovereignty over EU institutional overreach

## **Disenfranchised**

### Brexit and 2017 French vote reflected migration and racial/ethnic definition of nationalism

### Turkey’s struggle for EU membership reflects concerns related to 98% Muslim population

## European Union from an institutionalist perspective

### Security concerns are central to EU formation but …

### States seek security through interdependent economic institutions and the “ties that bind”

### States give up much sovereignty to institution

### They do so in ways that involve

#### short-term risks in exchange for long-term rewards

#### interdependent vs. independent decision-making

### Individual choices matter a lot

### Corporations (non-state actors) matter a lot

### Domestic politics matter a lot

# EUROPEAN UNION: Brief background / history

## Unlikely candidate for integration: many countries, many languages, many wars

## Monnet and Schuman objective: save Europe from future war by creating economic ties that would produce political ties that would make military conflict less likely. Monnet: “Faire L’Europe, c’est faire la paix” - To make Europe is to make peace.

### 1950 - first step: French and German steel and coal industries merged to make more efficient use of two industries. Pool resources vital to war-making enterprises. French give control of own industries to gain control over German industries. Germans get help out of economic devastation of the war.

### 1952: European Coal and Steel Community created (ECSC) with France, Germany, Italy, and Benelux countries. Removed tariffs, quotas and other barriers. Helped get Europe out of post-war economic slump (Mattli). High Authority makes decisions about coal and steel industry. Britain, Austria, Scandinavia, and Switzerland turns ECSC down because of supranational character.

### Coal and steel selected because technical, not politically divisive areas for integration.

### European Defense Community treaty signed in 1952, but French fail to ratify. In 1953, European Political Community discussed but terms not agreed to. Realism at work.

## 1957: Treaty of Rome (EEC) and Euratom: Same six states create:

### European Atomic Energy Community or Euratom (peaceful nuclear power)

### Two parts of EEC:

#### “Customs union” - common tariffs and other barriers on all goods from outside the area. Treaty of Rome commitment to create by 1969. To avoid import into country with lowest tariffs and then re-export within community.

#### “Common market” - labor and capital, as well as goods can flow freely as if no borders.

##### Notice that this means that doctors, lawyers, accountants etc. all have to be acknowledged as equally able to work in any country. This has been harder to accomplish.

##### Common Agricultural Policy (CAP) - common subsidy policy. Two-thirds of EC budget dedicated to subsidies to farmers.

## 1967: ECSC, Euratom, and EEC merged into European Community.

## 1979: European Monetary System and Exchange Rate Mechanism to keep currency fluctuations in control. Response to US walking away from Bretton Woods agreement. Broke down in 1992. Basically linked to DM which was strongest currency.

## 1985 - Single European Act passed by EC with target of 1992 for common market. “Europe 1992” guided by 300 directives of European Commission. Directives were trying to harmonize regulations so that common market could be created. Called for European Central Bank for money control and single currency to be established in stages.

## 1991: Maastricht - European Community to European Union.

### Monetary union - abolish national currencies and replace with euro on 1 Jan 1999. Going forward.

### Create European Central Bank (EuroFed) on 1 Jan 1998. Made contingent on financial stability of states involved - > 3% budget deficit and > 1.5% below average of three lowest inflation rates.

### Political and military union - common foreign policy first; then, joint military force.

## Membership expansion in 1994 (3); 2002 (10); 2006 (2)

## Jan 1, 2002: Euro banknotes and coins commences

## 2016: Brexit // 2017: France close to election that could have led to Frexit

## Losses in state autonomy and prerogatives of sovereignty: set tariffs and subsidies; print money and regulate economy; make foreign policy; make war.

# European Union: Theories

## The EU and IR theories

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## The EU and norms/ideas

### Basic notion of these approaches: that action reflects certain ideas, norms, ideologies

### In EU context, raises new possibility

#### Realists only think states would give up sovereignty if forced to

##### And they weren’t.

#### Institutionalists only think states would give up sovereignty if absolutely necessary to manage interdependence

##### And this is unclear: much disagreement among Europeans themselves about how necessary…

#### But norms/ideas approaches suggest we might take the ideology of “Europeanism” seriously:

##### Supranationality as desirable (for some!)

##### EU as elite ideological project to bind all Europeans into a new anti-nationalist arena

# Just the facts

## An international institution created – progressively – by treaties among 28 national governments

## To which they have delegated responsibilities in many policy areas

### Treaties give it the power to make own laws and regs…

### Close to 100,000 pages of them so far

## Overall: by far greatest voluntary transfer of power by states in history

# “Spillover”

## Definition: expansion of integration beyond its initial bounds.

## Functional spillover: “Enhanced cooperation is likely to occur when dissatisfaction with the results of cooperation in one area leads actors to realize that the limits on their success are due to insufficient cooperation in another, functionally related area” (Grieco, 1995, 33).

## Geographic spillover: “outsiders will have an incentive to join insiders when there is a performance gap; there will be no integration to join insiders when there is no performance gap” (Mattli, 66).

## Process by which economic imperatives to integrate roll over into other political and social arenas where economic necessity does not provide explanation of need for integration.

## Processes

### Functional linkage of tasks

### Constructed linkages and political coalitions;

### Elite socialization with ideology and identity appeal

### Transnational coalitions

#### Legal – ECJ linkage to national courts and inter-lawyer allegiances stronger than national ones. “Because of national court support, politicians were forced to play by the legal rules of the game, where precedence (legal doctrine) matters, and any position must be justified in legal terms in a way that is credible within the legal community” (Alter, 1998, 135). Different time horizons for different actors.

#### Business organizations wanting “lower costs” (low tariffs) and also “level playing field” (common regulations)

## “New technologies increase the scope of markets beyond the boundaries of a single staet, actors who stand to gain from wider markets will seek to change an existing governance structure in order to realize these gains to the fullest extent” (Mattli, 46).

# An international organization or a State?

## An IO: supranational collaboration (via treaty) AMONG BUT NOT OVER states

## A State: Organization with ultimate control of a given territory (sovereignty)

### Central gov and laws trump all others

## EU is an IO in origin:

### Created by Treaty of Rome (1957) as European Economic Community

### Treaties can only be modified by unanimous negotiation among member-states

### Membership changes over time (though no one leaves…)

## But by far most state-like IO: Unusually state-like even at origin

### Treaty with no exit clause

### Three branches of government…

### …including own binding legal system (ECJ)

#### Soon claims to trump even national constitutions!

#### Later gains partial “legal personality” (can sign treaties)

# Conditions and processes of EU integration

## **Conditions for integration**: economic equality across states involved; common value systems of elites in different countries; transnational associational groups support politicians pushing for integration; ability of governments to actually fulfill commitments they make; equitable distribution of benefits; response to external threats to status, if not survival; low initial costs; security issues not at stake

### Economic difficulties as background condition of integration” (Mattli, 51). SEA response to slow European growth of early 1980s. Potential for gains from integration AND it ends up working

### Ideological fragmentation regarding the value of international integration

### No strong international policy conflicts during 1950s

### No strong cultural divisions across countries.

### Technocrats replacing diplomats

### Uncontested regional leadership (Germany in EU case) (Consider how this looks like a realist type condition)

## Conditions for a possible European deal?

### Broad shift toward “neoliberal” policies starts in 1980s: Reagan in US; Thatcher in Britain; even French moving this way by 1984

### European business wants bigger, freer market

#### EEC treaty removed formal barriers but need other things for a single market

#### Some inherent pressures from opening Pandora’s box of free trade

## Interests are not enough to explain the Single European Act

### Economic interests (of export sector and consumers) are generally too weak to prompt *enough* pressure to get free trade. How do we know?

#### Countries don’t do it unilaterally, e.g., Japan

#### Even countries that are committed to free trade “backslide,” e.g., US regularly imposes steel tariffs

#### We don’t see free trade in agricultural goods (even with respect to Europe!)

### So, there must be politics in the story of EU development

## “Relaunch”: Even if conditions are right, you need leadership

### Thatcher, British conservative, PM (1979)

#### Ideologue broke with prior centrist consensus

#### Supports free markets and free trade

#### Hates centralization, regulation, and supranationality

### Mitterand, Socialist, French President (1981)

#### Supports EEC and French socialism

#### Economic crisis prompts “U-turn” in 1983

#### Looking to relaunch EEC

### Delors, French socialist, Euro Commission Pres (1985)

#### Supports free-markets and supranationality

#### Looking to relaunch EEC

### Kohl, German center-right, Chancellor (1982)

#### Supports supranationality

#### Open to free markets

#### Wants “statesmen” legacy; becomes friends with Mitterrand

## EU is free trade but a whole lot more some of which some don’t like

## Delors crafts a deal: Neoliberalism for supranationality

### 1987: **Single European Act** to combine 300 free market rules in 1 package based on “mutual recognition” and on horse-trading where individual rules had failed

### Neutral frame as “*completing* Single Market” by 1992

### Goes beyond prior government agreements

### Delors (EurCom President’s) deal:

#### Persuades Mitterrand, Kohl to focus “relaunch” on “single market”

#### Persuades Thatcher and neoliberals to accept EEC Treaty revision to get Europe-wide deregulation

## Results on the ground

### Huge burst of legislative activity

#### In late 1980s, *majority* of national-level legislation is pass-through of EU directives

### Barriers to European market drop

#### Standards for goods harmonized or mutually-recognized

#### Full capital mobility established

### Firms react: cross-border mergers & acquisitions soar

### Major development of non-economic EC policies: Environment, Education, Culture

## Spillover

### Inherent pressures continue

### Late 1980s people start talking about next step: “Monetary union”

### Basic problem: fluctuating exchange rates since 1971 distort single market. Expanding financial markets make it worse

### EC countries try in 1979 to “peg” currencies in European Monetary System

#### But hard to maintain against speculation

#### So…maybe must move to single currency?

# Explaining Economic and Monetary Union (the Euro and beyond)

## German reunification propels European integration

## New efforts to revise European Community with Economic and Monetary Union (EMU)

## Basics of the “monetary deal”

## Architects of Maastricht and EMU: Mitterrand and Kohl (plus Delors)

## Opponents of Maastricht and EMU: Thatcher and Chirac

## But Euro actually happens!

## And it has staying power and influences government actions

# A constructivist alternative

## Both main theories largely wrong about interest-groups as drivers: Business, other interest groups were mostly opposed or uncertain about EU project for many decades

## Not mainly about nat’l govs solving technical problems and keeping careful control: Many nat’l govs haven’t *wanted* to keep control

## Not mainly about supranational “spillover”: Only already-pro-EU players have listened much to Commission suggestions…

## Instead driven by national politicians: the ideological project of an elite minority…

# A Certain Idea of Europe

## A minority of politicians takes up idea of supranational integration after WWII

### Scattered across political Right, Left, Center

### Parties, interest groups fragmented on this issue

### Public barely aware

## Not a big electoral issue; elections continue to operate as Right vs. Left battles (mostly)

### But sometimes pro-supranational leaders end up in power…

### And bind their compatriots into new hard-to-alter treaties

## “Europeanists” who built Europe: Erratic progress because it only occurs when “supranationally-minded” leaders in France and Germany overrule opposition