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Author(s): Michael G. Huelshoff

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## Domestic Politics and Dynamic Issue Linkage: A Reformulation of Integration Theory

MICHAEL G. HUELSHOFF

*University of New Orleans*

The recent successes of the EC have reinvigorated the study of regional integration. This essay reviews integration theory, and offers a model which links the domestic politics of EC members to their regional bargaining. Two domestic variables, policy-making mode and government strength, help to determine the size of states' bargaining positions. EC bargaining is encouraged by dynamic issue linkage, or linkage across issues and time. A high level of dynamic issue linkage is one of the key features that distinguish EC bargaining from other negotiations among states. The utility of this model is demonstrated in a brief case study of EC social policy-making.

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The program to complete the internal market in the European Communities (EC) has helped to reinvigorate EC studies in the United States.<sup>1</sup> Much of this renewed interest has been focused upon explaining the Single European Act (SEA), perhaps the most dramatic event in a series of steps which have thrust the EC back into the center of European and world politics. Conflicts over the ratification of the Maastricht treaty, the current recession in the EC, and European intervention in the Balkans have only slightly diminished the “rosemary reality” (Smith and Ray, 1992) of European integration. This article contributes to the debate over theories of regional integration. Rather than focusing upon specific issues and events such as the SEA, the article poses a general model of regional integration which balances the theoretical focus between regional actors and nation-states and domestic politics. The model is built around a nested games analogy, but draws its hypotheses from state and interest group theories in comparative politics, and from current theories of regional integration.

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<sup>1</sup>The ratification of the Maastricht accords in November 1993 created the European Union (EU), encompassing the EC, military and security policy, and police and justice cooperation. Yet, as *The Economist* (1993) reported, there was thereafter significant confusion regarding the proper usage, EU or EC. While the European Communities is a legal entity, the European Union has no legal persona. Further, there is no apparent agreement among the Commission, Council, and Court as to proper usage. The major news sources in Europe are split, some opting for EU and others staying with EC on the ground of public familiarity. I chose to remain with the EC usage because this paper analyzes a policy-making case from 1989, before the ratification of the Maastricht accords.

As Smith and Ray (1992) note, regional integration theory was a moribund field in the U.S. until the SEA. The article begins with a review of two of the most common regional integration theories in recent analyses of EC politics, neo-functionalism and intergovernmentalism. While both theories clarify parts of the politics of regional cooperation, neo-functionalism and intergovernmentalism offer incomplete explanations of regional integration, accounting for an insufficient part of the variance in decisions taken by the Council of Ministers and the European Council. The balance of the article reformulates regional integration theory, building on the strong points of neo-functionalism and intergovernmentalism. Neo-functionalism and intergovernmentalism help to explicate some aspects of regional integration, but domestic politics accounts for much more of the variance in outcomes than is allowed for by either of the dominant approaches. Ultimately, for methodological and empirical reasons, theories of regional integration must be based on analysis of domestic politics, hence the need for theory that links domestic and regional politics. The article concludes with a short, illustrative case study of social policy-making in the EC.

Integration is defined as the coming together of parts into a whole (Korbonski, 1971:342), or somewhat more specifically as "a process by which separate systems develop a common framework which allows for the common pursuit of some goals and common implementation of some policies" (Kaplan, 1957:98). Various other writers have distinguished among political, economic, and social integration (Nye, 1971a). In addition, it is important to distinguish between the determinants of integration and its effects (Smith and Ray, 1992). This article is concerned with the determinants of integration, although a relation between integration determinants and effects (normally called "spillover") is often posited.<sup>2</sup> Furthermore, distinctions must be made among decision-making units. The provisions of the revised Treaties of Rome grant the Commission some powers to adopt and implement policy independent of the Council of Ministers, but these powers are limited to technical areas. By treaty, the Commission enjoys powers to propose policy only, and even these powers are subject to the influence of other actors in the EC (Nugent, 1992).<sup>3</sup> In 1991, for example, only 30 (6 percent) of all Commission proposals were put forward at its own initiative; the remaining 505 proposals derived from Council decisions already taken or from Council requests (Ripa di Meana, 1992). National parliaments are now increasingly busy debating the implementation of new EC regulations, and it has been noted that the prospects of ratification affect policy formation (Sbragia, 1992). Yet these implementation debates are sharply limited by the agreements reached among member governments which result in the new legislation before national parliaments. The model developed here is intended to explain EC policy adoption by the Council of Ministers and European Council *only*. These are the institutions that decide if integration is to be expanded or not, and hence understanding their politics is key to understanding regional integration.

### **Neo-Functionalism and Intergovernmentalism**

As noted above, the SEA has generated a significant number of papers that offer theory-based explanations of regional integration. Several of these essays

<sup>2</sup>As will be developed below, there are strong reasons to use care in applying spillover in integration theory.

<sup>3</sup>Majone (1991a, 1991b) has applied regulatory theory to EC politics, emphasizing the role that the Commission plays in shaping outcomes. Yet Cram (1993), in an otherwise sympathetic application of Majone's arguments to EC social policy, is careful to qualify the ability of the Commission to propel cooperation, and to note the continued importance of nation-states. The suitability of regulatory theory to understanding EC developments remains controversial.

have returned to neo-functionalism to explain recent developments in the EC. Tranholm-Mikkelsen's (1991) review essay proposes a neo-functionalist view of the EC, although the model is underdeveloped, and Taylor (1989) has argued that spillover may be present in the efforts to expand cooperation out of the SEA and into the monetary field. Lodge (1989) has offered social policy as a candidate for spillover. In contrast, others use intergovernmentalism to explain, for example, the politics of the SEA (Sandholtz and Zysman, 1989; Moravcsik, 1991). Intergovernmentalism is also the dominant theme in Keohane and Hoffmann's (1991) analysis of recent EC developments, although the authors suggest a limited and contingent role for spillover, a neo-functional concept. In a case study of EC environmental policy-making after the SEA, Huelshoff and Pfeiffer (1991/92) find evidence of intergovernmentalism. Garrett (1992), in a clear departure from these works, places the domestic politics of members in the debates leading to the SEA in an otherwise intergovernmental framework, but does not fully articulate a model of domestic politics.<sup>4</sup> In contrast, Cameron's (1992) essay on the SEA points to a balance between intergovernmentalist and neo-functionalist explanations. Neo-functionalism and intergovernmentalism, therefore, remain topics of debate in the literature. In this section, I review these schools of integration theory, and suggest why we need a fresh start.

#### *Neo-Functionalism*

The dominant school of integration theory, neo-functionalism and its predecessor, functionalism, argued that the main actors in regional integration were technocratic, problem-solving bureaucrats who operated in a context that encouraged spillover, or the linking of functionally related policy areas (Mitrany, 1966). Spillover evolved from a logical and (almost) immutable linking of mutually dependent, functionally specific tasks to a transformation of elite and group allegiances from the nation-state to the region (Haas, 1958; Lindberg, 1966), assisted by regional institutions (Nye, 1971b). Yet even these reformulations failed to reflect changing political conditions in the EC, and as the EC seemed to stagnate in the late 1960s and 1970s, scholars temporized their prior emphasis on spillover (Lindberg and Scheingold, 1970; Nye, 1971a; Schmitter, 1971; George, 1985). Concepts such as spillaround and spillback were introduced to note that policy coordination in some fields fell short of neo-functionalist predictions, and the evidence suggested that groups and elites were not reorienting themselves from the nation-state to the EC (Pentland, 1973; Lodge, 1978). The more general criticisms of functionalism have been reviewed by Hall (1986). By 1975, the field was moribund in the U.S.<sup>5</sup>

Neo-functionalism has been reasserted in recent writings. There are three reasons why this is not a helpful development. First, neo-functionalism examines only the apolitical portion of the motivations of national decision-makers, namely, technocratic problem-solving. It seems likely that national decision-makers are motivated by more than technocratic problem-solving, including, most significantly, rewarding and protecting domestic groups upon which decision-makers are dependent for political support and survival—that is, politics. In addition, the structures of society and government also affect policy-making,

<sup>4</sup>Garrett also does not explore in depth the impacts of iteration in the regional game, but this is due in part to the case chosen for study.

<sup>5</sup>Haas argued that actors' motives, perceptions, and objectives had changed, undermining the incrementalist logic of spillover, and that external influences, mostly ignored by the theory, had grown. The institutions that were to result from integration were not strong enough to cope with these changes. See Haas (1975) and Pryce and Wessels (1987). Others criticized neo-functionalism for its inflexibility, and for its dependence upon stable economic growth. See Kaiser (1972), Donges (1981), George (1985), and Hurwitz (1987).

including decisions to cooperate regionally. In sum, neo-functionalism does not adequately and systematically account for the range of motives, constraints, and opportunities that face decision-makers.

Second, the emphasis that some neo-functionalists placed on the Commission as initiator of integrative dynamics failed to note the nation-state's continued domination of decision-making (Keohane and Hoffmann, 1991). As noted above, even most policy proposals originate in the decisions taken by the member governments, and the recent bashing the Commission has taken after the Danish and French referendums on the Maastricht treaty (which by some reports paralleled the effects of the 1965–66 French boycott) reinforces the Commission's continued political weakness. Despite the oft-noted growth in the Commission's influence under the leadership of Jacques Delors (Ludlow, 1991:116–121), neo-functionalism has trouble balancing the policy-initiating powers of the Commission with the continued decision-making role of nation-states, both in the Council of Ministers and the European Council.

These points suggest a third criticism: neo-functionalism fails to predict a full range of outcomes in regional problem-solving, emphasizing cooperative over noncooperative behavior. Neo-functionalism offers no theory-based explanation of the failures to cooperate in the EC (if offering an account for the successes), and, more significantly, it cannot explain the plethora of outcomes in the EC that fall between success and failure (Webb, 1983). In other words, neo-functionalism cannot predict accurately when efforts to coordinate policy will result in spillover, spillback, or spillaround, since neo-functionalism offers an incomplete explanation of the motivations of decision-makers and overemphasizes the impacts of regional actors. Neo-functionalism cannot explicate the full range of processes or outcomes of intergovernmental bargaining, many of which result in incomplete integration or outright failure.<sup>6</sup> As a result, neo-functionalism cannot predict which outcome, from the many otherwise equally efficient outcomes available to decision-makers, is chosen in regional negotiations (Garrett, 1992).

My point is not that neo-functionalists are (and were) insensitive to the weaknesses of their approach, but rather that these weaknesses tended to be addressed in an ad hoc fashion, when a thorough rethinking of the model was warranted. Despite these weaknesses, neo-functionalism's emphasis upon groups and elites—if inappropriately seen as easily transferring their allegiances from national capitals to Brussels—reminds us that the state cannot be viewed as a unitary actor in EC politics. In addition, the sense of momentum that neo-functionalism emphasized remains an important if difficult to conceptualize part of regional integration (Keohane and Hoffmann, 1991:19–20). At best, neo-functional models explain only a part of regional integration, and not enough to generate a reasonably strong explanatory or predictive record (Keohane and Hoffmann, 1991; Moravcsik, 1991; Garrett, 1992).

### *Intergovernmentalism*

Intergovernmental analyses of the EC rest ultimately upon the traditional assumptions of structural realist international relations theory (Webb, 1983:21–27). These assumptions include the prevalence of anarchy in the international

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<sup>6</sup>Lindberg and Scheingold (1970), among others, attempt to address this issue, in one of the last major conceptual works in the field. They propose system capacity, system support (public opinion), demand (for integration), and leadership (elites) as variables that will affect the development of integration. Yet their approach cannot, as they admit, ascertain “how or when . . . the conditions and circumstances that cause the individual variables to vary” (1970:115) will develop. This is a key weakness of neo-functionalism, which is addressed in the model presented here.

system, the centrality of unitary states as actors in that system, the indivisibility of national interests derived from the structure of the international system, and the resultant relative gains motivations which limit cooperation (Hoffmann, 1966; Waltz, 1979; Grieco, 1990; Cameron, 1992:27–28). To be sure, intergovernmentalism is more positive about the prospects for cooperation than was its parent literature, structural realism—after all, intergovernmentalists were examining “sovereignty pooling” in the EC. Yet intergovernmentalism is much more skeptical about the likelihood of cooperation and the withering away of national sovereignty than is neo-functionalism, and seems to account for the uneven and slow pace of integration over most of the past two decades (Taylor, 1983). Sovereignty pooling in the EC, then, was seen to be dependent upon coalition-building among otherwise independent states (Simonian, 1985; Wallace, 1985, 1986), sharply limited by the Luxembourg Compromise and voting arrangements (Scharpf, 1988), and resulting in “concordance systems” (Puchala, 1972).

As noted above, many of the recent analyses of the EC rely on intergovernmentalism. Yet the assumptions underlining intergovernmentalism and its parent literature, structural realism, have come under attack. First, the centrality of unitary states as actors in international politics was criticized by the interdependence school (Keohane and Nye, 1977; Webb, 1983), which pointed to the need to disaggregate the state. The interdependence literature suffered from an inability to rigorously conceptualize the interactions among the interest groups and fragmented state that it emphasized. Yet its key insight, that the state cannot always be treated as a unitary and sole actor in international relations, has, regrettably, been down-played in mainstream international relations in recent years.

The interdependence school has been supplanted by neo-liberal institutionalism, which offers its own criticisms of structural realism. Several of these criticisms are also relevant to intergovernmentalism. Realists assert that international anarchy forces states first and foremost to be concerned with the relative gains from cooperation, implying that their interests are derived from the structure of the international system. States are “defensive positionalists” (Grieco, 1990), wary of international cooperation because they fear free riding, that others will benefit more from cooperation than they will, and that cooperation will lead to a loss of sovereignty. Structural realists and intergovernmentalists therefore expect cooperation most often when defection can be effectively sanctioned, the net benefits of agreement are evenly distributed, and sovereignty is not threatened. While intergovernmentalists emphasize that the institutionalization of interactions in the EC facilitated more cooperation than that expected in the wider international system (Taylor, 1983), intergovernmentalism and structural realism both emphasize that the search for balanced net benefits, and concern about defection, limit agreement in the EC.

Neo-liberal institutionalists have countered with several arguments which are relevant to regional integration theory (Milner, 1992). First, they contend that repeated or structured interaction leads states to learn to cooperate (Axelrod, 1984; Keohane, 1984). Second, reciprocal benefits from cooperation are said to be linked to international agreement (Keohane, 1986), raising the importance of side-payments. Cooperation-limiting relative gains are found only under very specific conditions (tight bipolarity), and are not very important if states are motivated at least in part by absolute gains, if the initial interaction among states is not a Prisoner’s Dilemma, or if there are more than two actors in the system (Snidal, 1991). Furthermore, Powell (1991:1316) argues that states’ concerns for relative gains decrease as the probability of war among them declines, further limiting the scope of international interactions that are subject to relative gains-induced constraints on cooperation. International regimes have been linked to

absolute gains behavior and cooperation (Keohane, 1984), as have the existence of "epistemic communities" (Haas, 1990), and power asymmetries (Conybeare, 1986). Finally, some have begun to question whether states derive their interests solely from the international system (Milner, 1992).

In sum, the critics of structural realism raise the possibility of fragmented states, multiple actors, and multiple definitions of national interest. In addition, relative gains motivations are likely to be prevalent only in cases of tight bipolarity, few actors in the system, Prisoner's Dilemma, and low costs of conflict, an unlikely set of conditions outside the Cold War relationship between the U.S. and the Soviet Union. If relative gains do not characterize much international relations, then we must look elsewhere for the sources of a state's behavior, balancing international and domestic sources of national interest. In the EC, especially with the expanded use of qualified majority voting, it seems reasonable to at least explore the prospects of theories of regional integration which relax some of the more onerous assumptions common to both structural realism and intergovernmentalism, particularly the unified state, state centric, and relative gains assumptions. As with neo-functionalism, my point is not so much that intergovernmentalists were insensitive to the weaknesses of their approach, but rather that they relied upon variables from other perspectives in an ad hoc fashion when anomalies in their explanations required clarification. There is a substantial body of writing today, both within and without the integration literature, that questions the assumptions that intergovernmentalism shares with structural realism, particularly in their failure to address domestic politics in a systematic fashion.

Where does this discussion leave us? Both neo-functionalism and intergovernmentalism alone have severely limiting weaknesses as theories of regional integration, yet both point out important parts of regional integration. Neo-functionalism emphasizes elites, groups, and regional institutions, but it fails to explore an adequate range of motivations, constraints, and opportunities that face decision-makers. It also overemphasizes the impact of regional actors and underemphasizes the role of national governments, and thus cannot distinguish among the range of outcomes available to decision-makers that are equally attractive but not necessarily equally integrative (Garrett, 1992). Intergovernmentalism reinforces the state as the prime actor in regional integration, but is unable to systematically analyze the domestic sources of the motivations of states in regional integration. Intergovernmentalism's emphasis upon system-derived interests and relative gains leads to pessimistic predictions of little regional integration. These predictions are out of synch with the EC today, even an EC rocked by controversy over the Maastricht treaty and the crisis in the former Yugoslavia. Indeed, the debate over ratification of the Maastricht accord was precisely focused upon the links between domestic politics and intergovernmental bargaining. We need a model that can both organize domestic politics and link them to intergovernmental bargaining. Many of the recent analyses of the EC make reference to domestic politics, be it Sandholtz and Zysman's emphasis upon elite bargains, Keohane and Hoffmann's preference-convergence hypothesis, or Moravcsik's analysis of the politics leading to the SEA. Yet neither these nor the other explanations of developments in the EC rigorously link domestic to intergovernmental politics. The following model builds upon both neo-functionalism and intergovernmentalism, but reformulates their insights in a wholly new theoretic structure.

### Domestic and Intergovernmental Politics in the EC

Linking domestic and international politics is an old theme in political science, but it remains an underdeveloped field. There have been several attempts to couple domestic politics and intergovernmentalism in the regional integration literature. Bulmer (1983) applies a policy styles model to the study of German EC policy, which asserts that domestic systems are effectively unique. Puchala (1984) assumes that the domestic political systems of members are uniformly pluralistic. Yet domestic systems are neither unique nor invariable. Garrett (1992) comes closest to a model of domestic politics and regional integration, but does not fully articulate the domestic-level variables that account for the positions taken by decision-makers in the negotiations leading to the SEA.

Robert Putnam (1988) has suggested that nested games can help us understand the link between domestic and international politics. He begins with a simple metaphor: decision-makers are involved in two interlinked sets of negotiations or games, one domestic and one international. In the domestic game, decision-makers build ruling coalitions by bargaining with domestic groups, which in turn seek to protect and enhance their interests. In the international game, decision-makers negotiate international agreements that "satisfy domestic pressures, while minimizing the adverse consequences of foreign developments" (1988:434).

European integration, from this view, is the pursuit by decision-makers of domestic power via (when the opportunity arises) regional agreements that meet the demands of enough domestic groups to guarantee ratification and the political survival of the decision-maker. Yet as neo-functionalism points out, there is a certain "momentum" that occasionally permeates EC politics, and therefore we must go beyond Putnam's metaphor to account for international-level motivations to reach agreement. It is important to note as well, unlike many other international negotiations, the sets of national elites making EC policy changes as the venue of policy-making shifts, from the Technical Councils (line ministers) to the Council of Ministers (foreign ministers) and the European Council (heads of government), suggesting the opportunity for conflicts within as well as across governments.<sup>7</sup> Therefore, while this conceptualization of integration has much in common with intergovernmentalism, it notes the on-again, off-again dynamism of the EC and relaxes intergovernmentalism's assumption that states are unitary actors motivated by single national interests. The possibility of agreement is, in Putnam's terms, limited by the overlap of what is acceptable to winning coalitions (large enough to guarantee ratification) in each of the twelve members of the EC. This area is called a *win-set*.

Putnam's two-level metaphor offers a concise structure within which a model of regional integration can be located, but, as Putnam notes, it is not a model itself. Garrett (1992) argues that models must go beyond detailing the range of all efficient outcomes available to decision-makers (i.e., the win-set) and determine which of these outcomes results from the negotiations. I assume that not all points in a win-set are available to a decision-maker at the same cost—some efficient outcomes require decision-makers to seek new bases of political support in the domestic game, and shifting ruling coalitions bears domestic costs for decision-makers. A Margaret Thatcher, for example, cannot easily embrace the environmental movement (even though she tried), nor a Françoise Mitterrand the National Front. I focus here on the set of agreements within the win-set that is likely to be generated by the domestic game, arguing that this sub-set of

<sup>7</sup>Clearly, the heads of government enjoy significant power to determine the policies their line and foreign ministers pursue in the Council of Ministers. Yet this power varies across states, and is not perfect. See, for example, the discussion of German policy-making on EC agricultural issues in Bulmer and Patterson (1987).



all winning agreements will reflect the types of demands that decision-makers face from domestic groups (especially those groups from which the decision-maker draws support), as well as the sensitivity of decision-makers to these demands. I call this sub-set of all possible winning outcomes the decision-maker's bargaining position. It is important to note, as well, that intergovernmental bargaining involves not just comparing bargaining positions, but also exploring the expansion of bargaining positions via trade-offs, side-payments, and iteration of both the domestic and regional games. Thus, the model must also examine the regional game.

In sum, I model the sub-set of all outcomes (that can be ratified) that is produced by the domestic game, assuming that, at least initially, this space is likely to consist of outcomes that pose the fewest coalition-building costs on decision-makers. Determination of these costs is, in turn, a function of who participates in decision-making, what sorts of demands they bring to the domestic game, and how responsive decision-makers must be to these participants. When we turn to the intergovernmental game we will examine the factors that encourage decision-makers to explore otherwise efficient and winning outcomes that stretch their bargaining positions. Three questions are central in determining the size of the initial bargaining position (i.e., the bargaining position generated in the domestic game): who participates, what types of demands (broad or specific) do the participants bring to the game, and to what extent must decision-makers respond to these demands?

#### *The Domestic Game: Policy-Making Modes and Government Strength*

This article hypothesizes that the size of a state's bargaining position is determined by two variables: the mode of policy-making, and the strength of the government. While empirically these variables co-vary, for analytical purposes it is useful to discuss them independently.

First, the mode of policy-making affects bargaining positions. Policy-making modes can be thought to be roughly cooperative or competitive. In comparative politics, theories of corporatism and pluralism have been used to account for variance across states in policy-making modes (Schmitter and Lehmbruch, 1979; Berger, 1981; Korpi, 1983; Goldthorpe, 1984; Freeman, 1989). Corporatism has been defined as "a strong social partnership between unions and employers' organizations and a cooperative form of economic policy formation" (Schott, 1984:41). It assumes that societies are characterized by broad classes, and that the state is an independent actor in domestic politics. These classes are hierarchically organized in peak associations, which enjoy the ability to police their members to maintain discipline around cooperatively achieved decisions. Bargaining among these peak associations can be either formal or informal.

Corporatism is often distinguished from pluralism, where there is more conflict among functionally organized social groups, and where policy-makers are often captured by these narrow interests, most often by narrowly organized business interests (Lindblom, 1977). Yet corporatism is controversial in political science.<sup>8</sup> The criticisms have focused upon the association between capital and the state, whether corporatism is distinguishable from pluralism, and the permutations of uses of the concept. Nonetheless, societies can be usefully categorized by the mode of policy-making, cooperative or competitive. Furthermore, I use these terms independently from the state—that is, my intention is to capture the amount of variance in policy outcomes accounted for by interest group orga-

<sup>8</sup>The corporatism literature is vast, and I make no effort to review it here. For a debate on the concept see Cox (1988) and Cawson (1988).

nization alone, and not that accounted for by the government (the second variable). The terms *corporatism* and *pluralism* are often used to imply a notion of the state's role in society, hence my preference for cooperative and competitive interest group orders.

There are several important implications of the mode of policy-making for bargaining positions. In cooperative domestic orders, where interest groups are hierarchically organized, the negotiations within and among interest groups tend to eliminate the more extreme and parochial positions of the groups, as they strive to find compromises among themselves. Yet to satisfy these diverse groups, the policies the agreements advocate must be broad, and allow policy-makers some leeway in interpretation. The costs of defection from domestic agreements are high, for two reasons. First, policy-makers can threaten exclusion from future policy-making, which weakens the group's ability to reward and protect itself when other issues are bargained. Second, the peak associations can also punish potential defectors among their own ranks. These domestic compromises are likely to result in large bargaining positions because the extreme positions are eliminated, and the domestic game produces broad agreements that give policy-makers some powers of interpretation. In addition, if defection can be punished either by policy-makers or by the peak association, then dissenting groups have less opportunity to upset international agreements.

In contrast, bargaining positions in competitive conditions tend to be small. Competition among interest groups encourages narrow organization and zero-sum outcomes (powerful groups winning access to policy-making at the expense of weaker groups). Furthermore, policy-makers' threats of exclusion to discourage defection are less credible, owing to the competitive nature of policy-making. That is, policy-makers cannot convincingly threaten to exclude a balking group from future policy-making because there is no *a priori* reason for the group to expect to be included.<sup>9</sup> Thus, interest groups unhappy with the outcome of the domestic game enjoy more room to contest the bargaining positions and the resulting international agreements, at least more so than is the case in cooperative orders. Furthermore, winning groups face fewer pressures to moderate their demands, allowing narrow policy preferences to influence policy-making. Policy-makers, then, must respond to narrowly formulated interests, and have less power to police groups. Bargaining positions will be small.

These two interest group orders, cooperative and competitive, are ideal types. Any given society can reflect elements of both cooperation and competition, while leaning predominantly in one or the other direction, and policy-making modes change over time. Drawing the arguments starkly helps to clarify the distinctions among modes of policy-making that, empirically, may only approximate these ideal types. Regardless, the balance of the comparative politics literature on interest groups demonstrates that domestic policy-making is heavily influenced by the organization of interest groups, and there is no reason to believe that EC policy-making is impervious to these effects.

A variety of variables have been employed to measure the inclusiveness of decision-making, although most measures rely to a great extent upon expert opinion. Lijphart and Crepaz (1991) have developed a composite measure of these expert opinions (see Table 1). There are two problems with this ranking. First, the expert opinions underlying the ranking are static, whereas interest groups exist in a dynamic environment of both slow institutional change and (sometimes) rapid political change. As the last decade has shown, the interest group orders of the 1970s (upon which most of these expert opinions are based)

<sup>9</sup>Note that this argument holds even in the case of an interest group that holds a "privileged position"—that is, has special access to the state.

TABLE 1. Ranking policy-making modes in the EC.

Netherlands	1.006	
Denmark	.518	Luxembourg
Germany	.480	
Belgium	.258	
Ireland	-.528	
France	-.725	
Italy	-.851	Spain, Portugal, Greece
United Kingdom	-.862	

Sources: Lijphart and Crepaz (1991); BAS (1990).

were subject to institutional and political change. In some states (notably Germany) cooperative orders have weakened, while in others (notably France) competitive orders have moved closer to cooperation. Second, the Lijphart and Crepaz scale does not include four EC members, Greece, Luxembourg, Portugal, and Spain. Analysis of German government studies completed in the early 1990s suggests the approximate placement of these states on the scale (Table 1). The tentativeness of the measurement of this variable must be emphasized.

In sum, interest group theory helps to answer the first two questions posed above, who participates and what types of demands (broad or narrow) do they bring to the game. To assess the third question, the ability of the decision-makers to resist these demands, it is necessary to look at the organization and functioning of the state.

As the theory of corporatism has revolutionized the interest group literature, the renewed focus upon the state has "brought the state back in" to comparative analyses (Evans, Rueschemeyer, and Skocpol, 1985) and helped to reinvigorate studies of political institutions. Much like corporatism, state theory is controversial. Rockman (1989) has identified at least three distinct usages, including the concentration of decision-making capacity (the decision-making state), which is the basis of the definition used here. Unlike the earlier state literature, however, this usage distinguishes between state and society, although Mitchell (1991) has pointed out that the boundary between the two may be unstable.

Decision-making states have been said to be either weak or strong (Katzenstein, 1978; Nordlinger, 1981; Krasner, 1984). These terms are designed to tap the centralization of decision-making authority as determined in part by constitutional arrangements. This categorization has been heavily criticized in the literature, and can be strengthened by distinguishing between *institutions* and *governments*, or between constitutional orders and the politicians who operate within them.<sup>10</sup> Centralized institutions and single-party governments have been associated with strong states, but strength can also be drawn from political leadership. Weak states, in turn, are often characterized by federalism, coalition governments, para-public institutions, and judicial and ministerial independence—or horizontal and vertical divisions in decision-making competence. Yet a popular leader can often overcome such institutional weaknesses. In judging the ability of decision-makers to resist domestic demands (cooperatively and broadly, or competitively and narrowly, organized) and to pursue their own views of national interest, it is important to consider both institutions and leadership.

I choose to label this variable "government strength," to emphasize the distinction between institutions and the political power of the individuals who

<sup>10</sup>I am indebted to Philippe C. Schmitter for clarifying this point.

constitute the government. A government is “strong,” then, if it is led by politicians with clear electoral mandates or strong public support, and operates in a constitutional order that concentrates decision-making power. “Weak” governments suffer from some combination of the opposite: unpopular heads of government, divisions within parliament, and/or constitutional orders that limit the power of the head of government (federalism, for example).<sup>11</sup> The middle ground, where politicians are popular but decision-making authority is dispersed, and vice versa, is, of course, the most interesting (and perhaps the most common) set of conditions. I posit that political popularity is likely to take precedence over institutional concentration, since in most cases constitutional orders distribute power among *elected* officials (at least in the executive and legislative functions of government).

Table 2 ranks EC government strength in 1989 (the year reflects the following case). I have operationalized government strength to capture some aspects of the centralization, party politics, and popularity dimensions of the variable. Since public employment data by level of government are not available for more than a few EC members (Rose, 1985; Page and Goldsmith, 1987), I have relied upon expenditure data, on the argument that budgetary control reflects political

TABLE 2. A measure of government strength.

	<i>Centralization</i>	<i>Parliamentary Independence</i>	<i>Public Support</i>	<i>Sum</i>
Bel	81	4.057	54.997	140.054
Den	43	2.235	33.677	79.912
Fra	83	1.127	58.054	142.181
Ger	40	.770	44.085	84.855
Gre	80	16.222	96.559*	192.781
Ire	61	.201	50.993	112.194
Ity	79	1.983	60.338	141.321
Lux	79	10.157	66.666	155.823
Net	47	1.667	44.301	92.968
Por	n/a	8.800	39.589	—
Spa	78	2.290	45.893	126.183
UK	74	7.539	45.516	127.055
Average:				126.848
Without Greece				120.255

Centralization is measured by the percent of general government spending accounted for by the central government. Parliamentary independence is measured as the percent of seats in the national assembly (lower house) above (or below) the minimum winning number (50 percent plus one) held by the government. This is then divided by the number of parties in the government, to account for the effects of multiple-party governments. One is added to the denominator if the government holds a minority of seats, to account for the need of minority governments to seek opposition support to pass legislation. Public support is measured by the percent of the public indicating that they would vote for a government party if an election were held tomorrow.

\*A great coalition of the three largest parties ruled Greece in the last months of 1989, significantly inflating its score on the public support dimension of this variable.

Sources: Centralization, Oxley et al. (1990) and Page and Goldsmith (1987); parliamentary independence, *Statesman's Yearbook*, various issues; public support, Euro-Barometer 32 (Reif and Melich, 1992).

<sup>11</sup>This measure of government strength taps only a portion of the “strong” and “weak” conceptualization of the state. The measure, for example, does not account for factional infighting in large parties, which might, in the extreme, approximate the difficulty that multiple-party governments face in intracoalition negotiations. The diversity of electoral systems in Europe complicates measuring government strength. Further research is needed on this issue.

strength. Second, parliamentary support is measured as the percent of seats in parliament above or below a simple majority, divided by the number of parties in the government. The division reflects the greater difficulty that multiple-party governments face in reaching agreement. In the case of minority governments, one is added to the denominator to account for the need for minority governments to seek out opposition support to pass legislation. Finally, I measure the popularity of the head of government by noting the percent of the voting public indicating that it would vote for a government party if elections were held.<sup>12</sup> One advantage of this measure is that, operationalized this way, data can be collected over time, unlike data for the policy-making mode variable.

Weak governments, suffering from divided decision-making capacity, inter-party strife, or led by politically ineffective heads of government, are likely to be easily penetrated by interest groups (McConnell, 1967; Lowi, 1979). Strong governments, with centralized decision-making and politically powerful leaders, are better able to resist domestic demands. Thus, weak governments are likely to generate large bargaining positions, as various domestic groups can demand inclusion of their goals, and decision-makers cannot ignore their demands. Strong governments will have smaller bargaining positions, as decision-makers are not forced to seek out and be responsive to the demands of domestic groups. The decision-makers' own values and beliefs will help determine the bargaining position in this case. As Putnam notes, strong states also have large win-sets, but, by the logic presented here, small bargaining positions, because they are less sensitive to domestic demands. Weak governments, according to Putnam, will have small win-sets, but larger bargaining positions within those win-sets because they must be more responsive to domestic demands than are decision-makers in (institutionally and/or politically) strong governments.

The factors that lead decision-makers to explore other points in their win-set are explored in the following section on the regional game; however, there is one important implication of this discussion of government strength to be mentioned here. Although it is comparatively easy for decision-makers in strong governments to consider alternatives outside their bargaining position (since their win-sets are large, and they are less dependent upon the approval of domestic groups), they are also less tempted by side-payments and trade-offs which attract decision-makers in weak governments. As the strength of the government increases, the marginal propensity to seek out and accept a side-payment decreases. Hence, bargaining positions will be smaller for decision-makers in strong governments than those in weak governments, and these decision-makers will be less motivated to accept compromises in the international game than would be decision-makers in weak governments, despite their greater ability to do so.

The strong/weak dichotomy is clearly a generalization. Much like the mode-of-policy-making variable, governments may well have a mix of these characteristics, even if leaning in one or the other direction. Furthermore, there is some evidence that strong governments that resist domestic pressures can be weakened by the social conflict that resistance engenders (Wilsford, 1988). Regardless, this rough categorization helps to get a fix on the impact of government strength

<sup>12</sup>In the cases of the U.K. and France, this is calculated as the percent who indicate that they would vote for the government party, divided by the sum of the major parties (i.e., excluding small parties which usually win only a few or no seats). The reasoning for the U.K. is clear, given British voting rules. In the French case, the two-ballot, single-member-district voting system—in combination with the tendency of similar parties to withdraw rival candidates in the second round, and in the context of an independently elected head of government with broad powers—approximates a two-party system. Hence, I used public support for the right-wing parties only. In mixed and proportional representation systems all parties were used.

on bargaining positions, and helps to answer the third question posed here, regarding the responsiveness of decision-makers to domestic demands.

Figure 1 brings the two variables, mode of policy-making and government strength, together, with the values of EC members in 1989. Cooperative orders and weak governments (the lower right-hand quadrant) mean broadly representative peak associations which bargain cooperatively to influence policy and face a government that is easily penetrated and manipulated, or led by a weak head of government. This suggests large bargaining positions. Germany, Denmark, and the Netherlands fell in this quadrant in 1989. In the upper right-hand quadrant, strong governments try to maintain narrow bargaining positions, but cooperative decision-making forces these bargaining positions to open a little; hence, these bargaining positions are of moderate size. Luxembourg and Belgium fell in this category, as did, I argue, France in 1989. In France, labor's access to decision-making has traditionally been limited, but it grew after the election in 1981 of a socialist president committed to representing the interests of French labor. The French government also enjoys close relations with business, closer than that found elsewhere in Europe (Shonfield, 1965; Hall, 1986),

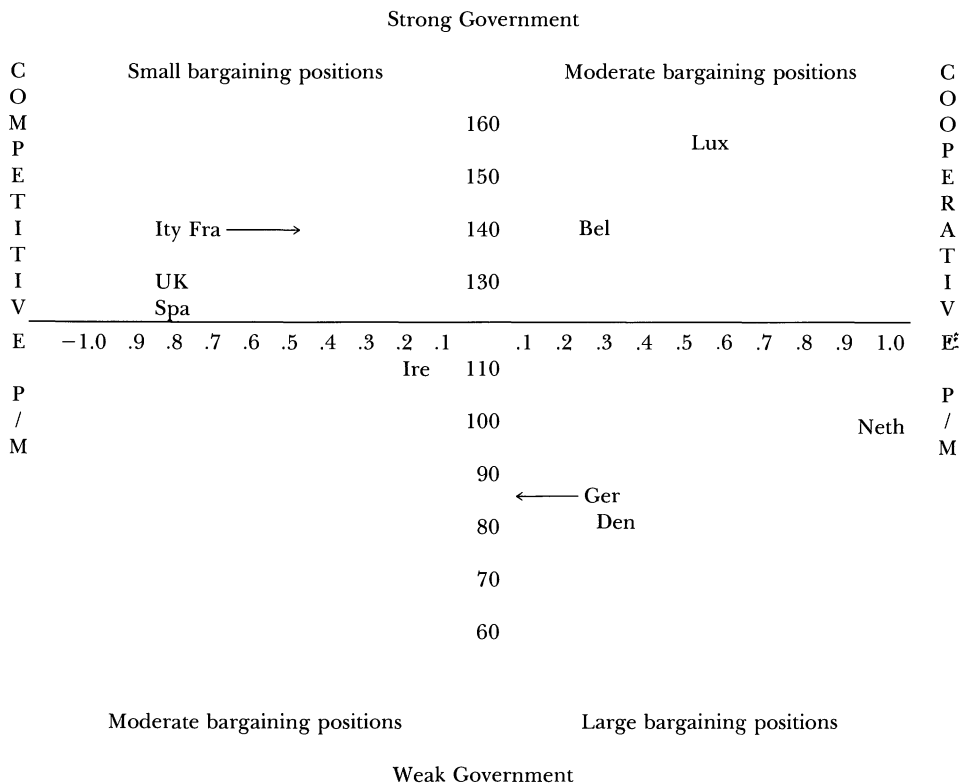


FIG. 1. Bargaining positions and domestic politics: policy-making modes and government strength.

Government strength data for Portugal are missing. Values for Greece (see Table 1) are inflated by the existence of a temporary coalition of all three major parties at the time of the December 1989 summit. This coalition was short-lived, and the governments that preceded and followed enjoyed only small majorities and limited popularity. Hence, both Portugal and Greece are excluded from this figure. Rankings for Spain and Luxembourg are estimates (see Table 1). Finally, as noted in the text, the values for both France and Germany on the policy-making-mode variable are under- and overestimated, respectively. Hence, the arrows indicate an estimated placement in 1989.

encouraging the state to accommodate business interests more than might otherwise be the case. In the lower left-hand quadrant, bargaining positions are also of moderate size. Weak governments are easily penetrated by narrow interests, but also allow other groups to protest and attempt to change state policy. Ireland was a good example. Finally, in the upper left-hand quadrant, the state is strong and resists penetration, and narrowly representative interest groups pose specific demands upon the state. Thus, bargaining positions are small. The United Kingdom, Italy, and Spain were examples in 1989. This suggests the following hypotheses:

H-1: If interest groups are organized along cooperative lines, and if the government is weak, then the government's bargaining position will be large.

H-2: If interest groups are organized along cooperative lines, and if the government is strong, then the government's bargaining position will be moderately sized.

H-3: If interest groups are organized along competitive lines, and if the government is weak, then the government's bargaining position will be moderately sized.

H-4: If interest groups are organized along competitive lines, and if the government is strong, then the government's bargaining position will be small.

It would be a mistake not to recognize that these two variables, mode of policy-making and government strength, are related. A number of scholars have noted that the relationship is not static (Wilson, 1976; Esping-Andersen, 1985; Hall, 1986). Yet drawing them apart here, at the level of a general model, helps to distinguish clearly between two theoretically distinct concepts, interest group organization and government strength. A fully dynamic model, however desirable, would overly complicate this already complex picture.

Domestic decision-making, focusing upon the organization of interest groups and government power, suggests that the size of a decision-maker's bargaining position is determined by the mode and institutions of policy-making, as well as by the broader political environment. These domestic variables determine the sub-set of policies, from all those that win, that the decision-maker takes to international bargaining. Throughout, the discussion has focused upon a general model of domestic politics—in specific cases, on some issues, the domestic decision-making process may well vary. Regional development issues might, for example, push Spain and Portugal from the competitive toward the cooperative side because both business and labor might expect to benefit from increased spending. "Cohabitation" might well push France back into the lower right-hand quadrant. Regardless, this model suggests the general tendencies that domestic politics engenders in EC policy-making.

#### *The Regional Game: The Data Problem, and Dynamic Issue Linkage*

The regional game, designed to explain and predict Council decision-making, is largely intergovernmental, at least in the sense that the nation-states are the participants. What is lacking in most intergovernmental models of EC decision-making is a rigorous treatment of coalition-building. It is one thing to emphasize apparent groupings of states in EC negotiations, but it would be highly desirable to model coalition-building directly. As long as access to the debates and votes

of both councils is limited, it is problematic that we can move beyond this impasse. At best, we can try to reconstruct states' bargaining positions by analyzing their domestic politics, including the impact of policy-making modes and government strength on policy-making. Even with voting data it would still be necessary to study domestic politics to understand why states vote as they do. This would not be an exercise in reductionism, but a crucial step in understanding regional integration.

Yet the EC's intergovernmental bargaining differs from negotiations in other parts of the international system where the distribution of power is said to explain outcomes. Here some of the insights of neo-functionalism and regulatory theory are useful. Regional actors and iteration encourage what I call dynamic issue linkage in the EC. Dynamic issue linkage is issue linkage across both issues and time. Issues are often linked via side-payments and package deals at the time agreements are reached, but future side-payments are also possible, particularly if ratification problems arise in the domestic game. For example, when domestic developments made it impossible for Italy to implement the Davignon Plan during the 1980s' steel crisis, Italy was able to renegotiate the Plan and receive further subsidies from Brussels, but had to agree to deeper cuts. German dissatisfaction with the nonbinding 1989 Social Charter led Bonn to bargain to include a social dimension in the Maastricht agreement. In both examples, the future side-payment was still the subject of negotiation, but dissatisfied groups and governments enjoyed relatively inexpensive (compared to negotiations in the international system) opportunities to re-open old debates. Furthermore, dynamic issue linkage helps to reduce relative gains motivations and to encourage absolute gains calculations—a (relative) loss today has a high probability of being offset by a gain tomorrow. The international game in the EC, then, is intergovernmental, but in ways unlike negotiations in the general international system. Indeed, since the voting rules in the councils protect the rights of small states, power distributions are less significant explanations of EC outcomes than in the international system.

Two factors encourage dynamic issue linkage: the actions of regional actors and elites, and the prospects for future negotiation (iteration). First, as neo-functionalism argued, regional actors encourage cooperation. The Commission participates in Council debates, adding to the pressure on states to reach agreement. Furthermore, if viewed as a regulatory body (Majone, 1991a, 1991b), the Commission may work to shape members' debates over new policy. Furthermore, while the evidence suggests that most Euro-pressure groups have limited influence in EC politics (Platzer, 1984; Butt Philip, 1985), these groups politicize issues. Yet the nation-state remains the primary point of lobbying, for many groups.<sup>13</sup> Elites, as well, have often played key roles in EC politics, in both cooperative ways (Mitterrand and Kohl today) and noncooperative ways (De Gaulle and Thatcher in the past). Elites, groups, and regional institutions play important roles that nonetheless fall short of the predictions of neo-functionalism. Dynamic issue linkage can account for the impact of these actors by emphasizing their roles in politicizing issues and encouraging the search for compromise.

In addition, strong prospects for iteration also encourage dynamic issue linkage. The regular Council summits, and the large and wide-ranging policy agenda introduced by the SEA and the Maastricht treaty, have reinforced the importance of cooperation in the EC. While the free-rider constraint on cooperation

<sup>13</sup>For example, in the last few years the European Environmental Bureau in Brussels, an environmental lobby in the EC, has increasingly focused upon national politics as a means to generate pressure in Brussels for stronger environmental policy. Author's interviews, Brussels, January and February 1990 and March 1993.



has not been eliminated, it is managed via both institutions (the Commission, but more so the European Court of Justice) and politics. That is, free riders in the EC often generate both legal and political costs for themselves, costs that are increasingly credible. Hence, the expectation of continued play in the EC opens greater possibilities for agreement than seen elsewhere in international politics.

Dynamic issue linkage differs from spillover in several ways. Unlike spillover, dynamic issue linkage notes the contingent character of EC agreements. Like most linkage models, dynamic issue linkage emphasizes the *quid pro quo* nature of bargaining in the EC, alerting the researcher to the search for trade-offs and side-payments. Further, the concept allows for linkage across time, capturing the sense of momentum which characterizes the EC today. Yet dynamic issue linkage assumes no automaticity, and focusing upon trade-offs and side-payments as the mechanism for realizing current and future intergovernmental bargains reminds the researcher that each linkage is a bargaining outcome, not an automatic outcome.

Trade-offs and side-payments—realized in either the international or domestic game—expand bargaining positions, and, as Putnam notes, they are most effectively targeted at wavering groups at home and abroad. These side-payments are representations of the multiplicity of national interests in the EC, and provide the link between the domestic and international games. Side-payments and trade-offs have the effect, then, of broadening bargaining positions and encouraging cooperation.

Evidence of such linkages abounds in the EC, especially in the Council. At Maastricht in December 1991, political influence over the conditions necessary to move to an otherwise conservative form of monetary union was linked with agreement to strengthen the veto powers of the European Parliament, the diversion of more funds to southern members, and action on social policy. The social policy decision at Maastricht, in turn, was possible in part because of the political consequences of the SEA and the disappointing 1989 Social Charter. The limited scope of most of the Commission's policy proposals reduces the range of similar trade-offs and side-payments in Council of Ministers negotiations. Yet exemptions have been used as side-payments. For example, temporary exemption for small (primarily French and Italian) automobiles from an EC-required phase-in of catalytic converters enabled the Council of Ministers to reach agreement on auto emissions (*Frankfurter Allgemeine Zeitung*, 1988). The recent agreement limiting the transport of solid wastes allowed for important derogations for small EC members. This sort of horse-trading is the stuff of EC intergovernmental bargaining.

In addition, dynamic issue linkage reinforces the absolute gains motivation common in the EC. Dynamic issue linkage creates a general environment in the EC where the focus of expectations of cooperation shifts from single issues to linkage across issues and across time. Thus, states are less inclined to pursue relative gains, which would otherwise limit cooperation. This conceptualization of the EC is closer to what we see in Europe today than is either neo-functionalism or intergovernmentalism. Moreover, by focusing on trade-offs and side-payments, we are reminded that cooperation is contingent upon agreement and compromise, a healthy corrective to "Europhoria" (neo-functionalism) and "Europessimism" (intergovernmentalism).

In the regional game, then, regional actors, including EC interest groups, the Commission, and national elites, play politicizing roles. Nation-states continue to prevail in decision-making, but regional actors can generate political support for agreement. Ultimately, though, finding the bargain that pleases all twelve members of the EC, or (under limited conditions) a qualified majority of mem-

bers, requires trade-offs and side-payments that the Commission and the other regional actors are mostly unable to provide. Thus, the expansion of regional cooperation remains an intergovernmental process, where states pursue multiple national interests and are guided by absolute gains and dynamic issue linkage, enabling more cooperation than seen outside the EC. The core of the regional game in the EC is intergovernmental in character, although elite commitment, regional interest groups, and the Commission are important, but less powerful, elements of the game. The strengths of neo-functionalism and intergovernmentalism, then, are integrated into this model of regional integration.

### **The 1989 Social Charter: An Illustrative Case Study**

To demonstrate the utility of this model of regional integration, I shall briefly examine the politics leading to the 1989 Social Charter. The exercise is not intended to be a detailed, comparative test of these hypotheses against hypotheses drawn from neo-functionalism and intergovernmentalism (which can be found in my recent (1993) essay), but rather a brief look at the benefits that accrue from using this approach.

Social issues originally were neglected in the EC, but it was expected that the field would be a prime candidate for spillover (Venturini, 1988:15–16; Mosley, 1990:149–150). The stagflation and social conflict of the 1970s led the EC to adopt a Social Policy Action Programme in 1974, yet, as was true of much EC policy-making during the decade, social policy-making was slow, and often resulted in vague regulations and recommendations which were unevenly implemented (Mosley, 1990:152–153). The SEA reaffirmed the need for social policy coordination among EC members, to avoid social dumping and deterioration of the existing divisions of labor and wealth in the EC,<sup>14</sup> but it failed to generate a successful legislative record. This failure fueled the debate about the EC's social deficit. Some feared that without the development of a strong social dimension to the EC, post-SEA cooperation in Europe would be seriously threatened (Kohl, 1991).

In 1988, the Commission, building upon a series of negotiations which had taken place through the decade before (Rhodes, 1991), proposed a European Social Charter (Commission of the EC, 1988). The proposal was contentious, and developed slowly. The primary point of conflict concerned whether or not the Charter would be binding upon members. The European Trade Union Confederation (ETUC) supported a binding Charter, but the Union of Industries of the European Community (UNICE) opposed any Charter, binding or not. The slow pace of negotiations also reflected a split between northern European states (The Netherlands, Denmark, Luxembourg, and Germany) and most

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<sup>14</sup>Social dumping includes the displacement of high-cost and high-wage producers by low-cost and low-wage producers when European markets are opened, the potential for firms in high-cost and high-wage countries to relocate (or threaten relocation) to avoid high wages or strict labor regulations, and the use by states of low-wage and anti-union policies to catch up to competitors (see Mosley, 1990:160). Other fears raised by 1992 include a locking in of the existing division of labor (and income) in Europe, with the concomitant likelihood of migration to high-benefit countries, degradation of health and safety standards, and the weakening of rights of worker representation (see Mayer, 1989:355–356; and Muhr, 1990:5). Factors such as infrastructure, a skilled work force, and proximity to markets work to offset the significance of social dumping. Social dumping is likely in industries characterized by labor-intensive means of production or in industries where other costs (such as environmental protection) are high. Social dumping was claimed by a variety of actors, including Commission president Delors and the French government, when Hoover Corp. announced a plant closure in France in favor of investment in the U.K. during the spring of 1993.

of the rest of the EC, led by British Prime Minister Margaret Thatcher.<sup>15</sup> Commission president Jacques Delors weighed in with the view that social co-operation was a key “flanking policy” in the drive to complete the internal market. Yet the opposition to a binding Charter was strong, and the Commission moved to weaken its proposals. Hence, regional actors helped to politicize the need for social policy, but there were also strong differences among major EC interest groups, and among member governments.

When the French assumed Council leadership in July 1989, President Mitterrand placed the Commission’s proposal at the top of the Council’s agenda. Yet the Commission’s proposal, which called for harmonization of many social policies, could not be realized by the end of the French Council presidency, even after the Commission softened its proposals to attract votes. Mrs. Thatcher drew the brunt of the blame, but other members had reservations regarding aspects of the Charter. Many of the southern European members, for example, feared that rising social costs would overly burden their economies, but did not want to be seen to be anti-labor domestically and anti-EC internationally. Many of the northern European states, including Germany,<sup>16</sup> lobbied unsuccessfully for a delay until British fears could be placated. Even after a further weakening of the proposed agreement during the December 1989 summit, Mrs. Thatcher refused to sign on. The resulting Charter, in its weakened form, was signed by only eleven members (again suggesting that Mrs. Thatcher was not alone in her skepticism). To understand this outcome (keeping in mind that the minutes of the Council meeting are private), I shall apply the model developed here. For reasons of space, this analysis is limited to the major players in the debate—France, which is predicted to have a moderately sized bargaining position; Germany, with a large bargaining position; and Great Britain, with a small bargaining position.

The French policy-making mode is usually characterized as “concertation without labor,” meaning the state and capital coordinate policy-making, with labor only an occasional participant (Schain, 1980).<sup>17</sup> The participation of French labor in policy-making is generally considered to have grown with Mr. Mitterrand’s election in 1981. Yet the French labor movement is split along sharp ideological lines (the CGT, the largest French union, is a vigorous opponent of European integration) and has comparably few dues-paying members. Furthermore, the initial successes of labor after the 1981 election turned sour as membership fell, new labor laws which increased flexibility in the work force were introduced, and (ironically) forms of co-determination were implemented (Brown, 1991). While the more mainstream unions supported the ETUC’s calls for a binding Charter, the general drift to the right in French economic policy, combined with the labor movement’s structural weaknesses, precluded a vigorous domestic campaign in favor of the Charter. French capital, in contrast, grew more influential in policy-making circles after its near-panic in the aftermath of the Socialists’ electoral victory in 1981. French business leaders feared that meeting German social standards would weaken French competitiveness, and lobbied the government to reject the Charter (Rhodes, 1991).

The French state is centralized. President Mitterrand, as well, was—in hindsight—near the peak of his second-term popularity in the fall of 1989, offsetting the slight minority the Socialist Party held in the National Assembly. Raising

<sup>15</sup>While the U.K. has received the most criticism for blocking the development of social policy, including the Charter, Silvia (1991) has argued that other members privately support the British position, at least on some issues.

<sup>16</sup>Author’s interviews in Bonn, March and April 1991.

<sup>17</sup>For a somewhat dissenting view, see Hayward (1986). Keeler (1985) and Wilson (1983) find some evidence of corporatism in France.

social standards had long been a key element of Socialist Party doctrine. As Mitterrand's economic policy drifted to the right, French competitiveness was seen to be tied to European competitiveness. Protection of workers, too, was viewed as best achieved at the European level. As Council president, Mitterrand also wished to demonstrate his political effectiveness and enhance his influence by maximizing Council output.<sup>18</sup>

The French bargaining position, therefore, was influenced by the political strength of French business, the weakening of French labor in the face of its successes at the beginning of the decade, and the personal views of a reasonably popular French president. With business wanting at best a nonbinding Charter, the unions unable to articulate a consistent position, and the institutionally and politically strong French president sensitive to union needs but also pressured to have a successful Council summit, the French bargaining position settled on a nonbinding Charter (Rhodes, 1991). Thus, as predicted by H-2 above, the French bargaining position was moderately sized—it included a Charter, but a binding Charter was easily bargained away with few domestic costs to Mitterrand. His willingness to settle for a nonbinding Charter was undoubtedly encouraged by the regionalization of French economic and social policy, and the understanding that the social policy debate was not finished with the passage of the Social Charter.

Compromises among capital, labor, and the state helped to form the German position on the Charter. The German mode of policy-making is cooperative, with the chronically weak or semi-sovereign state dependent upon the maintenance of an "ideology of social partnership" (Katzenstein, 1987). The ratification of the SEA stimulated debate among the unions over the EC's social deficit.<sup>19</sup> From the view of German labor (represented by the Deutscher Gewerkschaftsbund, DGB), completion of the internal market necessitated completion of the social dimension of the EC (DGB, 1990). The position of German business was consistent with its European counterparts—no Charter—but the BDI (Federation of German Business) expressed willingness to support a nonbinding Charter of minimum standards.

To bridge the gap between capital and labor, the Kohl government organized a series of meetings among the German peak associations. Kohl, who had resisted union demands for more EC social policy prior to the fall of 1989 (Silvia, 1991), grew increasingly flexible, in part because of growing union pressure and in part because of concern for his popularity after a string of electoral defeats (Rhodes, 1991:246). These meetings resulted in some policy coordination among capital, labor, and the state (BAS, 1989:46). The results, however, were quite broad in character, and differences over such issues as European-wide co-determination remained. During the second national conference on EC policy in Bonn in August 1989, Kohl was drawn to the union position, indicating support for binding minimum social standards in the Social Charter. Yet Kohl did not push for harmonization to the German level (*Süddeutsche Zeitung*, 1989; *Financial Times*, 1989a). The German government, operating in a policy-making mode that encouraged compromise but also concerned for its popularity, was driven to find domestic compromises between capital and labor. When it became clear in the fall of 1989 that the French would push a nonbinding Charter rather than postpone the debate until more preparatory negotiations could take place, the Germans proposed a program to implement the Charter (BAS, 1990:7).

The German bargaining position also included a Charter, but unlike the

<sup>18</sup>The chair of the European Council rotates every six months, and each head of government feels pressure to show that her/his tenure was successful. Author's interviews in Brussels and Bonn, January 1990.

<sup>19</sup>For a sample see Breit (1988, 1989), Steinkühler (1989), and Siebert (1989a, 1989b).

French, the German preference was for a stronger Charter than was passed in December 1989. The conservative government was driven to this position by its need to find compromise among its social partners, particularly as it approached an election that it feared it might lose. Hence, as predicted by H-1 above, the German bargaining position was large, including a binding and a nonbinding Charter. Unlike the French, however, the German domestic game required Kohl to seek a binding Charter, and to seek ways to achieve strong EC social policy coordination at German levels once a binding Charter was seen to be impossible. The prospect of future linkage was used to encourage domestic support for a policy viewed by some participants as inadequate.

The British mode of policy-making approximates the pluralist model. British experimentation with cooperative policy-making ended with Margaret Thatcher's election in 1979 (Hillard and Coates, 1991). Mrs. Thatcher's grip on the Conservative Party, in the context of two-party parliamentary politics, gave her a strong, central position in policy-making, and Mrs. Thatcher viewed the Social Charter as an example of EC "socialism through the back door" (*Financial Times*, 1989c, 1989e, 1989f). As the Social Charter debate unfolded, it became clear that Mrs. Thatcher could withstand significant domestic criticism of her position, including from the Trade Union Confederation, and the Labour, Liberal, and Social Democratic parties (*Financial Times*, 1989b, 1989d). With British capital firmly against the Charter (Banham, 1989), Mrs. Thatcher faced few domestic pressures to compromise, and the side-payments offered by her European partners, including the weakening of the Charter, were insufficiently attractive to overcome her principled opposition to EC social policy. Thus, as predicted by H-4 above, the British bargaining position was minuscule, excluding any Social Charter. With her oft-noted isolation from and contempt for opposing arguments, Mrs. Thatcher's views came to dominate the British bargaining position. This was possible only because of her political and institutional isolation from domestic pressures.

The Charter was approved by eleven EC members in December 1989 (Council of the EC, 1989), much weakened during the effort to entice the British to sign. The Charter was within the large German bargaining position, but fell short of the demands of the unions. Chancellor Kohl was able to convince union leaders to accept this outcome by linking the nonbinding Charter to a vigorous (and ultimately unsuccessful) implementation program, and to future negotiations on social policy (the Maastricht accord). This is a clear example of dynamic issue linkage. This linkage may speed the adoption of social policy in the EC, possibly leading to greater social policy harmonization over the next decade. There are also strong reasons to believe that such harmonization will remain incomplete (Lange, 1992). Table 3 summarizes the data.

This case illustrates the benefits to be achieved from application of this model of integration. While there is insufficient space to fully develop a test of rival hypotheses here, a neo-functionalist explanation would have focused on the linkage between completion of the internal market and social harmonization (spillover), emphasizing the role of regional actors and national elites, and predicting a much stronger Charter than that which resulted. Yet regional actors were split, the Commission waffled, and national elites were notably motivated by personal prestige, domestic pressures, and ideology—not supranationalism. Intergovernmentalism points to the key role that national governments played in shaping the Charter, but does not explicate the domestic variables, policy-making modes and government strength, that shaped the national bargaining positions. Intergovernmentalism cannot offer a clarification of why, for example, Mr. Mitterrand settled for much less than he seemed to want, nor why the Germans would sign a weak Charter. These results can only be understood by

TABLE 3 Application of the model to the politics of the EC's 1989 Social Charter.

	<i>Domestic Game</i>			<i>International Game</i>
	<i>Policy-making Mode</i>	<i>Government Strength</i>	<i>Bargaining Position</i>	<i>Dynamic Issue Linkage</i>
Germany	Cooperative: ideology of social partnership	Weak: federalism, coalition govts., unpopular govt.	Large	Pushed implementation bef. 1989 summit, linked to Maastricht
France	Mixed cooperative, competitive	Strong: centralized insts., popular govt., but minority position in parliament	Moderate: non-binding Charter	Pushed agr'mt in 1989, supported linkage at Maastricht
United Kingdom	Competitive: captured by capital	Strong: centralized insts., reasonably popular within party, esp. on social policy, parliamentary majority	Small: no Charter and little harmonization outside mkt.	Resisted linkage

examining the domestic politics of members, as organized by the model presented here. Only then can we understand the German and French willingness to accept a nonbinding Charter. In addition, the German domestic game pushed the Germans to look for dynamic issue linkage opportunities. Understanding regional integration, therefore, must begin with explication of the domestic game, noting the impacts of policy-making modes and government strength in determining national interests, and paying due attention to the bargaining position-expanding side-payments that states use over time and space to secure their interests.

### Conclusion

Neo-functional and intergovernmental theories of regional integration capture part, but not enough, of the variance in European decision-making. The model developed here borrows from both theories, but its driving force is domestic politics. States' positions on issues in the EC are dependent upon domestic policy-making modes and government strength, yet there are links between domestic politics and intergovernmental bargaining. As demonstrated in a short case study of the 1989 Social Charter, domestic and regional actors in the EC interact in a complex web of relationships and relative power which has defied rigorous conceptualization. The model presented here is a first, tentative step toward reconceptualizing regional integration.

Many authors have noted the need for models that link domestic and international politics, but few have been offered in the literature. This article provides a clean break from past theorizing, rigorously conceptualizing linkages between domestic and international politics. The next step is to test hypotheses drawn from the model in a broader range of cases.

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