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The EU as a new political system

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Reader's guide

This chapter analyses the development and operation of the European Union (EU) as a political system. I start by looking at the evolution of the EU and how the process of European integration has traditionally been understood. The chapter then discusses what it means to think of the EU as a political system from the point of view of comparative politics. As in other multi-level polities, there are two basic dimensions of the EU system: (1) the vertical dimension—the allocation of policy-making power between the EU and the member-states; and (2) the horizontal dimension—the design and operation of EU decision-making. These two dimensions are considered separately before we turn to the 'missing link' in the EU system: the lack of genuine 'democratic politics'.

Introduction

In the early twentieth century, Europe suffered the two most destructive wars in human history, as the pinnacle of centuries of bitter political and economic rivalries between the states of Europe. At the beginning of the twenty-first century, in contrast, the states of Eastern and Western Europe are united in a continental-scale political system, where certain executive, legislative, and judicial powers are collectively pooled at the European level, and national governments' choices are heavily constrained by the rules and decisions of the EU. There are certainly problems with the EU. In particular, decision-making amongst twenty-seven states is difficult, and the democratic foundations of the EU remain weak. However, the EU is one of the most remarkable political achievements of modern times. The EU single market guarantees the economic prosperity of almost half a billion people, and most EU citizens take for granted the investment, consumption, educational, travel, and lifestyle opportunities that exist because of the EU. Above all, for the first time in human history, a war between the major states of Europe is almost unimaginable.

How did this happen? When six European states decided in the early 1950s to place their coal and steel industries under collective supra-national control, few would have expected that this would have led within fifty years to a new continental-scale political system. Box 23.1 lists the key stages in the development of European integration. A few stages are worth highlighting. In the 1960s, Western Europe became the first region in the world to establish a customs union, with an internal free trade area and a common external tariff. Added to this 'common market' was the first genuinely supranational public expenditure programme: the Common Agricultural Policy (CAP). European integration then took a major step forward in the 1980s. The first, and so far only, continental-scale 'single market' was created by the early 1990s, with the removal of internal barriers to the cross-border flow of goods, services, capital, and labour, a single

European competition policy, and a single European currency (the euro). In parallel to, and partly as a consequence of, the single market, in the 1990s the EU developed common social and environmental policies, common policies on the movement of persons between the EU states and across the EU's external borders, and began to coordinate national macro-economic, justice and policing, and foreign and security policies.

As the first genuinely supra-national political system, many aspects of the EU are unique. On the other hand, from the point of view of comparative politics, there are many things the EU shares with other multi-level polities. For example, the division of powers between the lower (national) and higher (European) levels of government determines how policy-making works and the room for manoeuvre of the two levels of government. Moreover, at the European level, the design of agenda setting and veto powers in the decision-making process determines which actors are most likely to secure the policies they most prefer and how easy or difficult it is to change existing policies. The field of comparative politics has developed analytical tools to understand these and other aspects of multi-level political systems which are increasingly applicable to the EU.

KEY POINTS

- ❑ In half a century the EU has evolved from an organization governing coal and steel production and a common market to a continental-scale political system, with extensive executive, legislative, and judicial powers.
- ❑ The process of European integration began with six member states, the EU now has twenty-seven members and may enlarge to thirty or even thirty-five in the next decade or so.
- ❑ The EU shares many characteristics of other multi-level political systems, which enables the tools of comparative politics to be applied to the EU.

BOX 23.1 Key Dates in the Development of the European Union

18 February 1951	Belgium, France, Germany, Italy, Luxembourg, and the Netherlands sign Treaty of Paris, launching the European Coal and Steel Community (ECSC).
23 July 1952	Treaty of Paris enters into force.
1 January 1958	Treaties of Rome enter into force, establishing the EEC and Euratom.
30 July 1962	Common Agricultural Policy starts.
5 February 1963	Van Gend en Loos ruling of the ECJ, establishes the 'direct effect' of EEC law.
15 July 1964	<i>Costa v. ENEL</i> ruling of the ECJ, establishes the 'supremacy' of EEC law.
29 January 1966	Luxembourg compromise, which effectively means Council must decide unanimously.
1 July 1967	Merger Treaty, establishing a single set of institutions for the three communities.
1–2 December 1969	Hague Summit, governments agree to push for further economic and political integration.
1 January 1973	Denmark, Ireland, and the United Kingdom join.
27 October 1970	Governments start foreign policy cooperation (European Political Cooperation).
10 February 1979	Cassis de Dijon ruling of the ECJ, establishes 'mutual recognition' in the provision of goods and services in the common market.
13 March 1979	European Monetary System begins.
7–10 June 1979	First 'direct' elections of the European Parliament.
1 January 1981	Greece joins.
26 June 1984	Margaret Thatcher negotiates the 'British rebate' from the annual budget.
1 January 1985	First 'European Communities' passports are issued.
1 January 1986	Portugal and Spain join.
19 May 1986	European flag used for the first time.
1 July 1987	Single European Act enters into force, launching the single market programme.
13 February 1988	First multi-annual framework for the EC budget agreed.
9 November 1989	Berlin Wall falls.
1 January 1993	Single European Market starts.
1 November 1993	Maastricht Treaty enters into force, launching the EU and the plan for EMU.
21 July 1994	European Parliament rejects a piece of EU legislation for the first time.
1 January 1995	Austria, Finland, and Sweden join.
1 January 1999	EMU starts.
15 March 1999	Santer Commission resigns before a censure vote is held in the European Parliament.
1 May 1999	Amsterdam Treaty enters into force, starting the 'area of freedom, security and justice'.
24 March 2000	European Council agrees the 'Lisbon strategy' to promote growth and productivity.

(continued overleaf)

BOX 23.1 Continued

1 January 2002	Euro notes and coins replace national notes and coins for ten member states.
1 February 2003	Nice Treaty enters into force, launching defence cooperation and reforming the institutions in preparation for enlargement.
1 May 2004	Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia join.
26 October 2004	European Parliament blocks the election of a new Commission.
29 October 2004	Treaty establishing a Constitution for Europe signed.
29 May/1 June 2005	'No' votes in referenda in France and the Netherlands on the Constitutional Treaty.
1 January 2007	Bulgaria and Romania join.

Explanations of European integration

In the early period of the EU's development, social scientists attempted to explain the process of economic and political integration in Europe. Several scholars expected in the 1950s and 1960s that 'regional integration' would happen in many parts of the world, as relations between states changed dramatically in the aftermath of the Second World War and with the onset of the cold war. However, by the mid -960s, the extent of institution-building and the intensity of political and economic cooperation were far greater in Western Europe than in any other region. As a result, an explanatory framework developed for the sole purpose of understanding the EU, rather than for the purpose of explaining a general social or political phenomenon. Broadly speaking, and grossly simplifying a diverse set of research and scholarship, explanations of European integration fall into two main camps: (1) **intergovernmental approaches**, which see the preferences and decisions of the national governments as primary; and (2) **supra-national approaches**, which see supra-national political, social, and economic forces beyond the control of the national governments as primary.

Intergovernmental approaches

The basic assumption of these approaches is that main actors in the EU are the governments of the member-states (e.g. Hoffmann 1966, 1982; Taylor

1982; Moravcsik 1991). National governments have a clear set of preferences about what policies they would like to see allocated to the European level, and what the content of the policies should be. For example, British governments have traditionally preferred economic integration to political integration, while German governments have wanted both. Moreover, British governments have wanted the EU to adopt a free-market approach to economic integration, while German governments have looked for the EU to adopt a 'social market' approach, with harmonized social and labour market regulations.

Another assumption of the intergovernmental approaches is that governments 'bargain hard' with each other on the basis of these preferences, and only agree to outcomes at the European level if these outcomes promote their preferences. This assumption is usually matched to a corollary assumption, that governments possess enormous political and informational resources (for example, they have large public administrations), and so have a good understanding of the likely consequences of their actions. For example, governments understood that establishing a single market and economic and monetary union would inevitable create constraints on a range of important domestic economic and social policies.

At face value, one might assume that, if governments are self-interested, have varying preferences, and are determined not to lose any ground

when bargaining at the European level, nothing will ever be done in the EU. Indeed, this was one of the conclusions of some of the early intergovernmental theorists, who assumed that European integration could not progress beyond a very minimal level (e.g. Hoffmann 1966). Nevertheless, more recent intergovernmental approaches argue that there are good collective reasons for member-state governments to hand over significant powers to the EU institutions, well beyond the expectations of the early theorists (Moravcsik 1993, 1998; Pollack 1997). For example, it is often in all the governments' interests to have a common policy for the single market (such as a common standard for car emissions), yet agreement cannot be reached as each government has their own particular policy preference which they are reluctant to give up. This 'coordination problem' can be resolved by delegating agenda-setting power to the European Commission, where the Commission works out which is the best policy option for the EU as a whole, which all the governments then agree to support. This helps explain why delegating agenda-setting power to the Commission in the creation of the single market was both in the self-interest of the EU governments and crucial for the process of European integration.

The intergovernmental approaches explain well why the process of integration stalled in the 1970s, as governments preferred national to European solutions to the economic problems in that period. These approaches also explain how a convergence of governments' preferences in favour of a continental-scale market, and the careful design of a set of new decision-making rules, enabled European integration to be relaunched in the 1980s and 1990s.

Nevertheless, there are several aspects of European integration that these approaches have not been able to explain so well. They cannot explain the increase in the powers of the European Parliament (EP) in the treaty reforms since the mid-1980s. In addition, if the governments are in control of the process of European integration, and there are no long-term consequences beyond the collective intentions of the governments, it is hard to explain why there is declining support for European integration. Indeed, from an intergovernmental perspective, since the governments run the EU, and the governments are elected by the citizens, then there is no 'democratic deficit' in the EU (Moravcsik 2002). Finally, although

intergovernmental approaches may be very useful for understanding the 'grand bargains' in the process of European integration, such as the Single European Act or the Maastricht Treaty, they seem less useful for understanding day-to-day decision-making, where there are multiple actors and interests and a more complex set of preferences and decision-making rules.

To understand how the EU works on a day-to-day basis, it is more useful to think of the EU as a political system, and apply tools and approaches from the study of comparative politics along the lines of national systems on which comparative politics has traditionally focused.

Supranational approaches

The basic assumption of these approaches is that the process of European integration is a deterministic process driven by underlying political, economic, and social forces. In the early period of European integration, Ernst Haas proposed what he called a 'neo-functionalist' theory of economic and political integration (Haas 1958, 1961; cf. Lindberg 1963). At the heart of this theory was the concept of 'spillover', whereby 'a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more, and so forth' (Lindberg 1963: 9). For example, a common market in coal and steel would work much more efficiently if there was a common market in other goods and services used in the production and distribution of coal and steel. Similarly, once the free movement of labour is established as part of the single market, with the effective abolition of controls on the movement of people once they are inside the EU, there was pressure on the member-state governments to agree common justice and home affairs policies.

One variant of this approach was Bela Belassa's (1961) theory of economic integration. Belassa argued that, once a customs union had been established, the potential economies of scale from such a union could not be met unless all barriers to the free movement of goods and services had been removed (in other words in a single market). Then, once a single market had been established, the market would function more effectively if a single currency could be established, which would allow for greater price

transparency and reduced transaction costs of doing business across borders. Then, if a single currency were established, economic shocks to the currency union could no longer be addressed through monetary policies, so there would need to be fiscal transfers from high growth regions to low growth regions. These fiscal transfers would need to be legitimized somehow, which would require the establishment of genuine political union, with democratic elections for the central institutions. In other words, Belassa predicted a logical teleological development from a customs union to a political union.

Most scholars within the supra-nationalist approach were not as economically determinist as Belassa, in that they assumed that integration would not proceed without the input of actors or groups of actors. In other words, economic forces are insufficient on their own to force states to take major integrationist steps. However, in contrast to the inter-governmental view, which emphasizes the supremacy of states and governmental actors, most scholars within the supra-national framework emphasize the role of ‘non-state’ actors, such as economic and social interest groups and the supra-national institutions of the EU themselves (e.g. Marks *et al.* 1996; Pierson 1996; Sandholtz and Stone Sweet 1997; Pollack 2003). For example, transnational businesses in the early 1980s put pressure on the governments to support the creation of a genuine single market in Europe (e.g. Sandholtz and Zysman 1989).

Meanwhile, the Commission, led by President Jacques Delors, played an important role in shaping the single market programme, the reform of the EU budget in the late 1980s, the plan for economic and monetary union (e.g. Pollack 2003). Similarly,

by establishing the doctrines of the ‘direct effect’ and ‘supremacy’ of EC law in the early 1960s, the European Court of Justice (ECJ) has fashioned a quasi-federal legal framework for the EU, beyond the intentions of the signatories of the early treaties (e.g. Weiler 1991). And, the EP has interpreted the decision-making rules of the EU in a way that has maximized its influence under the various legislative procedures (e.g. Hix 2002).

Supra-national approaches explain very well the evolution from the coal and steel community to the customs union. They also explain the development from the single market to economic and monetary union, and how a market on a continental scale has spillover effects on governments’ taxing, spending, immigration, and policing policies. Overall, supra-nationalism does well to capture the remarkable, and perhaps teleological, evolution of the EU from a customs union in the 1960s to a full-blown political system by the end of the twentieth century. Nevertheless, the inherent determinism of the supra-nationalist approaches means that they are less able to explain why the process of European integration slowed between the late 1960s and the mid-1980s, or why some member-states decided to join the EU at different times or indeed remain largely outside the process of European integration (such as Norway and Switzerland). These approaches are also less able to explain why the EU is more able to adopt common policies in some areas, such as environmental policy, than in other areas, such as social policy.

Again, thinking of the EU as a political system helps us to understand its internal workings in detail, which in turn has implications for understanding the general process of European integration.

KEY POINTS

- For most of its history, the EEC/EU has been mainly understood by social scientists as a unique case of political and economic ‘integration’ between sovereign nation-states.
- Intergovernmentalism focuses on how the policy preferences and actions of the European governments, and particular the three most powerful governments (Germany, France, and Britain), shape the design of the EU at the various stages of integration.
- Supra-nationalism focuses on how the underlying economic, political, and social factors and the behaviour of interest groups and the EU institutions constrain the choices of governments and so further economic and political integration.

COUNTRY PROFILE Israel

State of Israel (*Medinat Yisra'el*)

State formation

In the late 19th century, the Austro-Hungarian Jew Theodor Herzl founded the Zionist movement that strived for the establishment of a national Jewish state. By the end of the Second World War, some 500,000 Jews immigrated to Palestine, mostly from Russia and Europe following pogroms and outbreaks of anti-semitism. Palestine became a League of Nations mandate administered by Britain in 1920. Independence was gained in 1948.

Constitution No formal constitution. A parliamentary committee has been working on a draft constitution since 2003.

Form of government

Parliamentary democracy.

Head of state President elected by Parliament, term of 7 years (no term limits).

Head of government Prime Minister assigned by the President; traditionally the leader of the party that holds most of the seats in parliament.

Cabinet Ministers selected by the Prime Minister and approved by Parliament.

Administrative subdivisions 6 districts.

Legal system

Mixture of English common law, British Mandate regulations, and Jewish, Christian, and Muslim legal systems.

Legislature

Unicameral parliament (*Knesset*): 120 seats, term of 4 years.

Electoral system (lower house)

Proportional representation.

Formula D'Hondt.

Constituencies 1 multi-member constituency for 120 seats.

Barrier clause 2% nation-wide.

Suffrage Universal, 18 years.

Direct democracy

None.

Party system Results of the 2006 legislative elections:

Electorate:	5,014,622	100.0%
Voters:	3,186,739	63.5%

Party	Valid votes	%	Seats
Kadima (Forward)	690,901	22.0	29
Labour	472,366	15.1	19
Shas (Sephardi)	299,054	9.5	12
Likud	281,996	9.0	12
Our Home Israel	281,880	9.0	11
National Union-National Religious Party	224,083	7.1	9
Age-Pensioners of Israel to the Knesset	185,759	5.9	7
United Torah Judaism	147,091	4.7	6
Vigor-Together	118,302	3.8	5
United Arab Lists-Arab Renewal Movement	94,786	3.0	4
Hadash (United Front for Peace and Equality)	86,092	2.7	3
Balad (National Democratic Assembly)	72,066	2.3	3
The Greens	47,595	1.5	0
Green Leaf	40,353	1.3	0
Others	94,740	3.0	0
Total	3,137,064	100.0	120

Category 'Others' includes parties with less than 1% nation-wide and no seats.
Source: Knesset.

Understanding the EU as a political system

A political system but not a state

A key insight of modern social science, as it began to emerge as a discipline at the start of the twentieth century, was that democratic and effective government can only work within a **state**: which Max Weber and others understood as a hierarchical organization, where power is concentrated at the centre, and where the central authorities can use the ‘forces of violence’ (the police and the army) to enforce the law and maintain political stability (see Chapter 4). However, this **ideal type** of political organization only really existed in a relatively small number of countries (such as France, Britain, and Sweden) and in a rather short period of human history (from the seventeenth to the mid-twentieth centuries). For many societies in Europe and throughout the world, and for most of human history, power and authority was split between multiple different actors and levels of government. And, with the widespread decentralization of authority to local and regional governments and non-state organizations, and with the delegation of authority to supra-national bodies such as the EU and the World Trade Organization (WTO), political power is now dispersed or ‘shared’ in multiple settings (see Chapter 24). This does not mean that the ‘state’ as traditionally understood does not exist. However, it does mean that politics, government, and policy-making now exist in many contexts either outside or beyond the classic Weberian state (Badie and Birnbaum 1983).

This is precisely the situation with Europe, where the gradual process of economic and political integration has produced a complex allocation of executive, legislative, and judicial policy-making powers at multiple levels of government, including the European level. For sure, the EU is the first genuine ‘supra-national polity’ to exist in human history, and as such is certainly unique. However, all political systems are to some extent unique. The US has a unique model of the separation of executive and legislative power, France has a unique semi-presidential model of government, Germany has a unique model of interlocking federalism, and so on. What is more important from the point of view of comparative political analysis is that all political systems face a

common set of issues, such as what powers are allocated to the central institutions relative to the lower institutions, and how decision-making should work in the central institutions.

This was one of the insights of comparative political scientists in the 1950s, who tried to develop a common framework for defining and analysing the complex array of political systems that existed throughout the world (e.g. Almond 1956; Easton 1957; see also the Introduction). There are four essential characteristics of all democratic political systems:

1. There is a clearly defined set of institutions for collective decision-making and set of rules governing relations between and within these institutions.
2. Citizens seek to achieve their political desires through the political system, either directly or through intermediary organizations like interest groups and political parties.
3. Collective decisions in the political system have an impact on the distribution of economic resources and the allocation of social and political values across the whole system.
4. There is a continuous interaction between these political outputs, new demands on the system, new decisions, and so on.

The EU possesses all these characteristics. First, the level of institutional development and complexity in the EU is far greater than in any other international or regional integration organization. One might even say that the EU possesses the most formalized and complex set of decision-making rules of any political system in the world. Second, a large number of public and private groups, from multinational corporations and global environmental groups to individual citizens, are involved on a daily basis in trying to influence the EU policy process. Third, EU policy outcomes are highly significant and are felt throughout the EU. The direct redistributive capacity of the EU is indeed small, since the EU budget is only about 1 per cent of the total GDP of the EU. However, the single market, European social and environmental regulations, the single currency, justice and interior affairs policies, and the myriad of other

policy outputs of the EU system have an enormous indirect impact on the allocation of resources and social relationships in European society. Fourth, the EU political system is a permanent feature of political life in Europe. The quarterly meetings of the heads of government of the member states in the European Council may be the only feature that many citizens and media outlets notice. Nevertheless, EU politics is a continuous process, within and between the EU institutions in Brussels, between national governments and Brussels, within national public administrations, between private interests and governmental officials in Brussels and at the national level, and between private groups involved in EU affairs at the national and European levels.

Conceptualizing the EU as a political system rather than a unique example of regional integration enabled social scientists in the late 1980s and early 1990s to start to apply tools and methods from the comparative study of political systems to the EU (e.g. Scharpf 1988; Streeck and Schmitter 1991; Sbragia 1992; Tsebelis 1994; van der Eijk and Franklin 1996; Majone 1996; McKay 1996). These tools helped provide answers to a new set of generalizable questions, such as which actors are most influential in the EU legislative process, how independent from political control is the ECJ, why do some citizens support the EU while others oppose it, why does the EU produce some policy outcomes but not others? As a result, conceptualizing the EU as a political system enabled social scientists to answer new questions, discover new facts, draw new analytical inferences, and bring together scholarship on the EU with the general field of comparative politics (Hix 2005).

The constitutional architecture of the EU

The Treaty establishing a Constitution for Europe, which was signed by the member states in October 2004 and renegotiated in June 2007, is an effort to simplify and codify the existing rules governing the allocation of competences between the EU and the member-states and the operation of the EU institutions. Even before this treaty, however, the EU already had a basic ‘constitutional architecture’

because there is an established division of policy competences and institutional powers which results from the existing treaties and how these treaties have been interpreted over the years. Indeed, one of the remarkable things about the new treaty is how little of the established policy and institutional architecture of the EU it would in fact change if it ever entered into force.

Box 23.2 describes the basic policy architecture of the EU. This ‘catalogue of competences’ is not set out in any one article of the existing treaties, but is a widely accepted interpretation by legal and political scientists of the design of the basic policy framework in the EU. The EU level has exclusive responsibility for the creation and regulation of the single market, and for managing the competition and external customs and trade policies that are inherently derived from this task. The EU level is also responsible for the monetary policies of the member-states whose currency is the euro, for the common agricultural policy, and the common fisheries policy. In these areas, the EU governments no longer have any power to make policy at the national level.

A wide array of policy competences are ‘shared’ between the EU and the member-states. In these areas, policies are made at both the national and European levels and the European-level policies usually aim to supplement existing or ongoing policies at the national level. This is the case, for example, in the areas of labour market regulation, regional spending, and immigration and asylum. The third area of policies can be described as ‘coordinated competences’, in that these are policies where action remains primarily at the member-state level, but the governments have accepted that they need to coordinate their domestic policies collectively at the European level because there are inevitable effects on each other from keeping these policies at the national level. For example, for the states with a single currency there is a need to coordinate their macro-economic policies, and with the freedom of movement of persons inside the EU there is a need to coordinate some policing and criminal justice policies. Finally, all the major areas of taxation and public spending, such as education, health care, transport, housing, welfare provision, and pensions, remain the exclusive preserve of the member-states, with very little EU interference in how these policies are managed.

BOX 23.2 The Basic Policy Architecture of the Eu**Exclusive EU competences**

Regulation of the single market, including removing barriers and competition policy.
 Customs union and external trade policies.
 Monetary policy for the member states whose currency is the euro.
 Price setting and subsidy of production under the Common Agricultural Policy.
 Common fisheries policy.

Shared competences (where action is taken at both the national and European levels)

Social regulation, such as health and safety at work, gender equality, and non-discrimination.
 Environmental regulation.
 Consumer protection and common public health concerns, such as food safety.
 Economic, social and territorial cohesion.

Free movement of persons, including policies towards third-country nationals.
 Transport.
 Energy.

Coordinated competences (where national actions are coordinated at the EU level)

Macro-economic policies.
 Foreign and defence policies.
 Policing and criminal justice policies.
 Health, cultural, education, tourism, youth, sport, and vocational training policies.

Exclusive member state competences

All other policies, for example, most areas of taxation and public spending.

Turning to the institutions, put simply, executive powers at the European level are shared between the Council and the Commission (see Box: The basic institutional architecture of the EU, in the Online Resource Centre). Whereas the Council sets the medium-term and long-term policy agenda (particularly via the heads of state and government in the European Council), the Commission has a formal monopoly on legislative initiative. The Commission and the member states are also jointly responsible for the implementation of EU policies. Legislative power is also shared between two institutions: the

legislative meetings of the Council and the EP. The EP has equal power with the Council under the main legislative procedure, the so-called **co-decision procedure**. However, some highly sensitive areas of policy, such as tax harmonization, are passed under the **consultation procedure**, under which the Council is only required to consult the EP before passing legislation. Finally, judicial power in the EU is shared between the ECJ and national courts, which are primarily responsible for enforcing EU law (as part of domestic law) and refer cases to the ECJ if a domestic case raises a significant point of EU law.

KEY POINTS

- The EU is not a state, in the traditional meaning of this word, in that powers are shared between the EU and the member-states, the EU is based on voluntary cooperation between the member-states, there is no direct EU taxation, the EU budget is small relative to its GDP, and the EU relies on the forces of coercion of its member-states to enforce its decisions (there is no 'Euro FBI' or 'Euro army').
- The EU can be understood, nevertheless, as a political system, in that it possesses a basic constitutional architecture which determines the balance of powers between the EU and the member-states and between the institutions at the European level, and the policies of the EU have significant direct and indirect implications on the economy and society in Europe.
- Conceptualizing the EU as political system allows tools and methods from the comparative study of political systems to be applied to the EU.

Vertical dimension: the EU as a ‘regulatory state’

The dominant policy goal of the EU is the creation and regulation of a market on a continental scale. EU environmental and social policies, the single currency, budgetary policies, and even justice and internal affairs policies are in many respects ‘flanking’ policies of this dominant policy goal. These policies make Europe’s continental-scale market work more effectively (the single currency), or correct potential market-failures (environmental and social policies), or compensate potential losers from market integration (budgetary policies), or address potential social and security externalities from market integration (justice and interior policies). Given the primacy of the single market and the centrality of EU market regulation policies, the EU is often described as a ‘regulatory state’ (Majone 1996). This conception nicely captures the contrast between the EU and the ‘welfare states’ at the national level in Europe, where the main policy instruments of government are taxation and public spending rather than market regulation. Whereas a welfare state deliberately aims to redistribute resources from one group of citizens in society to another, the aim of a regulatory state is to benefit all citizens more or less equally.

Creation and regulation of the single market

The single market notionally started on 1 January 1993, after the passage of almost 300 pieces of legislation to enable the basic elements of the single market to be established. However, in practice the single market is an ongoing project, as major areas of the economy (such as the provision of services and the professions) still operate in separate national markets rather than in a single European-wide market.

The creation of the single market has both deregulatory and reregulatory elements. On the **deregulatory** side, creating the single market involves the removal of barriers to the free movement of goods, services, capital, and labour between the EU member states. Three types of barriers had to be removed to enable this free movement to take place.

1. The single market required the removal of certain **fiscal barriers**, such as the harmonization of value

added tax and excise duties (on goods like alcohol and tobacco).

2. The single market required the removal of **physical barriers** on the movement of goods and persons, such as the abolition of customs formalities, paperwork, and inspections at borders between the member -states. Removing border controls on the movement of persons was also an original aim of the single market programme, however several member-states (including Britain, Ireland, and Denmark) refused to accept that it was necessary to remove border controls in order for the free movement of persons to function effectively—all that was needed, they contended, was the right to move, reside, and work anywhere in the EU. In response, the other member-states agreed to remove their border controls as part of the Schengen Accord, which was initially outside the formal framework of the EU but was brought into the EU framework by the Maastricht and Amsterdam treaties.
3. The single market required the removal of **technical barriers** to the free movement of goods and services, such as separate national product standards that could be used as ‘non-tariff barriers’. The EU had tried to establish common standards via harmonized rules throughout the EU. However, in the landmark *Cassis de Dijon* judgment in 1979, the ECJ established the principle of ‘mutual recognition’, whereby any product meeting the standards of one member-state can be legally sold in all other member-states. This principle became the basis of a ‘new approach’ to the creation of the single market, whereby harmonization was limited to minimum technical and health and safety standards. Another key area of removal of technical barriers was in public procurement, where rules were established which prevent governments from favouring home companies in public contracts. A host of directives have also been passed to liberalize air, water, and road transport, and to open up national energy, telecoms, and television markets. Regarding the movement of capital, controls on the free flow of capital between the member states were abolished, and the European

Company Statute was adopted in 2001, which enables multi-national companies to be registered as a single European-wide entity.

On the **reregulatory** side, as part of the single market programme, the EU replaced existing national regulations with new European-wide regulations. The three clearest examples of this are EU competition policies, environmental policies, and social policies. On competition policies, the EU has anti-trust regulations (which outlaw a variety of agreements between companies that would restrict competition, such as price-fixing or predatory pricing), prohibits government subsidies to industry that threaten competition and trade between the member states, and the Commission is required to review and vet mergers between companies with a combined worldwide and EU-wide turnover of a certain size. On environmental policy, common EU regulations cover, among other things, air and noise pollution, waste disposal, water pollution, chemicals, biodiversity, environmental impact assessments, eco-labelling and eco-audits, and natural and technological hazards. Also, the European Environment Agency was set up in 1994 in Copenhagen to collect environmental data and develop environmental forecasts. On social policy, EU legislation covers rights of workers to free movement, health and safety at work, working conditions, worker consultation, equality between men and women, general provisions of anti-discrimination (which cover race, ethnic origin, religion, disability, age, and sexual orientation), and labour markets (such as rights of part-time and temporary workers).

The single market more or less benefits all EU citizens. The deregulatory side of the 'project' enables the economy to function more efficiently, which benefits businesses and consumers, creates jobs, and produces higher growth rates. Some uncompetitive firms are put out of business by the new competitive rigours of the single market. However, these losses are far outweighed by the new firms, new opportunities, and new jobs that are created by the world's largest market.

The EU's reregulatory policies are also usually regarded as aimed to benefit all EU citizens rather than any particular group of citizens. EU regulatory policies do this by correcting certain 'market failures' that might arise in a continental-scale

market. For example, harmonized consumer protection standards enable consumers to gain information about the quality of products that would otherwise not be publicly available. Health and safety standards and environmental standards reduce the adverse effects ('negative externalities') of market transactions on individuals not participating in the transactions. Competition policies prevent monopolistic markets from emerging, market distortions, and anti-competitive practices. And industry regulators, through such instruments as price controls, ensure that 'natural monopolies' operate according to market practices. Put this way, EU 'social regulations' are very different to national 'social policies', in that while the latter are usually geared towards providing benefits to particular social groups, the former aim to allow the labour market to function more efficiently (Majone 1993).

Nevertheless, there are significant indirect redistributive consequences of a market on a continental scale and the growing network of European-level social policies (Leibfried and Pierson 1995; Streeck 1996; Scharpf 1997a; Kleinman 2002). The EU does not have the direct redistributive capacity of national welfare states, but the emerging EU regulatory regime reflects a particular 'welfare compromise' at the European level that constrains existing welfare compromises and choices at the domestic level. For example, the single market places downward pressure on states with higher labour market standards (such as Germany and Scandinavia), and upward pressure on states with lower labour market standards (such as Britain and southern Europe). In addition, the redistributive capacities of the national welfare states are further constrained by the restrictions on national fiscal policies as a result of economic and monetary union.

Economic and Monetary Union and the European Central Bank

The Maastricht Treaty established in 1993 a three-point plan for Economic and Monetary Union (EMU):

1. This plan involved a timetable, with the launch of EMU on 1 January 1999 and the introduction of euro notes and coins on 1 January 2002.

2. It established four ‘convergence criteria’, which member states have to meet to be able to join the single currency: (1) a stable currency, (2) a convergent economic cycle with the EU average cycle, (3) an annual government deficit of less than 3 per cent of GDP, and (4) a gross public debt of less than 60 per cent of GDP.
3. The plan established an institutional design of EMU.

In this design, the European Central Bank (ECB) has the sole responsibility of defining and implementing monetary policy (including setting interest rates) for the member states whose currency is the euro, with the sole aim of maintaining price stability. The ECB comprises a six-member Executive Board, appointed by the European Council, and a Governing Council, of the Executive Board members and the governors of the national central banks of the EMU member-states. Meanwhile, the governments, meeting in the Council of Economic and Finance Ministers, have the final say over interventions in foreign exchange markets, adopt common economic policy guidelines for the EU as a whole, and monitor the national economic policies of the EU member-states.

Not all EU member-states are members of EMU. Eleven states launched EMU in 1999—Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain. Greece became the twelfth EMU member in 2001. Of the ‘old fifteen’ states, the United Kingdom, Denmark, and Sweden chose to stay outside EMU, and none of the ‘new ten’ were allowed to join EMU when they became members of the EU in 2004, although several of the new member states pegged their currencies to the euro.

A key element of the EMU framework, which was added after the Maastricht Treaty, is the Stability and Growth Pact. The German government, in particular, was concerned that once states had met the initial convergence criteria and entered EMU they might then be tempted to run large public deficits, which would undermine the stability of the euro, and so negatively affect the more fiscally responsible states. The SGP was hence agreed in 1997 as a way to limit this problem, by requiring that member states must maintain an annual budget deficit of less than 3 per cent of GDP, or otherwise face a fine (established as a percentage of national GDP).

However, one problem with the pact was that a fine could only be imposed by collective agreements amongst the governments. When France and Germany, the two largest economies in EMU, were the first major breakers of the SGP rules, no fine was imposed, which brought its credibility into question.

The main theoretical framework for understanding economic and monetary integration both generally and in the specific context of the EU is the ‘optimal currency area’ (OCA) theory, developed by Robert Mundell (1961). According to this theory, independent states will form a monetary union if the benefits of joining exceed the costs. The main cost of a monetary union is the loss of an independent exchange rate. With a ‘one-size-fits-all’ monetary policy, differential economic cycles between states have to be tackled by other policies, such as labour mobility (from states in recession to states growing more quickly), wage flexibility (where workers in the state where there is low demand reduce their wages), or fiscal transfers (from high growth to low growth states). If labour mobility is low, if there is limited wage flexibility, and if fiscal transfers are small, then a group of states do not form an OCA. Put this way, the EU is clearly not an OCA!

However, for some states, the economic benefits of EMU might outweigh some of these potential costs. A single currency lowers transactions costs in the economy (by removing the need to change money), produces a more efficient market, leads to greater economic certainty, and in general creates lower interest rates and higher growth rates. When deciding whether to join EMU a state will weigh the extent of these benefits against the probability that it will find itself in a recession while the other EMU states are booming, and so will be forced either to lower wages or suffer the consequences of low labour mobility and small fiscal transfers. The convergence criteria can consequently be seen as an attempt to create a degree of economic convergence, which would limit the need for wage flexibility, labour mobility, or fiscal transfers. In general, for states with high levels of trade integration with the Eurozone, the benefits of joining EMU outweigh the costs, since higher trade integration means higher economic convergence and greater transaction costs benefits of a single currency (e.g. Krugman 1990). In contrast, for states with lower trade integration and less convergent

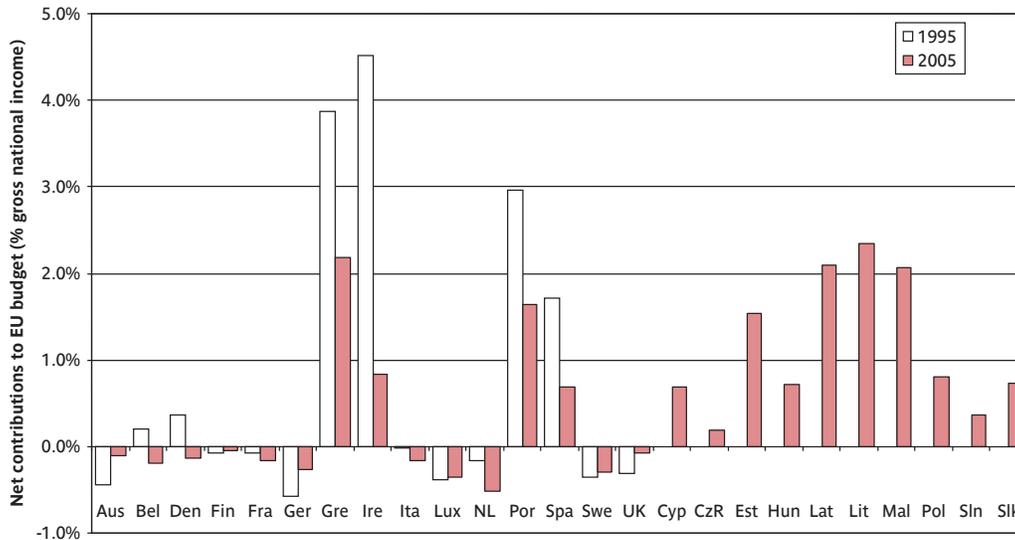


Fig. 23.1 Net contributions to the EU budget, 1995 and 2005

Source: calculated from data in European Commission (2006).

economic cycles, the costs of joining EMU are likely to outweigh the benefits—which is broadly speaking the situation of the United Kingdom, although this might change.

EU expenditure policies

In contrast to the powerful direct and indirect effects of the single market and EMU on EU citizens' lives, and in contrast to the huge public spending programmes of the national governments, the direct spending power of the EU is small, since the EU budget represents only about 1 per cent of the total GDP of the EU member-states. Spread across all EU citizens, the costs of the EU budget are absolutely tiny. However, for those who receive money out of the EU budget—namely poorer states, farmers, backward economic regions, and research scientists—the sums can be staggeringly huge.

The EU adopts multi-annual budgets: see the Table: Size and main expenditure categories of the EU budget, 2007–13, in the Online Resource Centre, for the plan for 2007–13. The budget categories are a little misleading. The main EU spending policy is the CAP, which is a system of price support for a wide range of agricultural products and other subsidies to farmers. The CAP consumes more than 30 per cent of total EU spending. The second main area of EU

spending is on regional policy, covered under the heading 'economic and social cohesion'. Spending in this area is targeted in economically backward regions, regions with high levels of unemployment, and regions undergoing major industrial restructuring. EU regional funds are mainly spent on infrastructure projects in these regions, such as building roads, schools, airports, and telecommunications systems, and together consume about the same proportion of the EU budget as the CAP. The third main area of EU spending is on scientific research. Most of the EU's research and development funds are distributed to networks of researchers working on some of the leading areas in the natural sciences, such as biotechnology and telecommunications.

Figure 23.1 shows 'who got what' under the EU budget in 1995 and 2005 as a proportion of each member-state's gross national income. In general, there are six main net contributor states: Austria, Germany, Luxembourg, the Netherlands, Sweden, and the United Kingdom. Prior to the 2004 enlargement there were four main net beneficiary states: Greece, Ireland, Portugal, and Spain. These states were the main recipients of EU regional funds, and for Greece and Ireland in particular the proportion of their national income received from the EU budget is large: about 4 per cent of total gross national income for these two states. Nevertheless, after the

2004 enlargement, the benefits to Greece, Ireland, Portugal, and Spain fell considerably, as the regional funds began to be targeted towards the poorer regions in many of the new member-states. Also, after enlargement, the Netherlands replaced Germany as the largest net contributor to the EU budget as a percentage of its GNI and as a percentage of the Dutch population, which played a significant role in the anti-Europe campaign in the 2005 referendum in the Netherlands on the EU Constitution.

In general, the best way to understand EU spending policies is to see them as a combination of ‘solidarity’ and ‘side payments’. On the **solidarity** side, transfers through the EU budget have generally passed from the richer states to the poorer states, on the grounds that the EU is more than simply an economic union, and so there should be some mechanism for redistributing wealth from the richer parts of Europe to the poorer parts. On the **side-payments** side, however, most EU spending policies are the result of specific intergovernmental bargains, where member states who expect to lose (or who do not expect to win as much as other states) from major policy changes in the EU demand some compensation out of the EU budget. For example, in the Treaty of Rome negotiations, France proposed the CAP, as a subsidy regime mainly for French farmers, because the common market was expected to benefit Germany’s manufacturing-based economy more than France. Similarly, in return for agreeing to the single market programme, which was expected to benefit the main exporting economies of central and northern Europe, Spain, Italy, Portugal, Ireland, and Greece requested a doubling of EU spending under the regional funds, to enable them to compete on a level playing field.

In addition, once spending policies have been set up they are very difficult to change, even if the original policy aims are no longer justified. This is because any change to the EU budget requires unanimous agreement amongst the governments. The clearest example of this is the CAP, which encourages overproduction and overintensive land-use, benefits larger farmers more than smaller farmers, creates numerous trade disputes with the EU’s partners, and depresses world agricultural prices by subsidizing the export of EU agricultural products, and so devastates large parts of the developing world. As long as unanimity is maintained for budgetary agreements, the

French government will not agree to any changes to the CAP unless it receives something else in return.

Interior policies and external relations

Finally, there are two main areas of EU policy-making that are not strictly related to the EU’s main economic policies:

- the array of justice and interior affairs policies, which includes immigration, asylum and other policies on the free movement of persons, as well as police and judicial cooperation;
- the EU’s external relations policies, which include trade policies, development and humanitarian aid, the Common Foreign and Security Policy (CFSP), and European Security and Defence Cooperation (ESDP).

While in economic terms the EU is more a ‘regulatory state’ than a ‘welfare state’, where the EU’s interior and external relations policies are concerned, the EU is developing some elements of a ‘security state’, in that these policies influence how the EU member-states manage the **internal and external** political rights, responsibilities, and security of their citizens.

Internal side

On the internal side, the Maastricht Treaty established the Justice and Home Affairs pillar of the EU, which brought into the legal framework of the EU a number of existing intergovernmental cooperation arrangements between the interior ministries of the EU member-states. These provisions covered the removal of border controls between the member-states, immigration and asylum policies and common policies towards other ‘third-country nationals’, and police and judicial cooperation to combat drug-trafficking, terrorist activities, cross-border crime, and illegal immigration. Initially EU policies in these areas were made by ‘intergovernmental’ decision-making procedures: the governments in the Council had to agree unanimously, the Commission shared the right of legislative initiative with the member-states, the EP had very little say, and there was almost no judicial review by the ECJ.

This model was then reformed in the Amsterdam Treaty, which separated the policies covering the movement of persons (immigration, asylum, internal and external borders, etc.) from the police and judicial cooperation policies. The free-movement policies were set up in the main body of the EU treaty in the framework of a new ‘area of freedom, security and justice’, where the Commission now had a monopoly on legislative initiative, some policies were adopted in the Council by **qualified majority voting**, the EP had some legislative power, and the ECJ exercised judicial review. Since the Amsterdam Treaty, the EU has adopted a large number of legislative acts in this area covering, among other things, common rules for non-EU nationals working in the EU, the right of third-country nationals to family reunification, an EU long-term residence status for third-country nationals who have resided in a member state for five years, and the admission of third-country nationals as students, vocational trainees, or volunteers.

External side

On the external side, since the establishment of a common market, the EU has had a single external trade policy, where the Commission represents the EU in the World Trade Organization (WTO) and in bilateral and multilateral trade negotiations. The EU has also developed an array of external economic policy instruments that it uses to project ‘soft power’ on the world stage (see Chapter 25). These include direct humanitarian and economic assistance as well as various preferential-trade agreements, such as the European Economic Area (EEA), association

agreements, free trade agreements, partnership agreements (for example, with the EU member-states’ former colonies in Africa, the Caribbean, and the Pacific), inter-regional association agreements with other regional trade blocs, and mutual recognition agreements (mainly with the US).

External security and defence policies developed more slowly. Defence cooperation was mainly managed through NATO rather than the EU. However, foreign policy cooperation between the EC member states began in the 1970s, and the Maastricht Treaty formally established the CFSP pillar of the EU, to which the Nice Treaty added the ESDP—as the ‘European pillar’ of the NATO transatlantic defence alliance. Under CFSP, the EU member-states adopt ‘common strategies’ and ‘common positions’ by unanimity, which set out the EU’s position on a key foreign policy issue. Then, the EU member-states only require a qualified majority vote to adopt a ‘joint action’ implementing a common position. This combination has allowed the EU to act in a wide variety of areas. For example, the EU adopted a common strategy towards Russia in 1999 and the Mediterranean in 2000, the EU took an active collective role in the conflict in the former Yugoslavia, and in 2003 the EU adopted a common European Security Strategy, which sets out how and why EU security policies differ from the US administration’s ‘pre-emptive strike’ doctrine. Nevertheless, a genuinely ‘common’ EU foreign policy is inevitably hampered by the conflicting security and foreign policy preferences of the key EU member-states, as was so clearly demonstrated in the internal rift in the EU over whether to support the US in the second Iraq war.

KEY POINTS

- Regulation of the free movement of goods, services, capital, and labour is the main policy instrument, as part of the creation and organization of the single market.
- Economic and monetary union is a complement to the single market, in that a single market functions more effectively with a single currency, and a single currency governing by an interdependent central bank ensures economic stability.
- EU expenditure policies, in contrast, are a secondary policy instrument of the EU, and have mainly been used to enable major steps in the process of economic integration by consensus.
- The EU has begun to expand beyond economic policies, into justice and interior affairs policies and foreign and security policies, but policy-making in these areas has developed much more slowly.
- The basic policy architecture of the EU, where a continental-scale market is created and regulated at the European level while spending and security policies remain largely at the national level, means that the EU is more a ‘regulatory state’ than a welfare state or security state.

Horizontal dimension: a hyper-consensus system of government

The main determinant of how policies are made by the central institutions in a political system is how far the power to set the agenda and the power to veto decisions from being taken are centralized in a single actor or dispersed between multiple actors. At one extreme, a political system can have a single ‘agenda-setter’ and ‘veto-player’, for example where there is single-party government and executive dominance of the legislature. At the other extreme, multiple actors could potential veto any change to existing policies, for example where there is coalition government between several political parties or where there is a separation of powers between the executive (the president) and the legislature (e.g. Tsebelis 2002). In the EU, agenda-setting powers are split between two institutions and multiple actors have the ability to block policy changes in the EU’s legislative process. As a result, the EU has an extremely consensual model of government.

Executive politics: competing agenda setters

First of all, agenda-setting power—in terms of who sets the overall policy agenda of the EU—is split between the heads of government in the European Council and the Commission. The heads of government, meeting in the European Council, decide on treaty reforms, which determine the allocation of powers between the EU institutions, and set the medium-term policy agenda, by inviting the Commission to initiate legislation in a particular policy area. The European Commission, meanwhile, has a formal monopoly on the initiative of most EU legislation.

In the European Council, political leadership, in the form of the presidency of the Council, rotates every six months between the member-states (Hayes-Renshaw and Wallace 2006; Tallberg 2006). Some member-states are clearly better at running the presidency of the Council than others. For example, larger member-states generally have larger administrative capacity to manage the business of the EU. However, the largest member-states tend also to try

to place their domestic political issues on the EU agenda, and are less concerned about coordinating the overall policy agenda with the Commission and the other member-states. Furthermore, the powers of the Council presidency are actually quite limited. This is because the presidency cannot initiate legislation, and must deal with legislation that has already been initiated by the Commission and may already have been through several stages of negotiations. Nevertheless, every member-state tries to make progress on several key policy issues during its period in the presidency, and so tries to coordinate its policy ideas with the Commission well before taking over the leadership reins in the Council.

The Commission, on the other hand, has traditionally been regarded as being politically and institutionally committed to the process of European integration, and so is often assumed to have policy preferences that are more ‘integrationist’ than most member-states. For example, in the process of creating the single market, the Commission generally wanted legislation that promoted further market integration or a high level of EU-wide regulation. Nevertheless, this view of the Commission as an ‘integrationist preference outlier’ may be unfounded. The commissioners are appointed by national governments and most commissioners have strong ties to the political parties who chose them and seek to return to domestic politics after their careers in the Commission. Hence, commissioners are unlikely to be very much more pro-integrationist than the governments that appoint them. Also, below the level of the commissioners, research has shown that the senior officials in the Commission bureaucracy have policy preferences that are typical of politicians from the member-states from which they come and from the national political parties to which they support (Hooghe 2001).

In addition, since the college of commissioners formally decides by a majority vote, the Commission generally initiates policies that are close to the policy preferences of the median member of the Commission (Crombez 1997; Hug 2003). Nevertheless, whereas the average member of the Commission

is probably not a policy outlier on the question of the speed and extent of European integration, the left–right policy location of the Commission has changed dramatically in recent years. The Table: Make-up of the Prodi and Barroso Commissions, in the Online Resource Centre, shows that whereas the Prodi Commission was relatively evenly balanced between left and right, a clear majority of the members of the Barroso Commission were on the centre-right. This change is partly explained by the shifting make-up of the governments (who appoint the commissioners): from a centre-left majority in the late 1990s to a centre-right majority in the early 2000s. However, the shift is also explained by a change introduced by the Nice Treaty, whereby the larger member-states no longer have two commissioners each. It was common practice for the larger member-states to appoint one commissioner from each side of the political divide, which inevitably led to a balanced Commission. Now that each member state has only one commissioner, the make-up of the Commission mirrors the political make-up of the Council at the time that the commissioners are appointed.

Bicameral legislative politics: rising power of the European Parliament

The most significant change over the last twenty years in the way the EU institutions work has been the steady increase in the powers of the EP. Originally, the governments in the Council dominated the legislative process, and the EP had a limited right to be consulted. However, with the programme to establish the single market, which required the adoption of over 300 pieces of legislation, the EP was granted two readings of most major pieces of legislation and, as a result, was able to have a significant impact on how the single market was designed (Tsebelis 1994). The Maastricht Treaty then established the co-decision procedure, which was extended and reformed by the Amsterdam Treaty. As a result, today the EP and the Council have equal power in the adoption of most pieces of EU legislation.

Figure 23.2 describes the main stages in the co-decision procedure. The Commission is responsible for proposing legislation to the Parliament and Council. The Parliament then adopts an ‘opinion’ on the

legislation, in the form of a series of amendments. These amendments are prepared in one of the Parliament’s committees, where one of the members of the EP, an MEP (the ‘rapporteur’), is responsible for writing the Parliament’s report on the bill and shepherding the legislation through the committee and the full plenary. Once the plenary of the Parliament has adopted the report the Council then takes a ‘common position’ on the bill. If the texts adopted by the Council and Parliament are identical after the first readings, the legislation is adopted and becomes law. If the texts are not identical, the legislation passes back to the Parliament for a second reading and back to the Council for a second reading. If the two institutions still cannot agree a Conciliation Committee is convened, which is composed of twenty-seven MEPs and one representative from each of the twenty-seven EU governments. If the Conciliation Committee reaches an agreement on a ‘joint text’, this is then put to the Parliament and the Council for a final, third, reading. This may sound complicated. However, the procedure is remarkably efficient, in that the EU adopts approximately 100 pieces of legislation a year, about fifty of which pass through the co-decision procedure. Also, about half of the bills through the co-decision procedure are adopted after just the first reading. Because the majority in the EP is independent from both the Commission and the Council, the EP is an extremely powerful legislative actor.

When voting on legislation the Council usually acts by a system of weighted voting known as qualified majority voting (QMV). Unanimous voting is kept for some highly sensitive policy issues, such as tax harmonization. Table: Qualified-Majority Voting (QMV) in the Council, in the Online Resource Centre, shows how the QMV system works. In general, larger states have more votes than smaller states, which translates into a greater chance of being on the winning side in a vote—as represented by the ‘power’ column. The system was reformed by the Nice Treaty, where the larger member-states gave up one of their two commissioners in return for more influence under QMV in the Council. The decision-making threshold was also raised slightly, making it more difficult. Voting rarely takes place in the Council, as there are strong incentives for the governments to decide by ‘consensus’ (Hayes-Renshaw and Wallace 2006). However, when votes

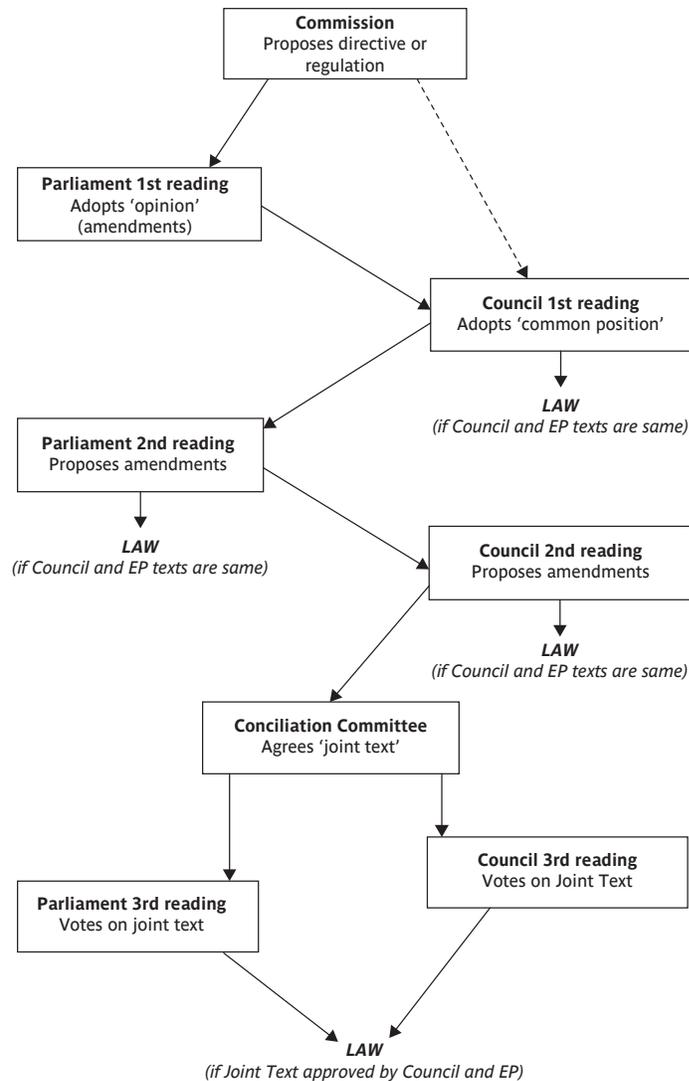


Fig. 23.2 The co-decision procedure

do take place, divisions in the Council split the governments along geo-political, economic, as well as ideological lines: for example, north vs. south, east vs. west, net contributors vs. net beneficiaries, and left governments vs. right governments (e.g. Mattila 2004).

Table 23.1 shows the number of seats per member-state in the EP. The size of the Parliament has increased tenfold since it was first established in the early 1950s, and has almost doubled in size since it was first elected in June 1979. The number of seats per member-state has also been changed with successive enlargements.

However, these numbers are misleading, in that the MEPs do not sit or vote along national lines. Ever

since the first session of the Parliament in September 1952, the MEPs have formed transnational political groups, and sat in the Parliament along left–right lines. As Figure 23.3 shows, the European People’s Party-European Democrats (which brings together all the main Christian Democratic and conservative parties) was the largest group in the 1999–2004 and 2004–9 Parliaments, with the Party of European Socialists (PES) (which brings together all the socialist, social democratic, and labour parties) the second largest. Between these two groups is a coalition of centrist and liberal parties: the Alliance of Liberals and Democrats for Europe. There are two smaller parties who sit to the left of the (PES): a coalition of green and left-regionalist parties (the

Table 23.1 Member-states' seats in the European Parliament

	Sept. 1952	Mar. 1957	Jan. 1973	June 1979	Jan. 1981	Jan. 1986	June 1994	Jan. 1995	May 2004	June 2004	Jan. 2007	June 2009
Germany	18	36	36	81	81	81	99	99	99	99	99	99
France	18	36	36	81	81	81	87	87	87	78	78	72
Italy	18	36	36	81	81	81	87	87	87	78	78	72
Belgium	10	14	14	24	24	24	25	25	25	24	24	22
Netherlands	10	14	14	25	25	25	31	31	31	27	27	25
Luxembourg	4	6	6	6	6	6	6	6	6	6	6	6
United Kingdom		36	36	81	81	81	87	87	87	78	78	72
Denmark		10	10	16	16	16	16	16	16	14	14	13
Ireland		10	10	15	15	15	15	15	15	13	13	12
Greece				24	24	24	25	25	25	24	24	22
Spain					60	60	64	64	64	54	54	50
Portugal					24	24	25	25	25	24	24	22
Sweden								22	22	19	19	18
Austria								21	21	18	18	17
Finland								16	16	14	14	13

Table 23.1 (continued)

	Sept. 1952	Mar. 1957	Jan. 1973	June 1979	Jan. 1981	Jan. 1986	June 1994	Jan. 1995	May 2004	June 2004	Jan. 2007	June 2009
Poland									54	54	54	50
Czech Republic									24	24	24	20
Hungary									24	24	24	20
Slovakia									14	14	14	13
Lithuania									13	13	13	12
Latvia									9	9	9	8
Slovenia									7	7	7	7
Cyprus									6	6	6	6
Estonia									6	6	6	6
Malta									5	5	5	5
Romania											35	33
Bulgaria											18	17
Total	78	142	198	410	434	518	567	626	788	732	786	732

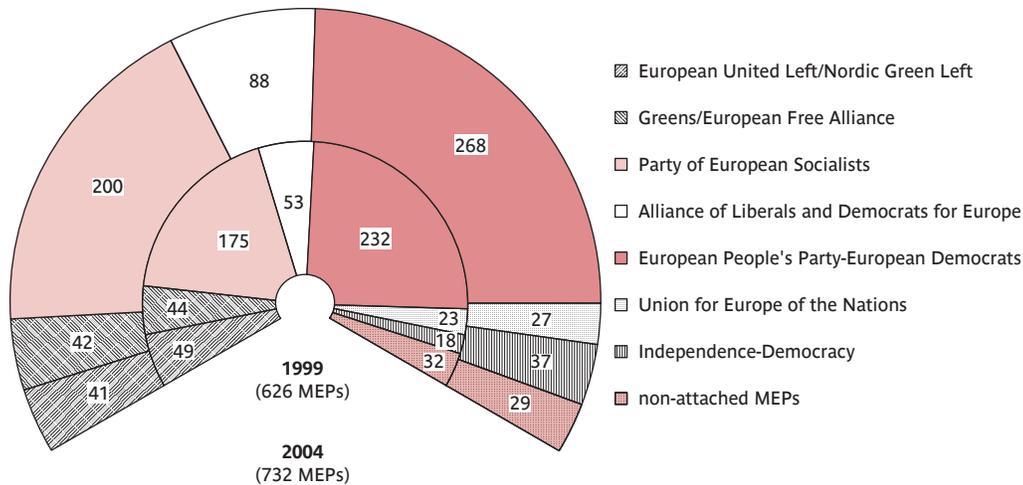


Fig. 23.3 Party make-up of the European Parliament, 1999 and 2004

Greens/European Free Alliance), and a group of left-socialist and ex-communist parties (the European United Left/Nordic Green Left). A coalition of national-conservative parties (the Union for a Europe of the Nations) sits just to the right of the EPP, and a group of anti-European parties (Independence-Democracy) sits even further to the right. Finally, almost thirty 'non-attached' MEPs sit on the furthest right, since most of these members come from extreme right parties.

Judicial politics: a powerful and independent court

The ECJ, together with national courts, provides a powerful check on the EU's executive and legislative institutions. The ECJ played a significant role in the development of the legal basis of the EU political system, in particular by developing the doctrines of the direct-effect and supremacy of EU law. The ECJ

is independent from the governments in the Council, and national courts often support the ECJ against their own governments. For example, on several occasions the ECJ has struck down legislation adopted by the Council and Parliament on the grounds that the treaties did not give the EU the right to adopt legislation in a particular area. Nevertheless, like all supreme courts, the ECJ is not completely isolated from external pressures, since it knows that if it strays too far from the meaning of the treaties, the governments can act collectively to rein in its powers. The ECJ is also aware that national courts, particularly the German Constitutional Court, are protective of their right to interpret whether EU law is in breach of fundamental human rights as set out in national constitutions (see Chapter 9). The EU's Charter of Fundamental Rights is an attempt to provide a set of basic rights for the ECJ to apply, although until the EU Constitution is implemented the Charter is not binding.

KEY POINTS

- With multiple actors and checks and balances, the EU has a hyper-consensus system of government.
- On the positive side, the checks and balances mean that legislation cannot be adopted without overwhelming support in the Commission, amongst the governments in the Council, the parties in the EP, and with the approval of the ECJ.
- On the negative side, the checks and balances mean that the EU is prone to 'gridlock' and lowest-common-denominator policy outcomes, and these problems are likely to increase with the enlargement of the EU from fifteen to twenty-seven or more states.

Democratic politics: the missing link?

Procedurally, the EU is ‘democratic’, in that the governments in the Council and the MEPs are elected by EU citizens, the EU’s decision-making procedures are fair and transparent, and the checks and balances in the EU system ensure that policy outcomes from the EU are inevitably close to some notional EU-wide median voter (Moravcsik 2002). In a substantive sense, however, the EU does not have real ‘democratic politics’, meaning that there is a competition between political elites for political office and in the policy process, there are identifiable winners and losers of this competition, and there is participation and identification of the public with one side or another in the political process (Føllesdal and Hix 2006).

Low public support for the EU

One of the key problems facing the EU is the relatively low and declining support for the project. Since the early 1970s, Eurobarometer polls of public attitudes towards the EU have been conducted every six months in every member-state. Figure 23.4 shows the percentage of respondents who said that they

felt that their country’s membership of the EU is a ‘good thing’. Public support for the EU rose in the late 1980s with the widespread enthusiasm for the single market project, but then declined rapidly until the mid-1990s, and has remained at a relatively low level ever since. These days, only about one in two EU citizens think that their country’s membership of the EU is a good thing. There is a widespread belief that the EU is an elitist project and European citizens no longer trust their political leaders to ‘go off to Brussels’ and negotiate on their behalf, as was starkly shown in the French and Dutch referendum rejections of the EU Constitution.

Part of the pattern in support for the EU can be explained by economics: the EU is popular when the European economy is booming and is blamed when the economy is performing badly. However, as the dotted line in Figure 23.4 shows, public support for the EU and the annual growth rate of the EU economy have followed different trends since the late 1980s. Clearly the economy does not tell the whole story. At an individual level, research has shown that those with higher incomes and higher levels of education (who benefit most from the single market) are more

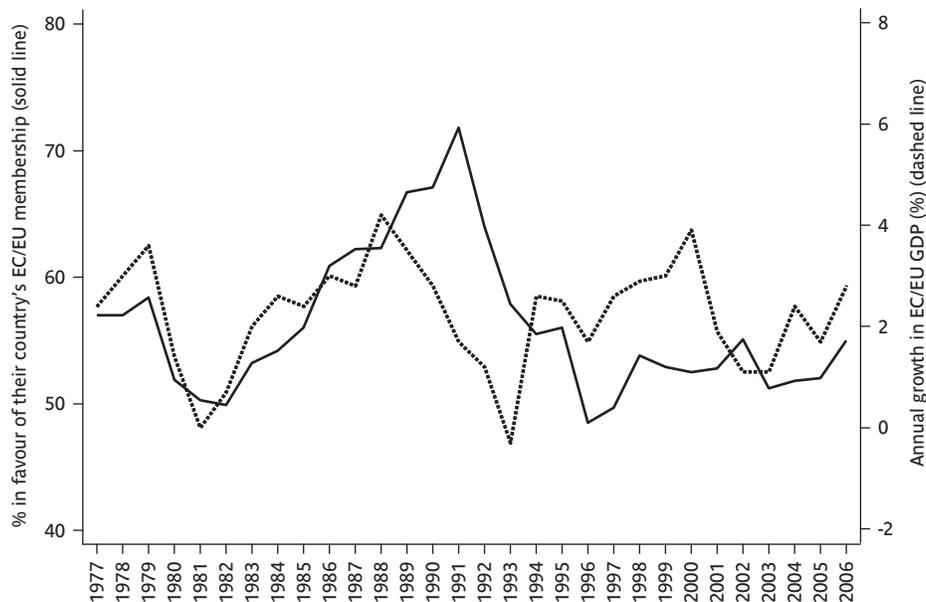


Fig. 23.4 Public support for the EU and EU GDP growth

Source: Calculated from Eurobarometer surveys and Eurostat data.

likely to support the EU than those on lower incomes and with lower levels of education (Gabel 1998). Also, political extremists tend to be more anti-EU than political centrists. However, political parties and domestic institutions can influence which people like the EU. For example, the political party a person supports, and the position that party takes towards the EU, has a strong influence on whether that person is 'pro' or 'anti' EU (Anderson 1998). Concerns about a 'democratic deficit' in the EU also have a significant impact on attitudes towards the EU in countries that have strong domestic democratic institutions (Rohr-schneider 2002). Nevertheless, public support for the EU has declined in all EU member-states and across all groups in society since its peak in the early 1990s.

A competitive party system in the European Parliament

Democratic politics has begun to emerge inside the EU institutions. As discussed, the policy direction of the Commission is influenced by whether it is dominated by left-wing or right-wing politics. Also, votes in the Council split along ideological as well as national-interest lines. However, it is in the EP that a genuine 'party system' has emerged. As discussed above, the MEPs have always sat in transnational political, rather national, groups. Over the last twenty years, these groups have gradually become more powerful and more competitive. For example, votes in the Parliament increasingly split along left–right lines, and the two largest groups now vote against each other as often as they vote together, which places the Liberals in the centre of the Parliament in a powerful positions, since they determine whether a centre-left or a centre-right majority wins in a particular vote (e.g. Hix *et al.* 2007).

The party groups in the Parliament have also become highly 'cohesive'. Figure: Voting cohesion of the main political groups in the European Parliament, in the Online Resource Centre, shows how cohesive the main political groups were in recorded ('roll-call') votes in the first five directly elected EPs, where a score of 1 means that all the MEPs in a particular group voted the same way in every single vote in a parliament and a score of 0 means that the MEPs in a particular group were split down the middle in every vote in a parliament. Voting along party lines

was already relatively high in the first directly elected parliament, but rose dramatically between the third and fifth Parliaments. As a comparison, the main political groups in the EP are now more cohesive in votes than the Democrats and Republicans in the US Congress, and are almost as cohesive as party factions in national parliaments in Europe.

The 'failure' of European Parliament elections

Despite the growing levels of party competition and cohesion in the EP, elections do not provide a very effective link between the citizens and the behaviour of the MEPs and the transnational political parties. This is because EP elections are less important than national parliamentary elections and so are generally regarded by political parties, the media, and the voters as 'second-order' contests (esp. van der Eijk and Franklin 1996). Because they are second-order national contests, like regional or local elections, EP elections are fought by national parties and on the performance of national party leaders and national governments, rather than by European parties and on the performance of the European Commission or the political groups in the EP.

This has two significant implications:

1. **Turnout** in EP elections is approximately 20 per cent lower than in national parliament elections, and turnout in EP elections has fallen steadily, to about 45 per cent of EU citizens in the June 2004 elections.
2. Voters use EP elections to express their views on national rather than European political issues, and so vote to punish unpopular governments or vote to express their views on particular issues, and so vote for smaller single-issue parties.

As a result, throughout the EU, governing parties tend to lose votes in EP elections, while opposition parties tend to gain votes (see Table: Governing party performance in European Parliament elections, 1979–2004, in the Online Resource Centre). For example, in the 2004 elections, the British Labour government received 19 per cent fewer votes in the EP elections in that year than it received in the 2001 British general election. Moreover, despite the dramatic increase in the powers of the EP over the past

twenty years, the evidence suggests that EP elections have become increasingly rather than decreasingly second-order (in terms of the proportion of votes lost by governing parties across the EU in each set of European elections).

Interest groups in Brussels: an EU civil society

One aspect of democratic politics which is highly developed in the EU is interest group organization and mobilization. In terms of the number of interest groups trying to influence government and policy-making, Brussels is more like Washington, DC, than any national capital in Europe (see Chapter 14). This is partly because many groups in society have stakes in how the single market is regulated, and so have an incentive to try to shape EU legislation in their preferred direction. It is also because there are multiple points of access in EU decision-making for interest

groups, whereas at the national level in Europe, policy-making tends to be dominated by governmental and party-political elites, with only limited access for particular interest groups.

Table 23.2 shows the type and number of interest groups registered in Brussels. Together these groups employ over 10,000 people. In other words, there are as many people on the outside in Brussels trying to influence the EU institutions as there are on the inside involved in drafting and negotiating EU policies. These numbers might suggest that business interests dominate Brussels. However, this is misleading, as many groups representing ‘public interests’, such as the environmental lobby, the consumer lobby, and the trade unions, are part-funded directly from the EU budget and also have direct access to many governments and the party groups in the EP. As a result, the EU has a very vibrant civil society, with more or less equal access for every major group in society.

Table 23.2 Type and number of interest groups in Brussels, c. 2001

Type	N
Formal European level interest groups addressed to the EU, representing	
business	950
public interests (e.g. NGOs)	285
professions	158
trade unions	43
public sector	14
Individual companies in Brussels (with public affairs offices geared towards the EU)	250
Offices of member states’ regions in Brussels	171
National interest groups in Brussels	170
Commercial public affairs consultancies in Brussels	143
EU law firms in Brussels	125
Total	2,309

Source: calculated from data in Greenwood (2003).

KEY POINTS

- ❑ There are growing concerns about a 'democratic deficit' in the EU, in that many citizens feel that they have little influence over the direction of EU policies.
- ❑ Public support for the EU has declined since widespread enthusiasm for the single market programme in the late 1980s, and the EU is widely perceived as an elitist project which benefits highly educated and highly skilled citizens.
- ❑ Although EP elections do not provide an effect link between EU citizens and EU policy-making, there is growing political contestation inside the EU institutions, particularly in the EP, where the political groups compete and coalesce along left – right lines.
- ❑ There is a vibrant and representative civil society in Brussels, in terms of the number and extent of interest groups involved in the EU policy process.

Conclusion

The EU was established by sovereign nation-states primarily to create and govern a Europe-wide market and to tackle the policy questions that arise at both the European and national levels from the free movement of goods, services, capital, and persons on a continental scale. As such, the EU is a remarkable and unique achievement: the only genuinely supranational polity that is the result of voluntary choices of citizens and democratic governments. However, the EU possesses many of the features and processes of other democratic political systems. As in other multi-level polities, policy powers are divided between the European and national levels. Also, how policies are

made by the EU institutions is similar to other political systems that have a separation of powers between the executive and the legislature and where large coalitions are required for legislation to pass. Multiple checks and balances guarantee broad consensus, but also make it difficult for policies to be changed. Nonetheless, in comparison to other democratic political systems, the connection between citizens' policy preferences and policy outcomes from the EU is extremely indirect. Citizens elect national governments and the EP, but in no sense do citizens have a choice about who governs them at the European level and the direction of the EU policy agenda.

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Questions

1. Is the EU a political system?
2. Why is regulation the main policy instrument of the EU?
3. Who are the winners and losers from the EU budget, and why?
4. Who is the main agenda-setter in the EU: the Council or the Commission?
5. How powerful is the European Parliament?
6. Is the European Court of Justice beyond political influence?
7. Why has public support for the EU declined since the early 1990s?
8. Why do European parties vote cohesively in the European Parliament?
9. Why are European elections 'second-order national elections'?
10. Which interest groups are most influential in the EU, and why?

» Further Reading

Classics in European integration and EU politics

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**Web links**

EU institutions

europa.eu

Web portal of the European Union.

ec.europa.eu

European Commission.

www.consilium.europa.eu

Council of the European Union.

www.europarl.europa.eu

European Parliament.

www.curia.europa.eu

European Court of Justice.

www.ecb.eu

European Central Bank.

EU data, legislative tracking, and documents

epp.eurostat.ec.europa.eu

Statistical office of the EU (Eurostat).

ec.europa.eu/public_opinion/index_en.htm

Eurobarometer opinion polls.

eur-lex.europa.eu

Portal to EU law and the Official Journal of the EU (Eur-lex).

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Commission's legislative tracking website (Prelex).

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EU news

euobserver.com

EU observer.

www.euractiv.com

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www.europeanvoice.com

European Voice: a weekly newspaper on the EU.

Research groups and datasets

www.eu-newgov.org

New modes of governance project (NewGov).

dosei.dhv-speyer.de

Domestic Structures and European Integration project (DOSEI).

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Hix–Noury–Roland dataset of roll-call votes in the European Parliament.

Academic journals

www.uni-konstanz.de/eup

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www.uaces.org/JCMS.htm

Journal of Common Market Studies.

www.tandf.co.uk/journals/routledge/13501763.html

Journal of European Public Policy.



Visit the Online Resource Centre that accompanies this book for more information:

www.oxfordtextbooks.co.uk/orc/caramani/