



European integration filtered through domestic politics: The political economy of diversity

Spyros Blavoukos

Athens University of Economics and Business

sblavo@aueb.gr



The Political Economy of the European Periphery
UCD Geary Institute
UCD, Belfield, Dublin 4

Main Research Question and Challenge

- How and in what ways has the trajectory of the four countries in question been shaped by their engagement with the process of European integration?



- Obviously, cyclical and interactive process; but we need to analyse it in a sequential logic
- Starting point: exposure to European adjustment pressures
 - locus (*where*),
 - modality (*how*),
 - impact (*with what effect*) of Europeanization.



Europeanization pressures (where?)

- Three fields are particularly affected:
 - policies (ranging over a wide area of substantive and thematic areas/sectors)
 - domestic political institutional structures (such as the Parliament, civil service, interest groups, and political parties)
 - cognitive frames (including prevailing discourse, norms and values, political legitimization of the regime, civil identities, national narratives etc.)
- Magnitude of pressures: compatibility of EU and national policy models ('goodness of fit')



Europeanization pressures (how?)

- Three mechanisms:
 - straightforward adoption of the 'new' rules of the game that emanate from the EU (compliance requirements)
 - 'opportunity windows' for new policymaking actors to emerge in ways that generate new forms of contestation over policy (restructuring of policymaking process gives rise to incentives for competition among new actors)
 - a 'soft' ideational alteration of policy perceptions and norms (communication, exchange of information and best practices, e.g. OMC)



Europeanization pressures (with what effect?)

- inertia
- absorption
- adjustment
- transformation
- retrenchment



Impact of Europeanization: mediating factors (I)

- Intensity of pressures:
 - temporality of the required changes: time-limits for the attainment of specific adaptive targets
 - different transition periods or derogation (cross-country variation: accession, Single Market)
 - 'Front-loaded' or not adjustment: focused and intense pressure linked with conditionality (accession, EMU)
 - mode of governance entailed in the European economic and political *acquis*: kind of EU policy instrument used
 - 'hard' or 'soft' constraints (e.g. directives – OMC)
 - output performance or prescriptive nature (e.g. Maastricht criteria – directives)
 - sanctioning mechanisms or incentives (e.g. SGP –



Impact of Europeanization: mediating factors (II)

- Domestic response to adjustment pressures
 - domestic politics ('Troika of concepts'): role of
 - **interests** (coalitional dimension): configuration of economic interests, embedded in the productive capacities and practices of a society
 - **institutions** (institutional dimension): political institutional capacity of the domestic policymaking system to initiate and complete policy change
 - **ideas** (ideational): dominant discourse or policy paradigm that shapes the framework of policy debate in a country
- [reflecting the structural socio-economic and political features of each polity]



Two kinds of response to Europeanization

- first-order adjustment: nominal adoption of and adherence to the EU *acquis*.
- second-order adjustment: potential of substantial changes and reforms as a result of participation in the European integration process.
- Important caveat:
 - the integration *acquis* may have unintended consequences, which in the absence of “real” adjustment may aggravate pressures and create serious problems.



Europeanization and critical junctures of integration

- Trajectory of the four countries: long historical process of adjustment punctuated by critical junctures
- Critical junctures: integration milestones that substantially upgrade the *acquis* and deriving pressures (linked but not identical with Treaty changes)
 - Accession
 - Completion of the Single Market
 - Maastricht Treaty (that set in course the EMU)
 - EMU membership.



Critical junctures	Adjustment pressures		National-level response (depth of adjustment)	
	<i>Reform temporality</i>	<i>Mode of governance</i>	<i>First-order adjustment: nominal convergence</i>	<i>Second-order adjustment: 'real' convergence</i>
Accession	Conditionality but with transition periods	'Hard' prescriptive constraints: full adoption of acquis required Incentives: Regional Funds, CAP, etc.	Adjustment to the terms of the acquis, (affecting institutional practices and policy content)	Opening of the economy
Single Market	Extended phase of market deregulation and liberalization; derogations	'Hard' constraints; prescriptive Incentives: Structural Funds (Delors I)	Compliance with SM rules	Productivity and technological catch-up, following from greater market competition, or from new investment incentives (and EU funds)



Critical junctures	Adjustment pressures		National-level response (depth of adjustment)	
	<i>Reform temporality</i>	<i>Mode of governance</i>	<i>First-order adjustment: nominal convergence</i>	<i>Second-order adjustment: real convergence</i>
Maastricht Treaty	Front-loaded adjustment, firm deadline	Output-oriented Incentives: Cohesion Funds (Delors II)	Eligibility criteria: fiscal consolidation, inflation control, interest rate convergence, CB independence	Business-cycle convergence
Economic and Monetary Union	Once-off qualification for membership in 1999	'Hard' rule-bound constraints with sanctions, in principle (SGP, EDP); flexible and politicized in practice	Compliance with SGP rules	Convergence of real economy, equalization of inflation (product prices, wages, returns on capital); completion of Single Market



Addressing the 'Why' question

- each integration milestone entailed a first-order adjustment requirement, implying attainment of second-order adjustment outcomes.
- the domestic response to the adjustment pressures of European integration is mediated through:
 - the interaction between coalitions of socioeconomic interests that ...
 - ... are working through specific and highly heterogeneous institutional frameworks of interest representation inside and outside parliament ...
 - ... and are animated by discourses and outlooks that may be more or less amenable to compromise.



What have been the main challenges?

- build electoral and macroeconomic coalitions across economic interest blocs, as governments faced the need to manage market liberalization and to legitimate this with varying types of social compensation;
- manage adaptation through state structures and policy processes that were themselves also subject to pressures to reform and adapt;
- implement reforms when cognitive schemes have undergone significant changes both at national and global level (national narratives and understandings of the European integration process but also shift of economic paradigm away from post-War Keynesianism to a neo-liberal policymaking ethos).



Our tentative response

- coalitions to support market making were not built in the first place or were not successful in their task or did not prosper enough to consolidate reforms;
- public policy-making and –implementing did not overcome (or did so only partly and in varying degrees in each of our countries) past rigidities;
- the emerging dominant neoliberal economic orthodoxy accentuated pressures and domestic urge to reform that could not however be met (due to the first two points)



THANK YOU FOR YOUR ATTENTION

