TOWARDS A EUROPEAN SOCIETY?

INTEGRATION AND REGULATION OF CAPITALISM

Ari Nieminen

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Table of Contents

Preface: Social Theory, Integration and Regulation of Capitalism . . . 1

Part I On the History and Theory of Modern Europe ............... 9

1 Dynamics of European Modernity ............................... 10
   1.1 Integration: Communal and Associative Socialization ...... 10
   1.2 Formation of Nation-States ............................... 18
   1.3 Development of Capitalism and Wage Work ................ 33
   1.4 A scheme of European Modernization ...................... 41

2 Modern Social Order ............................................. 43
   2.1 Rational Actors ........................................... 43
   2.2 Interests, Subjectivity and Conflicts ..................... 49
   2.3 Collective Identity ....................................... 54
   2.4 Ideology ................................................ 59
   2.5 Society, Social Order and their Natural Foundations ....... 63
   2.6 Constellation of Modern Social Order ....................... 71

3 Theories of Integration in the Light of Social Theory .......... 76
   3.1 Political Integration ..................................... 78
   3.2 Economic Integration ...................................... 89
   3.3 Communal Socialization ................................... 94
   3.4 Integration as Modernization and External Factors ........ 99
   3.5 Social Sciences and Reproduction of Social Order ........ 103

Part II Regulative Traditions in European Capitalism .......... 115

4 Development of European Regulation of Capitalism ............ 116
   4.1 On Regulation ............................................ 116
   4.2 From Class Conflict to Industrial Relations ............... 124
   4.3 State, Capital and Labour ................................ 129
   4.4 Fordism and its Problems .................................. 137
   4.5 Hardships and Revival of Capitalism ....................... 147
5 National Varieties of Capitalism .......................... 157
  5.1 Structuring of Industrial Relations ................... 157
  5.2 National Industrial Relations by the Turn of the Millennium161
  5.3 Reproducing Regulative Systems .................... 182

Part III From Trade Integration to Politico-economic Unification
 .............................................................. 197

6 Primacy of Trade Integration ............................... 199
  6.1 Attempts to Establish Western European Industrial Relations 199
  6.2 Policies of Actors .................................. 212
  6.3 Organizing Capital’s Interests ...................... 216
  6.4 The International Labour Movement ................. 221
  6.5 Fragments of Communal Socialization ............... 225
  6.6 Predominance of Nation-States .................... 232

7 Economic Integration Changes Bases of Interests ............ 237
  7.1 Capital’s Diversified Interests on Intentional Regulation . 237
  7.2 Changing Modes of Economic Integration .......... 241

8 Deepening and Widening Integration ....................... 254
  8.1 Breakthrough to Industrial Relations ............... 254
  8.2 Expansion of Capital’s Regulative Organs .......... 275
  8.3 Labour’s Unification .............................. 288
  8.4 Multi-Level Regulation of EU Capitalism ........... 297

9 Politico-Economic Unification in a Globalizing World .... 310
  9.1 Hegemonic Project: Growth, Competitiveness and
    Employment ........................................... 310
  9.2 Effectiveness of the EU ............................ 327
  9.3 Collective Identity .............................. 339
  9.4 Strengthening Statehood ........................... 350
Part IV Dialectics of European Integration .................. 355

10 Dynamics of European Integration ....................... 357

   10.1 From Relations with Nature to Industrial Relations .... 357
   10.2 Reproducing the EU within a World-Society .......... 366

11 Epilogue: The Future and the Social Meaning of the European Union ........................................... 376

Appendix I: Methodological Remarks ....................... 384

Appendix II: Publications on European Integration 1951-2000 ... 392

Suomenkielinen yhteenveto (Finnish Summary) .............. 393

References .................................................. 406
List of Figures and Tables

Figures

Figure 1.1 Process of European modernization (Norbert Elias) . . . . 22
Figure 2.1 Interests, rational action and reproduction of social positions ................................................................. 50
Figure 2.2 Constellation of modern social order ...................... 73
Figure 4.1 Regulation of the economy and the employment system 118
Figure 5.1 Elements of industrial relations systems ................. 159
Figure 5.2 Reproduction of national regulation of the economy and labour markets ................................................. 183
Figure 6.1 Dynamics of ECSC/EEC industrial relations, 1952-1981 ........................................................................ 234
Figure 7.1 Overlapping types of capital and measures of their international integration ........................................... 241
Figure 7.2 Summary of measures of economic integration, 1983-1999 (% of GDP) ......................................................... 250
Figure 8.1 Dynamics of capital’s international organizing, 1948-2000 ........................................................................ 285
Figure 8.2 Dynamics of labour’s international organizing, the 19th century-2000 ......................................................... 294
Figure 9.1 EU’s hegemonic project in the beginning of the 1990’s . 317
Figure 9.2 EU’s hegemonic project by the turn of the millennium . 320
Figure 9.3 EU’s hegemonic project as compromise ................. 325
Figure 9.4 Dynamics of EC/EU industrial relations, 1982-2002 . . . 353
Figure 10.1 Reproduction of the European Union ................... 367
Figure 11.1 Dialectics of history and theory ............................ 382

Tables

Table 1.1 Members of the ECSC/EEC/EU and relative size of Western European nation-states (% of total Western European population and GDP) ......................................................... 31
Table 1.2 Sectoral division of employment 1900-2000 (% of labour force in industry, services and agriculture) .............................. 37
Table 1.3 Economically active population 1950-2000 (% of total population, all men and all women) ............................................ 38

Table 2.1 Ideology, truth and interests ........................................ 60
Table 2.2 Relations between nature and society .............................. 67

Table 3.1 Summary of integration theories' views of social dynamics ...................................................... 102
Table 3.2 Number of publications on European integration 1951-2000 ................................................................................. 108

Table 4.1 Union density rates, 1910-1997/2000 (% of labour force members of unions) ................................. 130
Table 4.2 Extent of organization of employer interests, 1900-1990 (assessment) ............................................................. 132
Table 4.3 Density of employer organizing, 1980-1996 (% of employees in firms that belong to employer organizations) .................. 134
Table 4.4 Growth of mass consumption per capita 1960-1999, periodic means (private and general government consumption in U.S. dollars in 1995 value / population, 100 = mean of all per capita figures) .... 140
Table 4.5. From Fordism via crisis to post-Fordism .................. 146
Table 4.6 Profit rate in industry 1955-1999, periodic means (% change of productivity/% change of wages) ........................ 151
Table 4.7 Profits 1971-2000, periodic means (gross operating surplus and gross mixed income as % of the sum compensation of employees and gross operating surplus and gross mixed income) ........ 154

Table 5.1 Industrial relations in the Western European private sector, turn of the millennium ................................. 180
Table 5.2 Inequality of income from the early 1970's to the late 1990's (% change of Gini measure) ................................. 187
Table 5.3 Unemployment 1961-2000, periodic means (% of civilian labour force) ...................................................... 188

Table 6.1 Types of capital's interest organizations .................. 217

Table 7.1 Exports and imports, 1956-2000 (exports and imports as % of GDP, periodic means) .................. 242
Table 7.2 Exports and imports with EEC/EU, 1965-1997 (as % of GDP, periodic means) ................................. 243
Table 7.3 Foreign direct investments, 1971-2000 (stock of all foreign direct investments as % of GDP, periodic means) ........ 246
Table 7.4 Estimated stock of foreign direct investments with the EC/EU member countries, 1984-2000 (% of GDP) .............. 247
Table 7.5 International investments, 1971-2000 (stock of all international investments excluding foreign direct investments as % of GDP, periodic means) ...................................... 249

Table 8.1 New compromise on European integration (1980's - 1990's) ................................................................. 264
Table 8.2 EC/EU level joint papers and agreements, 1986-2002 (agreements boldfaced) ............................................. 266
Table 8.3 Examples of branch-level joint papers and agreements, 1993-2003 (agreements boldfaced) ......................... 268
Table 8.4 Functions of the most important EU-level organizations of capital, 2003 (number of committees and working groups) ...... 283
Table 8.5 ETUC's membership (millions) and resources, 1973-2003 291
Table 8.6 Model of multi-level regulation of EU capitalism .............. 298
Table 8.7 Social pacts and regulative concertation in Western Europe, 1992-1999 ......................................................... 302
Table 8.8 Multi-level regulation of EU capitalism by the turn of the millennium ............................................................ 307

Table 9.1 Main objectives of the ECSC/EEC/EU as stated in founding treaties .............................................................. 312
Table 9.2 Areas of regulation and levels of authority in the EEC/EU, 1957-2001 ............................................................ 328
Table 9.3 Effectiveness of the EU, 1994-2003 (growth, profits, competitiveness, unemployment, employment, %) ............... 334
Table 9.4 Working hours and pace of work 1990-2000 .............. 335
Table 9.5 Conflict strategies and actors of European integration .......................................................... 337
Table 9.6 Identification as European in EEC / EU 1982-2000 (% of nationals) ............................................................. 344
Table 9.7 Regionally defined international organizations 1994/1995 and 2000/2001 (%, absolute figures) ...................... 348
List of Abbreviations

AMCHAM-EU   EU Committee of the American Chamber of Commerce
BIAC       Business and Industry Advisory Committee
CEEP     European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest
CFSP   Common Foreign and Security Policy
CGT   Confédération Générale du Travail
CGIL    Confederazione Generale Italiana del Lavoro
CIFE  Council of European Industrial Federations
CISC    Confédération Internationale des Syndicat Chrétiens
CMEA   Council for Mutual Economic Assistance (COMECON)
COPA   Committee of Agricultural Organisations in the EEC
DGB   Deutsche Gewerkschaftsbund
EC    European Community
ECB   European Central Bank
ECFTU  European Confederation of Free Trade Unions
ECSC   European Coal and Steel Community
EDC   European Defence Community
EEA   European Economic Area
EEC   European Economic Community
EFTA  European Free Trade Association
ELC   Employer Liaison Committee
EMU   Economic and Monetary Union
EO-WCL European Organisation of the World Confederation of Labour
ERD-IETU European Regional Organisation of the ICFTU
ERT   European Round Table of Industrialists
ESCB  European System of Central Banks
ETUC  European Trade Union Confederation
EU   European Union
Eurochambres Association of European Chambers of Commerce and Industry
EUROPOMI European Committee for Small and Medium-Sized Independent Companies
FEBI   Federations of European Business and Industry Organizations
FDI   Foreign Direct Investments
GDP   Gross domestic product
ICC   International Chamber of Commerce
ICFTU  International Confederation of Free Trade Unions
IFTU  International Federation of Trade Unions
ILO   International Labour Organisation
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>IOIE</td>
<td>International Organisation of Industrial Employers</td>
</tr>
<tr>
<td>ITS</td>
<td>International Trade Secretariats</td>
</tr>
<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OEEC</td>
<td>Organization for European Economic Cooperation</td>
</tr>
<tr>
<td>RILU</td>
<td>Red International of Labour Unions (Profintern)</td>
</tr>
<tr>
<td>TABD</td>
<td>Transatlantic Business Dialogue</td>
</tr>
<tr>
<td>UASG</td>
<td>UNICE Advisory and Support Group</td>
</tr>
<tr>
<td>UEAPME</td>
<td>European Association of Craft and Small and Medium-sized Enterprises</td>
</tr>
<tr>
<td>UNICE</td>
<td>Union of Industries of the European Community, from 1987: Union of Industrial and Employers’ Confederations of Europe</td>
</tr>
<tr>
<td>WCL</td>
<td>World Confederation of Labour</td>
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<tr>
<td>WEU</td>
<td>Western European Union</td>
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<tr>
<td>WFTU</td>
<td>World Federation of Trade Unions</td>
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Preface: Social Theory, Integration and Regulation of Capitalism

Hier findet man sich also vor die Notwendigkeit gestellt, ein mehrdimensionales Gesellschaftsmodell zu entwickeln oder — wenn man es so will — ein Modell mit mehreren Ebenen, deren Beziehungen zueinander hier zunächst als Problem vorgestellt werden können... (Elias 1987, 76).

My intellectual interest on European integration grew out of theoretical puzzlement. After stating this, other interests that affected making the study at hand must be mentioned as well. These interests include earning money, making the world better, idealist internationalism, advancement of my career and so on.

In any event, in the 1990's when I started to make this study, Europe and the world seemed to be getting more and more integrated. “European integration” and “globalization” were, and they still are, visible catchwords in the media and in social sciences. This situation seemed to challenge the sociological way of thinking that centres around national societies. It seemed to me that in many cases modern social theory had taken nation-states and national societies as its point of departure. Yet, in a situation in which the world seemed to be integrating at an accelerating pace this starting point began to appear outdated.

Thus, theoretical puzzlement was born: How to think about local, national, regional and global entities and their interactions? Is Europe going to develop into a configuration that could be termed the “European society” Or does global and European integration require a redefinition of the concept of society or, perhaps, the whole concept should be abandoned as an outdated relic? One way of approaching my puzzlement is to present a few reflections concerning the notion of society.

“Society” is a tricky word. At the outset its meaning seems clear. Society is a large group of people who interact with each other and share common institutions, history, identity and a sense of solidarity. Especially in Europe the modern notion of society seems tantamount to the notion of the nation-state: society is a large group of people brought together by the state. Hence, in most cases, society means “state-society”. In fact, this one seemingly simple word, “society”, reflects a
long history of nation building. It reflects the popular understanding of social life.

However, social units smaller than state-societies also share many of the common characteristics listed above. One speaks, for instance, about regional and local identities, politics and economies. The same applies to many units larger than state-societies. For example, European state-societies share many common characteristics and traditions: the heritages of antiquity and Christianity, European social history (nations, feudalism, institutions of medieval cities, capitalism, socialism), natural law, western science and art. These state-societies are also connected by a tight network of mutual interactions. People, goods, capital and information flows tie these state-societies into interdependent socioeconomic configurations.

Furthermore, these common traits of historic heritage and networks of interactions are by no means restricted to “Europe” alone (wherever its borders may lie). Ralph Linton’s description of “the one hundred percent American” applies to the cultures of most of the European nations as well (cit. Robertson 1987, 87 orig. 1937):

“There can be no question about the average American’s Americanism or his desire to preserve this precious heritage at all costs. Nevertheless, some insidious foreign ideas have already wormed their way in to his civilization without his realizing what was going on. Thus dawn finds the unsuspecting patriot garbed in pyjamas, a garment of East India origin; and laying in a bed built on a pattern which originated in either Persia or Asia Minor. He is muffled to the ears in un-American materials; cotton, first domesticated in India; wool from an animal native to Asia Minor; or silk whose uses were first discovered by the Chinese.”

And Linton goes on to list other global inventions used by Western culture: glass was invented by the ancient Egyptians, porcelain in China, the chair in the Near East, rubber in ancient Mexico, the umbrella in India. These examples illustrate the global long-term connections between local and regional societies.

At the present, the socioeconomic processes labelled “European integration” have influenced social configurations, or societies, at the sub-national, national, regional and global levels and different actors and
dynamics get mixed into this process. As a result, a more integrated European configuration, which is a part of the changing global configuration, seems to be emerging. This multi-level and many-sided social formation is an exciting subject of study and it touches the very heart of social theory: characteristics of social interactions and the borders of the social sub-systems studied.

Thus, my theoretical interest is centred around the question of how social integration should be conceptualized in the present situation. Empirically, this study analyses the structures and functioning of the Western European social configuration, or more narrowly defined, European integration led by diverse intergovernmental organizations of which the present European Union is the latest modification. More specifically, this study concentrates on the regulation of European capitalism and on European industrial relations (relations among states, organized capital and labour unions). This approach makes it possible to deal with both essential sides of European integration: the politics of integration and the regulation of the capitalist economy.

Another way of describing my approach is to differentiate between the theme and the subject of this study as C. Wright Mills did in his book *The Sociological Imagination* (see Mills [1959] 1982, 207-208). The theoretical theme or idea of this study concerns the modes of social integration in the modern world. The main empirical subject or topic of this study is European integration since the Second World War. Consequently, the analyses presented in this study move between three different levels of analysis. The first level consists of particular historical events such as the founding of the European Economic Community or the European Union. The second level is made up of an analysis of developments in particular institutions and organizations, such as industrial relations at the European and national levels. Lastly, the third level (the theme of study) includes theorizing on principles of social order that constitute modes of social integration.

Structurally, this study is divided into four parts. The first, mainly theoretical part (Part I On the History and Theory of Modern Europe, Chapters 1 to 3), lays down the foundations for the following empirical parts of the study. The idea is to try to analyse European integration from the point of view of modern social theory as well as from the point of view of the dynamics of European modern history. In other words, I tried
to grasp European integration as a long-term social process. The second, a more empirical part (Part II Regulative Traditions in European Capitalism, Chapters 4 and 5) investigates regulative traditions of European capitalism at the national level. These traditions have been especially important to Western European integration because regional integration and the regulation of capitalism have been largely based on national patterns and traditions. The third part (Part III From Trade Integration to Politico-Economic Unification, Chapters 6 to 9) analyses the dynamics of Western European integration from the 1950's to the turn of the millennium. The fourth and final part (Part IV Dialectics of Integration, Chapters 10 and 11) summarizes and concludes the findings and ideas presented in this study.

At the level of singular chapters, the story presented in this study unfolds in the following way. The first chapter (1 Dynamics of European Modernity) begins the first part (Part I On the History and Theory of Modern Europe) by asking what “integration” actually is. This question is answered by dividing social integration into “communal” and “associative socialization”. To give these concepts historical content, the rest of the first chapter approaches European modernization as the historical evolution of nation-states and capitalism. Apparently, Western European integration receives most of its dynamic energy from the differentiated modern realms of “politics” and “economy” and therefore it is well justified to examine developmental dynamics of these areas of modern social order. These historical considerations of the first chapter are summarized in the form of a scheme of European modernization presented in the last section of the first chapter. This scheme maintains that the dynamics of European modernization stem from national political and economic developments and that these processes have been boosted by competition among nation-states. To complete the historical perspective of Europe constructed in the first chapter, the second chapter (2 Modern Social Order) introduces a few systematic notions of social theory. These notions include “rational actor”, “interest”, “subjectivity”, “conflict”, “collective identity”, “ideology” and ideas concerning the relations between society and nature. These notions and their relations are summarized as a constellation of modern social order presented in the last section of chapter two. Together, the historical and systematic notions presented in chapters one and two constitute a theoretical basis
for this study at the analytical level of the principles of social order.

However, the conceptualization of European integration cannot be limited to general notions of modern social order, but it must also be asked what kinds of specific theories of regional integration Western European integration has given birth to. Theories of regional integration are reviewed in the third chapter (3 Theories of Integration in the Light of Social Theory). It is argued that theories of European regional integration follow in their main constitution the structures of modern social theory presented in chapters one and two.

As pointed out above, economic dynamics have played an important part in European socioeconomic development. Furthermore, national traditions of regulating the capitalist economy constitute the bases for subsequent developments at the European level and therefore it is well worth examining national regulative traditions and national industrial relations as an essential component of the regulation of European capitalism. In order to be able to examine national regulative traditions, it is necessary to introduce a few notions that describe the regulation of the capitalist economy. This is done in chapter four (4 Development of European Regulation of Capitalism), which begins the second part of this study (Part II Regulative Traditions in European Capitalism). Chapter five (5 National Varieties of Capitalism) describes and analyses the evolution of national regulative systems and it concludes with a summarizing section that discusses those processes which contribute to both changes and inertia (i.e. reproduction) in national regulative traditions.

The sixth chapter (6 Primacy of Trade Integration) in the beginning of the third part (Part III From Trade Integration to Politico-Economic Unification) moves on to examine the developmental dynamics of Western European integration with a special stress on the regulation of the economy and industrial relations. The sixth chapter deals with the time period from the beginning of the 1950's to the end of the 1970's. The seventh chapter (7 Economic Integration Changes Bases of Interests) complements the institutional analysis by measuring economic integration in Western Europe. The eight chapter (8 Deepening and Widening Integration) proceeds to analyse the dynamics of integration starting from the early 1980's and ending at the turn of the millennium. The ninth chapter (9 Politico-Economic Unification in a
Globalizing World) adds more detailed analysis to those themes already dealt with in the eight chapter.

It was pointed out above that the analysis presented in this study can be divided into three levels: the level of particular events, the level of institutional analysis and the level of principles of social order. After handling empirically (levels of particular events and institutions) European integration in chapters three to nine, the two last chapters return to the more general level of social theory (principles of social order, the theme of this study). The tenth chapter (10 Dynamics of European Integration) in the fourth and final part (Part IV Dialectics of Integration) summarizes the findings of this study at the level of European social institutions and by assessing those principles of social order that integrate Europeans with each other. The eleventh chapter, the epilogue of this study (11 Future and Social Meaning of the European Union), reflects on the future and the social meaning of EU integration. Lastly, an appendix aims at clarifying the methods used in this study, and a Finnish summary is provided to make the study more accessible to Finnish readers.

In brief, the structure of this study builds on a loose historical continuum starting from the creation of modern European nation-states, or state-societies, and ending with the present conditions of Western European integration. I did, of course, not try to write a history of integration but rather I tried to connect historical developments and theoretical notions with each other. In other words, I tried to ascertain connections between notions of social theory and history and hence to comprehend the theoretical constructions of regional integration and practical integrative developments as parts of one encompassing development and reproduction of European social order.

This study was mainly conducted between years 1995 and 2003. During this period of time the former socialist “Eastern European” countries which joined the Union in 2004 were not members of the European Union.\(^1\) Hence they are not included in the empirical analysis of the study at hand. Therefore, this study concentrates mainly on “Western Europe” and its integration.

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\(^1\) In 2004 Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia joined the Union.
A brief comment about the way in which I made references is perhaps needed. I have tried to be careful when referring to studies and documents. However, in most cases I have decided to make references of a technical manner thereby avoiding stressing explicitly whose thoughts I was using in a given passage. There were three reasons for this. First, such a modus operandi gave me more freedom to mould my own text. Secondly, I believe that pushing references a bit to the background makes the text more fluent and, in any case, shortens it. Lastly, in many instances I used other people’s ideas in a different context than in which they were originally presented and I also made some modifications to many patterns of thought. In such cases, it seemed the best course of action to give credit to my sources of inspiration by referring to them but not to make other writers responsible for my own interpretations.

In conclusion, I would like to thank all those people and institutions that have supported me while making this study. Several foundations supported my work. The largest share of financing came from the Kone Foundation (Koneen Säätiö), other supporting foundations being the Ella and Georg Ehrnrooth Foundation (Ella och Georg Ehrnrooths stiftelse) the University of Helsinki, The Finnish Work Environment Fund (Työsuojelurahasto) and the Finnish Cultural Foundation (Suomen Kulttuurirahasto). the Sociology of Law section within the Department of Criminal Law, Juridical Procedure and General Jurisprudential Studies of the University of Helsinki gave me a room in which to work and offered other useful office services. Several people critically commented on drafts of the manuscript or on parts of it. These people included (I might have forgotten a few names): Pekka Kosonen who patiently tutored my dissertation. Rolf Büchi, Kari Kantasalmi, Helga Hytti, Jouko Kajanoja, Mikko Kautto, Juho Saari, Heikki Niemelä, Kari Salminen and Marja Keränen who all took part in useful meetings of an informal group of researchers, the “Europe circle” (“Eurooppapiiri”) led by Pekka Kosonen. Matti Alestalo and Timo Kyntäjä, whose comments made me make structural changes to the manuscript, hopefully thus making this study more readable. Other commentators included Paavo Uusitalo, Arto Noro, Risto Heiskala, Risto Alapuro, Kaisu Ervasti, Timo Kyntäjä, Pasi Moisio, Perti Koistinen, Timo Kolu, Pauli Kettunen, Jyri Inha and Matti Heimonen. I am grateful to all of you. I would also like to thank Joel Pottala for proofreading my English. Members of my
old (mother, father as well as my brothers) and new family, Pirjo, Kati and Olli deserve also warm thanks for showing such great patience.
This first part lays down historical and conceptual foundations for this study. Section 1.1 introduces the notion of social integration and its two main forms, communal and associative socialization. After this, the historical dynamics of European modernization, that is the formation of nation-states and the development of modern capitalism are described. This historical narrative is summarized in a scheme of European modernization presented in the last section of the first chapter. The second chapter describes further modern social order by examining a few central notions depicting the main features of this social order. These main features are summarized as a constellation of modern social order in the last section of the second chapter.

One of the cornerstones of this study is an idea that Western European politico-economic integration, which achieved its breakthrough after the Second World War, is actually continuing the historical dynamics of European modernization. If this is the case, then also theories that have sought to explain European regional integration should, in one way or another, be linked with modern social order. This thesis is tested in the third chapter, which examines theories of regional integration from the point of view of modern social order as it is described in chapters one and two. Hence even though chapter three presents theories, in the context of this study it is actually an empirical chapter. The results of this analysis are summarized in section 3.4. Chapter three concludes with a section that discusses the role of social sciences in maintaining the present social order.
1 Dynamics of European Modernity

1.1 Integration: Communal and Associative Socialization

It seems fitting to start a study on European integration by analysing the semantics of the notion of “integration”. The word comes — not surprisingly — from Latin meaning “the making up or composition of a whole by adding together or combining separate parts; combination into a whole” (Brown 1993a, 1386). In addition, the original Latin concept indicated that integrating units have already at some point of history formed an integrated unit, and integration thus denoted, in fact, the reintegration of a disintegrated unity (Herbst 1986, 164). Integration may refer to stages (degrees) of integration or to a process of integration. Because people very often see the formation or strengthening of social bounds as a positive thing, the word itself tends to have overly positive flavour, whereas its opposition “disintegration” (breaking up of a whole) is loaded with negative connotations. (See Brown 1993a, 693; Herbst 1986, 164-168.)

The notion of integration in sociology, which is my main concern in this study, is an old one. It has been used since the founding of sociology as an academic discipline. In fact, since sociology studies how people form social groups and how their interaction is arranged, sociology is an integration science par excellence (see, for example, Elias 1978, 72). The origins of this concept can be traced back to Herbert Spencer (see Spencer 1879-1896a, 549; 1879-1896b, 396) and Émile Durkheim. In Herbert Spencer’s theory of social evolution a “law of integration”, a dialectical process of integration and differentiation, was asserted to be a leading force in social evolution. (Teune 1984, 235-236; see Spencer 1969, 150-155, 197-202.)

The most important differentiation within the general notion of integration is the one between associative and communal integration. Ferdinand Tönnies, for example, differentiated between community (Gemeinschaft) and association (Gesellschaft) as the two basic forms of social integration. “Community” denotes a social group which shares a common social identity and “association” a social system in which its
members are integrated through their rational self-interested actions (see Tönnies [1887] 1955, 42, 74-75). These self-interested actions refer to exchanges in different markets as well as to rational political actions within a modern state (social contract) (Tönnies [1887] 1955, 23, 74-116; see also Weber [1922] 1985, 22). Émile Durkheim developed analogous categories when analysing modes of social integration. According to Durkheim, in “mechanical solidarity” social integration is dependent on the similarity among the members of a society; in “organic solidarity” social integration is achieved via the interdependencies that an advanced division of labour creates between individuals (Durkheim [1893] 1964a, 129-131).

In this study, notions of “communal socialization” (Vergemeinschaftung) and “associative socialization” (Vergesellschaftung) are used when referring to Tönnies’ distinction between community (Gemeinschaft) and association (Gesellschaft). The word “socialization” is added to community and association for two reasons. First, in this way it is possible to emphasize the process character of social integration, which is an especially important emphasis when studying the dynamics of European integration. Second, by adding the word “socialization” it is possible to stress the fact that communal socialization and associative socialization do not constitute separate social systems, communities and associations, but that these modes of socialization are merely elements of the totality of social integration (see Weber [1922] 1985, 22).

Subsequently, these two modes of socialization have been renamed, and perhaps somewhat redefined, as “social integration” and “system integration” and as different contradictions or combinations of

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1 There are no consistent translations of the German concepts of “Vergesellschaftung” and “Vergemeinschaftung”. Indeed, these concepts themselves appear quite general and somewhat vague. A working group of prominent sociologists who translated Max Weber’s *Wirtschaft und Gemeinschaft* (Economy and Society) chose the terms “communal social relationship” for Vergemeinschaftung and “associative social relationship” for “Vergesellschaftung” (see Weber [1922] 1968, 40). I have, however, wanted to stress that these notions refer to two different principles of social integration rather than to two categorically different types of social relationships (see also Weber [1922] 1968, 41-42). Therefore, I have settled on using the translations “associative socialisation” for Vergesellschaftung and “communal socialisation” for “Vergemeinschaftung”. 
“individualism” and “collectivism” (see and compare Giddens 1984, 128-130; Habermas 1985b, 179; Luhmann 1997, 618-619). In fact, modern social sciences as well as political ideologies operate with a multitude of dichotomies that have close resemblance to associative socialization and communal socialization. Such symbolic repetitions serve to reproduce modern social practices and images of modern social order (see Douglas 1987, 45-53).

However, as apparently in many other cases in conceptual history, these modern dichotomies have had a long history before the modern era. Below, corresponding dichotomies have been listed. This list begins with an ancient Chinese philosopher, Confucius and ends with present-day ideas of social capital (for notions from Confucius to Hegel see Sorokin 1955, v-vi):

<table>
<thead>
<tr>
<th>Communal socialization</th>
<th>Associative socialization</th>
</tr>
</thead>
<tbody>
<tr>
<td>great similarity</td>
<td>small tranquillity (Confucius)</td>
</tr>
<tr>
<td>republic</td>
<td>oligarchy (Plato)</td>
</tr>
<tr>
<td>true friendship</td>
<td>false friendship (Aristotle, Cicero)</td>
</tr>
<tr>
<td>city of God</td>
<td>society of man (St. Augustine, Ibn Khaldun)</td>
</tr>
<tr>
<td>family-society</td>
<td>civic society (Hegel)</td>
</tr>
<tr>
<td>mechanical solidarity</td>
<td>organic solidarity (Durkheim)</td>
</tr>
<tr>
<td>communal socialization</td>
<td>associative socialization (Weber)</td>
</tr>
<tr>
<td>collectivism</td>
<td>individualism (characterizations of political ideologies)</td>
</tr>
<tr>
<td>socialism / communism</td>
<td>liberal capitalism (political ideologies)</td>
</tr>
<tr>
<td>fascism / Nazism</td>
<td>democracy (political ideologies)</td>
</tr>
<tr>
<td>social integration</td>
<td>system integration (Lockwood 1964)</td>
</tr>
<tr>
<td>life-world (Lebenswelt)</td>
<td>system (Habermas 1985b, 275-279)</td>
</tr>
<tr>
<td>communitarian ideology</td>
<td>individualism</td>
</tr>
<tr>
<td>social capital</td>
<td>other forms of capital (Kajanoja 1998)</td>
</tr>
</tbody>
</table>

But why have these notions of basic modes of social integration and their later modifications had such a long career in social thinking and in sociological conceptualizations? In the case of modern social order, classical sociologists felt that the development of capitalist economy and modern nation-states jeopardized traditional social order by undermining previous, medieval collective identities. This idea of the eroding of
collective identity gave grounds for theorizing on communal and associative socialization (see Nisbet 1967, 13-18). Also, subsequently this line of thinking has remained strong.\(^1\) Nevertheless, it seems reasonable to assume that modern social order necessitates both communal and associative socialization. By combining communal and associative socialization, modern social order is able to reproduce itself and avoid disintegration (see Spencer 1879-1896a, 584; Elias [1939] 1992, 316-317; Luhmann 1997, 602-603). In any case, it can be maintained that reflecting on communal and associative socialization forms an important part of the self-understanding of modern social order — and this applies also to everyday consciousness, not only to the academic discipline of sociology.

However, these notions of communal and associative socialization fail to tackle directly power relations,\(^2\) which are obviously an important source of social integration. How can power relations be included in an approach of social integration?

The concept of “power” refers to a force or ability to change a potential state of affairs into an actual state of affairs. Historical usages of the concept of power did not differentiate clearly between the power to influence nature and the power to influence other people, but modern definitions of power concentrate on power as a social relationship (Ritter & Gründer 1980, 585; Goldman 1972, 221). Nevertheless, even the present usage of the word power acknowledges that power relations may take place not only between people but also between people and nature.

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\(^1\) Because sociologists tend to emphasize communal socialization, they tendentially drift into conflicts with those academic disciplines and political ideologies that stress associative socialization. Such a conflict of world-views can be spotted especially between sociology and economics.

\(^2\) Theoretical approaches that take modes of socialization (Vergesellschaftung) or the totality of social systems as their starting points, notably Niklas Luhmann’s systems theory, seem to have problems in conceptualizing power relations (see Luhmann 1987, 1997). Presumably, this difficulty stems from the abstract perspective of systems theory, which stresses the totality of social systems: Because there is no social actor outside society that could subsume it and direct its developments, and because a system’s reproduction is brought about by the system itself, there is no need to attach specific interest to power relations. In other words, whenever the true subject of a social system is the system itself, there is little room for analysis of power relations within the system.
and that nature also has power over people’s lives.¹

Here, power is examined as a social relation (this notion is defined in more detail in section 2.3 on collective identity), but it is worth keeping in mind that in practice these two areas of power relations are closely connected: a social group that is able to draw resources from nature often has firmly established hierarchical power relations within its productive organizations. This theme of power relations between people and nature is examined in more detail in section 2.5, in which relations between modern social order and nature are examined.

The general notion of power has been divided into numerous subcategories (see Wrong 1988). However, in order to limit the size of this presentation of central notions describing modern social order, power is differentiated in this section into only two subcategories: systemic coercion (Sachzwänge) and direct power relations. Systemic coercion denotes structural forces that constrain and direct the actions of peoples and organizations. For example, economic and political competition forces individuals and groups to act in certain ways if they want to preserve their social positions. Direct power relations refer to all those modes of social actioning that directly and consciously aim to influence the conduct of other people.

To sum up the general meaning of the concept of integration. It denotes a tightness of social relations between individuals and groups. If social relations between individuals and groups are tight, a social system is well integrated and if social relations are loose, a social system is weakly integrated. Furthermore, social integration can be described by notions of associative and communal socialization and power relations (for corresponding conceptualization, see Sorokin [1957] 1985, 445-452).²

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¹ To a different degrees, such a broad definition of “power” can be found at least in languages such as ancient Greek and Latin as well as in modern German (Ritter & Gründer 1980, 585; Wahrig 1986, 853), and English (Brown 1993b, 2315-2316). The Finnish equivalent to “power”, “valta”, refers mainly to social power but it also acknowledges that natural forces sometimes have power over humans (Sadeniemi et al. 1992, 326-328).

² In addition to communal and associative socialization, the sociological concept of integration has, of course, been divided into several subcategories. These subcategories separate various areas of integration, such as cultural integration, normative integration,
Apart from sociology, economics and political science, which have studied international integration much more than sociology, also have their own usage concerning the concept of integration. Economists have studied international economic integration since the beginning of the discipline (see Crane & Amawi 1991, 5-9). However, although economists have studied different phenomena of international economic interactions for a long time, their usage of the word “integration” is a much more recent one. Only since 1953 have economists used the word integration (Teune 1984, 263). At its most general scope international economic integration can refer to the mere existence of trade relations between national economies. Nevertheless, a definition used more often defines economic integration as the removal or absence of barriers to trade between national economies (Balassa 1987, 43). Depending on how complete this removal of national economic discrimination is, one can define different degrees of economic integration. These stages of economic integration start from the area of free trade (tariffs and quantitative import restrictions are removed between parties) and end in total economic union, in which separate national economies have ceased to exist (Balassa 1987, 43).

In international politics (Teune 1984, 236-237), particularly since the Second World War, integration has been used in connection with the creation of new nation-states especially in areas that used to be colonised. Secondly, the concept of integration in political science tries to analyse how areas larger than nation-states integrate. A central example of this is, of course, European integration itself.

As the above presentation shows, social science disciplines study integration from the point of view of their respective subject matter as social, economic or political integration. Yet, all these substantial concepts of integration can be subsumed under the general notion of integration. This core meaning of “integration” can be found in the general systems theory (Teune 1984, 239-240, 243-244, 250; see also Calhoun 1992, 206-207 and Hayward 1971, 316):

Systems theory provides a formal concept of integration that is communicative integration, functional integration and political integration (Landecker 1951; Fuchs & Klima & Lautmann & Rammstedt & Wienold 1988, 347). Some of these subcategories are examined in the third chapter of this study.
independent of the nature of integrating relations or units of integration. According to this formal concept of integration, “integration” measures the probability whereby different units of a system influence each other. Another way of stating the same idea, is to maintain that integration denotes a diminishing of grades of freedom of the parts a system (Luhmann 1997, 603). Accordingly, the more integrated a system is, the more likely its parts affect each other. In a weakly integrated system the possibility of effective interactions between units of a system is low. In a situation in which diverse entities do not affect each other at all the system is totally disintegrated. It has ceased to exist (a system, by definition, consists of separate parts having interactions with each other).

The preceding considerations lead to five consequences that must be taken into account when analysing European integration: First, the most important distinction within the notion of social integration is the division between communal and associative socialization.

Secondly, although people normally know a lot about those social systems in which they live, there are no principal, empirical or conceptual reasons why individuals could not take part in the functioning of social systems without being fully aware of it. In such cases social relations may be mediated via political hierarchies, money, commodity markets or mass media (see Calhoun 1992). Some social systems are well constructed in the general social consciousness and some not (see Luhmann 1987, 7-29). Thus, not all social systems form conscious social groups, “societies”. On the other hand, the opposite state of affairs is also possible. People may feel that they belong to the same social group even though their actual interactions are weak or non-existent. Hence, self-conscious social systems, “societies” may also be based on ideological identification.

Thirdly, as mentioned in the beginning of this section, social integration is often regarded as a positive phenomenon. For example, often in everyday language as well as in social scientific studies, communal socialization and communities are praised as the true realization of humanity. Nevertheless, social integration can have both positive or negative forms. Social integration does not necessarily mean positive interactions between individuals and groups, identification with the integrated whole and suchlike (see, for example, Giddens 1984, 128; Luhmann 1997, 602). Many social relations, or forms of social
integration, are stiffened into coercive hierarchies as, for example, in political and economic hierarchies or in centre-periphery relations. Extreme examples of a high degree of social integration that cannot be regarded as positive phenomena are wars and creations of political units by conquest (see Elias 1978, 76-80). In a war the parties in question affect each others action with a very high probability, and the parties in question are thus highly integrated — though hardly in a positive sense of the word.

In fact, a good method of avoiding conflicts and loosening too restrictive social integration is conscious disintegration by avoiding others and increasing symbolic and physical distance. For instance, in cases of romantic quarrels, in armed, ethnic or racial conflicts, the separation of conflicting parties may prevent further damage. Also avoidance of thinking of a problematic social situation as well as inaction can be used to diminish stress created by conflictual or restrictive social integration.

In contrast to the above considerations, many theorists on European integration have excluded integration produced via conflicts or force from their studies of regional integration. For example, both Ernst Haas (1971, 3-4) and Leon Lindberg (1971, 45) have explicitly excluded coercive or non-voluntary creation of integrated units from the realm of integration studies. However, this exclusion is open to criticism from at least two points of view. First, in some cases violent history can create a basis for non-violent integration as, for example, when the First and the Second World Wars created preconditions for the integration of Western Europe. Secondly, in the real world, where national and other actors are interdependent on each other, the distinction between voluntary and involuntary integration becomes fuzzy. Only in an ideal world of independent rational actors are decisions concerning international integration made free from all coercive elements.

A fourth fundamental consequence of the above consideration is that, notions of “integration” and “convergence” or “homogenization” should not be confused with each other. It is true that in some cases increasing integration leads also to increasing convergence or homogenization of integrated units. In addition, the homogenization and standardization of a social system helps to govern it. However, there are no conceptual connections between the notions of integration and
convergence. On the contrary, it is often assumed that in modern social order increasing integration and increasing diversification go hand in hand (see Luhmann 1997, 601-603). For instance, complex and large-scale systems of division of labour presuppose a multitude of different kinds of social subjects, not a homogenous population.

Fifth, in a fully integrated modern society, diverse networks of integration have grown very dense (there are multitude of political, economic and socio-cultural interactions). This means that social causality becomes problematic because “everything affects everything”. As a consequence, simple modernistic rationalities that are based on causal relations will have problems in dealing with totally integrated social systems (see Adorno [1970] 1996, 168, 262-265; Toivonen 1999, 26).

The above reflections lay down conceptual bases for the analysis of social integration but they do not tell about those historical processes and institutions which have integrated European individuals and groups with each other. These historical processes and institutions are examined in the next section.

1.2 Formation of Nation-States

Before investigating the history of European nation-states and capitalism, it is important to consider different ways of understanding and explaining social dynamics. In ensuing chapters the notions introduced here are used to clarify dynamic forces of Western European integration. The basic elements for the explaining and understanding of social dynamics include at least the following five elements of social causality:

1. **Structural preconditions** provide the bases for different lines of actioning but they do not determine what course of action is chosen. For example, demographic changes or social institutions such as “politics” provide structural preconditions for social actions but they do not stipulate in detail what kinds of actions are to be taken.

2. **Systemic determination** refers to the mutually defining relations between actors and structures: as long as actors want to reproduce or actively modify their social position they have to take into account social structures and their position within these structures.
Elias’ book on the civilising process has two parts. In the first part (Über den Prozeß der Zivilisation. Soziogenetische und psychogenetische Untersuchungen. Wandlungen des Verhaltens in den weltlichen Oberschichten des Abendlandes; Elias [1939] 1993), he describes how the manners of earthly élites became civilized between medieval times and the eighteenth century. This is the time period on which Elias’ book mainly concentrates, although he makes a lot of observations on later periods as well, some of which are taken up in the second part of his work (Über die gesellschaftliche Kultur. Wuerschlag und Gesellschaftsformen des Abendlandes, 1978).

Systemic determination applies both to small groups such as families and to large-scale social systems such as nation-states. In both cases, actors have to take into account constraints produced by their social positions.

3. **Functional relations** denote the fact that people may reproduce and alter social practices without being aware of the consequences of their actions (see Douglas 1987 third chapter, Toivonen 1999, 51-52).

4. **In intentional actioning** individuals and groups consciously aim to affect each other and the state of affairs (Toivonen 1999, 53).

5. **Dialectical relations** refer to relations in which two or more contrasting elements of a social order interact and mutually define and presuppose each other.

These elements of social dynamics have close relations with each other and in many cases it is difficult to separate them from each other. For example, while acting intentionally individuals and groups have to assess in what kind of social system their actions take place. Hence, systemic determination has close relations to intentional actioning (see Toivonen 1999, 55). Similarly, whereas it is questionable whether there exist pure functional relations (individuals and groups produce social order without being aware of the nature of the social order in question), it seems reasonable to assume that intentional social actions also often have unintentional consequences and functions (see Pietilä 1980). Yet, the above listed notions cannot be reduced to each other and they bring to the fore conflictual explanations of social dynamics. Herein lies their analytical usefulness.

Having made the above remarks, let us move to the theme of the development of capitalism and nation-states in Europe. What were the dynamic forces which brought nation-states and modern capitalism about? The following short presentation of European modernization is mainly, but not solely, based on Norbert Elias’ theory of the “civilizing process”. Elias’ historical narrative on the dynamics of civilizing...
processes, or “modernization” as I call these processes in this study, is an especially suitable point of departure for the study of European integration because it concentrates on the transnational dynamics of European history.\textsuperscript{1} It does not just compare European state-societies with each other but it seeks to understand how their interrelations, that is their integration, have affected their development (see also Appendix I, methodological remark one). A second reason for choosing Elias’ narrative is that his approach seems to fit well with other explanations of modernization. In the following, I seek to summarize Elias’ ideas on the civilizing process by making a graphic presentation of it (for the methodological usefulness of drawing these kinds of figures, see the methodological remark two in the Appendix I).

Norbert Elias’ historical narrative of modernization is presented in Figure 1.1. The figure is constructed to show those factors, actors and dynamic forces that contributed to the process of European modernization. Approximate historic time is presented in the left-hand side of the figure. Figure 1.1 includes both power dynamics and economic dynamics. Economic dynamics, however, are analysed in the

2 According to Toivonen (1999, 122-124) a narrative analysis examines the dynamics of a particular historical series of events. In a narrative analysis, an analyst strives to construct a theoretical explanation for a given historical development. Afterwards, this theoretical explanation can be generalized to other similar kinds of social configurations.

\textsuperscript{1} For a more comparative approach that, nevertheless, has a number of common elements with Elias’ theory, see Stein Rokkan’s “conceptual map of Europe” (Flora et al. 1983, 17) and his theory of European state formation (Flora 1999).
According to Elias’s theory of the civilising process, it is politico-economic competition which leads via monopoly building towards ever larger socio-economic units of domination (Elias, [1939] 1992, 435-436). In terms of structural history Elias describes this long historic process of European civilisation in the following way:

When the medieval migration of peoples (Völkerwanderung) ended, European population started to settle down and the population started to grow. A crucial factor in this growth of population was that at that time the size of élites grew rapidly. The growing number of aristocratic descendants led to a relative lack of land because each family had to offer its descendants enough land to support an aristocratic lifestyle. Thus, the growing size of the aristocratic population (a structural precondition) led via a relative scarcity of land to a stiffer competition for the most important mean of production at that time. As a consequence, the struggle over land hardened (intentional actioning under systemic determination) (Elias [1939] 1992, 40-57). Later, as trade and a money economy started to develop, this competition shifted to money or capital as the most important source of wealth and power (see Elias [1939] 1992, 224).

Other researchers have also maintained that the growth of population was one of the most important preconditions explaining the beginnings of modernization (see the discussion on this subject in Sanderson 1995, 165-168). Indeed, population growth seems to be connected with every historic change of Europe’s integrative dynamics (McEvedy & Jones 1978, 31). Yet, it seems plausible to assume that the absolute growth of population affects social dynamics through a number of intermediating factors such as social structures, ideals concerning the proper amount of land for a given social group, the level of consumption regarded as normal and the means of production that have been available
Figure 1.1 Process of European modernization (Norbert Elias)

**Economic dynamics**

- **Approximate historic time**
  - After medieval migration of peoples
    - Functional need for money economy
      - Structural precondition
        - Growth of population (elites)
          - Relative and absolute scarcity of land
            - Intentional action: competition of the most important means of production: first land then capital
              - Systemic determination

- **Late medieval times**
  - Mutually strengthening functional relation
    - Capitalism: rise of trade and city burghers, growing division of labour (differentiation), development of money economy
      - Functional need for central government
        - State building: the monopoly mechanism creates monopolies of violence and political power via intentional action and functional relations
          - Systemic determination

**Power dynamics**

- Absolutism
  - 18th and 19th centuries
    - Modern nation-states: internally civilized state-societies, in which state apparatus "balances" relations between diverse social groups (royal mechanism)

- 20th and 21st centuries
  - Intentional competition between diverse politico-economic units leads via monopoly mechanisms to growing size of competing units until the whole world is united into a single federal system
In this study I refer to modern European states as “nation-states” or “state-societies” and these notions are largely synonymous. However, because nation-states unite a formal state apparatus with the notion of community (national community), this concept unites associative and communal socialization with each other. The notion of state-society, on the other hand, defines a social group by its principal mode of socialization. In a state-society it is the state apparatus that defines and limits forms of socialization (for diverse principles of social organizing, see Eder 1980, 170-171). In any case, there existed a feedback effect between the growth of population and modernization: technical development in agriculture and industrialization supported the growth of population.

Gradually the socio-economic competition (intentional actioning under systemic determination) described above, led to a growing monopolization of power and wealth. This happened via the “monopoly mechanism” (Elias [1939] 1992, 142-160), which works in the following way. At the beginning of a competitive situation, there are a lot of competing parties, but as competition continues the stronger adversaries defeat the weaker ones and absorb their land and property. In this way the number of competing parties diminished after medieval times. After a long period of competition between manifold aristocratic families, the monopoly mechanism led to a situation in which only a few families were strong enough to compete for power within a given area. As an example of the dynamics of the monopoly mechanism, Elias describes more closely the evolution of the French nation-state. (See Elias [1939] 1992, 160-221.)

In other words, competition began as open competition, that is, just about any aristocratic family could take part in it. As smaller competing parties were merged into bigger ones, the competition became more and more restricted and only the most powerful families could take part in this struggle. Thus, in the course of time, competition became more and more closed (structural preconditions and systemic determination changed). In this way the monopoly mechanism led to a monopoly of power at the “national” level. It led to the development of “nation-states” and the building of modern “state-societies”.¹ Elias

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¹ In this study I refer to modern European states as “nation-states” or “state-societies” and these notions are largely synonymous. However, because nation-states unite a formal state apparatus with the notion of community (national community), this concept unites associative and communal socialization with each other. The notion of state-society, on the other hand, defines a social group by its principal mode of socialization. In a state-society it is the state apparatus that defines and limits forms of socialization (for diverse principles of social organizing, see Eder 1980, 170-171). Hence, the notion of state-society stresses associative socialization and socialization
anticipated that after the consolidation of modern states, competition would continue on the international level. And he predicted that this competition would in the course of time lead to the formation of a worldwide federation (Elias [1939] 1992, 435-436). Hence, according to Elias, a functional monopoly mechanism will lead to increasing transnational political integration in Europe as well as on a worldwide scale.

A fundamental consequence of the monopoly mechanism was that as soon as modern nation-states consolidated, the power struggle did no longer take place between different centres of power, but rather competing parties tried to conquer the established state apparatus. In the fully monopolized power structure of a modern state-society, the question was no longer whether there should be a central government, but who is to govern. In many cases when European nation-states were created, the two most powerful socio-economic groupings were the aristocracy and the bourgeoisie. Consequently, these groups struggled over power in early modern state-societies. The power struggle between these two social groups is the key for understanding the role of the king in absolutist states.

In absolutist states of the seventeenth and the eighteenth centuries, the rising bourgeoisie and the slowly declining aristocracy were in conflict with each other. They were both unable to overthrow each other, and they had to compromise in their power relations. In such a dead-end situation they had to rely on the king who, as the head of the state, mediated their conflicting relations (systemic determination). This kind of a power constellation gave to the king a beneficial power position, and in order to preserve his own supremacy he was interested in maintaining a balance between the aristocracy and the bourgeoisie (intentional actioning). Elias calls this kind of a structural situation, in which a third party receives its power position by mediating and balancing conflicting relations between other actors, the “royal mechanism” (Elias [1939] 1992: 222-242).

This line of thinking is, however, not Elias’ invention. In modern political theory it is common to describe the modern state as a balancing organ. For instance, for Marxists, the modern state primally supports the
capital’s interests; but the state is also “a crystallisation point of all class relations” (Hirsch 1990, 42-45). On the other hand, supporters of pluralist political theory think that the state balances different social interests with each other without dominance by any given social class.

The struggle between the rising bourgeoisie and the declining aristocracy lasted several hundreds of years and ended when the bourgeoisie was strong enough to overthrow the *ancien régime*, the king and the aristocracy. This happened in the French Revolution and in several other bourgeois revolutions during the nineteenth and twentieth centuries. At this stage, a new power constellation developed between the state, capital and the new growing group of wage workers. At the beginning, this power constellation was very conflictual. In the class struggles which followed, capital and organized labour fought for political power and the very survival of capitalist social order was in doubt. In Western Europe, capital won this conflict but is was forced to compromise with labour in several historical compromises. These national compromises between capital and labour were made between the end of the nineteenth century and the 1970's and as a consequence, national “industrial relations” were created (structural preconditions and systemic determination changed).

During the twentieth century, the socio-economic functions of the state have greatly expanded. Many modern states have become more and more “welfare states”, instead of merely guarding the internal and external political order. Furthermore, the formation and reproduction of the state apparatus have assumed an extended character. This extended reproduction of the state denotes the creation and maintaining of all institutions and processes related to modern states: universal education, a predominantly nationally orientated mass media, the creation and reproducing of national culture and identity, political parties and so on. Without these close relations to the rest of the society a sole state apparatus would be too weak a device to secure the internal integration of modern state-societies (Wagner 1994, 44-51). In fact, since most, if not all, important social institutions and organizations within state-societies are more or less directed towards or dependent on the existence of modern state apparatuses, the modern state can well be termed an “extended state”. The extended state includes the actual state apparatus as well as all organizations and institutions closely linked to it (see
Hirsch 1990, 44-45). For the empirical objectives of this study, however, what is important is that development of specific national regulative systems of capitalism and national industrial relations constitute a part of this extended state.

Historical evidence from Europe supports the above presented ideas of Elias on increasing political integration and concentration of power relations:

- In about 990, there were no centralized nation-states in Europe. Instead, there were several hundreds of principalities, bishoprics, city-states and other authorities that exercised overlapping political control over their hinterlands. On the Italian peninsula alone there were some 200-300 such political units (Tilly 1992, 39-40).
- By 1490, the number of more or less independent political units in Europe had decreased to about 200 (Tilly 1992, 42).
- In 1989, there were 29 states in Europe; by 1993, however, their number had increased to 39 because of the collapse of “real socialism” (Tilastokeskus et. al. 1995, 13-13; Tilastokeskus 2000). Nevertheless, this relatively small increase in the number of European states during the 1990's does not radically reverse the general historical trend towards political concentration in Europe. This is especially so, because these newly established states seek to take part in European political integration.

Nonetheless, on a world-scale, the generalization of the modern state as the most important form of political domination has increased the number of formally independent political units, states. The following table presents the number of states in the world from 1950 to 1999 (Tilastokeskus 2000, 13-18):

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>82</td>
</tr>
<tr>
<td>1960</td>
<td>111</td>
</tr>
<tr>
<td>1970</td>
<td>138</td>
</tr>
<tr>
<td>1980</td>
<td>162</td>
</tr>
<tr>
<td>1990</td>
<td>169</td>
</tr>
<tr>
<td>1999</td>
<td>192</td>
</tr>
</tbody>
</table>

This global development seems to contradict Elias’ idea of increasing global political integration. Indeed, here Charles Tilly seems
to have it right when maintaining that the modern state apparatus, which combines capitalist economy with political domination, is so effective a form of social organization that it has generalized itself through competition and this has happened not only in Europe, but everywhere in the world (see Tilly 1992, 15).

Even so, the growth of the number of states does not necessarily challenge Elias’ idea of a historical tendency towards increasing political integration. Two arguments support Elias’ ideas. First, apparently in many areas of the world, the formation of modern states has meant political concentration in comparison to earlier forms of social organization (such as tribes, diverse small scale aristocratic states). Secondly since the Second World War, the global interstate system has integrated more because of several projects of regional and global political integration.

A more serious criticism of Elias’ idea of global integrative dynamics caused by the monopoly mechanism is offered by Immanuel Wallerstein (cited in Sanderson 1995, 235; see also Weber [1922] 1985, 815). According to Wallerstein, a global political system is incompatible with capitalism because capital accumulation needs the functionally separate political units of modern states. This rationale holds that because actors of the modern state support the ideological presumption of national independency, the state also guarantees politically the continuation of economic competition. In other words, global regulation of economic and political competition would restrict national freedom of action. A world empire would restrict and regulate the functioning of the capitalist economy too much. In short, it can be summarized that there seems to exist a strong (functional) competitive tendency towards increasing political integration in the world, but whether this tendency is to realise itself depends on its interactions with other tendencies (such as intentional actioning of diverse groups).

A powerful element that integrates modern states to each other, and thus also supports Elias’ thesis of increasing political integration, is the fact that at the same time as states were established they also gave shape to an international interstate system. This interstate system has had a constitutive importance to nation-states. Because of it, states have to define clearly their geographical boarders and the nationally defined rights and responsibilities of their citizens (national loyalty, the duty of
paying taxes, military service and so on). Hence, the “internal” social order of national societies and the “external” interstate system are but different sides of the same modern social order. Because this interstate system is competitive, one of its most important features is power relations between states and national economies.

The fundamental power structure of the European interstate system can be described by examining which states have assumed leading roles in Europe since the fifteenth century. The following list summarises these developments (the main lines of this summary are taken from Immanuel Wallerstein, cited in Sanderson 1999,186-195; see also Braudel 1986):

- 1450-1640: the two leading powers were Spain and Portugal, which started European expansion to the other continents by establishing the first important colonies in the areas presently known as Mexico, Peru and Brazil. The from the latter half of the sixteenth century onwards the United Provinces (the Netherlands) increased its economic and military power. The key to international dominance was superiority in international trade.
- 1640-1760: The Netherlands had to compete with France and England for the dominant position in international trade. Commercial competition led to wars between England and the Netherlands (1652) and between France and the Netherlands (1672). Several wars between these three competing states ended up with England as the winner.
- 1760-1917: the Industrial Revolution began. By 1815 England had ensured its hegemony over France. Almost the whole world was included into the European-based capitalist world-system.
- 1917-present: Competition within the capitalist core of the world-system led to two devastating World Wars. After these wars, almost the entire world was divided into two camps that gathered around two super powers, the Soviet Union and the United States. Since the collapse of the Soviet imperium the main competitors of the capitalist core are comprised of a Western European alliance (EU) build around former imperial powers (Germany, France, England), Japan and the USA.

The competitive European state system has been a major problem in European social order because wars caused a lot of human misery and material losses (see Tilly 1992 on number of deaths in European major
wars after 990). Therefore, starting from medieval times, many writers have suggested that this interstate system should be pacified by establishing a European system of political domination. Since the rise of European state-societies, the medieval ideal of a world-state (Cosmopolis) and Christian (Catholic) unity (republica Christiana) has been abandoned and diverse forms of a federal political system have been suggested. (Muir 1919, 136-141; Foerster 1967, 53-60; Vaughan 1979, 14-15.)

In the nineteenth and twentieth centuries, there were several ideas and attempts to regulate politically competitive and hostile relations among European powers. Between 1815 and 1911 several international conferences were held to this end, at least twelve conferences being held from 1815 to 1911, and embryonic international legislation was created (Muir 1919, 178-189, 240). After the First World War the League of Nations was a major attempt to govern European and global competition. The most famous initiative for European integration between the two World Wars was the Pan-European Movement initiated by Austro-Hungarian count Coudenhove-Kalergi (Heater 1992, 124-125).

The pacification of European power competition was also attempted through empire building by means of war, as in the First and the Second World Wars. After the Nazis’ dream of a “New Europe” collapsed in 1945, the idea of the pacification of the European interstate system was probably more popular than ever. It was one of the explicit motivations when the creation of trans-European political organs finally succeeded after the Second World War. Ironically, however, the pacification of relations between Western European imperial powers succeeded only in a historical situation in which they seemed to be destined to loose their power position to the United States and the Soviet Union.

All in all, it seems obvious that the crucial dynamics of European integration since the Second World War originate from the hierarchical competition of the European and global international system (see also Elias [1939] 1992, 211): First, this competition has been an important factor in moulding collective historical memory, national ideologies and national social structures. Secondly, via political integration Western European governments have striven to regulate the competitive, and historically often conflictual, relations between Western European states.
Thirdly, actors of integration have tried to strengthen Western Europe in relation to its global competitors (the USA, Japan, Russia) and peripheral areas (former colonies, rising industrial nations). Lastly, similarly to national relations of domination, also at the European level successful regulation of internal relations and of external strength go hand in hand.

The above described competition reproduces and changes the hierarchical relations between Western European state-societies. At present, these relations can be described by locating where the Western European core and semiperipheries lie. Be referring to Western European peripheries as "semiperipheries", I am underlying the fact that even though European peripheries have a peripheral position within Europe, from the global point of view they, nevertheless, belong to a long-lasting global core area.¹

To illustrate Western European core and semiperiphery structures, the following table (Table 1.1) compares 16 Western European nation-states with each other. In Table 1.1 the present Western European nation-states are ordered according to the year they joined Western European economic and political organizations the European Coal and Steel Community (ECSC); the European Economic Community (EEC) and the European Union (EU).

Table 1.1 shows that Western European politico-economic integration started after the Second World War as an attempt to regulate relations between competing core nations of Western Europe. In 1952 the founding members of the European Coal and Steel Community were Germany, France, Italy, the Netherlands, Belgium and Luxembourg. In order to limit the size of the comparative tables in this study two Western European countries Luxembourg and Iceland, have been excluded from them. The group of the original ECSC member states and the United Kingdom are referred to here as the “core”. Later, nation-states from the Southern and Western semiperipheries as well as from the Nordic semiperiphery also joined the above mentioned international organizations.

In 2004 Cyprus, the Czech Republic, Estonia, Hungary, Latvia,

¹ For the notions of “core”, “semiperiphery” and “periphery” see Immanuel Wallerstein’s book *The Modern World-System* (Wallerstein 1974, 349-350). For the role that centre-periphery structures have played in European history see Peter Flora’s introduction to the thinking of Stein Rokkan in Flora 1999.
Lithuania, Malta, Poland, Slovakia and Slovenia joined the Union but these countries are omitted from this study and Table 1.1. In any case, also this latest enlargement of (Western) European transnational organizing seems to follow the old core - periphery pattern.

**Table 1.1 Members of the ECSC/EEC/EU and relative size of Western European nation-states (% of total Western European population and GDP)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern and Western semiperipheries (sum)</td>
<td>21.3</td>
<td>20.5</td>
<td>11.3</td>
<td>15.8</td>
</tr>
<tr>
<td>Switzerland</td>
<td>-</td>
<td>1.6</td>
<td>1.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Austria</td>
<td>1995</td>
<td>2.4</td>
<td>2.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Portugal</td>
<td>1986</td>
<td>4.0</td>
<td>2.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Spain</td>
<td>1986</td>
<td>9.7</td>
<td>10.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Greece</td>
<td>1981</td>
<td>2.6</td>
<td>2.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Ireland</td>
<td>1973</td>
<td>1.0</td>
<td>1.0</td>
<td>0.7</td>
</tr>
<tr>
<td>Core (sum)</td>
<td>72.1</td>
<td>73.4</td>
<td>79.3</td>
<td>76</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1973</td>
<td>17.6</td>
<td>15.4</td>
<td>25.2</td>
</tr>
<tr>
<td>Italy</td>
<td>1952</td>
<td>16.2</td>
<td>14.8</td>
<td>10.2</td>
</tr>
<tr>
<td>France</td>
<td>1952</td>
<td>14.5</td>
<td>15.2</td>
<td>19.8</td>
</tr>
<tr>
<td>Germany</td>
<td>1952</td>
<td>17.3</td>
<td>21.2</td>
<td>16.0</td>
</tr>
<tr>
<td>Belgium</td>
<td>1952</td>
<td>3.0</td>
<td>2.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1952</td>
<td>3.5</td>
<td>4.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Nordic semiperiphery (sum)</td>
<td>6.4</td>
<td>6.2</td>
<td>9.4</td>
<td>8.3</td>
</tr>
<tr>
<td>Denmark</td>
<td>1973</td>
<td>1.5</td>
<td>1.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Sweden</td>
<td>1995</td>
<td>2.4</td>
<td>2.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Finland</td>
<td>1995</td>
<td>1.4</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Norway</td>
<td>1994 (EEA)</td>
<td>1.1</td>
<td>1.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Sum (%)</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

a The European Economic Area (EEA) extended the EU’s market integration to Norway and Iceland without actual membership.


In order to ease comparisons and understanding of the statistical data presented, all the comparative tables in this study are constructed in a similar manner: sixteen Western European countries are grouped within the core, the Southern and Western semiperipheries and the Nordic
Core periphery structure is, of course, not the only possibility when grouping Western European countries or areas, but it seems to offer the best line of argumentation when explaining the widening of European integration. For other possibilities see, for instance, the discussion in Nieminen 1994, 20-22.

It might look strange that countries like Switzerland or the rich Nordic countries, which are normally regarded as capitalist core countries, are defined here as semiperipheral, but when examining the development of politico-economic integration in Western Europe it can be seen that their role has actually been much less influential than that of the other core countries. Due to their core - semiperiphery structure, the tables can be best read by starting from the middle rows and proceeding then upwards (the Southern and Western semiperipheries) and downwards (the Nordic semiperiphery). In addition to membership information, Table 1.1 includes data on relative shares of population and gross domestic production (GDP).

It can be observed from the table that at the beginning of the 1950's those six countries that established the European Coal and Steel Community (ECSC) constituted more than half of the entire Western European population and gross domestic production. It is therefore no wonder that this concentration of population, markets and power drew additional members until by the middle of the 1990's all Western European nation-states, save Switzerland, were politically integrated into the EU. Table 1.1 illustrates also how large differences there are between Western European state-societies. For example, in 2000 66.7% of the whole Western European population lived in the four biggest countries (Germany, France, Italy and the United Kingdom) and the total population of the four Nordic countries comprised only 6.2% of the whole population. One is not accustomed to think of Western Europe as an area of population growth but in fact a considerable growth of the population has taken place. In 1950 the population was 288 million, by 2000 it had grown to 387 million. Unfortunately due to inflation, absolute figures of the gross national product are not comparable.

In general, the relative differences among Western European state-societies have remained the same, but in terms of economic wealth differences between peripheries and cores have diminished. This can be observed in Table 1.1 by comparing relative shares of the population and shares of the gross domestic product. In 1950 the semiperipheral state-

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1 Core periphery structure is, of course, not the only possibility when grouping Western European countries or areas, but it seems to offer the best line of argumentation when explaining the widening of European integration. For other possibilities see, for instance, the discussion in Nieminen 1994, 20-22.
societies’ share of population clearly exceeded their share of gross domestic production, which indicates their relative poverty. By 2000, the difference between the share of population and the share of the gross domestic product had diminished in Portugal, Spain, Ireland and Italy and the richer national economies assumed a smaller share of Western European gross national production.

Even though the relative positions of Western European state-societies have largely remained the same during the last fifty years, there are also a few noticeable structural changes. First thanks to German reunification in 1990, Germany’s share of the Western European population and gross national product has clearly increased. This change has apparently strengthened Germany’s position as the core of the Western European core. Secondly, the United Kingdom’s share of the European gross national product declined markedly between 1950 and 2000 (from 25 to 17 percent) and this relative decline might explain why United Kingdom’s governments have assumed a more positive stance towards Western European integration since the 1950's and the 1960's. The United Kingdom joined the EEC in 1973.

1.3 Development of Capitalism and Wage Work

In the preceding section, the dynamics of power in Norbert Elias’ historical narrative was described, but the process of civilization has also had an economic side which has been closely interwoven with power struggles. In Elias’ theory the economic analysis is not as well developed as the analysis of power competition, but according to Elias, economic development has supported competing nation-states structurally and functionally (see Figure 1.1 on interrelations between economic and power dynamics in European modernization). (See Elias [1939] 1992, 32-33, 158-159, 224-225, 436-437.)

The growth of population created structural preconditions for the growth of cities and their bourgeoisies. During late medieval times and in early modern times trade and the money economy developed quicker than before. Because enlarging economic activity needed a peaceful environment for its functioning, a new and growing group of city burghers supported (intentionally) the development of a central power. On the other hand, as the division of labour (differentiation) developed
both within cities and between different parts of countries, this created a functional need for a central government which could govern this new system of interdependencies. In this way the developing a capitalist economy and the centralizing state power functionally strengthened each other. Also, according to Max Weber and many of his followers, modern rational administration and legal regulation are essential preconditions for the functioning of modern capitalism (see Weber [1922] 1985, 94, 815, 826; Habermas 1985b, 462-463).

The end result of above described processes of political and economic modernization is the modern state-society, in which political and economic structures functionally support each other (see also Smith 1998, 35-37) (see Figure 1.1). These nation-states in turn compete politically and economically in the world-wide interstate system. This competition has been waged with the help of commercial policy by supporting national industries politically or by trying to defeat adversaries in wars (see Pollard & Holmes 1968, chapters 7, 10, 12; Pollard & Holmes 1972, 87).

In the following pages, development of wage work and industrial production, which constitute essential ingredients of economic modernization, are examined. Because a central theme in the study at hand is the regulation of capitalism (industrial relations), it is necessary to examine paid work and its structures during the process of modernization. Another reason for pondering the roles of work and production in modern social order, is their central function within it. Paid work and extensive industrial production form the central structural characteristics of modern social order.1

“Work” refers to the production of those goods and services that are needed for human reproduction (Schneider 1983a, 12-14). Work as subsistence production is a natural necessity and an essential part of work consists of interactions between humans and nature. People manipulate nature in order to get their livelihood from it and natural processes affect human beings. A second crucial element of work is that work is a socially organized activity. Modern relations of production include a highly developed division of labour (differentiation) and a multitude of

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1 This said, it would be an interesting thought experiment to reflect whether modernity could exist without wage work and extensive industrial production.
power relations. Manipulation of nature is closely linked with the social organization of work. Capitalist relations of production have increased people’s ability to manipulate nature but capitalism’s power over nature has meant that it has power over humans as well. Effective control of nature has necessitated effective control of people’s internal feelings, their social relations and their external work performance. In this way, manipulation of external nature and control of the internal nature of people (feelings, instincts, their bodies, social relations as far as they are linked to the human nature) are closely connected with each other (see Adorno [1970] 1996).

The quintessential modern form of work, and one of the most vital of modern institutions, wage work, was given birth to as work and the ownership of the means of production were separated (Marx [1890] 1974, 159-161; Max Weber [1922] 1985, 85). In fact, paid work existed well before the modern times (see Schneider 1983b, 141-143; Müller 1983, 184), but its generalization is a modern phenomenon. Together with population growth in agricultural areas, this separation of workers and the ownership of means of production caused a massive increase in the number of people who lacked any means of livelihood. The misery of the unemployed, that is those who were excluded from the means of production, as well as those who were forced to work in early industry was pitied and critically described by contemporary scholars (see, for example Spencer 1879-1896b, 491; Pollard & Holmes 1968, Chapter 15).

The following table (Table 1.2) shows how, in course of capitalization and modernization from 1900 to 2000, the bulk of employment moved from agriculture to industry and services. Before examining the table in more detail, a few warnings concerning the reliability of the data for 1900-1950 must be made. The years stated in the table between 1900-1950 are approximations: the actual data dates from national censuses conducted closest to a given year. Another source of uncertainty originates from differences in the definitions of statistical categories both over time and between countries (for problems

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1 That systems of division of work and forms of work organization cannot be reduced to impartial forces of functional differentiation has been demonstrated by several studies (see, for example, Braverman 1974; Rueschemeyer 1986; Kevätsalo 1988).
concerning this data see Flora & Kraus & Pfenning 1987, 443-448). All in all, due to the imprecise character of the data only crude comparisons over time and among countries are sensible. (Problems concerning the usage of comparative international statistics are discussed in methodological appendix’s remark three on statistical methods.)

Table 1.2 shows that capitalist development first increased the share of industrial workers. State-societies that industrialized early are easily discerned from the table, in 1900 industry’s share of the labour force was highest in the United Kingdom, Switzerland, Belgium, Germany and the Netherlands. In general, services started to increase later than industries, but already in 1900 their share of labour force had grown to about 30% or more in the United Kingdom, the Netherlands, Norway and France. In all countries agricultural employment has gone down markedly but this development took place later in Ireland, Italy and Finland where in 1950 around 40% of employed persons still worked in agriculture. In general, there has been a clear converging tendency in terms of shares of industrial and service employment. Similarly, the share of agricultural employment has diminished in all countries even though, in relative terms, differences relating to agriculture have remained larger than in other sectors (see also Kaelble, 1987, 102).

The above described revolutionary changes in the sectoral division of labour serve to indicate that people have increasingly moved from agriculture to wage work within the (predominantly) capitalist economy (industry and services). In order to assess this development the following table (Table 1.3) presents the share of the “economically active population” of the whole population of Western Europe between 1950 and 2000. Unfortunately, the data available did not permit a longer time-series. The official statistical category of “economically active population” refers to those people who receive monetary compensation from their work; sometimes a small number of “assisting family members” in farming and small businesses might be included (see ILO 2000, 1418-1419). Consequently, this category excludes unpaid work at home and elsewhere.

The figures in Table 1.3 show that the average national participation in paid work increased from 1950 (44%) to 2000 (48%) although this increase was not very dramatic. In the core countries, except for the Netherlands and the United Kingdom, the share of the
Table 1.2 Sectoral division of employment 1900-2000 (% of labour force in industry, services and agriculture)

<table>
<thead>
<tr>
<th></th>
<th>Industry</th>
<th>Services</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern and Western semiperipheries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>44</td>
<td>46</td>
<td>26</td>
</tr>
<tr>
<td>Austria</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
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<td></td>
<td></td>
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<tr>
<td>Spain</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Greece</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>46</td>
<td>49</td>
<td>25</td>
</tr>
<tr>
<td>Kingdoma</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italyb</td>
<td>24</td>
<td>30</td>
<td>32</td>
</tr>
<tr>
<td>France</td>
<td>30</td>
<td>36</td>
<td>25</td>
</tr>
<tr>
<td>Germany</td>
<td>37</td>
<td>42</td>
<td>35</td>
</tr>
<tr>
<td>Belgium</td>
<td>41</td>
<td>48</td>
<td>24</td>
</tr>
<tr>
<td>Netherlands</td>
<td>32</td>
<td>35</td>
<td>21</td>
</tr>
<tr>
<td>Nordic semiperiphery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>25</td>
<td>34</td>
<td>26</td>
</tr>
<tr>
<td>Sweden</td>
<td>20</td>
<td>41</td>
<td>25</td>
</tr>
<tr>
<td>Finlända</td>
<td>11</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Norway</td>
<td>27</td>
<td>37</td>
<td>22</td>
</tr>
</tbody>
</table>

.. missing data.

a 1900 data includes a considerable amount of people (6-10% of the whole labour force) whose field of activity was unknown, hence percentages do not add up to 100 and data concerning sectoral division of labour is to be interpreted as a very crude estimation.
b Only the years 1950 and 2000 presented because in 1900 Austro-Hungarian empire had a much larger area and population.
c OECD data for the year 2000 excludes armed forces.


... economically active of the total population remained practically the same. Substantial increase did, however, take place in Switzerland, Portugal, Spain and in the Nordic countries, except for Finland. In 2000, the average participation in paid work was around half of each national population and national activity rates varied between 55% (Denmark) and 42% (Belgium). The activity rate of men showed a reverse development: in all countries participation in paid work among men diminished between 1950 and 2000. In contrast to these rather moderate
changes in both the total participation rates and the participation rates of men, the participation rate of women increased dramatically from 1950 to 2000 (see also ILO 2000, xxviii, xxxi). National averages grew from 25% to 40%.

Table 1.3 Economically active population 1950-2000 (% of total population, all men and all women)

<table>
<thead>
<tr>
<th>All</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern and Western semiperipheries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>46</td>
<td>54</td>
</tr>
<tr>
<td>Austria</td>
<td>50</td>
<td>47</td>
</tr>
<tr>
<td>Portugal</td>
<td>41</td>
<td>51</td>
</tr>
<tr>
<td>Spain</td>
<td>39</td>
<td>44</td>
</tr>
<tr>
<td>Greece</td>
<td>41</td>
<td>43</td>
</tr>
<tr>
<td>Ireland</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Core</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>46</td>
<td>50</td>
</tr>
<tr>
<td>Italy</td>
<td>44</td>
<td>45</td>
</tr>
<tr>
<td>France</td>
<td>46</td>
<td>45</td>
</tr>
<tr>
<td>Germany</td>
<td>48</td>
<td>50</td>
</tr>
<tr>
<td>Belgium</td>
<td>41</td>
<td>42</td>
</tr>
<tr>
<td>Netherlands</td>
<td>40</td>
<td>47</td>
</tr>
<tr>
<td>Nordic semiperiphery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>49</td>
<td>55</td>
</tr>
<tr>
<td>Sweden</td>
<td>44</td>
<td>54</td>
</tr>
<tr>
<td>Finland</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Norway</td>
<td>43</td>
<td>52</td>
</tr>
<tr>
<td>Average</td>
<td>44</td>
<td>48</td>
</tr>
</tbody>
</table>

Sources: ILO 2000, xxv-xxx.

Judging from the above figures, modern “work society” is not especially pervasive. It is true that the economic structures have experienced revolutionary changes during the last 100 years (see Table 1.2), but it is to be noted that in average only about half of the total population takes part in paid work in Western European state-societies. In addition, when assessing the relative position of wage work in the course of life of people, it is worth noting that in Western Europe annual working time has diminished considerably during the twentieth century. In 1929, the average annual working time within the area of the present EU was around 2250 hours per year. In 1998, it was calculated that EU
workers worked on average 1660 hours a year (European Commission 2000, 66, 68).

Nevertheless, in capitalist economy working for money provides individuals with indispensable financial and social resources and therefore exclusion from work substantially weakens the socio-economic position of individuals. This crucial functional relation between participation in paid work and one’s social position can be negatively verified by referring to women’s changed social position. Is it not so that women’s improved equality with men stems largely from increased inclusion of women in wage work (see Table 1.3)?

In spite of the “work society’s” limited scope in relation to the whole of population, wage work and production seem to occupy a central ideological role in modern social order. For instance, Jean Baudrillard has claimed that work and production are central elements of social life in modernity and that modernity is the only culture that assigns such a great weight to production (Baudrillard 1982, 26-27). In any case, it should be noticed that the ideological concentration on production in capitalist social order leads easily to neglecting all those people (children, the old, the unemployed, the handicapped, the sick and so on) and human functions (housework, free-time activities, taking care of children and the old and so on) which are not included within the capitalist economy. In this sense, a view of human life which centres around work and production is biased.1

It has already been pointed out above when the concept of “work” was defined that socially organized work constitutes an essential interrelationship between humans and nature. This relationship has changed essentially due to industrialization and technical development. In the following paragraphs, changes of humans’ relations to nature are described in terms of the growth of the industrial production and the

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1 I have chosen to present general labour force statistics based on the total population in order to avoid excluding those people from the analysis who do not belong to the working age population (from 15 to 64 years). Often participation in paid work is measured as the percent share of the labour force of the 15-64 years old population. Needles to say, such a presentation of the activity rate produces substantially higher figures than displayed in Table 1.3. This is but one example of those choices relating to statistical data that mould our understanding of the world and direct our attention in certain directions.
usage of natural energy resources.

Industrial production has grown enormously. Walt Rostow has made an estimation of the world’s industrial production from 1700 to 1971. His figures are price-corrected, thus they take inflation into account, and they use the year 1913 as the base year for the index\(^1\) (1913=100) (Rostow 1978, 662):

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1701-1710</td>
<td>0.55</td>
</tr>
<tr>
<td>1802-1812</td>
<td>3.18</td>
</tr>
<tr>
<td>1900</td>
<td>58.7</td>
</tr>
<tr>
<td>1971</td>
<td>950.0</td>
</tr>
</tbody>
</table>

Until 1860 Europe accounted for approximately 86% of world’s industrial production (Rostow 1978, 52) and therefore, apparently, up to 1900 these figures reflect mostly European and North American developments. Subsequent European figures reveal that European industrial growth has continued since the Second World War. The following table presents indexed (1963=100) industrial growth in 14 Western European countries\(^2\) from 1950 to 1990 (Mitchell, 1998, 423-424):

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>49</td>
</tr>
<tr>
<td>1960</td>
<td>84</td>
</tr>
<tr>
<td>1970</td>
<td>158</td>
</tr>
<tr>
<td>1980</td>
<td>219</td>
</tr>
<tr>
<td>1990</td>
<td>275</td>
</tr>
</tbody>
</table>

These figures hide considerable national differences, but the overall growth of industrial production has been a strong tendency that continued also during the 1990's: According to OECD’s (Organisation for Economic Cooperation and Development) index of industrial production (1995=100), production in the European Union grew from 100.4 to 115.6 between 1996-2000 (OECD 1999a, 24; OECD 2001a, 18).

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\(^1\) This means that the value of production in 1913 has been marked as 100.

\(^2\) National economies included in these figures are those of Austria, Belgium, Denmark, Finland, France, West Germany (West Germany’s 1990 figure is from 1989, prior to German reunification), Greece, Ireland, Italy, the Netherlands, Norway, Spain, Sweden and the United Kingdom.
This constantly growing modern economy increasingly uses natural resources. Indeed, increasing usage of natural resources had been depicted as an important quality of modernity (Lenski 1977, 393-395). For instance, the world’s total consumption of coal, oil and natural gas (expressed in million tons of oil equivalent) grew from 1666 million in 1950 to 7869 million in 1998 (Brown & Renner & Halweil 1999, 49; see also Rostow 1978, 595). A similar tendency towards increasing energy production can be depicted for Europe (see World Resources Institute 1990, 2000).

Enormous growth of production and population and increasing use of natural resources have raised critical questions concerning relations between modern social order and its natural environments (see, for example Meadows & Meadows & Randers 1993). Environmentalist criticism of the modern economic growth has been so successful that at present all political and economic actors seem to be forced to take into account demands for a “sustainable future” — at least as formal lip-service. Nonetheless, this change of public ideology has not so far caused any substantial change to the modern tendencies of growing production and consumption. This can be verified from the data cited above. Yet, it seems that because a limited world cannot sustain unlimited growth modern social order is now faced with the challenge of defining its relations to nature in a new way.

1.4 A Scheme of European Modernization

The historical narrative on the formation of modern European state-society, capitalism and paid labour presented in the previous sections, can be recapitulated in the form of a scheme of modernization. To be sure, there is no single generally accepted theory of modernization, but as I see it, a general scheme of the dynamics of modernization can nevertheless be constructed. Moreover, it is possible for this scheme to incorporate the most important ideas of modernization under its pattern.1

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1 This scheme was developed on the basis of the above presentation of Norbert Elias’ civilization theory (see Elias [1939] 1992; Elias 1978, 138-142), but to understand modernization as a combination of the development of capitalism (differentiation) and state building seems to be a common way to conceptualize modern dynamics (Heiskala 1995, 204). For a recent application of Elias’ theory see Dieter Senghaas’ book: Wohin
According to this scheme, the dynamics of modernization stem from the formation of modern state-societies and the development of modern capitalism (differentiation, advancing division of labour), and these two processes are accelerated by competition on the part of other emerging nation-states:

(capitalist economy & state formation) x European & global competition
= dynamics of European modernization

As a result of the modernizing dynamics described in the above scheme of modernization, we now find ourselves in a modern world order in which the world is divided into formally sovereign state-societies. Often — and probably always in Western Europe — these established social configurations are experienced as quasi-natural communities (Wagner 1994, 184-185). In the social sciences these units are habitually called "societies" (Wagner 1994, 151). The basic elements and principles underlying these social entities are introduced in the next chapter.

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driftet der Welt (Senghaas 1994). In this chapter the emphasis is on the structural and institutional development of modern society, not on discursive ideas of modernity (of these see Wagner 1994; Therborn 1995, 4-5). Due to this limitation, ideological ideas of modernity and other cultural phenomena of modern society are not analysed here. For example, Max Weber’s conception of modernization as ongoing "rationalization" is not dealt with here. Yet, in passing it is possible to note that "rationalization" penetrates both capitalist development (development of capitalist "rational calculation" and the creation of different rationalities along the lines of division of labour) and state formation (building of "rational bureaucracy" and a legal system).
2 Modern Social Order

The first chapter examined the historical dynamics of European modernization. These dynamics gave birth to modern state-societies. In order to clarify further the nature of modern social order, on which European integration is based, it is necessary to study a few basic elements of this kind of social order. These elements include rational actors, collective identity and ideology as well as those general principles which regulate relations between social order and nature. Reflections and ideas presented in chapters one and two are summarized as a constellation of modern social order in the final section of this chapter.

2.1 Rational Actors

Modern actors or subjects are supposed to be individuals and groups seeking to fulfil their own needs and pursuing their interests. In so doing, these actors often engage in competitive relations with each other. As explained in section 1.1, these kinds of processes of social integration fall under the category of associative socialization (Vergesellschaftung), in which subjects integrate through rational actioning and the generalized exchange of goods, symbols and services. As far as I can see, the theoretical basic traits of these integrative processes can be found in social contract theory.

The basic features of modern rationality can be found in the theories of a social contract from the seventeenth and the eighteenth centuries. The most famous developers of these theories were Thomas Hobbes (1588-1679; Leviathan 1651), John Locke (1632-1704; Two Treatises of Government, 1690) and Jean-Jacques Rousseau (1712-1778; The Social Contract, 1762). As in many other cases when searching for the roots of modern social order, in this case the notion of social contract can also be traced back to ancient times for already Greek Sophists had similar ideas (Encyclopædia Britannica 2000). Apparently, also in the case of modern rationality, the speciality of modernity stems from the generalization of this particular rationality during the modern epoch and not from its invention. In short, social contract theory explains and legitimates modern social order in the following way.
At the beginning, selfish individuals are found in an anarchic state of nature. For Hobbes this state of nature was an unhappy state of war against all (Hobbes [1651] 1999, 123-124). Locke and Rousseau, however, did not regard the state of nature as a warlike situation, but they nevertheless claimed that the individual’s rights of property (Locke [1690] 1995, 150-151) and his moral development (Rousseau [1762] 1998, 58-59) would be better protected if an orderly government and a body of laws were established. To move from the unsatisfactory situation of the state of nature, individuals establish an organized political order by making a social contract with each other. In a social contract individuals agree to surrender their individual freedom of action to a government that in turn ensures that individuals do not violate each others’ legitimate rights (Hobbes [1651] 1999, 160-162; Locke [1690] 1995, 126-128, 150-152; Rousseau [1762] 1998, 51-54).

It should be noted that social contract theorists regarded their model primarily as a systematic clarification of the basis of political order, and not as an actual historical description (Hobbes [1651] 1999, 185-186, 188-189; Rousseau [1762] 1998, 37-38). Hence, their main objective was not a historical description but the rational legitimation of political order. They layed the foundations for voluntaristic political philosophy (Simmons 1999, 112-114). The state of nature plays an constitutive role in this theory because it formulates basic ideas concerning human nature. Because this human nature does not change, a return to the state of nature is always possible (Hobbes [1651] 1999, 124, 162-164; Rousseau [1762] 1998, 52). Therefore, the state of nature also provides the basic principles of social integration when competition and struggle are socially regulated (see Wrong 1976, 34).

An important enlargement of social contract thinking was that the idea of the anarchic state of nature was extended from individuals to relations between social groups and states (Hobbes [1651] 1999, 125, 158; Locke [1690] 1995, 55, 206, 208; Rousseau [1762] 1998, 71, 76). International relations research has assumed this same idea by stating that states have competing and at least potentially hostile relations with each other (Scholte 1993, 7; Rosamond 2000, 131-132).

For a study of European integration, the theory of social contract is illuminating in three respects. First, the notion of social contract justifies political authority and social order on the grounds of individual
self-interest and consent. Unlike many earlier ideologies that explained social order by referring to religious values, lineage or age-old traditions, the social contract theory based its notion of social integration on the self-interests of individuals. This was the most revolutionary aspect in their thinking. By maintaining that social order is, or that it should be, based on the consent of individuals pursuing their own self-interest, social contract theorists gave clear expression to notions of modern social actors and modern rationality. All in all, the notion of the modern rational actor forms one of the most fundamental points of departure in modern social practice and thinking. It is rational actors, who act in politics and in the economy both in national in transnational configurations. It is also rational actors, who negotiate on European integration.

Secondly, two central characteristics of modern rationality are to be noted here. “Rationality” is a specific modern notion, other social configurations have sought to legitimate their social order by referring to other sources such as religions or old traditions. In addition, rational social order has a dialectical internal relation with nature: On the one hand social contracts are arbitrary constructions; but on the other hand the rational actors that give their consent to a social contract are constituted by the state of nature (inevitable or potential hostility towards other actors as well as individual needs and selfish interests as the point of departure for actions).

This contradictory construction gives birth to a specific crudeness in the modern world. When rational actors seek their own self-interest they must set aside all those feelings that might distort the attainment of their individual interests. This is the reason why modern rationality has an indifferent, if not hostile, attitude towards feelings of companionship and love. Another indicator of the legitimating role of nature in modern social order is to be seen in different expressions that equalize natural and social states of affairs (biological and physical analogies). For

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1 Historically, it would be interesting to study whether the separation of “reason” and “feelings” and the invention of sentimentality and romantic love coincided with the generalization of this modern rationality. In more general terms: it is obvious that this sort of rationality is biassed, because it is tied to public, “manly” spheres of politics and the economy and it excludes family-life, biological reproduction and love (see Ronkainen 1999, 228-229).
instance, often it can be read in the newspapers that the economy is in a “healthy” or “sound” condition, or that somewhere competition has turned in an “unhealthy” direction. In European politics it is often suggested that a right “balance” has to be found between the diverse organs of the European Union. In short, modern social order is based on a peculiar combination of sophisticated culture and crude ideas concerning the natural basis of social life. (See Horkheimer & Adorno [1944] 1987.)

Thirdly, the ideas presented by social contract theorists are illuminating for the study of social integration because they stress the importance of the notions of “struggle”, “competition” and “conflict” in modern social integration. Since the interests and needs of rational selfish actors might well collide with each other, these notions are inherent companions of modern individuals and groups. In fact, the supposition that competition is the primary mover of socio-economic development is so common in social sciences and everyday thinking, that its origins and bases deserve to be examined.1 It is not sufficient to be content with premises of political philosophy created by social contract theorists. Two crucial questions on the nature of competition come up here. What exactly is “competition”? And why do individuals and groups compete with each other?

First, when defining competition it is important to make a distinction between “competition” and “struggle” (see Weber [1922] 1985, 20-21; Simmel [1903] 1992, 174-175). “Struggle” means that antagonistic parties fight directly with each other for the possession of certain desirable things (land, money, goods) and one of the opposing parties controls these desirable objects. Thus, in the ensuing struggle adversaries fight directly against each other’s will. This is, of course, the

1 For example, in economics, competition is a central theoretical concept. In the “realistic” (that is, Machiavellian) tradition of international politics, competitive rationality of power politics is assumed to form the basis of international relations. Also different forms of political economy stress the importance of competitive dynamics. Modern management literature uses ideas that were originally constructed for the objectives of warfare. Finally, in everyday life ideas of competition for power and wealth between nation-states, firms and individuals may often be used as important elements in the construction of social life. In this sense, Elias’ theory of civilization described above is, in fact, very close to all those intellectual traditions that stress the dynamic importance of competition.
Hobbesian state of nature. A war for frontier regions and their natural resources is an example of such struggle (see sections 1.2-1.3). On the contrary, in the case of competition none of the adversaries is in possession of the objects of competition, but the winner obtains these objects through indirect means. Competition is a mechanism which indirectly determines who wins and who loses. In terms of social contract theory, this situation corresponds to the pacified state of nature: An implicit or explicit social contract has transformed struggles into competition regulated by formal and informal norms.

Examples of competition are manifold: competition for market shares, competition in labour markets, arts and in sports. In each of these cases actors do not directly attack their adversaries, but try to demonstrate by indirect means that she or he is better than the other competitors. In competition it is the formal rules of competition (for example, the rules of a game), an objective mechanism (for example, market mechanisms) or a third party (for example, the judges at a sport competition, customers at markets) which decides who the winner is. This distinction between competition and struggle being made, it is equally true that often in reality struggle and competition mix with each other. For example, political and economic competitors may try to attack each other directly by accusing each other of improper actioning.

A second major question concerning the competitive dynamics of modernization is: Why do individuals and groups compete and struggle with each other? Obviously competition comes about because resources are scarce. In a world of abundance competition would be meaningless.

A simple thought experiment might clarify this idea of the relation of systemic determination between scarcity and competition. If business firms could in all circumstances sell as much as they wish, if every competitor could win the first prize, and if university degrees and limousines could be bought with five cents on street corners it would be meaningless to compete for market shares, first prizes, doctor’s degrees or a higher income. Naturally, also in a world of abundance individuals and groups could compete with each other, but within abundant conditions, competition would have a playful character and systemic competitive pressures would lose all their strength. Thus, scarcity seems to be essential to the reproduction of systems of competition and struggle. But where does this scarcity stem from?
There are two divergent answers to this question. According to the first explanation, an absolute scarcity of desirable goods and resources drives individuals and groups to compete with each other. An absolute scarcity of different kinds of resources forces individuals and groups to struggle and compete with each other in order to get their share of scarce resources. According to the second explanation, the scarcity that brings about competition is relative. This means that the amount of resources is not measured in terms of absolute quantity, or in terms of human needs, but rather in terms of the relative division of resources. In a competitive hierarchical social system actors do not compare their lot with absolute human needs but with their relative reference groups. Hence, competition for relatively scarce resources reproduces hierarchies.

It is often maintained that modern societies are mainly based on the functional division of labour and not on hierarchies, but actually competition is the main means for the reproduction of modern hierarchies within politics, the economy and cultural life. Competition, hierarchy and relative scarcity are thus interwoven and they systemically determine each other’s preconditions, grounds and consequences (systemic determination). Without relative scarcity competition and hierarchies would collapse. On the other hand, hierarchies and competition reproduce relative scarcity by constituting values and hierarchical positions that, by definition, are not available for everyone.

It follows from the above considerations, that competitive socio-economic systems are defined in this study as social systems that reproduce themselves via the circular socio-economic dynamics described above. This circular reproduction involves the dynamic elements of systemic determination, functional relations and intentional actioning. From this point of view, the idea of an absolute scarcity which forces people to compete and struggle with each other is in most of the cases misleading and amounts to the naturalisation (legitimizing) of

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1 Whether this absolute scarcity is explained by the insatiate internal nature of humans or through a shortage of natural resources is insignificant here.

2 In some cases Elias seems also to think that in the first place it is this absolute scarcity of resources that drives people to compete with each other (see Elias 1978, 76-80; Elias [1939] 1992, 40-45, 206).
competitive social systems. This, however, does not mean that objective changes in the amount of resources would not affect the competitive dynamics of modernization. It only means that actors of competitive systems tend to interpret changes and answer challenges according to the competitive logic of their respective social systems.¹

2.2 Interests, Subjectivity and Conflicts

The social situation of modern rational actors can be further described and examined through the notions of "interest" and "subjectivity". In modern social order, rational action is normally supposed to have the following kinds of relations with interests (see Figure 2.1).² Individuals and informal or formally organized groups are believed to have a specific objective (material) bases of interests from which their subjectively interpreted interests rise. When individuals and groups define their interests, they inevitably do this subjectively. Defining interests presupposes subjective activity. Yet, because interests have objective material bases, their definitions must have some sort of connections to the objective world, that is, to the actions of other actors and to material surroundings. The definition of interests cannot be purely voluntary. Hence, interest-based actions are in part structurally determined (see Luhmann 1987, 228-229).

From this definition of interests it follows that interest actions are not based solely on subjective needs or desires but also on the anticipated reactions of other actors. Interest-based actions are carried out in such a way that the actors’ objective bases of interest are improved — or at least the actors’ material conditions are not worse than before (see Ritsert 1988, 323-326). In this circular way actors reproduce, or at least aim to reproduce, their conditions (that is, their positions in the given social

¹ Compare with the notion of “autopoesis” in systems theory (Luhmann 1997).

² For the history of the notion of interest see Luhmann 1987, 228 and Johan Heilborn’s article on the genesis of the notions of “interest” and “commercial society” (Heilborn 1998).
Sometimes this reproduction fails and the interests of social subjects are not fulfilled. In such cases actors loose rational grounds for taking part in associative socialization and the system’s reproduction is jeopardized.

Structural determination of subjectively defined interests can be clarified through the notion of “subjectivity”, though this notion has substantially larger scope than just clarifying interest-based actioning. In more general terms, subjectivity refers to dialectical relations between social subjects and their objective environment; subjectivity refers to those processes that mediate between subjective and objective factors in social life. In other words, it is in the realm of subjectivity that an actor’s degree of freedom and dependency is defined. Relations between the above mentioned elements can be illustrated in the form of a scheme:

social subjects — subjectivity — objective world
In this scheme, social subjects refer to both individual and collective actors. The objective world refers to natural and human-made objects as well as to factual social life: actions, institutions and organizations (see Zeleny 1972, 304). It is clear from the scheme, that subjects and the objective world are not independent beings but presuppose and constitute each other (see Adorno [1970] 1996, 141, 176-184; Ronkainen 1999, 48). Subjectivity refers to the intermediated character of relations between subjects and objects. An objective environment forms preconditions for and constraints upon the subjects’ actions, but it depends on the subjects’ positions, decisions, reflective abilities, courage and so on to what degree a subject is able to comprehend and influence the objective world and to act freely.\(^1\) In other words, the notion of subjectivity raises the question of freedom for individuals and groups.

It seems obvious that the problem of subjectivity is closely linked to the invention of modern social order, because it is modern social order, including social contract theory, that depicts individuals as separate rational actors and thus creates distance between social entities and their constituents. Nevertheless, because people are in fact separate beings and physical bodies\(^2\) it seems equally true that relations between individuals and their objective surroundings have always been and will always remain somewhat strained. Perhaps in this, as in many other cases too, the special quality of modern social order does not stem from a qualitative difference in relation to non-modern social order but from the special role that the question of subjectivity plays in modern social order.

Sometimes the competitive actions of actors lead to conflicts between individuals or groups and occasionally conflicting parties (or one of them) chose disintegration as a solution to conflict. These possibilities are analysed in the following paragraphs.

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\(^1\) Because subjectivity is a matter of relativity, it can be described with contrasting modal verbs phrases such as: having to / being free; being-able / not being-able; knowing / not knowing; wanting / not wanting; knowing how / not knowing how; believing / not believing (cited with modifications from Sulkunen & Törnönen 1997, 53; Törnönen 2000, 249). The above contrasting pairs of modal verbs emphasise the fact that subjects are never totally free to act — nor totally restricted in their lives. It is between the above extremes that subjectivity is situated.

\(^2\) In recent years, discussion on subjectivity has stressed the importance of gender and physical bodies when reflecting on particular subjectivities (see Ronkainen 1999).
“Conflict” means that social groups or individuals disagree about something (see Luhmann 1987, 530-534). This disagreement is expressed via words or actions, and in normal cases conflicting parties share the same understanding of what is at stake, and they direct their actions accordingly. Therefore, a situation of conflict does not mean a collapse of communication. Conflictual action is itself one form of communication, and meaningful conflicts are only possible within a single social system. For example, no conflict is conceivable between French housewives and Chilean chess players, because these groups are not integrated into a common frame of reference (Dahrendorf 1959, 164).

When generated, a conflictual situation fabricates its own kind of social system. In this system, conflictual systemic determination integrates adversaries tightly together. Conflict is, thus, not the opposite of integration (disintegration), on the contrary, the destructiveness of conflicts lies precisely in fact that conflicts raise the intensity of social integration enormously. Systems of social conflicts tend to absorb all energy to their own dynamics, a situation which leads to the undermining of all other objectives and values. This destructive effect of conflictual systemic determination can be observed, for example, in the concentration of all resources of a nation during wartime, or in intense romantic quarrels. Nevertheless, only a few conflicts develop into long-term structural confrontations. Everyday life is filled with occasions in which the intentions of individuals and groups are in conflict with each other and most of these situations do not leave any long-term traces.

Since modernization as differentiation leads to a complicated social configuration with a myriad of specialized social groups and functions, modernization increases the amount of possible conflicts. On the other hand, modern social actors need conflicts to be able to reorient their actions. Negative feedback is therefore important for the functioning of modern societies (see Luhmann 1987, 524-525). Normally conflicts do not lead to structural changes, but when this happens conflicts often lead to further differentiation within a system (Luhmann 1987, 504-505, 541). For example, conflicts in industrial relations may be answered by promulgating new legislation and creating new bodies to deal with problematic issues. Modern societies regulate conflicts in many ways. For example, legislation forbids the use of violence within state-societies and by establishing arbitration bodies the simple binary logic of
confrontation can be replaced with a more complex tripartite social system that provides more alternatives to the parties of the conflict (Luhmann 1987, 539-540).

Modern differentiated social order includes a multitude of differentiated groups each with their own specific interests. However, only some of the potential conflict groups organize into actual interest groups which pursue their own interests (see Dahrendorf 1959, 237-238). The ability to organize a potential conflict group into an actual conflict group depends on at least five kinds of conditions: technical conditions (norms, active members or personnel, equipment); political conditions (the degree of political freedom to establish interest organizations); social conditions (the possibility of communication within a potential conflict group); social psychological conditions (the degree of identification with a conflict group); and lastly, a group’s intellectual ability to formulate or identify common issues and problems (for the first four conditions see Dahrendorf 1959, 185-187, 191-193, 239). Consequently, powerful, wealthy and well-educated groups are the most likely to form successful interest groups (see Luhmann 1987, 542).

Traditionally, and following from the above presented structural preconditions for establishing interest groups, the most important interest groups include political parties, employer organizations and labour unions. Many of these interest groups have regional, historical and organizational roots; they have developed their own distinctive identities. In the case of European integration, this identity often has a strong national character. Because established interest groups are often based on a particular social identity, their actions are not necessarily rational in the modern sense of the word. Especially, if a group feels its identity to be threatened, it may stubbornly turn to conflictual actions regardless of its "rational" self-interest.

Let me now summarize the roles of rational actioning, competition, conflicts and disintegration in modern social order. Competition between rational actors seems to have great integrative power. The same can be said about conflicts: conflicts and openly expressed dissatisfaction do not mean the same as disintegration. For example, openly expressed dissatisfaction with Western European political organizations has not normally caused disintegration. On the contrary, if conflicts lead to attempts at their solving at the Western
European level, they lead to further integration (more contacts between member state-societies, new European legislation, new European organs and so on). In fact, as regional integration deepens and more issues and realms relating to social life get mixed in with Europeanization, the number of conflicts is likely to increase (see Lindberg 1971, 104; Schmitter 1971, 261; Nye 1971, 219). Many conflictual configurations can be understood within the framework of the modern rational maximization of utilities. Also organizational complication and further European legislation as answers to European conflicts follow the line of the modern regulation of social conflicts. However, if the identities of the social groups in question are at stake, the groups in question might also choose lines of action that are not rational in the modern utilitarian sense of the word. In any event, if actors choose a disintegrative strategy, this by definition does lead to disintegration. (See Hirschmann 1981b, 283; Senghaas 1994.)

2.3 Collective Identity

The above sections described elements of associative socialization. This section presents elements of communal socialization (Vergemeinschaftung), “collective identity” and “ideology”, and it therefore assumes quite another perspective to social integration.¹

In contrast to the above introduced notion of subjectivity, which brings to the fore questions concerning the dynamic relations between subjects and their environments (objective world), collective identity by definition denies separate freedoms of actors by melting actors together into a single collective unity. Hence, subjectivity is by definition a dynamic and dialectical notion, whereas identity refers to an unproblematic and undivided entity (see Adorno [1970] 1996, 41). This does not, however, exclude severe identity conflicts in cases in which given individuals or groups have assumed conflicting identities. Identity conflicts are difficult precisely because many collective identities are mutually exclusive. In other words, identity has a dialectical relation to non-identity; these notions presuppose and exclude each other

¹ As pointed out in the end of the section 1.1, social integration can be based both on factual interactions and ideological identification.
simultaneously. But, what actually is “collective identity”? “Identity” may refer to the unity of an individual’s consciousness, to the logical generality of reason, to the idea that subject and object form an unity (even if this unity is intermediated) or simply to the idea that two objects are of the same kind: A=A (Adorno [1970] 1996, 145). In the case of collective identity, the most fitting definition seems to be the formula: A≡A. This means that when individuals or groups have the same collective identity they somehow are the same. But how is it possible that physically separate individuals are the same? Because individuals cannot be physically the same, they must be the same in terms of their activities or their attributes. Hence, groups or individuals have the same collective identity if they share the same activity or symbol (see Lehtonen 1990, 23):

\[ A \quad (\text{collective identity}) \]
\[ A^1 \quad A^2 \quad A^3 \quad A^4 \quad (\text{individuals}) \]

It is also quite common that individuals have several identities:

\[ A \quad B \quad (\text{collective identities}) \]
\[ A^1B^1 \quad A^2B^2 \quad A^3B^3 \quad A^4B^4 \quad (\text{individuals}) \]

Nevertheless, if an individual has several collective identities that intrude on each other’s area, then an identity conflict arises. For example, belonging to a motorcycle gang does not prevent a gang member from owning and driving a car, but one is not supposed to drive to a gang meeting with a car. Or let us consider national identity. Having a strong national identity does not exclude other identities based on locality, hobbies, marital status, ownership of a house, a certain car and so on. National identity, however, excludes other national identities.

It seems that sociologists have often assumed that modern associative socialization would break old collective identities and lead to social disintegration (see Horkheimer & Adorno [1944] 1987, 19). Therefore sociologists, even if modernists by heart, have often stressed the importance of communities and communal socialization (see Nisbet 1967, 17-18). Yet, from the above definition of collective identity it follows that modern social order has multitude sources of collective identities. Any activity, an object of consumption or a symbol may form
This being said, it is possible to assess diverse collective identities in terms of whether they provide possibilities for authentic interactions between individuals. However, in this respect modern collective identities are not necessarily more alienating than pre-modern collective identities.1

In the following paragraphs, the role of collective identity in modern social order is further clarified by examining Émile Durkheim’s notions of solidarity. Émile Durkheim distinguished between "mechanical solidarity" from "organic solidarity" and thought that mechanical solidarity was typical of pre-modern society and organic solidarity of differentiated modern society (Parsons 1967, 24; Durkheim [1893] 1964a, 126-129, 174). Mechanical solidarity refers to a general normative pressure in a society which is maintained via the constant normative pressure to adhere to the norms of a society (see Parsons 1967, 11-12; Durkheim [1893] 1964a, 70-85). These norms are internalized, reproduced and modified during socialization that continues from the cradle to the grave (see Bloom 1993, 25-53). Thus, mechanical solidarity creates similarity in people.2 In contrast to mechanical solidarity, organic solidarity is based on the (modern) division of labour: in conditions of a developed division of labour, people are dependent on each other, and this interdependence creates a feeling of solidarity between individuals. Since this solidarity is based on differentiation, it does not stipulate similarity, or blind identification to a larger social unity, but commitment to the rules of economic exchange (see Parsons 1967, 24).

Now, organic solidarity can be explained in terms of modern individual rationality. It is "rational" to follow the rules of the modern market economy since everybody is supposed to benefit from the smooth

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1 This being said, it is possible to assess diverse collective identities in terms of whether they provide possibilities for authentic interactions between individuals. However, in this respect modern collective identities are not necessarily more alienating than pre-modern collective identities.

2 This “similarity” does not presuppose that members of a social group are equal, it simply defines group boundaries by separating “we” from “them” (compare Eisenstadt & Giesen 1995, 74).
functioning of a modern division of labour.\textsuperscript{1} But in contrast mechanical solidarity cannot be explained by such modern utilitarian rationality. Following the norms of a society may be rational in utilitarian sense in many occasions, but the point is that normative pressure or mechanical solidarity, stipulates that people follow norms whether this is in their interest or not. In this sense mechanical solidarity is non-rational, and its relation to modern utilitarian rationality is indifferent. (See Parsons 1968, 28-29; Eisenstadt & Giesen 1995, 73.)

Since mechanical solidarity supports peoples’ non-rational identification with their nation-states and thus legitimates a political order, which in turn guarantees via the legal system the working of modern market relations, mechanical solidarity is a crucial element of modern societies (see Parsons 1967, 24; Durkheim [1893] 1964a, 214-216). Thus, both mechanical and organic solidarity are indispensable elements of modern social order, though mechanical solidarity is far older a social phenomenon than is modernity (see Durkheim [1893] 1963a, 129, 226-229, 283-291).

The importance of a collective identity to social integration stems from the fact that collective identity increases functionally a group’s ability to act in concert and it helps to hide the social relations of domination (Herrschaft). This is due to the close relations between power relations, or the subjective experience of the exercise of power, and the definition of a social identity:

According to Max Weber’s famous definition "power is the probability that one actor within a social relationship will be in a position to carry out his own will also despite resistance, regardless of the basis on which this probability rests" (Weber [1922] 1985, 28). Whereas Weber did not define power in such a way that in power relations the stronger party must always act against the will of the weaker one, his definition in any case presupposes the existence of two separate wills engaged in a power relation. This seems to be a crucial point for understanding power relations in everyday language as well. We tend to speak about power in social relations when encountering separate wills,

\textsuperscript{1} Durkheim was critical of the idea that modernization would increase people’s happiness and his criticism is well grounded (Durkheim [1893] 1964a, 241-251, 270-275).
and especially if these separate wills are in conflict with each other.

Now, whenever social identities are constructed so that different actors melt together forming one united social identity (“we”), it becomes difficult to detect power relations within such a common social identity. It is, of course, impossible to separate wills from another if they are regarded as one in the first place. For example, lovers, especially at the beginning of their relationship, may form such an unit of common identity. Another example is, of course, modern national society. It is the strong identification of individuals and groups with their respective nation-states, the making of the “common will” (see Rousseau [1762] 1998, 172-175), that makes it possible to unite whole national populations behind common objectives. Modern mass media are perhaps the most important actors in constructing and reproducing this general will and “we” identity (Lehtonen 1990, 125). Yet, because identity formation is also a psychological process that must be experienced by an individual as something meaningful, a collective identity cannot be formed or manipulated high-handedly (see Bloom 1993, 50-51; Ritter & Gründer 1976, 142).

The notion of collective identity described above brings forth one of the main shortcomings of those theories that are based on rational actions of separate groups and individuals. To be sure, people are physically separate beings, but they take part in the life of different social groups and in these configurations people are symbolically defined as members of collectivities, not as separate and independent beings having random relations with each other. In this study, this symbolic definition of proper and legitimate social relations is called “ideology” and it is examined in the next section.
2.4 Ideology

“Ideology” refers to a set of ideas on a proper social order and it sets a symbolic framework for a social configuration (see Vincent 1995, 16). Ideology is first, a world-view in general or a particular way of thinking that is based on person’s or group’s social position (see Marx & Engels [1845-1846] 1983). Secondly, ideology may refer to a consciously created constellation of ideas. Part of ideology is thus produced by powerful groups and ideological organizations such as political parties, churches, legal organs, the state, universities, “think tanks”, research institutes and media. These organizations produce socialization from above by spreading their ideas to the public (Haug 1983, 62-63). Thirdly, it seems reasonable to assume that ideology is also a collective product that is constituted as a part of the totality of social practices and that no group is in a position to manipulate the totality of this process (see Marx [1890] 1974, 77-88; Douglas 1987, 29-44; Vincent 1995, 15). For example, élites may construct and manipulate political and economic programmes but they cannot manipulate the whole of social consciousness. Rather, their own ideas and rationalist calculations are based on ideology that is partly born functionally from given social circumstances. From the conception of functionally produced ideology it follows that social practice as a whole is always partly blind.

Often ideologies as conscious products and as functionally constituted constellations of ideas mix with each other. Individual subjects may affect a particular historical ideology but they cannot create its components at will. For instance, “hegemonic projects”, politico-economic ideologies that legitimatize, or propagate, certain social, economic and political orders are partly conscious products and partly functionally constituted sets of ideas (see Kosonen, 1987, 71; Hirsch 1990, 74-76).

But why use the notion of “ideology”? Why not to use corresponding notions such as “discourse” (see Jokinen & Juhila & Suoninen 1993, 27) or “semantics” (see Luhmann 1997) or “worldview”? These concepts would have the advantage of fitting better present academic discourse and they would be — well — less “ideological”. The reason for choosing the concept of ideology arises from the close relations between the concept of ideology and the basic characteristics of
modern social theory and order.

In modern social order, people seem to place special emphasis on objective truth as one of the most important bases of social life. Consequently, statistical information, reporting in mass media and social scientific studies purport to refer to objective reality when making claims on the state of affairs. However, thanks to functional differentiation and social hierarchies, modern social order consists of a multitude of separate groups and each of these groups defines reality starting from its own social perspective and interests. Hence, there is always a possibility that the truth offered in public is somewhat deformed due to manipulation based on particular interests or due to limitations that social positions set on everyone. Individuals and groups are always confronted with the threat that their truth will be depicted by others as “mere ideology”.

Thus, the notion of ideology brings forth tensions between a general interest and particular interests as well as tensions between objective truth and untruth. These tensions can be clarified by cross-tabulating the above introduced concepts in Table 2.1.

Table 2.1 Ideology, truth and interests

<table>
<thead>
<tr>
<th></th>
<th>Particular interests</th>
<th>General interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective truth</strong></td>
<td>individual(s) or group(s) know the objective truth and it coincides with their interests</td>
<td>objective truth and general interest coincide</td>
</tr>
<tr>
<td><strong>Objective untruth</strong></td>
<td>individual(s) or group(s) have a distorted view of the truth, “wrong consciousness”</td>
<td>common view of the objective truth is biased; if this comes to general knowledge, reproduction of a social order is severely distorted</td>
</tr>
</tbody>
</table>

Given the structural character of tensions between objective truth, particular and general interests (see Table 2.1), it appears that there exists no permanent solution which could abolish these tensions. Because of these dialectical tensions between objective truth and interests, ideology assumes an important practical role in social order. Ideology mediates in social practices relations between subjects and their objective environments. An assumed common ideology is thus an important factor
Theodor Adorno has pointed out that thinking that is not naive knows that it cannot control totalities, to pretend this is ridiculous (Adorno [1970] 1996, 26).

Ideology is often seen as constituting an opposite to a “pragmatic approach” and to a social scientific knowledge of the world. It appears to me that it would be relatively easy to show that pragmatic approaches to the world include ideological assumptions and that the only difference between an openly subjective approach and an objectivistic “pragmatic” approach is that the pragmatic approach is incapable of self-reflection. The case of social sciences, however, seems more complicated.

There are at least three kinds of relations between the social sciences and those general ideas that define a proper social order (ideology). First, social scientific studies receive their significance from ideologies, that is, studies tend to lend support or criticise those themes and questions that are deemed as important in general ideology. Secondly, individual studies are able to examine only limited areas of the social world; the remaining areas of a study are filled with the generally accepted views of social order. Lastly, many research endeavours are closely connected to diverse hegemonic projects. For instance, studies may defend or criticise welfare-states, or economic growth or the ideal of national competitiveness.

The above thoughts on the relations between social sciences and ideology are not meant to lead to the conclusion that “everything is just ideology”. Instead, the ideals of the rational administration and public debate based on objective reporting on the state of the world are valuable conceptions because they provide rational grounds for modern politics and administration. There is just no way of getting rid of ideological components in social scientific reporting. This is so because objective truth is not just “out there” in the objective world, but it consists of practical relations between subject and object. In other words, objective truth is a subjectively constructed view of the objective world and this subjectively constructed view is embedded in ideology and in social

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1 Theodor Adorno has pointed out that thinking that is not naive knows that it cannot control totalities, to pretend this is ridiculous (Adorno [1970] 1996, 26).

Consequently, the social sciences may have more developed methods and modes of reasoning than everyday consciousness, nevertheless, because they lack a perspective from which they could perceive social life as outsiders, they also lack qualitative superiority in relation to everyday thinking. In other words, the social sciences are just as much parts of socio-cultural configurations as is everyday consciousness. They might be able to diminish the blindness of social practices but they cannot totally abolish even their own blind spots. Ultimately, they are part of the reproduction of modern social order (compare Luhmann 1997, 86, 1128-1142).

When it comes to the relations between collective identity and ideology, it seems that one of the main functions of ideology is that of defining the character of social subjects (Adorno [1970] 1996, 151, 268-275). Indeed, the most fundamental part of any political ideology lies in its definition of the innate nature of humans (for different ideological definitions of human nature, see Vincent 1995). Because social actors have to be able to act within the common modus operandi of the social order in which they live, the ideological attributes of their subjectivity cannot be determined at random. Therefore, social subjects need to have internal relations to their respective social order. From this it follows that an actor is the meeting point of his/her/its social relations. (Adorno [1970] 1996, 239, 273, 310.)

For example, a working parent combines in her or his subjectivity
the demands of caring for children and the household as well as the requirements of her or his position in the division of societal power and labour. In this example it is easy to see that contradictions rising from these diverse social positions stem from social structures even if they are experienced and mediated within a single subject. The strength of collective identity and its ideological definitions derives precisely from its ability to intrude into the basic features of individual personality. In many cases the ideological demands put on individuals well exceed the limits of the individuals’ own interests. For instance, ideological subjects such as soldiers who “sacrifice” their lives for their respective nations, or short-term workers who are supposed to be committed to their work are clearly irrational subjects from the point of view of a rational (selfish) individual.

Collective identity and ideology can be seen in either a positive or a negative light. They help functionally to integrate people and they ensure the functioning of many social systems. On the other hand, they serve to hide power relations and they subordinate individuals under their general principles. In addition, they often include irrational elements. Historically, the ideologically defined subject is a much older invention than modern social order. Characters like mythological heroes and diverse transcendental subjects such as angels seem to have preceded the archetypical subject of modern social order: the selfish individual (see Adorno [1970] 1996 in general and 187). All in all, modern forms of domination (Herrschaft) cannot be reduced to rationally based power relations derived from a social contract type of thinking and the legitimation of a social order.

2.5 Society, Social Order and their Natural Foundations

In the previous sections, I have avoided using the word “society”. My intention was to avoid identifying social theory (yhteiskuntateoria, Gesellschaftstheorie) with modern nation-states or state-societies. The nation-state is most likely the first entity that comes to mind when speaking about “society”. Accordingly, had I associated the notions of social integration introduced above with nation-states, I would have problems using them in an analysis of transnational Western European integration. In any event, even if common usage of the concepts
presented above, associates these notions with modes of social organization typical of nation-states, these notions are abstract enough to serve as general devices when analysing and attempting to understand a social configuration.\footnote{In this connection, it is noteworthy that classic founders of sociology were interested in general social development and universal social phenomena. Hence, their notions were not by definition attached to nation-states (Pekka Kosonen’s observation in a seminar; see also Elias 1978, 46; Merle 1987, 71-73; Scholte 1993, 21-22). Present social scientific attachment to singular nation-states may well distort one’s understanding of the social world if one implicitly takes one’s own nation-state’s structures and one’s own ways of thinking as a point of departure. In theory building, this amounts to the universalization of particular phenomena. In addition, attachment to national political, administrative and economic practices further restricts social scientific perspective to thinking that is regarded as “realistic” from a national point of view (compare Wagner 1994, 104-114).} Hence, these notions can be used to depict socialization in social systems which are smaller or larger than modern nation-states.

There is, nonetheless, an important analytical reason that necessitates reflecting on the notion of society when studying European integration. This analytical reason stems from the basic definition of “society”: a society is a social system that has internal interactions; its members see themselves as belonging to the same social unit and a society is able to reproduce itself biologically and socially. This definition follows the classical definition that emphasizes the autarchy of a society (see Wallerstein 1974, 347-348; Nieminen 1993; Luhmann 1997, 78-79, 88). “Autarchy” is an especially important premise for the analysis of a social system because it defines and limits the relevant area of a research endeavour. This point of departure is explained below.

Each analysis and attempt to understand of a social system must deal with the problem of the boundaries of an analysed unit, and this issue of boundaries concerns both "open" and "closed" systems (see Luhmann 1987, 35). Defining the limits of a system is a fundamental operation when analysing a system since it is through this process that the relevant subjects, relations and processes of a study are defined. Without defining the limits of a system an analyst would end up endlessly questioning who or what the relevant actors, processes and relations might be. With the aid of defined boundaries for a system and its parts an analyst can claim to be able to explain and understand social
phenomena.

The great service that the notion of society does for sociology and the other social sciences is to be found exactly here. It is the notion of society that defines limits for the most important object of sociology: the modern state-society, the frame of reference for most sociological studies. These state-societies may be seen as open systems, but in most cases their internal actors, processes and relations are seen as sufficient elements when explaining and understanding these social systems. For example, often the dynamics of national industrial relations systems are explained mostly in terms of national political and economic forces (see, for example, Crouch 1994; Ferner & Hyman 1992).

The above issue of defining the borders and relevant characteristics of a system being studied is by no means limited to sociology; the concept of society is just the main way to answer the problem of system definition in sociology. The same central theoretical problem of the definition of the subject of a study concerns all other sciences too and in many social sciences the answer has been essentially the same as in sociology: In economics "markets" are often studied empirically as markets within a state-society, and political studies concentrate on national politics. In both economics and politics, there are special sub-branches which study relations between national economies and nation-states (international economics and the study of international relations).

Consequently, when studying international integration it goes without saying that the limits of systems being studied have to be considered. Does European integration lead to a weakening of state-societies? Is Europe developing into a single European society? Is it reasonable to speak of a regional European society or are socio-economic dynamics so global that European integration should be interpreted as a part of a developing world-society? Therefore, this study raises the question: “Is Europe mowing towards a European society?”

Now, diverse social groups may be defined as more or less autarchic units, societies, but there exists an entity that is indispensable to the basic definitions of modern social order. That entity is “nature”. The fact that modern social order, or society, is not autarchic in relation to nature is exemplified several times in the preceding chapter and sections:
“Power” has meant both power relations between humans and between humans and nature (section 1.1).

Demographic changes and the growth of human population (internal nature) have accompanied major changes in European history (section 1.2).

“Work” necessitates control over the internal nature of workers (instincts, feelings, bodies) and work is a crucial factor that mediates interrelations between humans and external nature (natural environment).

The growing modern economy increasingly uses natural resources. (Section 1.3.)

Basic features of modern rationality (individuals and groups pursue their own interests in the economy and in politics) are derived from the “state of nature” and modern institutions of politics and the economy are based on a civilized state of nature, that is, regulated competition and struggle among social subjects.

Subjectivity is attached to particular social positions and material surroundings (external nature) as well as to particular physical bodies (internal nature).

Biological and physical analogies are used to describe social states of affairs: The economy and politics are often depicted as “healthy” or “unhealthy” or “sound” and their condition described as “balanced” or “unbalanced”.

Competitive social systems are legitimated by referring to natural scarcity. (See section 2.1.)

A fundamental element of any political ideology is its definition of human nature (section 2.2).

The above given examples of relationships between nature and modern social order are by no means exhaustive. Indeed, it seems that nature and culture are so closely entangled that often this very differentiation seems unintelligible (see Marx [1844], 72; Arnold 1996, 189). In the following table (Table 2.2), I have sought to find a more systematic description of the way how nature-society relations are perceived in present day world-view.

Table 2.2 is based on a few basic differentiations. Firstly, I have separated “beings” and “functions” from each other. This distinction refers the fact that a nature-society differentiation cannot be always applied to distinct entities (beings), but rather often nature and society are intermingled within a single being as its functions. Secondly, Table 2.2 differentiates between “society”, “internal nature” and “external
nature”. Society refers here to human social order. Internal nature denotes instincts, feelings, the human body and related phenomena as well as human interrelations as far as these are based on people’s natural qualities (see Marx [1844]; Horkheimer & Adorno [1944] 1987; Midgley 1978; Suutala 1995). For instance, biological reproduction and all social relations (sexual and family relations) that are connected with it have close relations to internal nature. Lastly, external nature refers to the natural environments of human beings.

Table 2.2 Relations between nature and society

<table>
<thead>
<tr>
<th>Beings</th>
<th>Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Society as distinct from nature</td>
<td>spirit</td>
</tr>
<tr>
<td>subject</td>
<td>head</td>
</tr>
<tr>
<td>humans</td>
<td></td>
</tr>
<tr>
<td>cultivated people</td>
<td></td>
</tr>
<tr>
<td>adults</td>
<td></td>
</tr>
<tr>
<td>capitalists</td>
<td></td>
</tr>
<tr>
<td>Internal Nature</td>
<td>feelings</td>
</tr>
<tr>
<td>non-civilized (manual) workers</td>
<td>sexuality</td>
</tr>
<tr>
<td>the body</td>
<td>hand</td>
</tr>
<tr>
<td>children</td>
<td>work: control of internal nature makes manipulation of external nature possible</td>
</tr>
<tr>
<td>city, inhabited areas</td>
<td></td>
</tr>
<tr>
<td>External Nature</td>
<td>biological and physical principles that are used when manipulating external nature through work</td>
</tr>
<tr>
<td>object</td>
<td></td>
</tr>
<tr>
<td>matter</td>
<td></td>
</tr>
<tr>
<td>vegetation</td>
<td></td>
</tr>
<tr>
<td>animals</td>
<td></td>
</tr>
<tr>
<td>wilderness</td>
<td></td>
</tr>
<tr>
<td>matter of material production</td>
<td></td>
</tr>
</tbody>
</table>


Table 2.2 does not claim to provide a complete list of all modern nature-society elements and relations, nor do I argue that all of its
elements are necessarily in their proper cells. The argument is rather that through these and other similar distinctions, internal and external natures are brought into dialectical relations with diverse social beings and functions. “Dialectical” means in this case that the beings and functions in Table 2.2 cannot be thought of separately, but rather their internal definitions presuppose other members of the nature-society dichotomy. Using a nature-society distinction in a multitude of social situations, institutions and organizations serves to reproduce and strengthen the ruling ideology because the same model seems to explain many phenomena and the same principles seem to apply everywhere. Often, however, there might be different views on how to make the nature-society distinction. For instance, men can be seen as representing a society or culture (rational institutions of economy, politics and science as created by men; see Schiebinger 1989; Suutala 1999); but sometimes men can be defined as irrational brutes following the savage rules of the state of nature. Another example is provided by the old psychological question of how important a role does education (socialization) play in relation to a human being’s inborn qualities (internal nature). In other words, elements describing the intermingling relations between nature and culture are like children’s building blocks that can be used in just about every situation — and herein lies their immense strength of persuas ion (Douglas 1987, Chapter four).

Because the study at hand concentrates on European integration and the regulation of the economy and labour markets, it is especially society-nature relations in the social organization of work (relations of production) that are of interest here. Also in more general terms, it seems obvious that work is a crucial element that mediates relations between humans and the rest of nature (see Marx [1890] 1974, 168-174; Godelier 1987).

These relations can be summarized in the following way (see Table 2.2): First, internal and external nature offer the material and ideological bases for capitalism. Natural resources are used in growing quantities as raw materials for production. Both natural and social sciences are used when manipulating external and internal nature and assumptions about natural competition in humans (internal nature) legitimate the political and economic order. Secondly, manipulation of external nature necessitates control of internal nature: feelings, instincts,
bodies and social relations are subordinated to the competitive organization of production (see Adorno [1970] 1996, 314; Elias [1939] 1992, 316-320, 328-329, 337-338, 343). Thirdly, the modus operandi in which individuals act within the above described system is complicated and contradictory. For instance, capitalists may play the role of a ruling group but in order to do this individual capitalists have also to control their own inner nature according to the functional needs of the economy. In fact, in so far as everybody is drawn into capitalist production, everybody must also control his or her inner nature according to the needs of this system of production. This happens, of course, according to the specific needs of diverse activities: managers, sales persons, consultants, administrative personnel, workers, researchers will have to assume different lines of action (see Ottomeyer 1979; Kuckhermann & Wigger-Köster 1985; Bourdieu 1987). Common, however, to all people working for pay, is the systemic necessity of adapting to the interests of employers. Hence, the capitalist mode of production has profound consequences vis-à-vis the subjectivity of individuals.

It is apparent that the necessity of controlling internal and external nature stems partly from the functional necessities of subsistence production. Even so, control cannot be deduced in its totality from subsistence production, but a great deal of this control derives from the capitalist mode of production, that is, from the systemically determined accumulation of capital.

In other words, the natural bases of modern social order can be described as follows (see and compare Horkheimer & Adorno [1944] 1987). In its two core institutions of the “economy” and “politics” modern social order is based on analogies to nature. Markets are based on ideas of “balance” or “equilibrium” (physical analogy) and the state of the economy is described as “healthy”, “sound” or, in troubled times, as “unhealthy” (biological analogy). Also, in politics diverse interests are supposed to balance each other. In addition, struggle and competition derived from the state of nature offer natural bases for hierarchies. In cases in which hierarchical positions are based on meritocratic principles of performance an important factor used to explain success is “talent”, that is, the inherited and thus natural mental or physical attributes of a person. After assuming their positions, individuals and groups take part in the social life in their respective places in the division of labour and
power. Their interests rise from their objective positions in social structures.

The dialectical character of this social order stems from the fact that this social order combines in itself a sophisticated system of division of labour and fine cultural achievements along with struggles and competition that are derived from the state of nature. Despite cultural finesses and technological progress, the social purpose (Sinn) of modern social order concentrates mainly on survival in politico-economic struggles and competition. (Horkheimer & Adorno [1944] 1987, 52-58.)

The concepts described above remain at a general level. This does not, however, mean that they belong to some realm of higher principles that can be avoided in everyday life, politics and the economy. On the contrary, it is precisely because these principles are general, that they affect everybody and are involved in just about every situation in one way or another. Still, there seems to exist a need to mediate between the above notions and the daily functioning of institutions and organizations. One such mediating concept between the general principles of a social order and its historical institutions is “regulation”.

Regulation of the above described social order is based on power relations (a civilized state of nature) and on “facts”, that is, with the help of objective information (studies, surveys, statistics) modern social systems are governed like mechanical or biological entities (see Horkheimer & Adorno [1944] 1987). Sometimes politics based on particular interests collide with the ideal of objective governance founded on facts. Depending on a situation, just about any social actor may assume a cynical attitude towards statistical and other facts and argue that these are mere ideological constructions aimed at aiding the pursuit of specific interests. The practical functioning of regulation is examined in more detail in the following chapters.

But why can a human society not be grounded on itself? Why can it not be autarchic? Is this dialectical nature-society interrelationship unavoidable? I think it is. There are both empirical and theoretical reasons for this.

Empirically, societies depend on natural resources (relations to external nature) and human beings are bodily creatures (relations to internal nature), one species among a myriad of others. Theoretically, a culture or a social order cannot be grounded on itself because when
something is explained, the explaining and explained factors must be separate entities. An explanation of social order based solely on social factors would be a hopelessly repetitive and circular construction. Therefore, the ultimate sources of a social order must originate from outside of that social order itself.\(^1\) This leaves only three possible sources of explanation: social order must be based on God (or gods), or on nature, or on a combination of religious and natural explanations (see Douglas 1987, 48). Both God and nature offer an extra-social perspective that separates explained and explaining factors from each other, that is, God or nature can be used to explain human social order. In addition to being extra-social entities, both God and nature have the advantage of being mightier entities than humankind. Neither God nor nature are dependent on humans in their basic qualities. In the course of modern secularisation, nature has replaced God as the ultimate source of social order.\(^2\) However, because many pre-modern societies seem to base their cosmologies at least partly on the natural order it is questionable whether the cosmology of the modern world is qualitatively different from pre-modern cosmologies. (See Douglas 1982.)

### 2.6 Constellation of Modern Social Order

The notions presented in this and the preceding chapter belong to the standard conceptual apparatus of sociology, political science and social philosophy. Many social science disciplines have been operating with these or kindred ideas. In fact, it seems to me that these notions reflect in an abstract form basic elements of the self-consciousness of modern social order.

These notions can be summarized in the form of a constellation of

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\(^1\) In contrast to this idea, Niklas Luhmann seemed to believe that modern social order can be based on an autarchic self-description of the modern world (see Luhmann 1997, 989-997).

\(^2\) Apparently, the history of modern sciences is also a history of secularisation: In early modern times, researching nature was seen as an appreciation or admiration of God created nature and the Christian religion grounded man’s domination over nature (Suutala 1995, 37-50). Later, God was forgotten and nature replaced his role as a provider of an extra-social perspective.
modern social order. This constellation is presented in Figure 2.2. The constellation is divided into three levels of analysis. The uppermost level consists of particular institutions and organizations. These include diverse social groups or “societies” as well as political, legal, economic and cultural organizations and institutions. Often the analysis of European integration concentrates on this level of organizational and institutional analysis. Historical dynamics of the development of modern European institutions of the state and the capitalist economy have already been described in the first chapter.

However, because this study concentrates on the general question concerning the totality of “European society”, it was necessary to introduce more encompassing notions describing basic elements of modern social order. Thus in Figure 2.2 the basic elements of social order constitute a second level of analysis.

Notions describing basic elements of the modern social order include “associative socialization” (Vergesellschaftung), which can be further clarified by the concepts “rationality”, “subjectivity”, “interests”, and “conflict” (see sections 2.1 and 2.2). The second main mode of modern social integration is “communal socialization” (Vergemeinschaftung), which can be explained in more detail with the help of the notions “collective identity” and “ideology” (see sections 2.3 and 2.4). Both associative socialization and communal socialization include diverse power relations and conflicts typical of these modes of socialization. In the case of associative socialization conflicts are conflicts of interests and in the case of communal socialization they concern the character of collective identity.

Turning to relations between elements of socialization, relations between associative socialization and communal socialization may be mutually supportive or they may be dysfunctional. It seems reasonable to assume that successful modern social integration requires both

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1 For the idea of non-hierarchal constellations of notions see Adorno [1970] 1996, 164-169 and Flora 1999, 13-14. Also Robert Nisbet seems to have had a similar point of departure when he described sociology with the help of a few key notions such as “community”, “authority”, “status”, the “sacred” and “alienation” (see Nisbet 1967, 4-7).
Figure 2.2 Constellation of modern social order

<table>
<thead>
<tr>
<th>Particular institutions and organizations</th>
<th>diverse social groups, “societies”</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>political and legal institutions</td>
</tr>
<tr>
<td></td>
<td>economic institutions</td>
</tr>
<tr>
<td></td>
<td>other spheres of social life: “life world” (Lebenswelt), cultural institutions and so on</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Basic elements of social order</th>
<th>power relations, conflicts of the character of collective identity</th>
</tr>
</thead>
<tbody>
<tr>
<td>power relations, competition, conflicts of interests</td>
<td>ideology, collective identity</td>
</tr>
<tr>
<td>rationality, interests, subjectivity</td>
<td>associational socialization (Vergesellschaftung)</td>
</tr>
<tr>
<td></td>
<td>communal socialization (Vergemeinschaftung)</td>
</tr>
</tbody>
</table>

| General principles of social order               | relations between social order and nature (internal and external nature) |

associative and communal socialization. Associative socialization needs communal socialization because collective identity creates long-term frameworks for actors’ rational actions. On the other hand, a certain degree of associative socialization is needed to assure the actors’ freedom of action. In other contrary cases, however, associative and communal socialization may harm each other. If social integration were based only on associative socialization, the long-term reproduction of a social system might be jeopardized because actors might loose their interest in the common reproduction of a social system. On the other hand, too tight a mode of communal socialization might well lead to overly restrictive social life.

It is vital to keep in mind that the above described elements of modern social order do not refer to clearly separable realms or institutions of a social order, but that they describe a few central
processes or principles which serve to integrate social subjects with each other. In other words, all of these processes can be found within the main realms of modern social structures: politics, economy and other spheres of social life. This means that no one of the notions presented above alone is able to serve as the fundamental principle of social order. Instead, these notions seem to constitute a loosely integrated system in which a change in one of the elements of a social order leads to changes within other elements as well as in relations between elements. Such a constellation does not have clear outer limits (these must be defined in the course of an empirical study) and within it seemingly contrasting processes interact, define and presuppose each other’s existence in a fashion that can be called dialectical.

The third level of analysis displayed in Figure 2.2 consists of those **general principles of social order** that define relations between social order and nature. As described in section 2.5, these multitude relations can be divided into humans’ relation with inner and outer nature. Internal nature refers to the innate qualities of human beings. No practical or theoretical construction of social order can do without some assumptions concerning man’s internal nature. Furthermore, this internal nature, just as social institutions, is connected to external nature, which provides material foundations to all social configurations.

Within modern social order there are many diverse ideas on relationships between society and nature (see Görg, 1999). These ideas range from social Darwinism and sociobiology to ideas that stress nature’s role as a moral and aesthetic entity. Additionally, these ideas may stress the rights of people to use nature as a resource or they may emphasize the rights of animals and environmental protection. However, there is also a strong tendency in modern thinking that denies relations between society and nature. Indeed, the relationship between social order and nature is a highly contested scientific and ideological theme. Given this state of affairs, it seems a good idea to try to clarify what I mean and what I do not mean when maintaining that the relationship between nature and society constitutes a fundamental basis of social order.

As explained in the previous section, nature forms a basis for social order in two senses of the word. First, empirically a social order requires material surroundings and material human beings in order to exist at all. Secondly, a symbolic representation of a social order has to
define the relations between a social order and nature.

However, with the above point I do not mean that a social group has to define its relations with nature in a certain predetermined way. Indeed, the very existence of several historical modes of production, diverse natural philosophies and ideologies show that humans can define their internal and external nature in many different ways. For example, both social equality and inequality have been explained in terms of man’s internal nature. It has, for example, been claimed that everybody is equal by birth or that competition and struggle decide who survives in the economy and in politics. Obviously, internal and external nature set certain broad limits of how societies are able to mould their relations with internal and external nature, but there does not seem to exist one predetermined solution to this problem. It is partially up to human subjectivity to find out where exactly those limits that internal and external nature set for human social order lie.

A phenomenon that mediates relations between particular institutions and the basic elements of social order is regulation. This means that particular social institutions and organizations regulate the basic elements of social order (diverse phenomena of associative and communal socialization, relations between a social order and nature). For example, legal institutions provide formal norms that regulate political and economic exchanges (associative socialization) and stipulate the boundaries of collective identities (communal socialization). These norms are embedded into certain ideas concerning the internal and external natures of humans.

In short, the constellation of modern social order presented in this summarizing section is based on a few key notions of social theory and it is argued that the ultimate basis of (modern) social order can be found when examining the relations between nature and society. The notions presented in this chapter refer to general principles and dynamics of social order and they are used when analysing European integration in the rest of this study. I shall return to the constellation of modern social order by the end of this study when summarizing its results. In the following chapter I examine whether theories of European integration follow the same lines of thinking as the above constructed constellation of modern social order.
3 Theories of Integration in the Light of Social Theory

The history of ideas on European unity is just as old as Europe itself (see Foerster 1967; Vaughan 1979). Considering the constellation of social integration presented in the second chapter, this observation is not surprising. This constellation does after all maintain that the practical and ideological constitutions of a social system are closely related to each other. The practical and ideological, or theoretical, reproduction of a social system are but different sides of the same coin. Due to the understandable need to restrict the area covered by this study, I have mainly concentrated on theoretical developments starting from the 1950's. This restriction being made, I do believe that a larger and more complete examination of European integration would profit greatly from a long-term analysis of dynamic relationships between European history and ideas of European unity.

In the following sections, the most commonly used theories and conceptions of European integration since the Second World War are presented,¹ this is not meant to be an exhaustive presentation of approaches to regional integration. Instead, I have sought to relate the most important integration theories with the processes of modern social integration as they were presented in chapters one and two. In addition to this analytical objective, regional integration theories provide insights and analytical concepts for the subsequent analysis of European integration.

Theories of Western European regional integration can be easily subsumed under the general notion of integration (see definition in section 1.1). Such theories have used to scrutinise interactions between the units (state-societies, politicians, diverse business actors and so on) of ¹ For general overviews of integration theories see: Regional Integration, Theory and Research (Lindberg & Scheingold 1971); International Theory and European integration (Pentland 1973); Länsi-Euroopan integraatio ja Suomi (Antola & Tuusvuori 1983); Theorien internationaler Integration und internationaler Organisationen (Bellers & Häckel 1990); The European Union, Readings on the Theory and Practice of European Integration (Nelsen & Stubb 1994); The Economics of European Integration, Theory, Practice, Policy (Molle 1994); Theories of European Integration (Rosamond 2000).
a system (Western Europe). Following customary differentiations used when describing modern social order, I have divided integration theories into three sections:

• political integration (section 3.1): functionalism, neofunctionalism, transaction analysis, intergovernmentalism, federalism, multi-level governance;
• economic integration (section 3.2): theory of economic integration, political economy of integration;
• communal socialization (section 3.3): European ideology and identity.

The above list, however, excludes at least two approaches that are sometimes included when analysing integration. First, the constructivist approach is excluded because it offers a methodological and epistemological point of departure to research (see Rosamond 2000, 171-172), but it largely lacks ideas that would be relevant from a substantial social theory point of view, which is after all my point of departure in this study.

Secondly, sometimes international integration is also conceptualized as the “convergence” of modern industrial societies. In such cases, it is thought that European integration enhances convergence (similarity) between member states or that actual convergence of industrial societies creates positive preconditions for further integration (see Antola & Tuusvuori 1983, 39; Alestalo 1990; Leonardi 1993). Yet, as Harmut Kaelble has shown, there is no direct relation between Western European social convergence and European integration (Kaelble 1987, 158-159). Even though it seems reasonable to assume that convergence of Western European nation-states has eased integration because homogenisation and standardization facilitate governance, convergence theory does not analyse relations between integrating units but is a purely comparative approach and it is, therefore, not included here.
3.1 Political Integration

Political integration, as it is understood in mainstream integration studies, falls mainly under associative socialization (Vergesellschaftung), in which rational actors seek to pursue their interests within political institutions. The most discussed and influential theory concerning political integration is functionalism and especially its later version, neofunctionalism.

David Mitrany is the best known proponent of functionalism. His initial writings on functional integration theory were published in 1933 (The progress of International Government) and 1943 (A Working Peace System: An argument for the Functional Development of International Organization) (for Mitrany’s functionalism see Wilde 1991, 170-202). Functionalism is both a political strategy for development of international organizations and a theory of international integration.

As a political strategy, functionalism was formulated to enhance global peace, to create a “working peace system”. The idea is to deal with international problems by looking first at their so-called technical aspects. By emphasizing the technical aspects of issues, functionalism seeks to bypass nationalist ideologies and anachronistic governmental responses. In addition, by developing functional cooperation between state-societies (often in form of international non-governmental organizations), functionalist strategy tries to create a strengthening network of interdependencies that would undermine the political role of antagonist states in international relations.

As a theory aiming at analysing socio-economic development, functionalism maintains that especially via technological development and the increasing international division of labour, the world has become ever more interdependent. For functionalists, the problem is that political institutions lag behind these technological and economic changes, and in order to govern new forms of global interdependencies functional political integration is needed. This functional integration is to be based on sectoral integration and a rational technocracy (Pentland 1973, 64-66, 68, 70). The end result of this functional integration would be a complex,

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1 For early writings in the functionalist spirit at the beginning of the twentieth century see Pentland 1973, 64.
interwoven network of cross-national organizations performing all the welfare-functions of the modern nation-state (Pentland 1973, 70).

The advances of such functional integration are described with the concepts of “deepening” and “widening”. A deepening of integration refers to the spreading of functional cooperation to new functional activities in modern state-societies. A widening of integration denotes the enlarging of the geographical scope of integration.

The basic assumptions of functionalism can be expressed using two principles. First, according to functionalism “form follows function”, that is, each form of international functional cooperation should follow the technical demands of issues concerned. Second, cooperation in technical fields tends to exert a de-escalating influence on power politics and nationalist conflicts. When actors A and B cooperate on issue X, why should they then be after each other’s blood on other issues? This dynamic of spreading functional cooperation is called “spillover”. In this way expanding functional cooperation should lead to a more peaceful world, a “working peace system”.

After the establishment of the European Coal and Steel Community (ECSC, 1952) and the European Economic Community (EEC, 1958), neofunctionalism set about concentrating on regional integration, and especially on European integration rather than a global approach (see Wilde 1991, 201; Bellers & Häckel 1990, 294). Neofunctionalism was initially based on Mitrany’s ideas, but it has developed them further. Just like functionalism, neofunctionalism began by focussing its analysis on examining functional cooperation between state-societies, but when the process of European regional integration failed to produce an automatic spillover effect, neofunctionalism went on to develop several other concepts to describe the dynamics of regional integration.2 The following short and simplified presentation of neofunctionalism is based mainly on Philippe Schmitter’s article “A

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1 Mitrany criticized this regional approach by pointing out that the EEC is increasingly a closed system which is likely to generate regional patriotism and increase tensions in Europe and elsewhere (Scheingold 1971, 383; for this problematique see Büchi & Nieminen 1995, 272-274).

2 In 1958 Ernst Haas had firm a belief in an automatic spillover in international relations (Haas 1958, xiii, 317, 526-527) already in 1964 there was nothing left of this idea (Haas 1964, 496-497).
Revised Theory of Regional integration” (Schmitter 1971). Other neofunctionalists have, however, used different kinds of conceptual apparatuses (see Lindberg & Scheingold 1971; Hansen 1969, 243-245), and they presumably would not agree with all the conceptual suggestions that Schmitter proposed in his article. Nevertheless, since this article represents one of the most developed versions of neofunctionalist thinking, it is well suited for the purpose of presentation.

Schmitter’s neofunctionalist model divides integration process into four “decision making cycles”: initiation, priming, transforming and transcending (Schmitter 1971, 261). Each “decision making cycle” forms a homogenous political setting of institutional arrangements and a policy style (see Schmitter 1971, 238-240). Each cycle, or several similar kinds of cycles, represents a level of regional integration, starting from a poorly institutionalized initiation cycle and ending with a fully integrated regional society within a transcending cycle. One cycle, or rather one set of the same kinds of cycles, is transformed into another via crisis. A new, more integrated international decision making system is developed to answer the problems given birth by the previous decision making system (ibid. 238-240).

At each set of decisional cycles, regional integration could be characterized by two properties (ibid. 237). The “scope” of integration tells us how many fields of activity member states have included in regional cooperation. The “level” of integration measures how much authority is given to a regional organization.

According to this refined model of neofunctionalism, regional integration does not inevitably develop to a higher level (ibid. 238-240). In fact, since international integration takes place in very poorly institutionalized settings, the primary actors of regional integration (that is, national political élites) tend to prefer strategies of the status quo to strategies of deepening integration (ibid. 240-242; Nye 1971, 198). This means that the idea that regional integration must go forward or otherwise it is doomed to fall backwards is wrong, and in reality several strategies are open to national élites (Nye 1971, 225; Schmitter 1971,

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1 This idea bears a close affinity to Niklas Luhmann’s system theoretic understanding of the regulation of conflicts. According to Luhmann (1987, 504-505, 541) a social system regulates conflicts by making its own structures more complicated.
in “spillover” both the scope and level of regional organizations are increased;
• “spill-around” increases only the scope of regional organization, not its authority (level);
• “buildup” strategy increases the level of international authority but does not enlarge the area of issues handled (scope);
• “retrench” means increasing international cooperation among governments but withdrawing international institutions from certain areas;
• “muddle-about” strategy allows regional bureaucrats to debate a wider area of issues but decreases their actual capacity to decide;
• “spill-back” means retreat in both the scope and level of integration;
• ”encapsulation”, which responds to crisis by marginal modifications, is the most likely strategy in all decisional cycles.

As can be seen from the above description, later developments in neofunctionalism broadened the notion of spillover from a notion of functional spillover to a notion of political spillover (compare Rosamond 2000, 59-65 and Tranholm-Mikkelsen 1991, cited after Rosamond 2000, 100-101). Functional spillover refers to the dynamics of functional necessities (functional relations); and political spillover to conscious strategies that aim at strengthening integration through political manoeuvring (intentional actioning).

What are, then, the relations between the dynamics of modern social order and the two versions of functionalism presented above?

First, when it comes to the primary dynamic forces of integration, functionalism sees increasing technological development along with differentiation (expansion of the international division of labour and capitalism) as the most important underlying causes of political integration. For neofunctionalists, on the other hand, the dynamics of integration are more politically determined. The essence of the neofunctionalist idea of the dynamics of integration is that political integration comes about through the interaction of political forces — governments, interest groups, parties, international agencies — and not through technological or economic needs. Neofunctionalism thus
emphasizes the primacy of politics over economic and technological forces (Pentland 1973, 100, 110). Yet, neofunctionalists also felt that economic development creates pressures towards political integration (Hansen 1969, 243-245; Nye 1971, 198; Hayward 1971, 317).

Secondly, when determining the end stage of integration, functionalism was careful not to mix necessary political integration with the formation of new regional states. In the opinion of functionalists, this would probably trigger new global antagonisms. In this respect neofunctionalism is more straightforward: its theoretical models and empirical studies aim to explain the creation of a new "political community", in effect a (regional) state (this corresponds to state building in modernizing dynamics).

Thirdly, also when describing actors of integration both functionalism and neofunctionalism come close to a theory of modern social order. Actors of integration are defined as selfish, calculating, “rational” actors who engage in international bargaining on regional integration on the bases of their sectoral interests (Schmitter 1971, 238; Lindberg 1971, 53-54, 100-102; Nye 1971, 195, 213).

Fourthly, the most important concept of neofunctionalism, and probably the most central notion in integration theory in general, “spillover”, refers to the evolutionary propensity of increasing regional integration (see Rosamond 2000, 59). This idea comes close to those ideas of modernization that depict modernization as a strong evolutionary tendency. Finally as in the case of sociological theories, neofunctionalism is also holistic in its approach; it seeks to analyse the creation of regional entities as a many-sided interactive process. In this holistic sense, the functional approach to integration is, in fact, a theory of the creation of a new kind of modern society via international differentiation and the formation of a new "political community" which includes both elements of associative and of communal socialization.1

The close relations between theorizing on regional integration and the practical politics of integration can be detected from the fact that neofunctionalist ideas of integration are closely related to the so called

1 For this analogy between the modern society and the end result of functional integration, "political community" see Haas 1958, 14; Haas 1964, 26-40; Pentland 1973, 103-107 and Caporaso 1996.
“community method” of integration which was applied by leading politicians of integration in the 1950's (Jean Monnet, Robert Schuman) (see Rosamond 2000, 51-54). As does the idea of spillover, the community method strives to deepen integration via the incremental widening of those issues and policy areas that fall under the trans-European domain. The community method is by no means an outdated method for enhancing Western European integration and it is still used by the European Union. Another instance of close relations between theory and the practical politics of integration can be detected in the way how, by the middle of the 1970's along with a slowing down of European integration, neofunctionalism as a theoretical endeavour ceased. In 1975 Ernst Haas declared regional integration theory to be “obsolescent”, meaning that it had failed to capture the essential dynamics of European integration and global politics (Leonardi 1993, 503; Rosamond 2000, 88).

Transaction analysis was developed at the same time as functionalist and neofunctionalist theories. It resembles neofunctionalism in its endeavour to study multiple actors and their transactions as well as in its evolutionist idea of the linear progress of integration. This approach towards regional integration comes the closest to the formal systems theory notion of integration. It is thus not easy to classify transaction analysis within the traditional sociological trinity of political, cultural and economic integration. However, since transaction analysis emphasizes the formation of new political communities as the outcome of regional integration, it seems sensible to place it in the section at hand.

Transaction analysis, which investigates informal and formal contacts among different actors of state-societies, started to develop in the 1950's (see Bellers & Häckel 1990, 295-296; Puchala 1971). If actors of national state-societies are engaged in increasing transactions, these transactions lead in the course of time to the creation of a new regional social unit, a regional society. The limits of a new social system are created by the fact that its inner transactions outnumber greatly its

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1 The methodological point of departure in transaction analysis approximates a recent approach to European integration: network analysis also pursues analysing relations between diverse actors of integration (see Rehn 1997).
transactions with its environment. The point of departure of transaction analysis is an open one: it is open to all kinds of transactions between state-societies. This character of transaction analysis is further strengthened by a strong statistical orientation. Transactions are normally studied in a quantitative form. Transactions could be classified according to their substance (for instance, political, economic or cultural transactions), direction (who the transacting parties are) and intensity. Because transaction analysis studies interactions between different units of a social system, its basic notion of integration is practically the same as in systems theory as presented in the section 1.1. However, transaction analysis has directed its attention to the formation of political communities ("political amalgamation") as well. The degree of community formation has been studied, for example, by conducting surveys on peoples’ social identification and by studying their attitudes towards neighbouring nations.

Since transaction analysis has an open attitude towards all kinds of transactions between state-societies, its strength lies in its ability to describe integration accurately. Its statistical orientation sets its own limits, but there are no theoretical reasons why transactions could not be studied with qualitative methods as well. Since transaction theory lacks an explanatory aspect, however, it is not well suited for explaining the dynamics of integration (Puchala 1971, 158). As can be easily seen, this approach is based on a strong analogy to the formation of modern nation-states (see Puchala 1971, 137): In the formation of new socio-economic units "transactions" approximate the development of capitalist economy (differentiation) and "community formation" or "political amalgamation" approximates "state formation".

In contrast to functionalism and transaction analysis, intergovernmentalism stresses that the main actors of Western European integration have been, and still are, those national governments that negotiate and make final decisions concerning the course of European integration (see Rosamond 2000, 76). Basically intergovernmentalism assumes the traditional point of departure of

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1 In contrast to this definition, it can be argued that in addition to factual transactions, a crucial element in the formation of a social group is the way in which collective identity is defined ideologically (see section 2.3).
international relations research: due to the lack of legitimate international order, the international system is essentially in the state of anarchy, that is, in the state of nature. In this state of nature, national governments pursue rationally their own interests vis-à-vis other selfish nations. Intergovernmentalist writers add to the basic idea of international anarchy a certain amount of institutionalization in the international arena (Rosamond 2000, 141-145). Despite these additions, from the socialization point of view, intergovernmentalism is not especially interesting because of its minimalist institutional assumptions. Still, it is clear that intergovernmentalism stems directly from the basic assumption of modern social theory (see section 2.1 on the state of nature and modern rationality). A close relation between practices of international politics and the intergovernmentalist approach is established by the fact that both intergovernmentalist researchers and many politicians share the ideology of selfish rational state-actors that pursue their own interests vis-à-vis other states (Rosamond 2000, 152-153).

Neofunctionalist integration theory stresses partial issue-centred cooperation between diverse actors as an integrative strategy. In contrast to this, federalism aims at strengthening the significance of the transnational level directly by strengthening the powers of transnational organizations (Bellers & Häckel 1990, 239-294, 307) — a clear point of criticism against functionalists. In addition, federalism does not presuppose that economic forces guide the regional integration, but rather it maintains that political decisions are the primary source of integration. Federalism is thus a voluntaristic and non-deterministic approach (Pentland 1973, 165-167).

The roots of federalist thinking go back to three sources (ibid.

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1 In fact, there seems to exist a loose historical continuum of increasing of institutional elements in international relations research: unlike the classical realism of international relations research, neorealism includes an idea of international structures in its picture of the anarchic international system (Rosamond 2000, 131-132). In the 1980's, the theory of international regimes maintained that an international system of interdependencies gives birth to a system of mutual expectations, principles and norms, and this system binds states to an integrated international regime (Weber & Wiesmeth 1991, 258). Lastly in the 1990's, the multi-level governance approach expanded the area of international institutions to formal and informal politics of governance. Hence, transnational governance is: international regime + some sort of a regulative organization.
158-160). First, many historical plans for the maintenance of peace and the reorganization of international relations advocate for the creation of a large regional or even global federal state. Historic examples of federal political order, notably the United States and Switzerland, serve as positive examples for federalists. Lastly, medieval European small communities have been seen as the grass-root level of a decentralized federal system. These distinct sources of federal thinking reveal where the charm of federalism lies: federalism attempts to link together effective political organization and individual liberty; it consists of a mixture of both political centralization and decentralization. (Ibid. 154-155, 157; Haas 1971, 20.)

Modern federalism can be divided into two types (Pentland 1973, 147, 151). The legalist or classical tradition attempts to draw up peace plans or constitutions for the international system. This tradition has been more interested in supporting the creation of federal entities than in analysing them. When this approach was criticised for having an overly formalist attitude, a more sociological oriented version of federalism was developed.

This second, process approach to federalism, differs from the legalist tradition in its definition of federal integration. The legalist notion of federal integration is based on the idea of explicit agreement

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1 This is also a reason why the federalist ideal is important for European political discussion whether one is a proponent of federalism or not. Against the federal ideal it is possible to pose questions about the amount of democracy and openness of Western European transnational organizations, the position and powers of European regions, possible consequences of the widening of integration and the position of outsiders when decisions made by the Western European organs affect them (question of global federal order) (see Pentland 1973, 186; Schneider & Wessels 1994b, 9-10; Büchi & Nieminen 1995, 373-374). An additional advantage of federalist thinking is that it addresses directly the question of why and how nation-sates might turn over their jealously guarded political sovereignty to a larger federal system (Pentland 1973, 166). Especially in times of turmoil in international configurations, international federal arrangements may seem an ideal solution to the anarchy of the international system, as was the case after the Second World War when the federalist movement was at its strongest (Pentland 1973, 176-179).

2 For present programmes for federal regional and global political order see, for example, Transnationale Demokratie (Erne & Gross & Kaufmann & Kleger 1995) or Democracy and the Global Order (Held 1995). For more objectivistic analysis of the subject see, for example Föderale Union — Europas Zukunft? (Schneider & Wessels 1994a).
between integrating states: with an agreement, that is, a constitution, political leaders from different nation-states establish a new federal state with its new sovereign powers and a federal division of power. Federal order is thus established by means of a written constitution. In the sociologically oriented process approach, federal integration may be brought about by means of a formal constitution (explicit agreement) or as a tacit agreement among the member-units. This implies that a real “federalizing process” may be present in systems that appear to be classic international systems, confederations or even unitary states (ibid. 151-153,169). Political systems that find themselves in-between a traditional interstate system and a full-blown federal state have been named confederations (alliances of states) or consociations (alliances of diverse élites) (Rosamond 2000, 148-149).

Federalism’s affinity with modern social order is self-evident: Federalism is based on an analogy between international integration and the earlier formation of federal state-societies (Pentland 1973, 170).¹ Nevertheless, unlike modernization theory, the federalist approach to international integration concentrates almost solely on the political dynamics of integration.

It has already been mentioned above that at the same time as the politics of integration experienced setbacks in the 1970's, theorizing about European integration also weakened considerably. Since then, most publications on European political integration seem to have had mainly an empirical orientation and they have mainly reacted to politics of integration without much theoretical ambition. The renewal of European integration from the middle of 1980's onwards gave a new birth to integration research, but this new wave of research has not developed a revival of political integration theory that could be compared with the grand theorizing of the neofunctionalism of the 1960's and the 1970's (see Nelsen & Stubb 1994; Rosamond 2000, 197).

In a way, much of the debate on European integration is still being done in a neofunctionalist manner. In most presentations on European integration integrative processes are divided into the several

¹ This affinity between historic development and federalist ideals gives grounds for assuming that federalist ideals in Europe would gain support especially from countries that already have federal structures (Germany, Belgium, Austria, Switzerland) (see Schneider & Wessels 1994b, 10).
functional realms of modern society (for instance: foreign policy, issues relating to the flows of capital and the movements of people and goods), and in each of these areas of modern socio-economic life, integration is seen as an outcome of bargaining between modern rational, calculating actors. Furthermore, the idea of possible spillovers is constantly being discussed.

The most discussed new idea in integration theory of the 1990's has been the idea of **multi-level governance** (Rosamond 2000, 109-113). Multi-level governance maintains that in the late twentieth century politics should be understood as a system consisting of several levels (local, national, transnational, global) and that both informal and formal political processes take place at these different levels. Especially interesting is, of course, what kinds of relations and networks there are between these different levels of governance. In the case of European integration, the multi-level governance approach relativizes the positions of the different levels of governance. This means that it is no longer crucial to determine whether nation-states are the primary actors of integration (as an intergovernmentalist would maintain), but rather to analyse empirically what kind of relations different levels of governance have with each other. This relativistic idea seems fruitful. On the other hand, however, the multi-level governance approach lacks elaborated notions of the dynamics of integration and political institutions.

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1 On multi-level governance approach and policy network analysis see Rehn 1997.
3.2 Economic Integration

As in the case of theories on political integration, economic integration theory can be subsumed under the rationalist approach of associative socialization (Vergesellschaftung). In theory of economic integration, "integration" refers both to the process of regional integration and to the different stages of integration (Balassa 1962, 1; Molle 1994, 8). Regarded as a process, economic integration refers to the continuous abolishing of discrimination between national economies. Viewed as a stage of integration, economic integration denotes the absence of various forms of discrimination between national economies. Political actions leading to more integrated economies can be either positive or negative (Molle 1994, 14-15). Diminishing barriers between national economies is labelled as “negative integration”, whereas creating a common policy framework of equal conditions for economic actors within an integrating region is called “positive integration”.

Much as in the Schmitter’s neofunctionalist model of political integration, economic integration is divided into different levels of integration starting from preferential arrangements and ending with complete economic integration (see Balassa 1962, 2; Widgrén 2001, 51). The idea is that each higher stage of integration includes features of the preceding lower stage of integration. The main forms of these stages of economic integration are (Molle 1994, 10-12):

- Preferential treatment: import duties are lowered for certain goods and countries (Widgrén 2001, 50).
- Free trade area: all trade impediments such as import duties and quantitative restrictions are abolished among partners.
- Customs union: a free trade area and a common external tariff.
- Common market: a customs union and fully free internal movement of both products (goods and services) and of production factors (labour and capital); and common external regulation of both products and production factors.
- Economic union: a common market and also a high degree of coordination or unification of the most important areas of economic policy.
- Monetary union: the currencies of the member states are linked through irrevocably fixed exchange rates and are fully convertible, or one common currency is established.
Economic and monetary union: combines the characteristics of both an economic and a monetary union.

Political union: integration is extended beyond the realm of economics.

Full union: the complete unification of the economies involved, a common policy on many important matters. This situation is virtually the same as in a single modern state-society. Hence, some form of federalism is developed. In the area of public finance this federalism is called fiscal federalism (see Parviainen 1996; Widgrén 2001, 292).

In reality, transitions between stages of integration are, of course, relative and different kinds of combinations are possible. The deeper economic integration proceeds, the more political unification is needed to ensure the smooth operation of an integrating regional economy. Political decisions on economic integration create new economic dynamics that in turn create necessities for further economic and political integration via new political decisions. The politico-economic dynamics relating to moving from a lower stage of economic integration to a higher one are thus the same as in neofunctionalist spillover processes (Molle 1994, 15-17).

The political integration required by economic integration also has different stages in which each higher stage includes the lower ones (Molle 1994, 20-21):

- Information: national governments agree to inform each other about their aims and policy instruments.
- Consultation: governments inform each other and seek the opinions and advice of others on the policy they intend to execute.
- Coordination: goes beyond consultation because it commits governments to making agreements and thus also limits formally their sovereignty (also previous stages of political integration may factually restrict sovereignty, albeit not in an explicit way). Coordination may mean "harmonisation" that is a limitation on the diversity of national laws and national administrative rules, or "convergence" of target variables of policy (such as reducing differences in national rates of inflation).
- Unification: the abolition of national instruments or the adoption of identical instruments for all partners.
In principle, the more economic integration continues towards full union, the more political integration develops towards unification. Each stage of economic integration is associated with certain forms of political cooperation (Molle 1994, 22): a customs union and a common market necessitate the exchange of information; a common market policy coordination; an economic union policy coordination and the final stages of economic integration, an economic and monetary union and full union, require all political unification.

What then, are the relations between the politics of integration and the economics of integration? Is regional integration mainly caused by political or economic forces? The theory of economic integration does not seem to provide decisive answers to this question. In many cases, the political origins of economic integration are stressed. Economic integration starts with and proceeds via political decisions and it is politically motivated (Balassa 1961, 6-7; El-Agraa 1989, 10; Molle 1994, 13). In fact, this stress on political factors follows already from the very definition of economic integration. If integration is defined as the (political) removal of discrimination between national economies, it follows from this definition that politics must precede economic development. However, in some passages El-Agraa and Molle, two economists that have written about economic integration, explain that these political decisions have often been motivated by economic reasoning (El-Agraa 1989, 10; Molle 1994, 23). Furthermore, Willem Molle concludes on the basis of empirical presentation of the history of European integration that technical and economic factors were the principal stimuli for progressive economic integration in Europe (Molle 1994, 49). Empirical long-term descriptions of fluctuations of international economic integration identify clear economic dynamics behind political decisions. From the beginning of the previous century to the era after the Second World War, economic depressions have strengthened non-integrative political forces, whereas the opposite development has taken place in times of economic growth (Molle 1994,
An empirical study conducted by Ronald Rogowski (see Rogowski 1989, 3-10) also identifies the close connection between international economic development and foreign trade policy. In conditions of expanding world trade polito-economic groups attached to exporting industries receive more resources and are thus in a good position to pursue the liberalization of foreign trade (that is, enhance international economic integration). In a reverse situation in which world trade is declining, polito-economic groups that are attached to a home market are able to strengthen their relative position and trade politics of a more protectionist nature (that is, international disintegration) are applied.

Because the theory of economic integration seeks to combine elements of economic and political analysis, it is actually one form of political economy. An alternative account of the liberal political economy of European integration is offered by a Marxist analysis of integration (Rosamond 2000, 81). Marxist analyses of integration relate integration to the development of the capitalist mode of production and to changes in the relations of production (class relations) (see Haack 1983). Consequently, Western European integration is explored in the context of the dynamics of capitalism. Because Marxist analyses of the dynamics of integration explicitly examine class relations they are well suited for this study at hand, which examines the regulation of European capitalism and industrial relations. Therefore, the Marxist analysis is examined in more detail in chapter four. At this point, it suffices to say that much of what is said in this chapter about the close relations between integration theories and ideas concerning modernization applies also to the Marxist approach to integration.

It goes without saying, that the above presented view of compounded economic and political integration bears close similarity to functionalist (techno-economic necessities of integration), neofunctionalist (spillover, deepening political institutionalization) and

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1 An empirical study conducted by Ronald Rogowski (see Rogowski 1989, 3-10) also identifies the close connection between international economic development and foreign trade policy. In conditions of expanding world trade polito-economic groups attached to exporting industries receive more resources and are thus in a good position to pursue the liberalization of foreign trade (that is, enhance international economic integration). In a reverse situation in which world trade is declining, polito-economic groups that are attached to a home market are able to strengthen their relative position and trade politics of a more protectionist nature (that is, international disintegration) are applied.

2 Occasionally, economists also point to social integration as an underlying precondition for economic integration (see Balassa 1962, 2; El-Agra 1989, 8).
federalist (federalism as a process) conceptions of regional integration. In fact, it has been maintained that neofunctionalists got their idea of an expansive functional logic of integration from economists (Rosamond 2000, 60).

Notions of economic integration theory have also close relations to ideas of modern social order. First, both theories stress the political and economic dynamics entailed in the creation of new socio-economic entities. Secondly, an even more fundamental connection between modernity and the economics of integration is that the basic ideas of economic integration stem from the idea of modern rationality (see section 2.1). Because economics is based on an idea of rational actors that work to maximise their interests in markets, an economic approach to integration is well placed to analyse the strategies of different actors and the rationalist “games” in which diverse actors take part in the course of integration. For instance, voting behaviour and the building of different coalitions in the European Parliament and in the European Council have been analysed with the help of mathematical models (see Widgrén 2001, 91-141).

Lastly, both ideas concerning modern social order and economic integration theory seem to follow linear evolutionary lines of thinking. To be sure, not all writers share Willem Molle's straightforward evolutionist notion of the dynamics of economic integration: EL-Agraa, for example, (1989, 2) explicitly denies that there are evolutionist connections between different stages (he uses word "forms") of integration; rather each form of economic integration can be introduced in its own right. Balassa (1962) also does not seem to present any clear-cut evolutionist scheme of economic integration, though he emphasises a spillover effect whereby any attempts to integrate national economies would necessarily lead to harmonization in various policy areas (Balassa 1962, 9). In any event, the very idea of stages of integration owes a lot to the modernist idea of stages of social evolution. All in all, the theory of economic integration is not far from general ideas on the nature of modern social order.
3.3 Communal Socialization

As can be recalled from chapters one and two, the notion of communal socialization (Vergemeinschaftung) was further defined by notions of ideology and collective identity. The same distinction can also be found in integration studies. Cultural or symbolic studies on the foundations of European integration can be divided into two parts: studies conducted on the cultural history of “the idea of Europe” (ideology of Europe) and research concentrating on a “European identity”.

Studies on the idea of Europe look at the origin of the concept of Europe and try to decide the time of the birth of “Europe”, that is, at what point of time people living on this peninsula of Asia started to define themselves as “Europeans” (see Swedberg 1994). These historical studies concentrate on the writings of diverse intellectuals (Giesen 1999, 131) such as Machiavelli, Montesquieu and Voltaire, or on the thoughts of leading politicians. These studies follow the different incarnations of the European idea through history starting from “Europe” as a word with distinct etymology and as a part of an Ancient Greek mythology1 and ending with the creation of the European Union (Swedberg 1994, 382). In this way it is possible to point out that the history of European integration has at least a long conceptual history and that European integration can be interpreted as the evolution of the idea of Europe.2

However, because European intellectual traditions (such as the Christian religion, modern political ideologies) make strong universalistic claims, these traditions do not support the idea that Europe

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1 The word "Europe" stems from Assyrian-Phoenician root (erb) which means “sunset” or “darkness”. It was by this name that ancient seafarers called the Western coast of Aegean see (Greek mainland). In line with this logic, "Asia" means the “break of the day” or “light” (aszu or acu) and it referred to Asia Minor (Sperling & Karger 1989, 14-15). In Greek mythology, “Europa” was the daughter either of Phoenix or of Agenor, king of Phoenicia. The beauty of Europa inspired the love of Zeus, who approached her in the form of a white bull and carried her away from Phoenicia to Crete.

2 For somewhat older literature on this line see Swedberg's article on the idea of Europe (Swedberg 1994, 379-380). Newer publications (similar books are most probable available in any European language), include, for example, Euroopan idea, Eurooppa-aatteen ja eurooppalaisuuden pitkä historia (Mikkeli 1994) and Die Idee Europa (Jaeckle 1988).
could or should be separated from the rest of the world. Instead, these universalistic claims can be used to legitimize Europe’s politics in relation to the rest of the world (see Giesen 1999).

It is essential to note that this line of thinking diverges strongly from technocratic and utilitarian notions of European integration as described in functionalist, neofunctionalist and economic theories of regional integration. This mode of thinking defines and justifies European integration as a moral commitment to “European civilization” or "European values", and not simply as a mean for gaining economic or political benefits (Giesen 1999, 139). Furthermore, this kind of a literature strongly links research, pro-integrative activism and European idealism without any specific concern about sorting out facts from political objectives (Swedberg 1994, 383; see also Wilterdink 1993, 120-126).

This linkage between social science and a pro-European attitude points out an important social function of studies on European ideas. The literature on European ideas presents an ideal picture, a collective representation, a symbolic fetish of Europe (see Swedberg 1994, 383). Such symbolic representations of society play an important role in the dynamics of communal socialization. Their role in social integration has been clarified by Émile Durkheim.

According to Durkheim, symbolic representations or totems form the basis for a society: a totem is a symbolic representation of a community, this symbol and the community that it represents are sacred to the members of the social group in question (see Swedberg 1994, 383; Durkheim [1912] 1964b, 206-214, 230-231). The symbols of "Europe" are used much like totems that crystallize everything good and holy in the European socio-cultural entity. Consequently, symbolic representations (totems) of Europe, which give strength to the supporters of European integration, have to be safeguarded and the very word "Europe" itself seems to glow with positive energy. Additionally,
powerful proponents of European integration, such as leading politicians or the president of the European Commission receive a share of their respectability and authority from this totemistic source — they are embodiments of symbolic representations of Europe (see Durkheim [1912] 1964b, 212-213; Eisenstadt & Giesen 1995, 77, 83-84).

Thus, by presenting and glorifying European symbolic representations, the literature on European ideas and identity itself contributes to creation of a European society. This interpretation also makes understandable why these books and articles appeal to moral values and display a strong aversion to utilitarian concerns. According to Émile Durkheim a society can only be constructed on a foundation of non-utilitarian morality and non-individualistic values (Durkheim [1893] 1964a, 228, 396-399). A society based solely on individualistic calculations of benefits would be unstable and unpredictable since any long-term social commitments — upon which most of social life is based — could be broken at any moment by selfish individuals (Durkheim [1893] 1964a 203-204).¹

A second strand of studies of the cultural foundations of European integration studies European identity using surveys or other empirical means. These empirical studies receive their practical importance from the political importance of a common social identity. As explained in sections 2.3 and 2.3, which dealt with collective identity and ideology, common identity and generally accepted symbolic representations of a society integrate people into a social unit in which norms are obeyed and which is capable of acting with political unity. In this sense, identification with a social entity is the foundation of the integration within a social group. Since the primary political entity in modern Europe is not "Europe", but diverse state-societies, "nations", the strength of European identity is often measured and assessed against the strength of national identities (see Smith 1992; Wilterdink 1993, 126-129; Münch 1993, 36-42; Laffan 1996).

Because normatively and politically decisive social identities are

¹ Durkheim’s negative stance towards social integration based only on rationalist calculation is an example of the general aversion of sociologists towards purely associative socialization (see section 1.1 on communal and associative socialization).
mutually exclusive (in case of conflicting norms one has to decide which set of norms is to be followed), there exists potential conflict between a national and a European identity that actualizes itself in situations where the politics of integration disturb or insult national sentiments.¹ Since just about any symbol or custom may represent vital national symbols or totems, minor disturbances of the national way of life may also cause strong reactions.

In such potentially conflictual situation, researchers have also taken sides. Some researchers are worried about the fate and the weakening of national identity as Europe becomes more integrated. On the other hand, some emphasize the positive role of a strengthening European identity (see, for example, Laffan 1996) and there are also ideas on how national and European collective identities could be accommodated to each other. For instance, according to Gaspare Nevola, European identity could combine identification with the formal principles of democratic citizenship (European level) and identification with specific cultures and histories (national level) (Nevola 2001, 344).

What, then, can be said about the dynamics of European identity building? What relations might there exist between political and economic integration and communal socialization?

First, in the late nineteenth century, Émile Durkheim suggested in his book *The Division of Labour* that deepening division of labour would enhance organic solidarity and he hypothesized that in times of enlarging international trade, transnational identities, such as European identity, would also gain ground in relation to national identities. Since Durkheim wrote his book on the social division of labour in a peaceful period of la belle époque with a widening international division of labour, it is understandable that he prognosticated the birth of European organic solidarity and European society (Durkheim ([1893] 1964a, 405-406; see also Muir 1919, 206-207; Molle 1994, 31-39).

Like Durkheim, political and economic integration theorists seem to believe that regional integration is set in motion as rational bargaining

¹ This is not to say that people cannot have diverse identities at the same time, as for example, professional, regional, national, European, global or any other group identities, but the point is that from the point of view of the political domination and general functioning of a social group in cases of conflicts of norms, one of these identities must predominate (see Bloom 1993, 52).
and the exchange of goods, services and political advantages (associational socialization) and that only later will a European political loyalty and collective identity (communal socialization) develop. This kind of a point of departure is understandable from the rationalist point of view. If a collective identity were to develop before rational bargaining, a theory that is based solely on rational bargaining would be false in its basic premises. However, in the twentieth century a linear development of European collective consciousness did not materialise, and this leads to a second point concerning relations between communal socialization and politico-economic integration.

Secondly, if national élites, for political or economic reasons, chose to pursue an autarchic economic policy this would lead to a strengthening of national identities and a corresponding weakening of a regional European identity. This kind of a development was observable, for instance, in Europe between 1914 and 1945 (see Molle 1994, 39-42).

Thirdly, Durkheim thought that social consciousness and symbolic representations of a society are born spontaneously, but no principal reason prevents political élites from trying to manipulate symbolic representations of a social order in order to enhance societal integration. However, it must be kept in mind that as a psychological phenomenon, identity building must be experienced at least partly as a spontaneous process, which cannot be manipulated high-handedly. A collective identity cannot simply be forced upon people. (See Bloom 1993, 52; Eder 1999, 148.) In addition, no organized social actor, no matter how powerful it may be, is able to manipulate all symbolic representations. Thus, although some political actors of integration may strive to create a European identity, without support from other integrative processes (as for instance, economic, cultural and political differentiation or transactions) their success is likely to remain limited.

Lastly, in some cases, people’s nationalist sentiments might develop into powerful hindrances to further regional integration. This might happen, for example, if regional actors insult national habits or symbols or if national actors see that their national interests are threatened. Due to the non-utilitarian, that is, in modern sense of the word, non-rational, character of these feelings, this may also happen when utilitarian political or economic reasoning would clearly show that international integration is in the best interest of integrating peoples.
Exactly here lies the great importance of a social identity approach to the study of European integration: by combining modern and non-modern aspects of social integration into a theory of integration one is better equipped to understand and analyse regional integration than when concentrating solely on modern "rational" aspects of integration (see also Laffan 1996). In contrast to this idea, all other approaches to European integration stress the importance of utilitarian interests. In their view, integration is seen essentially as modern rational process and other modes of thinking, that is, other rationalities, are either excluded or (implicitly) depicted as “irrational” (see, for instance, Haas 1971, 38; Schmitter 1971, 238).

3.4 Integration as Modernization and External Factors

The above brief introduction to theories concerning political, economic and communal integration having been made, their common characteristics can be now summarized in this section. As can be seen from the above short presentation of integration theories, they can be linked with ideas concerning modern social order. They use the same general structures of thinking on what constitutes a modern society as does modern social theory, though different theories emphasize diverse aspects of modern social integration. In order to prove this argument, remarks on the affinities between integration theories and ideas on modern social order have been included in preceding sections.¹

As in the case of sociological notions of the modern society, integration theories have also concentrated on “internal” aspects of regional integration and left the pressures of global competition largely unattended, or at least this has been the case in the literature that I consulted. However, as was explained in connection with the formation of state-societies, external systemic and functional dynamics have played crucial roles in the creation of modern nation-states (see the scheme of modernization in section 1.4). Because it seems reasonable to assume that the definition of external environments is a crucial element in the

¹ In a way, integration theories are also post-modern theories, since they describe processes that undermine established modern nation-states as a primary form of social organisation (see Rodamond 2000, 111).
integration of any social group, the question of the role played by external influences has to be raised in the case of European integration as well.

The theoretical idea of the importance of the definition of the external social environs to European integration is supported by a few historical observations. In medieval times as well as in the seventeenth century the idea of European unity was supported by referring to the danger that Turkish empire posed to Christianity and to European powers (Foerster 1967, 42-43; Muir 1919, 143). Later, the United States and the Soviet Union assumed the role of an external competitor or of an enemy, which resulted in calls for internal European integration (see Heater 1992, 181-182).

As observed above, however, integration theories have paid little attention to external forces. Nevertheless, some remarks on the role of outer pressures and global competition in different theories can be made.

1. Since functionalism strives to overcome global antagonisms via global functional cooperation, it is precisely unregulated destructive global competition that functionalism seeks to abolish.
2. For neofunctionalists, who concentrate on regional integration pressures, global competition may have diverse effects. At least the following relationship can be constructed on the basis of a neofunctionalist way of thinking. If regional integration is perceived as a success, outer pressures strengthen integration. In the opposite case, external pressures weaken regional integration. Since neofunctionalists presuppose a large number of various kinds of actors of integration, this thesis can only serve as a rough starting point for a neofunctionalist analysis of external pressures: different actors may come to conflicting conclusions about the success or desirability of regional integration.
3. Transaction analysis does not seem to have clearly defined ideas of outer pressures; it only points out that transactions within an integrating unit are more tense than transactions between a regional unit and the outer world (Puchala 1971, 139).

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Federalists have not defined the role of outer pressures in the creation of a new federal state.

A multi-level governance approach opens up at least in theory the possibility of examining external influences, assuming that Western European governance is analysed as one level of global governance.

How global competition affects regional economic integration is not clearly defined in the economic integration theory. However, several writers see European integration as an attempt to answer global competition especially on the part of the United States and Japan. Thus, one may well assume that global competition enhances regional economic integration if important political and economic actors see that their destiny is tied to a regional entity and its global competitiveness rather than to the competitiveness of their respective nation-states. On the other hand, if actors believe that it is national competitiveness which is crucial, increasing global competition would lead to the weakening of regional integration.

Regarding communal socialization, a reasonable starting point seems to be that perceived outer pressures or threats will result in the strengthening of regional identity. Furthermore, since social identities are built up in terms of a distinction between “we” and “they”, a regional identity is possible only in relation to other social identities, hence it presupposes an “external” social world.

The different theories of European integration presented in this chapter are summarized in Table 3.1. In this table theories of regional integration have been interpreted as theories of the formation of a new regional society. Consequently, Table 3.1 is structured in accordance of the scheme of modernization presented in section 1.4:

\[(\text{capitalist economy} \& \text{state formation}) \times \text{European} \& \text{global competition} = \text{dynamics of European modernization}\]

Yet, when moving from a national to a regional configuration the scheme of modernization must be slightly modified:
In addition to the above interpretation of integration theories, Table 3.1 also summarizes specific notions of integration and disintegration used by diverse theories.

**Table 3.1 Summary of integration theories’ views of social dynamics (table continues on the next page)**

<table>
<thead>
<tr>
<th>Concept of integration / disintegration</th>
<th>Capitalist economy &amp; political unification</th>
<th>Role of global competition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Functionalism:</strong> functional cooperation / politicalization of technical functional cooperation leads to nationalist tensions</td>
<td>on the basis of global technical and economic integration, functional cooperation leads to the creation of a modern world-society</td>
<td>none, since the emphasis is from the beginning at the global level</td>
</tr>
<tr>
<td><strong>Neofunctionalism:</strong> functional cooperation / selfish national actors may choose disintegrative politics</td>
<td>integration comes about via interactions of pluralist interest groups and may lead to the creation of a regional state</td>
<td>if regional integration is seen as a success, outer pressures strengthen integration; in the opposite case, outer pressures weaken regional integration</td>
</tr>
<tr>
<td><strong>Transaction analysis:</strong> amount of different transactions / transactions diminish</td>
<td>the formation of a regional society is measured by its inner transactions</td>
<td>not defined</td>
</tr>
<tr>
<td><strong>Federalism:</strong> formation of federal transnational state / collapse of transnational political activity</td>
<td>political transactions lead to the creation of federal political order</td>
<td>not defined</td>
</tr>
<tr>
<td><strong>Multi-level governance:</strong> development of multi-level political systems / disintegration of policy networks</td>
<td>policy networks enhance political unification</td>
<td>globalization enhances multi-level governance</td>
</tr>
</tbody>
</table>
### 3.5 Social Sciences and Reproduction of Social Order

Some readers may think that the approaches to European integration presented in the preceding sections do not qualify as proper social scientific theories. Theories of regional integration may appear to be conceptually too vague and politically too much engaged in the politics of integration to be able to analyse European integration clearly and objectively. These (conceptual discipline, objectivity) and kindred ideas of the true qualities of social scientific theories may serve to support the self-esteem of particular researchers devoted to particular approaches, but a notion of theory that is limited to one or a few approaches as legitimate or true theories, is too limited a perspective when analysing different approaches to European integration. Even a more serious deficit of theoretical narrow-mindedness is that an attempt to limit the qualities of legitimate theories fails to take into consideration the fundamental function that theories fulfill in social sciences and in social practices.

In its broadest, traditional and classical sense, "theory" means "contemplation" or "seeing" (see Sandkühler 1990, 585-586; Brown 1993b, 3274). In this phenomenological sense, any given world-view and any mental construction of the world is a theory, and attempts to classify some ways of seeing as real science and others as false belief fail to understand the crucial role that conceptual constructions play in every

<table>
<thead>
<tr>
<th>Concept of integration / disintegration</th>
<th>Capitalist economy &amp; political unification</th>
<th>Role of global competition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic integration:</strong></td>
<td>lowering of barriers between national economies / for political or economic reasons national governments move to protectionist politics</td>
<td>political lowering of barriers between national economies leads in the course of time to creation of a fully integrated regional entity</td>
</tr>
<tr>
<td><strong>Communal socialization:</strong></td>
<td>in an integrated social entity people have the same collective identity / regional collective representations lose their integrative power</td>
<td>regional socialization and increasing transactions lead to strengthening of a regional identity</td>
</tr>
</tbody>
</table>

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However, it must be remembered that there is no such academic discipline as “integration studies”. In fact, integration research is a scattered research field: different disciplines study integration from their own perspectives, and there has been little communication between disciplines (see Lindberg 1971, 126-127; Pentland 1973, 14-15, 20-21). This said, it must be acknowledged that theoretical uncommunicativeness along with restricted and departmentalised knowledge is a systemically determined consequence of the scientific division of labour between disciplines and not solely a problem of integration studies.

It is the above stated idea, that the practical and theoretical constructions of a social order are closely related to each other that is the theme of this section. In the following pages, the role of integration theories in the formation and reproduction of European social order is examined by dividing the context of integration studies into external and internal factors. “Internal factors” refer to those elements that influence integration research within relatively independent social scientific institutions. “External factors” denote those politico-social relations that integration studies have with their extra-scientific environment.

Internally, integration theories have drawn heavily from the dominant academic modes of thinking. From the 1950's through the 1970's, the emphasis was on behaviorist and functional approaches and statistical methods were widely used since these were deemed to be real science. Later, in the 1980's and especially in the 1990's, new approaches, such as constructivism and network analysis, were adopted to integration research as well (Rosamond 2000, 123, 171-174).

To me, the most striking difference between integration research from the 1950's through the 1970's, and that of the 1980's and the 1990's, is that earlier theories (federalism, neofunctionalism, transactionism) were based on dynamic and evolutionary assumptions of deepening integration, whereas later theorizing seems to avoid explicit ideas on the future direction of integration (see Rosamond 2000, 105, 126). Because of this lack of future perspective, recent integration research settles in many cases for commenting on and explaining actions of different actors of integration and such research is not able to construct long-term dynamic hypotheses and explanations for the dynamics of integration.

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1 However, it must be remembered that there is no such academic discipline as “integration studies”. In fact, integration research is a scattered research field: different disciplines study integration from their own perspectives, and there has been little communication between disciplines (see Lindberg 1971, 126-127; Pentland 1973, 14-15, 20-21). This said, it must be acknowledged that theoretical uncommunicativeness along with restricted and departmentalised knowledge is a systemically determined consequence of the scientific division of labour between disciplines and not solely a problem of integration studies.
Indeed, it seems that the post-modern idea of collapsing of “grand stories”\(^1\) has its relevance within integration studies too.

**Between internal and external factors** influencing social sciences, there exists a large gray area in which social sciences intermingle with other institutions and activities. In the case of integration studies, the close relations between the social sciences and the political practice of integration can be clearly detected from the ups and downs of integration research: Specific theories concerning Western European regional integration have been developed at the same pace as the evolution of European integration (see Antola & Tuusvuori 1983, 13; Bellers & Häckel 1990, 292, 297-298; Sinnott 1994, 2; Rosamond 2000, 98). The most active development of integration theories took place from the beginning of the 1950's to the early 1970's. Beginning with the late 1970's the stagnation of European integration led to the collapse of theoretical development too. Since the middle of the 1980's the speeding up of European integration has led to a renewal of integration studies as well although this recovery seems to concentrate more on empirical questions raised by politics of integration than on developing theories of regional integration (see Wessels 1993; 1994; 1995). In the 1990's, resurgent integration research diversified into several different approaches and policy areas without central themes or controversies (Wessels 1999, 25). Obviously, the most important connection between researchers and the politics of integration is based on the financing of integration research. By financing integration research, policy makers create career opportunities for researchers and this leads to integration research that often assumes a positive attitude towards integration.

Close relations between research and politics are, however, not necessarily a bad thing as can be detected from the previous sections. Theorizing on regional integration has developed many useful notions for the study of regional integration. The close relations between these theories and the empirical history of European integration is one of the best qualities of these theoretical endeavours (Bellers & Häckel 1990, 305), but these close relations create problems too (see Bellers & Häckel 1990, 304-305).

First, although a near relation between factual politics and social

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\(^1\) These are grand theories of the meaning and direction of history.
science can be seen as an advantage, relations which are too close lead to intellectual deficiency and blur the (relatively) independent role of social sciences in modern society. In the case of European integration, an overly positive political attitude towards Western European integration has often led to an ignorance of the negative consequences of European integration (Scheingold 1971, 376). Moreover, a close attachment to the daily politics of integration has also led to disinterest on the building of theory and social scientists have often limited their activity to commenting on the contemporary politics of integration instead of developing a conceptual apparatus for an analysis of regional integration. A severe consequence of this following of the political ups and downs of regional integration is that it hinders the long-term development of theories of regional integration (see Nohlen & Schultze 1995, 216). Secondly, and this point follows from the first one, the study of regional integration is Euro-centric and this leads to problems when trying to analyse how European integration is connected to global social dynamics (see the previous section). Thirdly, and this point is also connected to the first one, integration theories concentrate on the activities of political and business élites, and thereby tend to ignore the everyday life and citizen activities.

From a broad external perspective, scientific communities are parts of their respective societies and they take part in reproducing and changing these social configurations. Due to their close relations with the practical politics of integration, integration studies seldom reflect on their structural foundations. In the preceding sections I have tried to show that integration studies follow in their main lines of thinking basic ideas of modern social order (as presented in chapters one and two). From the point of view of integration theory, the basic rationale for examining Western European integration as the expansion and continuation of modern social order is that this perspective enables a historical and theoretical contextualization of regional integration theories. From the idea of close relations between the theoretical and practical reproduction of a social order, it follows that in this study the examining notions of used in integration research does not constitute a “theory section” followed by an “empirical part”. Rather, theoretical ideas of a European society are seen here as integral parts of its practical formation. Theorizing on a European configuration contributes also to its practical
integration. Needles to say, the same applies to the study at hand.

In the following pages, the above presented idea on the close reproductive relations between a social order and the social sciences is studied empirically by examining whether the number of publications concerning European integration has followed the political ups and downs of integration and what role Western European statistical data has played in integration.

First, let us look at the number of publications concerning European integration (see Table 3.2). I have collected data on a number of publications on European integration in years 1951-2000 from databases of national libraries (see Appendix II). The figures for official EEC and EU publications were collected from the catalogue of the European Commission Central Library (ECLAS). These databases were searched via their Internet interfaces. The data collected has two considerable advantages: National libraries have very comprehensive collections of national publications (often it is legally binding to send a copy of a new publication to the respective national library). Secondly, since the data was based on the long-term activity of national libraries it was possible to build relatively long time-series of data. More limited bibliographies produced by diverse organisations, research institutions or specialised libraries would not have offered these advantages.

However, the data collected seems to have also its limitations. First, while searching databases’ keywords of “Europe” or “European” and “integration” or, in some cases, “European community” were used. Whenever possible I limited the database search to publications in the national language in question, and when possible I also used the corresponding national language when searching databases. In instances in which national libraries used different subject words to identify publications on European integration, or if subject words changed over time, my searches could not found all relevant publications. It seems possible that before the 1970's, or perhaps the 1980's, in many national libraries publications on European integration were not classified under the word “integration” but rather according to subject words such as

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1 Other methods of assessing social scientific activities could include, for instance, analysing the financing of integration research, counting the number of Western European research networks and counting the number of transnationally oriented European scientific periodicals and associations.
“federation”. Hence, the figures for years 1980-2000 seem to be the most reliable (see Herbst 1986, 171). Therefore, in my analysis I have concentrated on the figures for these years. Secondly, it was not always possible to limit the search for publications in a given national language and therefore in many cases national figures include also some publications published in other countries and in other languages (see footnotes for Table 3.2). In the case of EEC and EU publications, only publications in English were counted.

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### Table 3.2 Number of publications on European integration 1951-2000

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</table>

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a Due to limitations in the National Library of France’s World Wide Web search functions, French figures presented here are likely to be too low.

b Figures may include publications published in other countries.

.. Not available.

In spite of the above limitations of the data at hand, I trust that a few relatively reliable general observations can be made from the data presented in Table 3.2:

- As might be expected, publications on European integration have been more numerous in the core countries than elsewhere in Western Europe. In the table this can be detected from the way in which large numbers are concentrated in the central part of the table. Exceptions to this general trend were Denmark and Norway. In these countries of the Nordic semiperiphery, publishing on European integration has been relatively active throughout the whole period of time examined here.

- There was a general trend towards a substantial increase in the number of publications (see the last two rows of the table). In terms of the number of publications, the EEC, later the EU has clearly dominated the production of integration publications. The EEC and the EU alone produced more publications than all of the state-societies of Western Europe put together.

- The number of publications on European integration is closely connected to the politics of integration. EU membership applications led to a considerable increase in the number of publications in applicant countries (Switzerland, Sweden, Finland, Norway) in 1991-1995. Apparently, another reason for a clear increase in the number of publications in every country during this period was rapidly deepening integration (establishment of the European Union, beginning of the Economic and Monetary Union). Consequently, as the politics of integration calmed down during the late 1990's, the number of publications on European integration also decreased in every country. Yet, it is to be noticed that the EU’s own publishing activity has not suffered from this kind of fluctuation and this increased throughout the period of 1981-2000.

To sum up, the growing number of publications on European integration suggests that at least some development towards the Europeanisation of social sciences has taken place, though this development seems to follow rather closely political developments (and apparently also the financing of research projects) and not its own internal dynamics. In any event, it still remains to be seen whether there will develop a configuration of European social sciences with ideological and integrative functions equivalent to those of state-societies. (See
A second empirical example of the reproductive role of social sciences in modern social order is the usage of statistical data. Statistical data and social scientific studies using statistical data are important methods of presenting the EU as a collective entity. Such statistics and studies constitute the EU as a social entity and harmonize the way in which national societies are compared with each other. The harmonization of comparisons between state-societies is an important step because it creates common definitions of social reality and harmonized statistics can be used as norms to be followed by the member states and their actors.

To understand the role that statistics play in European integration, it is beneficial to look first at the role that statistics have played in the constitution of modern state-societies (see Wahl 1996, 3-5). As already noted, the notion of “statist-ic” suggests, social statistics have had a close connection with the development of modern state-societies starting from the sixteenth and seventeenth centuries (see Wahl 1996, 17-19). Statistics in its old, eighteenth century sense was a description of the state, by and for itself (Desrosières 1998, 147). Statistical categories constituted, and constitute, subjects of a state as objects of social domination (Desrosières 1998, 9-10).

Consequently, statistical standards and collected data fulfill three functions in modern social order: First, statistical definitions and standards contribute to a certain kind of definition of a social order. Secondly, after constructing a social order through social scientific notions and statistical standards, its phenomena can be empirically measured using statistical methods. Lastly, the empirical data collected can be used when trying to govern and regulate a social system. In this way, the social scientific statistics contribute to the constitution, reproduction and regulation of a social order.

There are of course, historical differences in the social functions of statistical institutions in diverse European states, but in general statistical institutions were developed to answer the politico-economic needs of administering modern state-societies (see Desrosières 1998, 8-9). Hence, statistics have had three important functions in constructing social realities: Population statistics construct the subjects of the modern state-societies, economic statistics help to regulate the capitalist economy
and social statistics display and define those social problems which have been attached to the development of capitalism. The development of statistical activities has therefore been an integral part of practices of building, governing and reproducing modern social order.

An example of the practical relevance of modern statistics is provided by the way in which statistics are used when regulating politically the economy and labour markets. In many, if not in all modern nation states, national accounts, econometric calculations, unemployment figures and other statistical data serve as basis for the making of economic policy and for bargaining in labour markets (see, for example, Desrosières 1998, 330-332; Nieminen 2000, 351). The European Union has been following this same modus operandi when the Commission has based its economic policy recommendations to the member states on economic statistics that have been collected and harmonized by the Union’s statistical office, Eurostat (see Michelis & Chantraine 2003).

In addition to the close relationships between statistics and modern social (state-centred) practices, statistical categories and methods are closely connected to the basic characteristics of modern social theory (see Wahl 1996, 5). The most important statistical categories form a cavalcade of those elements which constitute a modern social order: national populations, individuals, a national work force, enterprises, national economies and so on. Statistical assumptions of behavioural patterns of statistical units correspond to individualistic presuppositions of modern social theory: often in statistical analyses, the activities of actors are analysed from a probabilist perspective (see Wahl 1996, Desrosières 1998). Statistical thinking and analysis follow also the theory of modern social order in the way in which relations between humans and nature are defined (see section 2.5). Statistical organisations treat, describe and analyse social reality as if it were a part nature, and they often use methods that were originally developed for examining natural phenomena (see Desrosières 1998, 279-280).

After the above introduction to the general role of statistical information in modern state-societies, the evolution of Western European transnational statistics is examined in the following paragraphs. A crucial first step was achieved when the High Authority of the European Coal and Steel Community (ECSC) established in 1952 a “service department of statistics” which, at the beginning, employed a mere five persons. At
the beginning this department oriented its work according to the statistical needs that were derived from the ECSC agreement (economic statistics on the coal and steel sectors and the social conditions of the workers in these sectors). A short description of the history of Western European transnational statistics shows how the importance of statistics has grown in the course of integration and how the statistical construction of Western European social reality has been closely linked with the politics of integration (Schumacher 1981, 32-33; Eurostat 2001; for a more detailed history of the Eurostat, see Michelis & Chantraine 2003):

- 1952, a “service department of statistics” established; personnel: 5.
- 1954, this “service department” is renamed the Statistical Division, which apparently raised the social status of statistical services; personnel: 18.
- 1959, the present name of Eurostat (the Statistical Office of the European Communities) was adopted. At this stage the Statistical Office had three directorates (general statistics, energy statistics, trade and transport statistics) and three “special departments” (industry and handicraft statistics, social statistics and agricultural statistics). The first publication was issued, dealing with agricultural statistics. The Statistical Office had a personnel of 90. Already in 1959 the head of the Statistical Office wrote that the common statistical organization should cover an area equivalent to those of the national statistical organizations (Wagenführ 1959, 34-35).
- 1960, the first Community Labour Force Survey.
- 1970, the European System of Integrated Economic Accounts (ESA) was published and the general industrial classification of economic activities (NACE) was established.
- 1988, the European Commission issues a document defining the first policy guidelines for statistical information.
- 1989, the Statistical Programme Committee is established and the first programme (1989-1992) adopted by the Council as an instrument for implementing statistical information policy.
- 1991, Eurostat’s role extended as a result of the agreement on the establishment of the European Economic Area and the adoption of the Maastricht Treaty.
- 1992, the Statistical Programme for 1993-1997 was adopted.
- 1993, the single market extends Eurostat’s activities as “Intrastat”
was established for statistics on intra-EU trade. Eurostat starts issuing regular news releases.

- 1994, the first European household panel was held, analysing income, employment, poverty, social exclusion, households, health and so on.
- 1997, statistics were added for the first time to the Treaty of Amsterdam and the Statistical Law approved by the Council. Harmonised Indices of Consumer Prices were published for the first time. It was designed to measure the European Monetary Union’s (EMU) convergence criteria.
- 1998, the start of the EMU was announced and Eurostat issues the first indicators specific to the EMU area. Statistical programme 1998-2002 was adopted.
- By the end of the 1990's, Eurostat had seven directories that collected statistical information, the scope of which is comparable to national statistical offices. It personnel exceeded 730.

As can be seen from the above schematic presentation of Eurostat’s history, Western European transnational statistics have developed from a small “service department” to a powerful transnational actor that is entitled to coordinate and harmonize the data collecting which national statistical offices do for Eurostat. This development has potentially far reaching consequences for Western European integration. This is so because commonly agreed statistical information ties diverse organised actors (national governments, EU organisations, employers, labour unions) into a common description of a social reality (see also Haas 1958, 524). This description, or hegemonic ideology, defines and limits the subjectivity of the diverse actors and attributes to them a new collective identity as “European” firms, employers, workers and so on. In this way transnational statistics contribute to the creation, reproduction and changing of Western European social order. Or as Yves Franchet, Eurostat’s director-general put it (Eurostat 2001):

“Statistics are the bedrock of democratic market societies. EU statistics are indispensable for decision-makers at all levels — for planning, implementing and monitoring policy. They provide businesses with vital market information and also give the public and the media an objective view of how society is evolving.”
Statistical data contribute to a common definition and reproduction of social order, but collected official statistics normally need a second-hand analysis and explanation before they can be transformed into an effective ideology that helps to constitute a social configuration. It is also via such a secondary analysis that statistical data can be effectively transformed into policy arguments which support diverse politico-economic policies.
PART II
REGULATIVE TRADITIONS IN EUROPEAN CAPITALISM

The part I of this study laid the historical and theoretical foundations for studying European integration and the regulation of capitalism in the rest of this study. The first chapter linked the present European integration to the European history of modernization. The second chapter introduced a few central notions denoting basic features of modern social order. Finally, the third chapter endeavoured to show that specific theories concerning European regional integration in fact reproduce some of the main characteristics of modern social theory and order.

This second part moves on to study the historical development and the present state of affairs of the regulation of the economy and labour markets (industrial relations) in Western Europe at the national level.

There are four reasons for studying the national regulation of capitalism when studying Western European political integration and regulation of the economy: First of all, national level of regulation of the economy and labour markets is the most effective level of socio-economic policy making in Europe. In other words, the national level constitutes a substantial element of Europe itself. Secondly, national regulative traditions have set structural, ideological and functional preconditions for transnational regulative developments. Thirdly, European integration affects the national level of regulation. Lastly, if it is possible to comprehend the dynamics of regulation at the national level, such insight would be useful when analysing developments at the transnational level as well.

In order to be able to examine national regulative traditions, it is necessary to introduce a few notions that describe the regulation of the capitalist economy. This is done in chapter four. Chapter five describes and analyses the evolution of national regulative systems and it concludes with a summarizing section that discusses those processes which contribute to both changes and inertia (i.e. reproduction) in national regulative traditions.
4 Development of European Regulation of Capitalism

4.1 On Regulation

“Regulation” refers to both intentional regulation of a system (for instance, a river, a machine, social relations) and to functional regulation, in which a system (for example, body, markets) regulates itself via functional feedback mechanisms (see Hübner 1990, 55, 97-98; see also Brown 1993b, 2530). Intentional regulation includes both political and legal regulation as well as informal and tacit regulation of social relations. Functional regulation includes, for instance, self-regulation of markets and functional adaption of organizational structures.

As explained in section 2.1 on modern rationality, the idea of the functional regulation of social relations is often expressed in every-day language and in the social sciences by interpreting economic and political states of affairs as “balanced” or “unbalanced” (physical analogy) and “healthy” or “unhealthy” (biological analogy). In fact, as explained in the summarizing section concerning the constellation of modern social order (see section 2.6 and Figure 2.2), regulation mediates relations between particular organizations and institutions and basic features of a social order. In other words, the daily actions of diverse interest groups and state actors reproduce and modify the basic principles of modern social order (including its relations with nature).

By now, it should be clear that the notion of regulation used here, is not to be confused with the concept of regulation used in the public debate concerning deregulation, regulation or making the economy and labour markets more flexible (see Hübner 1990, 54-66; Aglietta 1979, 12-13): Both liberal market economies and diverse versions of welfare-states regulate their social and economic relations, though the combinations of functional and market regulation they use differ from each other. It appears that all economic systems need some sort of intentional regulation in addition to functional feedback mechanisms.

A fundamental feature of regulation is that it does not in itself constitute or produce the basic features of a regulated entity, even though it does mould them. It is this quality of the notion of regulation that
reveals its mediating role between nature and society: Because regulation refers to something that can be regulated but not produced by humans its basic objects have to lie outside a voluntary man-made world. Hence, the most fundamental and decisive objects of regulation are constituted by internal and external natures. To define what these objects of regulation are, and how to regulate them in an appropriate way, entails mediating the relations between a social configuration and nature. This said, it is also true that singular social entities may be constituted by regulative organs. For example, legal regulation may establish or remove singular social organizations, such as certain forms of business enterprises, at will. Yet, no mechanism of intentional or functional regulation can abolish the basic human dependency on inner and outer nature (see section 2.5) — it can only regulate and mediate nature — society relations.

In order to be able to examine the regulation of the economy and labour markets this section introduces a few notions to be used in subsequent chapters when analysing Western European industrial relations. These notions are summarized in Figure 4.1. In fact, Figure 4.1 continues the line of thinking presented in Figure 2.2 on the constellation of modern social order. Hence, Figure 4.1 could be combined with Figure 2.2.

The most general concepts describing the economy are the mode of production, or the economic formation of a society, and the relations of production. First, according to Karl Marx, “mode of production” refers to the technical means of working as well as to ways of organizing work that a social configuration uses while ensuring its material reproduction (see Marx [1890] 1974). This was, of course, Marx’s materialistic point of departure but there is nothing exceptional in it. Indeed, to classify societies according to their mode of production has been a customary procedure in modern social sciences. For instance, Anthony Giddens classifies societies in terms of hunter and gatherer societies, pastoral and agrarian societies and industrial societies (Giddens 1993, 43). Similarly, a recent depiction of modern society, the notion of the “information society” is based on the idea that information and knowledge are playing an increasingly important role as a force of production (see Castells 2000, Chapter 1). Indeed, because material production is the most vital relation
between humans and outer nature, there are good grounds to classify social configurations according to their mode of production. Secondly, “relations of production” denotes a social organization that ensures the production of goods and services (see Marx [1894] 1980, 863-865). In the case of the capitalist economy, this means that goods are produced to be exchanged in the market, workers and ownership of means of production are separated and an overwhelming majority of the labour force is engaged in wage work.

However, even at present all productive work is not done within the capitalist economy. Therefore, the totality of the relations of production are a mixture of capitalist (work for pay or capital incomes) and non-capitalist relations of production. Non-capitalist work is done in the public sector, in households, within non-commercial agriculture, in diverse voluntary organizations and in some cases in cooperatives and small businesses. Obviously, non-capitalist work constitutes a vital structural precondition for the functioning of the capitalist economy (Pietilä 2000, 147). This is so because reproductive work in households and families as well as in administration and the caring functions of the public sector ensure reproduction of the capitalist economy and labour markets. This is a substantial functional relationship because, as can be
recalled from Table 1.3, in the year 2000 about half or a bit more of Western Europeans were not engaged in paid work.

A few scattered estimations allow us to anticipate the magnitude of the private household economy in relation to the officially recognized gross national products (Varjonen 2000, 49): In 1990-1997 it was estimated that monetary value of household production ranged from 68 to 41% of the gross national product in Germany, Finland, Norway and Switzerland. In Norway and Switzerland women’s share of this unpaid home work was about two thirds.

In addition to producing essential services and goods, families and spouses are often forced to compensate and regulate those frustrations, aggressions and fears that cannot be expressed within the hierarchies of the economy. That is to say, families regulate many aspects of inner nature (biological reproduction, sexuality, feelings) that cannot be regulated within the hierarchies and rationalist modes of thinking utilized in firms and bureaucracies (see Ottomeyer 1979, 125-136, Lasch 1979, 37-43; Kortteinen 1982; Haavio-Mannila 1984, 193-196).

When it comes to the role of households in the reproduction of modern state-societies, however, there are considerable differences between Western European countries. In the Nordic welfare-states especially, the caring functions of the households have been partly transferred from the family to the public sector where mostly women take care of children and old people for pay. This policy line is then reflected in the high rate of women’s participation in rewarded labour in the Nordic countries (see Table 1.3).

In sum, economically speaking, households are by no means anachronisms in late modernity, but rather they fulfil reproductive functions that cannot be met by any other public or private organizations. Of course, on the other hand, households are also functionally dependent on the money economy because households need money for their functioning. Taken together, capitalist and non-capitalist modes of production and relations of production form an interrelated “employment system”. By this notion I am referring to the totality of organizing work
The notions introduced above describe basic characters of the (capitalist) economy but they need to be supplemented with concepts that make it possible to analyse socio-economic developments in more detail. To do this, I shall introduce a few notions developed by the French regulation school, which is a modification of Marxist political economy.²

The regulation school seeks to analyse and explain how a capitalist economic system changes from one form to another, while retaining its basic qualities. A basic point of departure is that each historic epoch accelerates at first the accumulation of capital but it encounters a crisis when the rate of profit diminishes. This crisis can only be overcome by developing a new way of accumulating capital, which would again ensure profits for firms. In this way capitalism develops from one historical form to another as firms’ managers and other actors endeavour to ensure profitable business activities (see Aglietta 1979, 16-17, 383-385; Hübner 1990, 18-31; Hirsch 1990).³

The above idea of an inherited crisis tendency in capitalism is based on Marx’s “law of the tendency of the rate of profit to fall” (Marx [1894] 1980, 214-216): In a capitalist economy capital is constantly being accumulated. This can be seen from the increasing mass of constant capital, i.e. machines and diverse equipment such as computers, within a given social configuration.¹

¹ In literature, the notion of “employment system” has been given two main meanings: First, some, among others the European Commission, refer with this notion to intentional regulation of employment (see Grahl & Deague 1990, 202; Commission ... 1993, 16; Suikkanen & Linnakangas 1998, Chapter 1). Secondly, some have wanted to replace the abstract idea of the labour market with the more culturally and socially coloured idea of the employment system (see Bertrand 1991; Nieminen 1994, 28-29; Koistinen 1999, 85).

² Because the regulation school is quite a heterogenous approach, my introduction to its conceptual apparatus cannot claim any general representativeness. For a more detailed presentation of the regulation school see, for example, Michel Aglietta’s founding work A Theory of Capitalist Regulation (Aglietta 1979) and Kurt Hübner’s Theorie der Regulation (Hübner 1990).

³ The regulation school is by no means the only school of social scientific thinking that has emphasised that capitalism has developed through diverse phases. Other proponents of this kind of view include among others: Rudolf Hilferding (analysis of finance capital), Clement Juglar (cycle analysis), N. D. Kondratieff, S. Kuznets and J. A. Schumpeter, W. Rostow (long-wave analysis, phases of economic development), and E. Mandel (phases of capitalism) (see Maddision 1984, Chapter 4).
production facilities, infrastructure. However as the mass of machinery grows, the amount of workers does not grow at the same pace. Hence, each worker uses a growing amount of constant capital and accordingly produces more products. In this way productivity increases and the unit price of products diminish. When the amount of the constant capital increases, and the work done by the workers remains the same, or decreases, the relation between constant capital and work changes in such a way that the relative amount of constant capital increases and the relative share of labour diminishes. Because capital can only retain profits from that part of labour that is not paid (surplus-value), the above situation means that the share of profits in relation to constant capital diminishes. In other words, the process of increasing productive machinery produces an increasing mass of cheaper products (compare statistics on the usage of energy and the growth of industrial production in section 1.3) but because this increasing production uses ever more machines and ever less human labour, possibilities for accumulating surplus-value decrease. All this amounts to Marx’s “law of the tendency of the rate of profit to fall”.

Of course in the present public debate, as well as in the social sciences, “capital accumulation” or the “capitalist” economy are normally not spoken about. Instead, one uses terms such as “economy”, which is supposed to function according to non-historical market principles, “competitiveness”, “profitable business firms” or “economic growth”. Nevertheless, as far as I can see, the above-cited commonly used concepts are in fact functionally dependent on capital accumulation since in a competitive economy continuous investing, that is, capital accumulation, is a crucial precondition for retaining competitiveness, profits and economic growth. In practice, the harshness of economic competition depends on the intentional and functional regulation of the economy. It appears that only in rare instances do politico-economic élites allow economies to function along the ideal mode of functional market regulation.

The regulation school has developed classificatory concepts that are useful when examining different regulative forms in capitalism. The most central of these notions are the mode of regulation, the regime of accumulation, extensive accumulation and intensive accumulation. “Mode of regulation” denotes the particular way in which economic,
social and political institutions and organizations are related to each other in a given era (Hübner 1990, 188-189). In other words, mode of regulation refers to those functionally born and intentionally created modes of interaction that are specific for a given capitalist epoch and that ensure the reproduction of that specific formation.

Whereas the notion of mode of regulation aims to identify different phases of economic history, the concept of “regime of accumulation” attempts to analyse closer the inner dynamics of diverse modes of regulation (Agliette 1979, 69-70, 162, 169). A regime of accumulation can be described, for instance, by displaying how the usage of the labour force is organized, how wages are determined and how the reproduction of workers is ensured.

Regimes of accumulation divide into two main variants of capital accumulation: extensive and intensive accumulation (see Hübner 1990, 83-84, 90-92). In a predominantly “extensive regime of accumulation”, the leaders of firms strive to increase surplus-value by making work organizations more effective. Marx listed many methods for counteracting the tendency of the rate of profit to fall (Marx [1894] 1980, 234-243): Management may fight the tendency for profits to fall by lengthening the working-day and intensifying working, reducing wages (this includes also production to low-wage countries), increasing unemployment, selling products with more profitable prices abroad and increasing the stock of capital. These activities remain largely, however, within firms and do not affect the workers’ way of life.

This situation changes in a predominantly “intensive regime of accumulation” that links working, work organization and consumption to each other. In an intensive regime of accumulation, realization of capital investments is ensured by binding production and consumption to each other. Mass production that is connected with mass consumption ties capitalist production and the people’s way of life tightly together. The intensive regime of accumulation was apparently not anticipated by Marx, and therefore his list of methods for counteracting the fall of profits did not take into account the possibility of the coincidence of mass production and mass consumption. This is, by the way, somewhat surprising because as seen from the present state of affairs, mass consumption seems to be a self-evident functional counterpart of mass production.
It is crucial to comprehend that the above presented main types of accumulation regimes are in the first place not meant to represent separate phases of economic history, but rather they systematically characterize two differing modes of capital accumulation. Apparently for this reason, Michel Aglietta added the word “predominantly” to both main variants of accumulation regimes when writing his book *A Theory of Capitalist Regulation*, which is a founding study for the regulation school (see Aglietta 1979, 71-71). Consequently, historical regimes of accumulation consist of combinations of extensive and intensive accumulation. It may well be that predominantly extensive accumulation preceded historically intensive accumulation (Marx’s list of methods for fighting decreasing profit rates supports this hypothesis) but subsequent regimes of accumulation most likely include elements of both extensive and intensive regimes of accumulation.

It seems reasonable to assume that regulation of the economy and labour markets are closely related to the competitive dynamics of capitalist economy as presented above. Nevertheless, it seems equally plausible to posit that the regulation of social relations cannot be reduced to objective economic tendencies but rather that several political, ideological and social factors influence both outside and inside the modern institution of the economy. An especially important regulative role is played by the state (see also sections 1.2 and 1.3 on development of the modern state and the economy). The regulative role of states is discussed in more detail in the following sections.

The most important social relation of regulation in the economy and labour markets is wage relations or industrial relations. “Industrial relations” refers to social relations between capital, labour and diverse state actors. At the present, these industrial relations are the main arena for the regulation of relations of production (class relations). Therefore, the next section examines the historical development of Western European industrial relations.
4.2 From Class Conflict to Industrial Relations

Historically, the basis for industrial relations as social relations between employers and employees, between capital and labour, was created as workers were separated from the means of production (see section 1.3 on the development of capitalism and wage work). This structural separation of ownership of the means of production and work is one of the most salient and permanent features of capitalist social order. It has been, and it still is, a recurrent theme in social thinking and practices.

However, the concept and the practice of industrial relations were not born at the same time as modern capitalism was given birth. In the nineteenth and the (early) twentieth century class relations between capital and labour were often very conflictual and tense (see Slomp 1990, 11-20, 51-54, 79-83). This tension seemed to erode the political and social organization of modern state-societies. In many cases class conflict seemed to threaten the very existence of the capitalist social order. In this situation politics were above all class politics. By “class politics” I am referring here as politics that define class relations to the central subject of politics. In class politics the main theme of politics is how class relations should be organised: What should be the mode of socialization (combination of associative socialization and communal socialization) in a given state-society (see Dahrendorf 1959, Chapter 1)? Political ideologies of the nineteenth and the twentieth century can be characterised by the way in which they answer to this basic dilemma of modern social order (see Anthony 1977, 169-170).

Liberalism maintains that private ownership of means of

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1 For instance, it would have been difficult for Adam Smith to conceive the idea of collective bargaining because collective organizing of workers was legally forbidden in eighteenth century England. Yet, Smith was well aware that this prohibition did not include employers: “Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to rise the wages of labour above the actual rate” (Smith [1776] 1999, 196). Also, both Marx and Lenin saw that workers’ organizing into labour unions would ultimately lead to their radicalisation and a socialist revolution — but not to peaceful bargaining with employers. Lenin warned, however, that organizing of workers that was not led by committed revolutionaries might well lead to “economism”, that is, short-term bargaining within capitalist social order. In general, left-wing socialists objected to bargaining with employers in the early twentieth century because this would have had damaging consequences for the class struggle (Hyman 2001, 17-18, 28-29).
production is no problem and that on the contrary, it is precisely private ownership that guarantees democracy and freedom. Therefore, capitalism and democracy presuppose each other. Capital has often advocated for this solution to class conflict. Socialists, and in many cases Christians, have wanted to solve class conflicts by regulating capitalism politically (development of “welfare states”), or by overthrowing capitalist class relations (communists and left-wing socialists). Needless to say, labour unions and left-wing parties have been advocates of these solutions. The third main ideology, fascism is explicitly an authoritarian one (socialism has been implicitly authoritarian). Fascism maintains that class division should be overcome in the name of the people’s unity. Fascism collected its supporters from just about all groups in modern societies, and its relation to capitalist social order was at the beginning not a straightforward affirmative one (Anthony 1977, 185-189). Nevertheless, because fascists and Nazis attacked socialists and communists they received support from capital’s side and employers accepted roles in the structures of fascist and Nazi states (Slomp 1990, 81-82, 101; Crouch 1994, 166).

All in all, it is worthwhile keeping in mind, that even though the above described political ideologies offer substantially different solutions to the problems of class relations, they are dealing with the same topic. Therefore, these ideologies are closer relatives to each other than proponents of these ideologies would like to admit. During the twentieth century, proponents of these political ideologies struggled over the nature of politico-economic order of European state-societies. These struggles are described in the following paragraphs.¹

In the nineteenth and during the first half of the twentieth century, many European state-societies experienced strikes, lockouts, violent clashes and civil wars between capital and labour and right- and left-wing political forces. In the latter half of the nineteenth century, employers basically refused to negotiate with organised labour (Slomp 1990, 40). Gradually, however, the working class’s political strength and number grew, and it became difficult to resist workers’ demands. As a

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¹ See also Elias’ description of how the power struggle between the aristocracy and the bourgeoisie changed into a power struggle between the bourgeoisie and workers (section 1.2).
consequence, capital was forced to accept compromise with the organised labour movement. However, it was not only labour’s strength that facilitated compromise between capital and labour. In some cases even a weakly organized labour was included in national regulation of the economy and labour markets for political reasons (Crouch 1994, 287-289) and in some cases management saw that a more centralized regulation of labour markets was in their own interests (Müller-Jentsch 1997, 167-168).

Collective agreements, which regulated relations between employers and employees, started to spread in the late nineteenth century. The first general agreement that recognized the unions’ right to organize and strike and the employers’ right to direct and supervise work was signed in Denmark in 1899 (Slomp 1990, 45-48). The last class compromise was established in Spain after Franco’s death in the latter half of the 1970's (Lucio 1992, 488-491). Only in one case did a class conflict lead to a long-lasting socialist order (Russia, later the Soviet Union and the Eastern European countries that belonged to its sphere of influence). In many cases right-wing authoritarian solutions won in the 1920’s and the 1930’s (Italy, Germany, Spain, Portugal, Hungary, Poland, Yugoslavia, Austria). By the end of the Second World War only five countries had retained their parliamentary institutions intact (Britain, Finland (only just), the Irish Free State, Sweden and Switzerland) (Hobsbawm 1996, 111-116).

After fascism and Nazism were beaten in the Second World War, liberal political ideology offered a basis for a solution to the problem of the regulation of class relations in almost all of Western Europe (excluding Spain, Portugal and Greece until 1974/7). However, this version of a liberal solution to the problem of class relations was not based on the autocracy of capital, it was based on “class compromise”, a mixture of liberal, socialist and Christian ideologies, that ensured private ownership of the means of production but gave concessions to workers as well (see Dahrendorf 1959, 64-67; Müller-Jentsch 1997, 21-23; for the central principles of Catholic class compromise see Kersbergen 1995, 182-183). The socialist solution broadened its area after the Second World War as the Soviet Union occupied the eastern part of Europe. However, the socialist camp collapsed by the turn of the 1990's, and capitalist social order was (more or less) reintroduced.

The main content of the class compromise was that labour
accepted private ownership of the means of production, that is, labour accepted the prerogative of the employers to direct work, and capital acknowledged the rights of workers to organise collectively and to strike. National class compromises led to collective negotiations between capital and labour. Diverse state actors (ministries, political parties) also took part in this compromise which led to comprehensive legal regulation of class relations.

In this way, nationally organised “industrial relations” were created out of the turmoils of class conflicts. As a consequence, industrial relations at different levels of labour market regulation form the most important way of regulating class relationships in contemporary European capitalism.

It is difficult to overestimate the importance of class compromises to European state-societies. Many important national institutions and organizations are built upon class compromise. Major policy areas, such as economic policy, regulation of employment and social policy are dependent on historic class compromises. The idea of fair balance between class interests is embedded the present-day European political ideologies. In sociology and in study of politics, questions of social coherence, integration and the balancing of interests have been important subjects of study. Several fields of the social sciences such as social policy, industrial relations studies, management studies and the psychology of work would lose their significance if there were no class compromise. From the point of view of European integration, regulative traditions established by national class compromises have been vital because they have formed structural, functional and ideological preconditions to subsequent transnational developments at the Western European level from the 1950's onwards.

In the modern institutional realm of “politics”, class compromise between labour and capital have led to a fundamental change. Class politics have evolved more and more into “interest politics”. It is crucial to comprehend how fundamental this shift from class politics to interest politics and industrial relations is. In class politics, the main theme of politics is explicitly class relations, and the diverse actors are forced to reflect and offer their solutions to the problem of how to arrange relations between capital and labour. Because such politics inevitably touch the basic principles of the modern social order, class politics is basically
politics that deals with the fundamentals of social world-views. Class politics is therefore not only politics based on class positions, but it also belongs to the broader category of politics that deals explicitly with the basic principles of world-views and social order. In contrast to class politics, interest politics takes the ruling social order as given and aims to pursue specific group “interests” within the given configuration. In industrial relations this means that diverse groups (branch-level organizations of capital and labour, diverse occupational groups and so on) strive to strengthen their relative position without pondering over the basic principles of the socio-economic order (see Figure 2.1 on interests and reproduction of social positions).

A central component of a national class compromise is a national hegemonic project. By “hegemonic project” I am referring here to comprehensive ideological programmes that define social relations and the ultimate aims of nation-states or other social configurations (see section 2.4 on ideology). It is crucial to keep in mind when analysing industrial relations developments that the fact that diverse industrial relations actors have conflictual interests does not necessarily have to jeopardise a ruling hegemonic project. Hegemonic projects do not presuppose an unquestioned consensus, but they are dialectical constellations that reproduce themselves through interest conflicts. In conditions of established interest politics, actors share basic beliefs and an ideology concerning the character of a social order and disagree only on such issues that do not threaten social structures. Furthermore, hegemonic projects do not merely reflect competition and struggles between the diverse actors, they are also expressions of functional needs to regulate and govern socio-economic systems.

However, even if it seems reasonable to construct the above kind of historical shift from class politics to interest politics, an orientation towards general principles in politics is not altogether dead. This is so because even the most consensual industrial relations are, by definition, based on class relations between workers and capitalists and there is always a possibility that actors, and this means both labour and capital, define their policy lines in terms of class. But in established industrial relations and corresponding hegemonic projects, such a change of mind is often denounced as “ideology” in contrast to interest political “pragmatism”. A pragmatic approach is an attitude that is self-evidently
attributed to “responsible” industrial relations actors.

Having presented the basic dynamics of the birth of European industrial relations, let us proceed to investigate their development by examining the organizing of labour and capital and by assessing the role of the state in industrial relations. This is done in the next section.

4.3 State, Capital and Labour

Early labour organizing was in the case of skilled workers often a continuation of medieval workmen’s organizations (excluding Britain, in which these disappeared early on). For unskilled workers, who lacked traditional social status, capacities and social relations, organizing was a much more difficult task. Consequently, among the first workers to organize were tailors, shoemakers, engineers and printers (Slomp 1990, 11-12, 20, 23). After a difficult and controversial beginning, workers’ organizing increased substantially during the twentieth century.

Developments in labour’s organizing at the national level are presented in Table 4.1, which displays union density rates (percent of the labour force belonging to unions) from 1910 to 1997/2000. Due to likely differences in methods of measurement and definitions of the concept of “union member” (for instance, whether retired persons and students are included), however, comparisons over time and between countries need to be made cautiously.

However, a few general conclusions can be drawn from Table 4.1. First, labour’s organization density increased substantially during the twentieth century. In 1910, the union density rate ranged from 3% (Italy) to 18% (Germany); in 1997/2000 figures ranged between 10% (France) and 79% (Sweden). Consequently, unions have become important actors that take part in the regulation of the economy and labour markets. Secondly, despite the historical growth of trade unions, many national labour movements have experienced substantial decline in recent decades. In Table 4.1, boldfaced numbers indicate when national maximum rates
Table 4.1 Union density rates, 1910-1997/2000 (% of labour force members of unions\textsuperscript{a})

<table>
<thead>
<tr>
<th>Year</th>
<th>Southern and Western semiperipheries</th>
<th>Core</th>
<th>Nordic semiperiphery</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Switzerland</td>
<td>United Kingdom</td>
<td>Denmark</td>
</tr>
<tr>
<td>1910</td>
<td>9</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>1950</td>
<td>40</td>
<td>45</td>
<td>56</td>
</tr>
<tr>
<td>1960</td>
<td>30</td>
<td>45</td>
<td>62</td>
</tr>
<tr>
<td>1970</td>
<td>30</td>
<td>45</td>
<td>66</td>
</tr>
<tr>
<td>1980</td>
<td>30</td>
<td>50</td>
<td>77</td>
</tr>
<tr>
<td>1990</td>
<td>27</td>
<td>50</td>
<td>77</td>
</tr>
<tr>
<td>1997/2000</td>
<td>22\textsuperscript{c}</td>
<td>43</td>
<td>79</td>
</tr>
</tbody>
</table>

\textsuperscript{a} Data not available.  
\textsuperscript{b} Kaelble and Visser do not give precise definitions for union density rates, but apparently both Kaelble’s and Visser’s figures exclude unemployed union members. Kjellberg’s figures exclude also the unemployed and others who were not working for wages (students, retired, self-employed). However, in Finnish, Belgian and Danish figures the unemployed are included (compare Traxler & Blaschke & Kittel 2001, 82).  
\textsuperscript{c} From 1900 on: unified Germany.  
\textsuperscript{d} Due to missing information, the mean is calculated only for 1990 and 1997.  
\textsuperscript{e} Data for 2000 from Kjellberg.

Sources: Kaelble 1987, 84; Visser 2001, 76; Kjellberg 2002, 68.

in union density were reached. The boldfaced numbers denote that in Switzerland, Austria, France, Germany and the Netherlands union density had already peaked in 1950. In a few cases, however, union density has declined only slightly (Denmark, Norway) and in some cases union density rates peaked in 1997/2000 (Spain, Belgium, Finland). The highest union density rates are to be found in the Nordic countries.

Likewise as in the case of labour’s organizing, capital’s organizing
also inherited its early forms from medieval times. Capital’s organizing can be traced back to medieval cooperation between merchants. This cooperation provided the bases for organizing industrial and commercial chambers from the sixteenth century onwards. Such chambers were followed by economic associations of industrial capital, which later established national umbrella organizations. By the end of the First World War nationally organized groups of capitalists had their respective national central organizations. (Simon 1980, 32-43; Müller-Jentsch 1997, 171-174.)

At the beginning, the leaders of firms organized in order to regulate markets of goods and general preconditions for production. In addition, they wanted to pursue their interests in relation to the state. Therefore, the activities of early organizations of capital were directed towards local communities and state apparatuses. Only a little before the end of the nineteenth century did capitalists organize into specialised employer organizations. These organizations were established in order to create a counterforce to strengthening labour unions (Simon 1980, 39-42; Slomp 1990, 40-41).

I have not been able to find long-term figures on employer organizing corresponding to those for labour unions. However, Colin Crouch (Crouch 1994) has estimated the extent of organizing of employer interests. His assessments from 1900 to 1990 are presented in Table 4.2.

Table 4.2 reveals that the development of employer organizing was similar to that of labour: At the beginning of the twentieth century, this organizing was only beginning and it was strongest in those countries in which the union density rate was highest in 1910 (the United Kingdom, Germany, the Netherlands, Denmark, Sweden). By 1950 this situation had changed dramatically as almost in all Western European state-societies employers were well organized. After that, some decentralization in the organizing of employers’ interests occurred due to the fact that in the rising service branches the level of organizing remained lower than in industry (see Table 1.2 on growth of service employment after 1950). Spain and Portugal were special cases because employers were still engaged in the structures of fascist states. After the overthrow of their respective fascist regimes, Spanish employers organized rapidly but
Table 4.2 Extent of organization of employer interests, 1900-1990
(assessment, table continues on the next page)

<table>
<thead>
<tr>
<th></th>
<th>1900</th>
<th>1950</th>
<th>1963</th>
<th>1975</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern and Western semiperipheries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sw. growing network</td>
<td>extensive</td>
<td>extensive</td>
<td>comprehensive</td>
<td>stability in industry and some service branches</td>
<td></td>
</tr>
<tr>
<td>Au. branch level reconstruction of comprehensive organizations, co-operation with Kammer structures</td>
<td>growth of autonomous organizations</td>
<td>extensive</td>
<td>comprehensive in industry and some service branches</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Po. no activity</td>
<td>role in fascist state</td>
<td>fascist structures</td>
<td>no clear organizing</td>
<td>weak</td>
<td></td>
</tr>
<tr>
<td>Sp. no activity</td>
<td>role in fascist state</td>
<td>fascist structures</td>
<td>marginalizing / rapid growth</td>
<td>extensive</td>
<td></td>
</tr>
<tr>
<td>Gr. ..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Ir. no activity</td>
<td>patchy</td>
<td>patchy</td>
<td>growing</td>
<td>..</td>
<td>shift to company level</td>
</tr>
<tr>
<td>Core</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK, engineering, ship building</td>
<td>extensive</td>
<td>extensive</td>
<td>extensive</td>
<td>uncontrolled shift to company level</td>
<td></td>
</tr>
<tr>
<td>It. no activity</td>
<td>fairly extensive</td>
<td>extensive</td>
<td>extensive</td>
<td>increasingly important in northern and central Italy</td>
<td></td>
</tr>
<tr>
<td>Fr. very little</td>
<td>fairly extensive / limited</td>
<td>limited</td>
<td>comprehensive in industry and some service branches</td>
<td>stability, controlled shift to company level</td>
<td></td>
</tr>
<tr>
<td>Ge. strong growth</td>
<td>extensive</td>
<td>comprehensive in industry and some service branches</td>
<td>extensive</td>
<td>important role, increasing state activity</td>
<td>stable</td>
</tr>
<tr>
<td>Be. fragmentary</td>
<td>extensive</td>
<td>comprehensive in industry and some service branches</td>
<td>extensive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ne. some organizing</td>
<td>extensive</td>
<td>comprehensive in industry and some service branches</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Portugese employers remained quite unorganized. By 1990, Irish, German and Nordic employers had started to shift from collective negotiations between employers and employees towards negotiations at the branch and company levels. In Italy, regional employers in the middle and the northern part of the country gained more influence, though employer’s central organization, Confindustria, sought to retain its regulative role (Crouch 1994, 275). This regionalisation of employer interests was part of the political and economic strengthening of regional divisions in Italy (see Sablowski 1998, Chapter 6). Only in Britain did the decentralization of employers’ organizing take place uncontrolled. In Switzerland and in Austria the organization of employers’ interests remained centralized until 1990 and in France the centralization of employers was increasing in 1990.

More recent statistics on density of employer organizing indicate that the above described development of employer organizing has continued. Table 4.3 presents the density of the largest and the most powerful employer confederations within their domains of economic activity from 1980 to 1996. Additionally, Table 4.3 includes figures on aggregate density of employer organizing (percentage of private sector

Data not available.

For mandatory membership in chambers (Kammer) see description of Austrian centralized corporatism in section 5.2.

employees working in firms that belong to employer organizations).

Table 4.3 Density of employer organizing, 1980-1996 (% of employees in firms that belong to employer organizations)

<table>
<thead>
<tr>
<th>Density of the largest employer peak</th>
<th>Aggregate employer density of</th>
<th>1980</th>
<th>1990</th>
<th>1996</th>
<th>mid 1990's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern and Western semiperipheries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td></td>
<td>44</td>
<td>39</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Austria</td>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>96</td>
</tr>
<tr>
<td>Portugal</td>
<td></td>
<td>..</td>
<td>..</td>
<td>34</td>
<td>..</td>
</tr>
<tr>
<td>Spain</td>
<td></td>
<td>75</td>
<td>75</td>
<td>72</td>
<td>70</td>
</tr>
<tr>
<td>Greece</td>
<td></td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Ireland</td>
<td></td>
<td>..</td>
<td>36</td>
<td>39</td>
<td>44</td>
</tr>
<tr>
<td>Core</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td>55</td>
<td>..</td>
<td>54</td>
<td>57</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td>67</td>
<td>81</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>France</td>
<td></td>
<td>..</td>
<td>75</td>
<td>74</td>
<td>71</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td>..</td>
<td>73</td>
<td>72</td>
<td>76</td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td>..</td>
<td>..</td>
<td>72</td>
<td>80</td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td>..</td>
<td>..</td>
<td>79</td>
<td>80</td>
</tr>
<tr>
<td>Nordic semiperiphery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td></td>
<td>35</td>
<td>38</td>
<td>37</td>
<td>48</td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td>56</td>
<td>54</td>
<td>56</td>
<td>60</td>
</tr>
<tr>
<td>Finland</td>
<td></td>
<td>43</td>
<td>42</td>
<td>43</td>
<td>58</td>
</tr>
<tr>
<td>Norway</td>
<td></td>
<td>35</td>
<td>32</td>
<td>31</td>
<td>54</td>
</tr>
</tbody>
</table>

Data not available.

\( a \) Percentage of employees organized by the employer peak organization within its domain of economic activity.

\( b \) Percentage of employees covered by all employer organizations within a country’s private sector.

Sources: Traxler & Blaschke & Kittel 2001, 55; Visser 2001, 70.

As can be seen from Table 4.3, the density of the largest employer peak confederation has remained at the same level in Austria, Britain, France, Germany, Sweden and Finland. It has increased in Ireland. A clear diminishing of organization density can be spotted in Switzerland and Italy, whereas in Spain and in Norway the diminishing of employer organizing has been modest. In the cases of Belgium and the Netherlands, no time series exist, but the organizing of employer interests was in 1996 at the very high levels of 72 and 79% respectively. The aggregate density of employer organizing in the middle of the 1990's reveals a similar
picture of high density of organizing of employer interests. In conclusion, the above tables on employer organizing show that capital has been becoming increasingly organized during the twentieth century. Also some decentralization has taken place in the late twentieth century, but this does not alter the general historic tendency towards a more organized European capital.

Because labour and capital, organized employees and employers, organize to exert influence upon each other, their organizing dynamics are connected with each other. Parties in industrial relations are dependent on each other for the very core of their identity and subjectivity. There cannot be employer organizations without labour unions and vice versa. Using theoretical notions introduced in the beginning of section 1.2 on the formation of modern state-societies, this dynamic situation can be described by stating that the formation of the modern capitalist economy constitutes a structural precondition for labour’s and capital’s organizing and that these collective actors functionally determine each other while intentionally acting against each other. This system of dialectical relations shows that the essence of labour’s and capital’s organizing does not lie within their respective organizations but rather in their interrelations. Empirically, this relation can be verified from the similar tendencies of labour’s and capital’s organizing during the twentieth century (see Tables 4.1-4.3).¹

All the same, this fact of mutual interdependence has by no means prevented industrial relations actors from claiming to be autonomous in relation to each other. Indeed, as modern interest organizations, capital’s and labour’s organizations have to claim to be independent from their opponents (compare Crouch 1994, 43). This is so because only independent interest organizations are able to pursue their member’s interests fully.

In addition to the capitalist economy (separation of workers and ownership of the means of production), modern nation-states in general and state organs in particular constitute the second structural precondition to industrial relations. The nation-state forms a self-evident frame of reference for all industrial relations actors. Both capital and labour have

¹ For a discussion of capital’s and labour’s organizational dynamics see Traxler & Blaschke & Kittel 2001, 56-64.
established their strongest organizations at the national level and influencing the state’s regulation of the economy and labour markets has always been an important motivation for organizing (see Slomp 1990). Often political parties have acted as a mediating linkages between labour, capital and the state. Together these social subjects are constitutive elements of modern state-societies.

An essential device of regulation is labour law, which fulfills two important functions. First, labour law provides a normative and authoritative infrastructure for the economy and labour markets. Just as physical infrastructure (buildings, streets, machines) support society’s functioning, so does the law because it lays down formal rules for everyday activities (compare Uotila & Uusitalo, 1984, 87-88). Secondly, labour law may have both reactive and active roles in the regulation of economic activities. Often the law only formalises changes already realised in the economy and labour markets but sometimes legal organs and legislation establish new rules and practices.

Because it is the state that ultimately regulates the national economy and labour markets, organization densities of labour and capital do not directly reflect their power positions in a state-society. Rather, their power position is determined by their relative positions in the political and economic structures of a state-society. Also important is what kinds of positions hegemonic projects prescribe for organized capital and labour.

For example, low French union density rates would seem to indicate that unions are not an important regulative factor in France. Yet, because French unions are, in conformity to syndicalist tradition\(^1\), quite militant they have been able to rise national political issues and they have also resisted many government initiatives successfully (Mielke 1983, 464-465; Goetschy 1998, 368, 386-389). In the Netherlands and in Belgium, socially divided and therefore at least potentially weak, labour unions have been included in national regulative system because this kind of inclusion of interest groups into state activities has been an established tradition in both countries (Crouch 1994, 309, 323-324; Vilroek & Leeuwen 1992). In Austria, the membership of firms in national employer organizations

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\(^1\) Syndicalist trade union tradition, which was strong in the early twentieth century in Italy, Spain and France, emphasizes workers’ spontaneous activity, local autonomy and independence from political parties. Often this amounted to the idea that a revolutionary general strike would lead to socialism (Hyman 2001, 23).
is compulsory (this explains why the density of the largest employer peak organization was 100 percent in Table 4.3) (Traxler & Blaschke & Kittel 2001, 93).

The above described tripartite system (state, capital, labour) of regulating the economy and labour markets has been labelled, depending on political currents and the analyst’s political and academic background, “state-monopolist capitalism”, “neo-corporatism”, “social corporatism”, “mixed economy”, “welfare statist capitalism”, “organized capitalism”, “social market economy” or “Fordism” (see Müller-Jentsch 1997, 53-68).¹

As far as I can see, each of these approaches to the development Western European capitalism, has stressed the increasing intentional regulation of the economy and labour markets during the twentieth century. Hence, even if these conceptions stress different facets of development and their ideological objectives depart from each other, they all seem to agree in this core feature. The more recent development towards capitalism in which the economy and labour markets appear to be less regulated by political means is examined in the next chapter.

4.4 Fordism and its Problems

In the previous sections, the historical transformation from class conflict to industrial relations and the basic actors of the tripartite regulation of the capitalism were described. This transformation was part and parcel of a structural change in capitalism that after the Second World War led to a Fordist regime of accumulation (see the notions of regulation school introduced in section 4.1). Later, starting from the mid 1970’s, many have maintained that Fordism had encountered a serious crisis leading to new ways of accumulating capital and organizing work and industrial relations. But let us start from the beginning:

Early capitalism was not solely based on capitalist social relations, but rather relied partially on continuous flows of fresh labour from the agricultural sector and a great deal of manufactured production was actually produced within households (the “putting-out” system) (Slomp

¹ These different notions are reflections of those diverging positions that researchers and politicians have assumed while taking part in the reproduction and changing of European class relations (see also section 2.5 on the reproduction of social order in the social sciences).
It is one of the paradoxes of the capitalist economy that “realization” of economic values does not refer to actual goods or services as one is inclined to think but rather to their monetary values.

It appears also that some of the expenses for the reproduction of the labour force were transferred to partially agricultural households (that is, in some cases wage levels could be held under the existence minimum). Further, industrially advanced national economies, notably England, were able to sell their products and thus realise their capital’s profits by selling their products to non-capitalist areas of the world (see Maddison 1984, 34-36).

This situation changed as the majority of the European population was drawn within the sphere of the capitalist economy, that is, capitalist social relations became generalized in state-societies. This meant that, in the course of time, capitalists become more and more dependent on wage earners not only as workers but also as consumers: In order to realize their profits, capitalists needed to sell produced goods and services. Functionally, enlarged mass production required increasing mass consumption. This kind of a structural situation is what was called the (predominantly) intensive regime of accumulation in section 4.1. The intensive regime of accumulation establishes a circular relation between profits, investments, production and wages: profits are needed to make investments and to survive in economic competition whereas investments are needed to ensure continuation of production. Lastly, wages earned in the production of goods and services are in turn necessary to ensure consumption that for its part realizes profits (see Maddison 1984, 99; Glyn & Hughes & Lipietz & Singh 1988, 3):

This structural change from early to mature capitalism has had at least four consequences. First, especially after the Second World War,

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1 It is one of the paradoxes of the capitalist economy that “realization” of economic values does not refer to actual goods or services as one is inclined to think but rather to their monetary values.
systemic determination between profits, production and consumption has led to an obsession with economic growth (compare Wee 1987, 32-36, 48-56). Capital, labour and governments of all political persuasions are eager to embrace economic growth as the philosopher’s stone of progress. Secondly, the systemic necessity of economic growth leads to opportunistic attitudes towards the ideals the functional self-regulation of markets: Whenever demand is threatened, just about any economic actor (enterprise, business organization, political party, governments) is bound to require some sort of intentional regulation. That is to say, ensuring mass consumption in mature capitalism is not a policy choice to be made by right or left-wing parties (Keynesian or non-Keynesian policies) or governments but a systemic determinant of intentional actioning. Thirdly, full-grown capitalism is not a zero-sum game between social classes, rather in order to prosper capitalists need for their workers to prosper as well. This does not, however, mean that everybody is necessarily getting richer or that the division of wealth is getting more equal. It merely means that the majority of the population in advanced capitalist economies has to be affluent enough to consume the mass of produced goods and services. Lastly, this coincidence of paid work and mass consumption has radically changed people’s way of life.

Especially after the Second World War (in some cases earlier) the above structural necessity was institutionally and organizationally ensured by the “Fordist” regime of accumulation. In Fordism, mass production, mass consumption, more or less centralized industrial relations and diverse welfare statist arrangements mutually support each other and thus ensure social stability, capital accumulation and economic growth (Aglietta 1979, 152-161; Kosonen 1987, 107-111).

It has already been shown in section 1.3 on the development of

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1 However, given the amount of absolute poverty around the world, it is possible that globally capitalism increases poverty or that it does not increase the wealth of the poorest but this question is not tackled in the writing at hand.

2 Social reformist ideas, like those presented from the 1870's onwards in the Verein für Sozialpolitik (Germany), within the socialisme universitaire group (France) and by the Fabian Society (England) can be seen as early formulations of the Fordist mode of regulation (see Eräsaari & Rahkonen 2000, 11-55). For an early description of Fordism see Antonio Gramsci’s essay on Americanism and Fordism from the year 1934 (Gramsci [1929-1935] 1982, 129-167).
capitalism and wage work that modernization has meant a tremendous increase in production. Here, it remains still to consider the growth of consumption (Table 4.4).

Table 4.4 Growth of mass consumption per capita 1960-1999, periodic means (private and general government consumption in U.S. dollars in 1995 value / population, 100 = mean of all per capita figures)

<table>
<thead>
<tr>
<th></th>
<th>60-64</th>
<th>65-69</th>
<th>70-74</th>
<th>75-79</th>
<th>80-84</th>
<th>85-89</th>
<th>90-94</th>
<th>95-99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern and Western semiperipheries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>130</td>
<td>148</td>
<td>172</td>
<td>183</td>
<td>197</td>
<td>211</td>
<td>219</td>
<td>219</td>
</tr>
<tr>
<td>Austria</td>
<td>62</td>
<td>74</td>
<td>89</td>
<td>107</td>
<td>119</td>
<td>130</td>
<td>143</td>
<td>153</td>
</tr>
<tr>
<td>Portugal</td>
<td>17</td>
<td>21</td>
<td>33</td>
<td>38</td>
<td>40</td>
<td>45</td>
<td>56</td>
<td>63</td>
</tr>
<tr>
<td>Spain</td>
<td>28</td>
<td>37</td>
<td>47</td>
<td>55</td>
<td>56</td>
<td>63</td>
<td>75</td>
<td>81</td>
</tr>
<tr>
<td>Greece</td>
<td>22</td>
<td>29</td>
<td>40</td>
<td>49</td>
<td>53</td>
<td>58</td>
<td>64</td>
<td>69</td>
</tr>
<tr>
<td>Ireland</td>
<td>39</td>
<td>45</td>
<td>54</td>
<td>62</td>
<td>66</td>
<td>70</td>
<td>80</td>
<td>97</td>
</tr>
<tr>
<td>Core</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>56</td>
<td>61</td>
<td>69</td>
<td>75</td>
<td>81</td>
<td>94</td>
<td>103</td>
<td>113</td>
</tr>
<tr>
<td>Italy</td>
<td>36</td>
<td>45</td>
<td>56</td>
<td>65</td>
<td>76</td>
<td>87</td>
<td>97</td>
<td>101</td>
</tr>
<tr>
<td>France</td>
<td>64</td>
<td>77</td>
<td>92</td>
<td>106</td>
<td>117</td>
<td>128</td>
<td>139</td>
<td>145</td>
</tr>
<tr>
<td>Germany</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>149</td>
<td>156</td>
</tr>
<tr>
<td>Belgium</td>
<td>60</td>
<td>71</td>
<td>88</td>
<td>105</td>
<td>115</td>
<td>123</td>
<td>134</td>
<td>141</td>
</tr>
<tr>
<td>Netherlands</td>
<td>62</td>
<td>75</td>
<td>90</td>
<td>105</td>
<td>108</td>
<td>115</td>
<td>126</td>
<td>137</td>
</tr>
<tr>
<td>Nordic semiperiphery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>92</td>
<td>110</td>
<td>126</td>
<td>139</td>
<td>147</td>
<td>159</td>
<td>164</td>
<td>183</td>
</tr>
<tr>
<td>Sweden</td>
<td>82</td>
<td>96</td>
<td>110</td>
<td>123</td>
<td>128</td>
<td>139</td>
<td>141</td>
<td>142</td>
</tr>
<tr>
<td>Finland</td>
<td>51</td>
<td>62</td>
<td>80</td>
<td>93</td>
<td>105</td>
<td>124</td>
<td>126</td>
<td>134</td>
</tr>
<tr>
<td>Norway</td>
<td>66</td>
<td>78</td>
<td>91</td>
<td>111</td>
<td>124</td>
<td>140</td>
<td>148</td>
<td>167</td>
</tr>
<tr>
<td>Mean ($)</td>
<td>8656</td>
<td>10329</td>
<td>12416</td>
<td>14200</td>
<td>15384</td>
<td>16920</td>
<td>18466</td>
<td>19755</td>
</tr>
</tbody>
</table>


Table 4.4 presents the growth of mass consumption in Western Europe from 1960 to 1999. The table shows the growth of private and public consumption from 1960 to 1999. This period is divided into ten five-year periods and the figures indicate the mean value of each period. It was crucial to include both private and public consumption in this kind of analysis because in Western European state-societies the public sector constitutes a substantial share of the national economy.

The figures in Table 4.4 do not reveal whether all Western European countries had entered a full-grown era of capitalism at the beginning of the 1960's, but this question can be answered indirectly by
using Thomas Sablowski’s assessment of Italian Fordism. According to Sablowski, the generalization of Fordist consumption norms and way of living began in Italy from the beginning of the 1960's onwards (Sablowski 1998, 74-75). Assuming that Italy was on the brink of full-grown a Fordist consumption in 1960-1964 with its level of consumption of 36 (see Table 4.4), it can be also assumed that Ireland was at the same level (level of consumption 39) whereas Portugal, Spain and Greece were by no means Fordist countries at that time. In fact, assuming that a level of consumption of 36 reflects a threshold of Fordist consumption, all of the Western European countries have assumed Fordist level of consumption only since 1980-1984. In any case, it must be kept in mind that the figures presented in Table 4.4 depict only country-wide averages. Hence, because of inner variations it might well be that even the richest state-societies include regions and social groups that have not yet achieved the level of Fordist consumption.

Table 4.4 illustrates well the continuous growth of consumption. Mean values doubled between 1960 and 1999. The growth of consumption was stronger in the poorest countries (Spain, Greece, Portugal), in which consumption grew from three- to fourfold. Despite of this catch up, however, differences between economies remained persistent. In 1960-1964 the difference between poorest and richest national economy was 75 units and in 1995-1999 it was 120. These calculations, however, exclude Switzerland, the world’s richest national economy, which clearly is in a class of its own.

Interestingly, the ranking of the countries has hardly changed in forty years. The following table shows the national rankings of the countries in 1960-1964 (the first number after each country’s name) and in 1995-1999 (the second number after each country’s name):

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1 Walt Rostow estimated that Italy had achieved the level of “high mass consumption” by 1950 (Rostow 1978, 447). “High mass consumption” refers to an era in which consumer durables and services have become leading branches of the economy and the welfare state is expanding (Rostow 1962, 20). This definition seems to correspond well to the above-presented ideas of mature capitalism or Fordist consumption. However, because, unlike Walt Rostow, Sablowski actually presents statistics on the consumption of televisions, washing machines, refrigerators and cars, his estimation seems to have more solid foundations.

| Switzerland | 1, 1 | Austria | 6, 4 | Ireland | 11, 12 |
| Denmark      | 2, 2 | Netherlands | 7, 8 | Italy    | 12, 11 |
| Norway       | 4, 3 | Belgium  | 8, 7 | Spain    | 13, 13 |
| Sweden       | 3, 6 | UK       | 9, 10 | Greece  | 14, 14 |
| France       | 5, 5 | Finland  | 10, 9 | Portugal | 15, 15 |

As can be seen, national economies largely retained their relative positions. Notable exceptions were Sweden, which dropped from position three to six and Austria, which rose from being the sixth to being the fourth richest economy. For the fate of European integration, it is of fundamental importance that the third richest national economy in the years 1995-1999 was Germany, which is also by far the largest national economy in Western Europe. (Germany is not included in the above table because its data for 1960-1964 was not available.)

The fact that most Western European countries maintained their relative positions over this period of time seems to emphasize the importance of long-term structural factors to economic success: structurally, the rich tend to remain rich and poor tend to remain poor even though timely national and transnational political debates rage over diverse models of socio-economic success and competitiveness (see for example Kasvio & Nieminen 1999, 203-218).

However, even though Western European capitalism has achieved its maturity, that is, the capitalist social relations have become generalized, and both production and consumption have increased continuously, the post-war mode of regulation has also experienced severe problems. In fact, starting from the middle of the 1970's many have spoken about the “crisis” in post-war capitalism and the end of the “Golden Age” of post-war boom. To understand this crisis and its possible remedies, it is first necessary to examine the structures of the Fordist mode of regulation and then identify the causes of its crisis and lastly to try to characterise the likely new regime of accumulation. These three phases of socio-economic development are summarized in Table 4.5.1

First, as already explained above, the Fordist regime of

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1 The following description of Fordism, its crisis and possible remedies for it is based on: Aglietta 1979; Wee 1987, 54-56; Kosonen 1987, 89; Hirsch 1990; Lipietz 1992; Jessop 1994; see also Maddison 1984, 92 and Jefferys 1995, 319.
accumulation was based on the generalization of capitalist social relations (correspondence of mass production and mass consumption). This regime of accumulation can be further described by showing how diverse socio-economic relations\(^1\) were arranged in it: industrial relations (regulation of wage relations) were based on class compromise at the national level. This class compromise established a “productivity agreement”, that is, a hegemonic ideological discourse, between capital and labour. Productivistic ideology accepted capitalist relations of production and stressed the concurrence of capital’s and labour’s interests: both workers and employers had much to gain if firms flourish and national economies grow. Wage relations were intentionally regulated by more or less centralized industrial relations. The actual work process was organized according to Taylorist principles of the division of work and power. Competitive relations were based on established market shares and informal or formal price regulation. Coincidence of mass production and mass consumption ensured the realization of profits. Money relations were based on the national regulation of monetary system. The United States’ hegemony ensured the stability of international relations.

In sum, the Fordist regime of accumulation was predominantly intensive and its mode of socialization stressed communal socialization; individuals and groups were supposed to take part in technical, socio-economic and welfare-statist “progress”.

Secondly, the above described Fordist mode of regulation drifted increasingly into difficulties by the middle of the 1970's; national economies encountered problems and unemployment rose in many countries. In the realm of industrial relations, increasing wages caused an inflationary circle between wages and prices and this circle squeezed profits. Taylorist work organization reached its productivity limits because of weak worker engagement and worker resistance. Sometimes management invested too much. Established competitive relations crumbled because of intensifying international competition. This caused an additional profit squeeze. Money relations changed due to the collapse of the international regulation of monetary relations (the collapse of the Bretton Woods System in 1971, see Wee 1987, 477), the internationalization of capital movements and a massive increase of the

\(^1\) On these relations, see Hübner 1990, 174-176.
volume of capital markets. Moreover international relations changed due to the declining regulative hegemony of the United States and because economic internationalization caused a deterioration in the bases of national Fordist regulation. In short, according to the regulation school the timing of the crisis coincided with the first oil shock, but the main causes of the crisis did not stem from the outer shock caused by a sudden increase of oil prices, but rather from inner contradictions within the prevailing regime of accumulation and a weakening of its growth potential (for a wider discussion of the reasons for the economic crisis of the 1970's see Wee 1987, 79-93). In the political sphere, criticism of Fordism often concentrated on welfare-statist “bureaucracy”, “passivity” and “dependence” — all phenomena that are related to a lack of engagement on the part of workers.

Thirdly, what kinds of remedies have been suggested or attempted while trying to overcome the above described crisis? What kind of a regime of accumulation might post-Fordism be? Because the regulation school stresses the importance of capital accumulation and capital’s profits, it is no wonder that its members seek a basic solution within industrial relations. According to Alain Lipietz (1992, 64-76; see also Kosonen 1988 157-161; Aglietta 1979, 385) the answer to the problems of Fordist work organization lies in a new kind of a productivity agreement between capital and labour. In this agreement employees and labour unions would take part in an anti-Taylorist revolution by engaging more intensively in the work process. In exchange employees would receive more autonomy within the work process and employers as well as public authorities would attempt to increase employment.

However, it is questionable whether employers are interested in

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1 The declining hegemony of the United States concerns in the first place its position in the global economy; in political, and especially in military relations, the United States seems to be stronger than ever before. However, the image of the United States’ military and political hegemony since the collapse of the Soviet Union and the end of the Cold War might be exaggerated because the increasing usage of weapons (in the case of the United States: the Gulf War, involvement in Somalia and in Yugoslavia, attacking Afghanistan and Iraq after terrorist attacks upon New York and Washington) is actually not a sign of strength but an indicator of a threatened position of a hegemon. This is so because, by definition, hegemony means that underdogs do not resist a hegemon (for the usage of the term “hegemon”, see Luard 1990, 140-141).
new productivity agreements in a situation in which the power position of capital has been strengthened due to mass unemployment, the hegemony of liberal economic policy and the freedom of international capital movements. Hence, post-Fordist industrial relations have also been described by referring to decentralizing industrial relations, the diminishing share of wages of gross national product and increasing wage differences. Within work organizations, post-Fordism may include new forms of the Taylorist division of work, team work, diverse forms of “flexibility” and new forms of entrepreneurship. In competitive relations, both centralization and networking have increased as firms have reorganized their interrelations. Money relations can be characterized by referring to attempts to find new ways of regulating international monetary system. Within the European Union, this has meant an establishment of the Economic and Monetary Union (EMU). In international relations, it seems that a relative shift from the United States’ hegemony towards a global system with the three important centres of the United States, the European Union and Japan has taken place. Within the European Union transnational regulation has been strengthened considerably.

In summary, the post-Fordist **regime of accumulation** seems to stress more extensive accumulation (stress on intensification of work process) than does the Fordist regime of accumulation. In some cases this might lead to problems in the global demand of goods and services if the wage level of the global work force remains low. The post-Fordist **mode of socialization** seems to stress ideologically associative socialization in which individuals and groups are integrated with each other via market relations and diverse forms of competition.
Table 4.5 From Fordism via crisis to post-Fordism (table continues on the next page)

<table>
<thead>
<tr>
<th>Elements of mode of regulation</th>
<th>Fordism/→</th>
<th>Crisis/→</th>
<th>Post-Fordism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial relations</td>
<td>relatively centralized industrial relations, productivity agreement between capital and labour</td>
<td>inflationary circle: wages - prices - profits (profit squeeze)</td>
<td>a new kind of productivity agreement, decentralization of industrial relations, diminishing share of wages of GNP, increasing income dispersion</td>
</tr>
<tr>
<td>Tayloristic organization of production</td>
<td>employee resistance, weak engagement to work, over investments</td>
<td>new forms of Taylorism, group work, “flexible” work organization, new forms of entrepreneurship</td>
<td></td>
</tr>
<tr>
<td>Competitive relations</td>
<td>established marked shares and competitive relations, mass consumption</td>
<td>increasing international competition changes relations between firms (profit squeeze)</td>
<td>new forms of business organization: centralization and networking</td>
</tr>
<tr>
<td>Money relations</td>
<td>national regulation of monetary systems</td>
<td>internationalization of capital movements, increase of capital markets, instability</td>
<td>attempts to regulate international monetary system (EMU) or acceptance of new uncertainties</td>
</tr>
<tr>
<td>International relations</td>
<td>United States’ regulative hegemony ensured stability of international economics</td>
<td>problems in United States hegemony, economic internationalization weakens basis of national Fordist regulation</td>
<td>global system with three important centres: USA, Japan, EU (Germany), strengthening of EU regulative activity</td>
</tr>
</tbody>
</table>
Elements of mode of regulation

<table>
<thead>
<tr>
<th></th>
<th>Fordism →</th>
<th>Crisis →</th>
<th>Post-Fordism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regime of accumulation</td>
<td>predominantly intensive</td>
<td>general crisis explanation: inner contradictions of regime of accumulation and weakening of growth potential</td>
<td>more extensive, globally problems in achieving intensive regime of accumulation</td>
</tr>
<tr>
<td>Mode of socialization</td>
<td>ideological stress in communal socialization: taking part in technical, socio-economic and welfare-statist “progress”</td>
<td>criticism of welfare-statist “bureaucracy”, “passivity” and “dependence”</td>
<td>ideological stress in associative socialization: market socialization, individualistic competition</td>
</tr>
</tbody>
</table>

Source: Based, with modifications, on Nieminen 1996, 117.

But what about empirical evidence? Obviously, the grandiose developmental scheme described above leaves a lot of room for national and regional variations. However, in order to qualify as a realistic theory and an accurate description of reality it needs to be verified empirically at the same level of generality at which its notions operate. This is endeavoured in the following section.

4.5 Hardships and Revival of Capitalism

In this section the alleged crisis and revival of European capitalism is examined empirically by calculating the profit rate of the Western European industrial sector from 1955 to 1999 (Table 4.6) and by calculating capital’s total profits from 1970 to 2000 (Table 4.7). These periods cover both the assumed heyday of the Fordist mode of regulation (from the 1950's to the 1970's), its crisis and its assumed renewal (from the mid 1970's to the 1990's).

Before examining the results of my calculations, the definition of the notion of “profit” need to be clarified. According to Karl Marx, the
ultimate source of profits or surplus-value is the unpaid work accomplished in firms (see Marx [1890] 1974, Chapters 5 and 6): The owners and salaried managers of firms invest a certain amount of the constant capital (machinery, buildings, materials used in production and so on) and of the variable capital (labour-power used in production) and as a result of the work process they obtain a certain output from invested input. The difference between invested input and received output constitutes a firm’s profit and its source is the amount of work for which employees do not receive compensation. In order to realize their profits firms have to sell their products or services. Therefore, a part of the profits may originate from successful market actions and the exact amount of surplus-value produced by unpaid work remains unknown. The fact that the systemic source of profits is unpaid work and not profits made by selling goods and services may be verified by means of a simple thought experiment (compare Marx [1890] 1974, 153-154). If the main source of profits were to stem from market exchange, management of firms could collect and increase profit simply by circulating goods and services between firms. To collect increasing profits one has only to pay higher prices in each revolution of this circular exchange. As can be easily seen, such activity would not create any additional wealth. In fact, if generalized, it would only lead to high rates of inflation.

As such, Marx’s definition of profit is not an especially revolutionary idea at the present. For instance, mainstream economics defines profit as the difference between a firm’s revenues and the costs of production of goods and services (see Pekkarinen & Sutela 1998, 31; Begg & Fischer & Dornbusch 2000, 92-93) and as a matter of fact the newly established global standard for national accounting, SNA 1993 (System of National Accounts 1993\(^1\)), does indeed in practice use an identical definition (Commission of the European Communities (Eurostat) et al. 1993, 164, 174). However, because Marx examined the sources of profits directly, his ideas are, if not revolutionary, then at least unnerving even today. This uneasiness is reflected in the fact that close examinations

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\(^1\) This global system of national accounts was prepared by five leading international organizations that take part in the regulation of the global economy: the Commission of the European Communities (Eurostat), the International Monetary Fund, the Organisation for Economic Co-operation and Development, the United Nations and the World Bank.
of the sources of profits seem to be quite rare. This is surprising, because profits and ensuring profitable and competitive business activity are often seen as being one of the most important objectives of economic policy. Explicated knowledge of the sources of profits would make it easier to attain these objectives. Why, then, this shyness when it comes to examining sources of profits?

As explained above, although mature capitalism is not a zero-sum game between employers and employees, profitable capitalist firms need a mass of people that is wealthy enough to buy produced goods and services. Otherwise, management may not be able to realize the difference between the input and the output of firms. Still, those who avoid dealing openly with the sources of profits have good grounds to be reserved about this question: bourgeois social order (the ultimate source of this ideology is the social contract theory, see section 2.1 on modern rationality) is assumed to be based on the equal exchange of goods, services, symbols and other objects (generalized socio-economic exchange). Therefore, an idea of unequal exchange, that is, the fact that a part of the work accomplished in firms remains unpaid, insults the core principle of this bourgeois ideology.

Paradoxically, the idea of unequal exchange would not disturb a socialist or any other proponent of a collectivistic ideology. This is so because a supporter of a collectivistic ideology might well assume that unpaid work is in fact beneficial for a collective or a firm or that it is good for the totality of the economy. But a bourgeois thinker does not have this escape. Thus, the source of business profits will most likely remain one of the most embarrassing inner contradictions of the modern socio-economic order.

Now, to test empirically ideas of the regulation school, a calculation of industrial capital’s rate of profit from 1955 to 1999 is presented in Table 4.6 The “rate of profit” expresses a relation between all capital investments and unpaid work. It is high if a large amount of wage work remains unpaid and it is low if the proportion of unpaid work is small. Because it represents a ratio, it does not measure the absolute amount of profit (see Marx, [1894] 1980, 50-57). My calculation of the
rate of profit is based on a simple equation¹:

rate of profit = % change of annual productivity / % change of annual wages

In which % change of annual productivity is:

industrial production / industrial workers (subsequent year) - industrial production / industrial workers (previous year)

Hence, the results of this computation and the figures displayed in Table 4.6, are intended to be interpreted in the following way: First, if productivity and wages change at an equal pace, the result of the equation is 1 and the rate of profit has not changed. Secondly, if wages grow more than productivity, the result is less than 1 and the rate of profit diminishes. Thirdly, if productivity grows more than wages, the result is more than 1 and the rate of profit increases. In short, decreasing numbers refer to a lowering rate of profit and increasing figures denote an increasing profit rate. In order to detect long-term structural changes in the rate of profit, the results in Table 4.6 are presented as five-year means.

Admittedly, this crude way of calculating profit rates has its deficits. For instance, the equation does not take into account investments in constant capital, which is a crucial factor when defining the rate of profits (see Marx [1894] 1980, 86-97; Glyn & Hughes & Lipietz & Singh 1988, 98). On the other hand, it can be assumed that in the long run a change in annual productivity also reflects investment activities because successful investments are most likely reflected in rising productivity and unsuccessful investments lead to decreasing productivity.

The data on annual wages used, was also somewhat imprecise, in nine cases these figures are based on hourly earnings and in two cases on weekly earnings, also daily, “contractual” and “labour cost” measures of wages were used. In addition, the data has a serious deficit: it was published as indexed figures in which the value of a particular year was marked with 100 and data for other years in relation to that 100 (see IMF

2001). Despite these drawbacks I decided to use the data of the International Monetary Foundation because it offered a relative long time-series that makes it possible to examine historical tendencies in European capitalism.

However, because the idea of structurally changing capitalism assumes large-scale shifts in the rate of profit, verification of such a general scheme should be possible also on the bases of a crude calculation of the rate of profit. From the industrial relations point view, concentration on the profit rate of the industrial sector is justified, because it is the industrial sector that has been the leading sector in collective bargaining in many Western European countries.

Table 4.6 Profit rate in industry 1955-1999, periodic means (% change of productivity/% change of wages)

<table>
<thead>
<tr>
<th></th>
<th>55-59</th>
<th>60-64</th>
<th>65-69</th>
<th>70-74</th>
<th>75-79</th>
<th>80-84</th>
<th>85-89</th>
<th>90-94</th>
<th>95-99</th>
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<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>..</td>
<td>0.4</td>
<td>1.3</td>
<td>0.6</td>
<td>1.5</td>
<td>0.4</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Austria</td>
<td>0.9</td>
<td>0.5</td>
<td>0.9</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.5</td>
<td>0.0</td>
<td>..</td>
</tr>
<tr>
<td>Portugal</td>
<td>..</td>
<td>1.5</td>
<td>1.0</td>
<td>0.6</td>
<td>0.3</td>
<td>0.0</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Spain</td>
<td>..</td>
<td>0.6</td>
<td>0.7</td>
<td>0.4</td>
<td>0.1</td>
<td>0.3</td>
<td>0.0</td>
<td>0.5</td>
<td>0.0</td>
</tr>
<tr>
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<td>..</td>
<td>0.7</td>
<td>0.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.2</td>
<td>0.5</td>
</tr>
<tr>
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<td>0.5</td>
<td>0.7</td>
<td>0.2</td>
<td>0.3</td>
<td>0.6</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>0.4</td>
<td>0.8</td>
<td>0.5</td>
<td>0.0</td>
<td>0.2</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>-0.1</td>
</tr>
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<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.7</td>
<td>0.4</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>0.5</td>
<td>0.9</td>
<td>0.5</td>
<td>0.4</td>
<td>0.2</td>
<td>0.2</td>
<td>0.9</td>
<td>0.8</td>
<td>2.0</td>
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<tr>
<td>Germany</td>
<td>0.7</td>
<td>0.5</td>
<td>0.9</td>
<td>0.3</td>
<td>0.7</td>
<td>0.6</td>
<td>0.5</td>
<td>1.7</td>
<td>..</td>
</tr>
<tr>
<td>Belgium</td>
<td>..</td>
<td>0.7</td>
<td>0.7</td>
<td>0.3</td>
<td>0.6</td>
<td>0.7</td>
<td>2.5</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.7</td>
<td>0.8</td>
<td>0.8</td>
<td>0.6</td>
<td>0.7</td>
<td>1.4</td>
<td>0.7</td>
<td>1.3</td>
<td>2.7</td>
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<tr>
<td>Nordic semiperiphery</td>
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<td></td>
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<tr>
<td>Denmark</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>0.4</td>
<td>0.2</td>
<td>1.0</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Sweden</td>
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<td>0.7</td>
<td>0.8</td>
<td>0.2</td>
<td>0.1</td>
<td>0.4</td>
<td>0.2</td>
<td>1.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Finland</td>
<td>..</td>
<td>0.9</td>
<td>0.9</td>
<td>0.4</td>
<td>0.4</td>
<td>0.2</td>
<td>0.7</td>
<td>5.0</td>
<td>..</td>
</tr>
<tr>
<td>Norway</td>
<td>..</td>
<td>0.9</td>
<td>0.5</td>
<td>0.4</td>
<td>1.4</td>
<td>0.5</td>
<td>1.1</td>
<td>1.1</td>
<td>..</td>
</tr>
<tr>
<td>Mean</td>
<td>0.7</td>
<td>0.7</td>
<td>0.8</td>
<td>0.4</td>
<td>0.5</td>
<td>0.4</td>
<td>0.8</td>
<td>1.1</td>
<td>1.3</td>
</tr>
</tbody>
</table>


The profit rates in the industrial sector presented in Table 4.6 support the regulation school thesis of Fordism, its crisis and subsequent regaining of the earlier level of profit rate thanks to changes in the
regimes of accumulation. The fact that the majority of the figures would seem to indicate that wages have grown faster than productivity stems apparently from the indexed character of the data used: Because the value of industrial production is much higher than the value of wages, small absolute changes in wages produce larger percentage changes in wages than do larger absolute changes in industrial production. Hence, the figures presented constitute only a crude estimation of the ups and downs of industry’s profit rates and the actual rate of profit remains in the dark.

Between 1955 and 1969 figures were between 0.7 and 0.8; then started a relatively long period from 1970 to 1984 when figures fell to 0.4 and 0.5 and after that, from 1985 to 1999 the figures rose again to 0.8-1.3 (if the exceptional cases of Finland and Ireland are omitted the mean for 1990-1994 would be 0.8 and for 1995-1999, 1.0). The following table summarizes those cases in which the data supports diverse phases of the thesis of the regulation school (Denmark is excluded because of the limited number of observations):

<table>
<thead>
<tr>
<th>Data supports Fordism, crisis and revival of rate of profit:</th>
<th>Data supports Fordism and crisis:</th>
<th>Data does not support Fordism, crisis or revival of rate of profit:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece, Ireland, Italy, France, Germany, Belgium (weak support), Netherlands, Sweden, Finland.</td>
<td>Austria, Portugal, Spain, UK.</td>
<td>Switzerland, Norway.</td>
</tr>
</tbody>
</table>

In summary, it can be concluded that Table 4.6 supports quite strongly the thesis of the regulation school. Especially important is that data from big core countries supports the thesis because the majority of

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1 The exceptionally high Finnish figures can be explained by the harsh economic recession that hit the country in the beginning of the 1990’s. As a result of this recession, a large share of the industrial work force was layed off. After the recession, an exceptionally strong economic growth followed for the rest of the 1990’s. During this recession industrial production grew rapidly, but the industrial labour force did not grow at the same pace. Annual productivity grew fast because fewer workers produced more goods. Simultaneously, centralized regulation of wages ensured that wages grew less than productivity. Hence, capital’s profits increased greatly.
Western Europeans live in these countries and their economies assume the lion’s share of the total Western European cross national production. In addition to the above table, it is also possible to estimate developments in the rate of profit at the level of whole national economies. This is done in Table 4.7 by computing the share of profits of the total national incomes (this excludes taxes). Unfortunately, also in this case the data available was partially inaccurate for the task at hand.\textsuperscript{1} This is so because the OECD, whose data I used, counts together the gross operating surplus of firms and all those forms of income that are not included in “compensation to employees” (OECD 2002a, 5). As a result, in Table 4.7 “profits” include also an undefined amount of earnings of self-employed persons although these earnings can hardly be described as profits. Yet, as in the case of the previous table, it can be maintained that by using even relatively imprecise data it should be possible to detect structural tendencies.

In this case also, data on profits seems to give some support to thesis of the regulation school. Average profits fell from the period of 1971-1975 to 1976-1980 from 42\% of national income to 40\%. After that they grew slowly from 41\% (1981-1985) to 44\% (1996-1999) of the total national income. Because the time-series in this table is considerably shorter than in the previous table, it is not possible to evaluate clearly whether diminishing rates of profit were really preceded by higher rates of profit in the 1960's.

\textsuperscript{1} It appears that precise statistics on profits are seldom collected because of the ideological sensitivity of such data.
Table 4.7 Profits 1971-2000, periodic means (gross operating surplus and gross mixed income as % of the sum compensation of employees and gross operating surplus and gross mixed income)

<table>
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<tr>
<td><strong>Southern and Western semiperipheries</strong></td>
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<tr>
<td>Switzerland</td>
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</tr>
<tr>
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<tr>
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<td>44</td>
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<td>45</td>
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<tr>
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<tr>
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<tr>
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<tr>
<td>Norway</td>
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</tr>
<tr>
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<td>40</td>
<td>41</td>
<td>42</td>
<td>42</td>
<td>44</td>
</tr>
</tbody>
</table>


Therefore, when recapitulating the country-specific results, I only assess whether Table 4.7 supports the thesis of the crisis and revival of the Fordist regime of accumulation:

The data supports crisis and revival of rate of profit:
- Austria, Portugal, Spain, Ireland, Switzerland, Greece.
- Italy, France, Germany, Belgium, Netherlands, Denmark, Sweden, Finland, Norway.

The data does not support revival of rate of profit:

As can be seen, in the majority of Western European countries the data supports the crisis and revival thesis. Greece’s exceptionally high and continuously diminishing figures can be explained by referring to the
facts that its labour force included the largest shares of agricultural and self-employed labour forces in 1960 and 1991 (see computations based on OECD data in Nieminen 1994, 39, 42). The earnings of these groups are included in the table as profits and the diminishing share of agricultural labour and self-employed is reflected in a continuous fall of “profits”. Switzerland was an exceptional case in both tables (see also Scharpf & Schmidt 2000, 357). For this I have not been able to find explanation.

Additionally, there are also other research results supporting the thesis of the regulation school. These results stem, understandably, from researchers who more or less belong to the regulation school (see Glyn & Hughes & Lipietz & Singh 1988, 103; Glyn 1995). However, calculations that do not directly measure profits but rather the share of wages of gross national products also support the findings presented in the above two tables. Between 1960 and 1975, the wage share of the gross national product in 15 member states of the European Union was around 65%, then it rose to about 70% in 1977 and to 68% in 1982. Thus, it could be said that wages squeezed profits. After that, the wage share decreased until it was 60% in 1997 (see the figures on wage shares in Visser 2001, 75 and similar kinds of results in Scharpf & Schmidt 2000, 357; for more detailed computations see Collingnon 2002, 165).

All in all, the statistical data seems to lend support to the thesis of a successful Fordist regime of accumulation, the problems that it subsequently encountered and a later revival of rate of profits. However, these results call for caveats. First, it is possible that the problems that Fordism encountered stemmed from two outer shocks caused by the rapid increase of oil prises in the middle of the 1970's and in the beginning of the 1980's rather than from internal structural problems in Fordism. Yet, the fact that in many countries, period of difficulties lasted from the middle of the 1970's to the middle of the 1980's supports the thesis that in addition to the oil crises, structural problems of Fordist regime of accumulation also played a role. To some extent, the idea of structural problems receives support from the fact that in the late 1970's and during the 1980's transnational and in many cases national ideology concerning economic policy shifted from Keynesian concerns to “supply-side economics”. This shift indicates that élites responsible for the formulation of economic policy lines concentrated more on (Fordist) productivity problems than on Keynesian questions of (under) consumption.
Secondly, even though statistical data supports the ideas of Fordism and its crisis, the verification of the third part of the thesis of the regulation school (recovery, revival) must be treated more cautiously because in some cases recovery has not been realised and in other cases it is not yet possible to conclude whether the recovery of rates of profit is due to the inventions of a new regime of accumulation or whether they stem from exceptional cyclical circumstances.

Thirdly, it is obvious that the problems encountered by Fordism never actually constituted a vital crisis of capitalism that would have jeopardised the existence of capitalist social order. Instead, this was a small crisis to which remedies could be found within established socio-economic relations (Nieminen 1996, 114).

This last point relates closely to the three above qualifications. It seems reasonable to view periodical changes of socio-economic relations as relative ones: historical epochs differ from each other by the different strength of their respective tendencies, not by categorical differences. Also when examining the historical development of capitalism, different layers in its development can be detected. The generalization of capitalist social relations and national class compromises were structural preconditions for the Fordist mode of regulation and new post-Fordist features have been built upon the all its previous elements; they do not completely replace older historical layers. Seen from this perspective, the notion of “post-Fordism” emphasizes both continuation and change in the regulation of socio-economic relations (see Jessop 1994, 17).
5 National Varieties of Capitalism

5.1 Structuring of Industrial Relations

In the preceding chapter, general developments in regulation the economy and labour markets were described. Though it can be shown that Western European developments have followed certain general traits, it is equally true that behind the similarities there are considerable national variations. These national variations are examined in this section. At the same time the question is raised to whether the problems of Fordism have led to new kinds of regulative arrangements and industrial relations in Western Europe.

Within the general framework of capitalism and class compromise, particular divergent national social structures and political traditions have produced different kinds of systems of industrial relations. As presented above, the basis for “industrial relations” as social relations between employers and employees was created as workers were separated from the means of production. In addition, diverse state actors take part in regulating labour markets. Together these three groups of actors form the “triangle of industrial relations” that can be used as a point of departure when classifying industrial relations systems (see for example, Kauppinen 1994, 36; Müller-Jentsch 1997, 21-23; compare Hyman 2001, 4). A triangle of industrial relations can be formed at different administrative levels of modern societies — it depends on historical events and social structures what weight these different levels of industrial relations receive in different state-societies. Furthermore, transnational (regional and global) levels are to be added to the triangle of industrial relations.

Within the broad framework of the triangle of industrial relations several structural combinations are possible. First, corporatism is a tripartite system in which the state, employer associations and trade unions together organise and regulate labour markets. Secondly, in a bilateral industrial relations system the power axis between two major industrial relations actors is a) between employers and employees, or b) between the state and employers, or c) between the state and trade unions. Thirdly, in a state centred system it is the state (governments, ministries,
diverse state organs) that regulates labour markets, mostly by means of legislation. Each of these models of industrial relations can be more or less centralized, depending on at which level collective agreements are made, or how strict legal norms are.

An important point to keep in mind in this classification is that each of these main types of industrial relations has its own kinds of regulative dynamics. For instance, in a state centred system the state may look strong and independent, but because its connections with labour market parties are weak it has, in fact, a weaker social basis. On the other hand, centralised corporatist (tripartite) industrial relations are stable because all the industrial relations parties have close connections with each other. Bilateral industrial relations between capital and labour tend to rely on regulations established by collective agreements between employers and employees whereas state-centred systems lay more emphasis on legislation. In corporatist systems both legislation and collective agreements are important. Frequently in corporatist industrial relations, labour market parties take so intimate a part in the preparation of legislation that they, in fact, constitute parts of legislative apparatus.

One may ask why this classification does not include a pluralistic industrial relations regime in which industrial relations are functionally regulated through labour markets. The answer is simple: because the economy and labour markets always exist as part of a society, never in a social vacuum (regarding this typical sociological point of view see, for example, Fevre 1992, 38-41). Therefore, I would describe pluralistic industrial relations as a decentralised state-centred or bilateral system. A third version of pluralism is based on social traditions which regulate industrial relations without the help of legislation or collective agreements. It is important to note that industrial relations which are mainly based on informal norms and traditions are not pure market relations (for the British case, see Edwards et al. 1992, 3, 21).

Apart from the three main actors of the industrial relations triangle, a number of environmental factors strongly influence the constitution of national industrial relations systems. For example, changes in the economy, ideological currents, religious, political and ethnic cleavages mould industrial relations. Elements that constitute industrial relations systems are summarized in Figure 5.1.
To understand the internal dynamics of national industrial relations systems, I am using a simple model to explain their structuring. The point of departure in this model is that in each country a social structure (structural cleavages) and political traditions form a basis for the organization of trade unions and employer associations, and these factors together establish structures that form a certain kind of an industrial relations system (see also Ferner & Hyman 1992, xvi; Crouch 1994). In addition, the location of a country within the international system affects its industrial relations system, and so, to a certain extent, national structures also have an international basis. The model of structuring of industrial relations can be summarized in the following pattern:

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1 Originally, I developed this model while reading descriptions of Western European industrial relations (see Nieminen 1994), but it shares the basic features of the cleavage theory of political sociology (see Lane & Ersson 1999, 37-41). According to this theory, social cleavages affect political parties and these in turn affect policies.
Hence, the political life of a nation-state is strongly influenced by its social structures. Cleavage theory has been, however, criticised of being too deterministic (social structures are assumed to determine politics) and therefore some elements of institutional and policy analysis are also needed (see Lane & Ersson 1999, 12). In my model these institutional factors are taken into account especially under the heading of “political traditions”.

The dynamic ideas portrayed in this model may be illuminated by presenting two fictional examples of the structuring of national industrial relations. First, if a country has deep class-based, ethnical or religious cleavages (see Lane & Ersson 1999, 44) these are reflected in the way in which political parties, labour unions and capital organize themselves and such a divided social structure may well give birth to conflictual and hostile political traditions. Together, the above factors may well lead to hostile relations between labour and capital. Consequently, in such a country the industrial relations system most likely is either a quite decentralised bilateral system or a state-run system. In the latter case, the state intervenes in industrial relations establishing the regulative practices which labour and capital have not been able to constitute. Secondly, if in a country the social structure is homogeneous and political traditions tend to lead to compromise between labour and capital, we are likely to encounter more centralised bilateral or corporatist industrial relations.

In the both cases, international relations play a role, too. Sometimes the international position of a country supports the development of consensual regulation of the economy and labour markets. This happens, for instance, if class actors and political parties unite in order to fortify a nation’s inner and outer strength or to enhance its international competitiveness. In contrary cases, international position of a country deepens class-based and other structural cleavages. For example, a land-owning class that realises its profits through exporting food and raw materials (a peripheral position in an international system) may unite with capital in order to keep landed and other workers suppressed. Such an authoritarian political tradition prevents national
developmental coalitions and consensual regulation of the economy and industrial relations from emerging. (See Rogowski 1989; Senghaas 1985.)

5.2 National Industrial Relations by the Turn of the Millennium

In the following pages, the main characteristics of sixteen Western European national industrial relations systems are presented.¹ Those readers who lack an interest on country-specific descriptions may skip this presentation and move to the end of this section where a summary of Western Europe’s national industrial relations is presented in a form of a table (Table 5.1).

The following presentation concentrates on the state of affairs by the turn of the new millennium, but remarks on earlier history are also made. The idea is not to submit detailed country-specific descriptions but to seek to understand the main features of national industrial relations. Consequently, for instance, detailed information on industrial relations at the firm level is not given here. All characterizations of national industrial relations begin with an introduction to the main organizations of capital and labour. After that the development and recent state of industrial relations is described. Lastly, the role of international relations in national regulation of the economy and labour markets is assessed. The order of descriptions of national industrial relations follows the structure of comparative tables of this study starting from big core countries. Hence, Germany is the first case:

Germany: Centralized Bilateral Relations

In Germany, as well as in Austria, industrial relations were reorganized after loosing the Second World War. Labour and capital both established

¹ The most important sources in these national comparisons were two collections of articles on Western European industrial relations edited by Anthony Ferner and Richard Hyman: Industrial Relations in the New Europe (Ferner & Hyman 1992) and Changing Industrial Relations in Europe (Ferner & Hyman 1998). Additionally, information of more recent development (1997-2001, in some cases 2002) were obtained from an on-line observatory of European industrial relations (Eiro) (see: http://www.eiro.eurofound.ie).
unitary organizations: the German Trade Union Federation (Deutsche Gewerkschaftsbund, DGB) and the Confederation of German Employers’ Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände, BDA) organize all industries (branches of economic activity) and there are no political, ethnic or religious cleavages. On labour’s side, the most important branch-level organization is the German Metalworkers’ Federation (IG-Metal¹). This branch also normally opens and leads collective bargaining rounds in Germany. (Mielke 1983, 342, 345-346; Bratt & Kauppinen 1990, 123; Jacobi & Keller & Müller-Jentsch 1992, 248 and 1998, 190-192, 216.)

Since the Second World War, German industrial relations have remained remarkably stable. Both capital and labour are oriented towards cooperation and respect extensive labour legislation. Collective bargaining takes place mainly at the branch level but branch-level agreements are adjusted to fit to firm-level needs. Thus, German industrial relations has two poles. On the one hand, there are branch-level collective agreements. On the other hand, these agreements are modified at the firm level. (Jacobi & Keller & Müller-Jentsch 1992, 218-219, 236, 248 and 1998, 190-191)

Even though collective negotiations take place in a bipartite manner between labour and capital, diverse state actors support the stability of German industrial relations in many ways (Bratt & Kauppinen 1990, 123; Jacobi & Keller & Müller-Jentsch 1992, 219, 230, 241). First, extensive labour legislation regulates industrial relations. Secondly, the Social Democratic Party has close informal relations with labour unions, and these relations link unions to government policy when Social Democrats are in government. In addition, there exists the same kind of connection between the other main party, the Christian Democrats and its union wing (see Kersbergen 1995, 63-64). The German Trade Union Federation (DGB) also offers a minority representation to Christian Democrats (Jacobi & Keller & Müller-Jentsch 1998, 200).

Because the Federal Republic of Germany is a federal state, it could be easily assumed that federal cleavages would split industrial

¹ IG = Industriegewerkschaft, that is “industry union”, this name refers to the fact that the organization principle of IG-Metal is based on the principle of one union for one industry, that is, all persons in the metal-working industry are free to join to IG-Metal.
relations according to their regional borders. Nonetheless is not the case, regulative practices of the economy and labour markets are essentially the same in the whole of Germany (Jacobi & Keller & Müller-Jentsch 1992, 248 and 1998, 216). The greatest difference in this respect can be found between areas of the former Eastern and Western Germany. After the collapse of the socialist camp the German Democratic Republic was joined to the Federal Republic in 1990. Since that time organized industrial relations actors from the West have tried to establish themselves in the East but there are differences between eastern and western practices: In the east employment relations have remained less regulated than in the west and the average eastern pay level hinges below the western level. Moreover, due to massive “economic restructuring”, that is, privatization and the closing down of whole industries, unemployment is a severe problem in the former Eastern Germany (Jacobi & Keller & Müller-Jentsch 1998, 196-197, 219-220).

With regard to recent decades, the development of German industrial relations can be divided into three periods. First, in the 1960's and the 1970's, industrial relations centralized as governments tried to solve economic problems via the centralized regulation of labour markets. This “concerted action” (Konzertierte Aktion, 1967-1977), however, failed because the governments could not control macroeconomic development and labour union members did not see any advantages in moderating wage increases. It appears that an important background factor to this failure was that the independent central bank (Bundesbank) pursued a restricted monetary policy that acted against government’s expansive economic policy. Secondly, since the 1980's, industrial relations have decentralized somewhat, labour legislation has been loosened and labour market parties have returned to a more bipartite modus operandi (Jacobi & Keller & Müller-Jentsch 1992, 221, 238-239 and 1998, 208-210).

Thirdly, by the turn of the millennium, “concerted action” has been repeated. Unemployment problems triggered attempts to establish an “alliance for jobs” (Bündnis für Arbeit) in which trade unions offered to diminish their wage demands in exchange for employment and training opportunities (Jacobi & Keller & Müller-Jentsch 1998, 208). In 1998, the Social Democrats (who had been in opposition for 16 years) and the Greens won the parliamentary elections and formed a new coalition
government that succeeded in establishing a permanent tripartite body, the “Alliance for Jobs”, the basic ideology of which can be read from the title of its first position paper: “Joint declaration of the Alliance for Jobs, Vocational Training and Competitiveness.” Since then the Alliance for Jobs has taken an active part in the regulation of German economy and labour markets. Most significantly, it restricted wage increases in the collective negotiations round for the years 2000-2001. It remains to be seen, however, whether this new corporatist body will establish itself as a permanent tripartite body within German industrial relations. (Eiro, Germany 1998, 2000.)

Germany’s centralized and consensual industrial relations provide a counter example to those ideas that link centralized industrial relations with the small size of a nation-state (see Katzenstein 1985; Rehn 1996). It seems that a decisive structural factor is not the size of the population, but the way in which this population is organized (structure of cleavages); in addition national institutional arrangements as well as political traditions also play a role.

In the German case, several structural and ideological factors have supported centralized industrial relations since the end of the Second World War: First, Germany had a history of centralized collective organizing and centralized regulation of the economy and labour markets both during the Nazi regime and before it (Mielke 1983, 345, Crouch 1994). After the war, capital, labour in addition to the main political parties shared the ideology of class compromise. Secondly, it appears that the Cold War in general as well as a “systems competition” between Eastern and Western Germany in particular exercised a uniting force upon political actors, organized labour and capital. Lastly, since the Second World War German capital, organized labour and main parties have shared the hegemonic ideology of economic competitiveness. According to this ideology, Germans should work together in order to strengthen the nation’s global competitiveness (see Katzenstein 1985, 200-201; Allen 1987, 87-90; Jacobi & Keller & Müller-Jentsch 1992, 222). This ideology has been an important ingredient in the virtuous cycle of the German regime of accumulation: Well organized industrial relations have prevented conflicts and enhanced cooperation between labour and capital and this cooperation has supported high quality production. Lastly, the resulting economic prosperity has contributed to the reproduction of the
prevailing industrial relations (Jacobi & Keller & Müller-Jentsch 1998, 190).

Both capital and labour have supported Western European integration. Capital, labour and the principal political parties all share the view that integration is an inevitable solution to the global economic competition on the part of the United States and Japan, though they disagree on the need for European-level industrial relations (see Jacobi & Keller & Müller-Jentsch 1992, 263-264 and 1998, 193).

**France: State-centred System**

The structure of French labour unions is divided and trade unions tend to compete with each other. Trade union density is the lowest in Europe 10% (1997) (see Table 4.1) There are five union confederations to whom the state has given the right to make collective agreements: the militant left-wing CGT (Confédération générale du travail), which has cherished the Marxist and anarcho-syndicalist tradition, the socialist CGT-FO (Confédération générale du travail-Force ouvrière), the Catholic CFTC (Confédération française des travailleurs chrétiens), the CFDT (Confédération française démocratique du travail), which split from the CFTC in 1964 and the CFE-CGC (Confédération française de l'encadrement-Confédération générale des cadres) that organizes white-collar workers. In addition, there are also other smaller union confederations.

Nevertheless, in France unions have a stronger power position than what might be assumed from their divided structure and low organization rate. This is so because they have enjoyed large scale support at the firm level and they have been able to organize successful strikes and demonstrations. Lastly, they also take part in number of public bodies (Mielke 1983, 464-465; Goetschy 1998, 360-366, 392; Eiro, France 1997).

Unlike labour, capital is well and centrally organized. In the mid 1990's, 71% of employees worked in firms that belonged to employer organizations (see Table 4.3). Capital’s central organization, that is both employer and business organization, is MEDEF (Mouvement des
Until 1998 it was the CNPF (Conseil national du patronat français). The change of the name of the employer organization reflected a change towards a more market oriented policy (France, Eiro 1998).

Due to conflictual relations between capital and labour, the state has assumed a central role in French industrial relations and legislation plays a central role in the regulation of labour markets (state centred industrial relations system) (Goetschy 1998, 357-358; see also McCormick 1987). In recent years, however, employers have tried to reform French industrial relations into a more bipartite direction (relations between capital and labour) but these attempts have not led to substantial reorganization of French industrial relations (Eiro, France 1999, 2000, 2001).

Unlike in Germany, international relations, competitiveness, European integration and globalization seem to have played a minor role in national regulative politics (see the above cited publications). This is rather surprising, given that France has been, together with Germany, one of the two “motors” of integration. A major reason behind this neglect of international relations appears to be that French political ideology relies more on national grandeur and social justice than on the capitalist merits of international competitiveness (McCormick 1987). This does not mean that French are not concerned with international relations. It merely means that France lacks a national hegemonic project that would define the state-society’s outer and inner relations in a coherent way. Persistent ideological cleavages (see McCormick 1987, 57-61) that appeared above in form of divided labour union structures make the formation of such a coherent hegemonic project difficult.

Italy: Towards More Institutionalized Relations?

Italian labour unions are divided between three confederations: the Christian Democratic CISL (Confederazione Italiana dei Sindicati Lavoratori), the Social Democratic UIL (Unione Italiana del Lavoro) and the Communist CGIL (Confederazione Generale Italiana del Lavoro). Although these confederations have at times collaborated with each other, frequently their policy lines also conflict with each other and attempts to

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1 Until 1998 it was the CNPF (Conseil national du patronat français). The change of the name of the employer organization reflected a change towards a more market oriented policy (France, Eiro 1998).
Nevertheless, late reflection of violent class relations still hounds Italy. In 1999 and 2002 the Red Brigades terrorist group murdered two experts on labour relations for supporting a dialogue between capital and labour (1999) and taking part in drafting a controversial programme for labour market reform (2002) (Eiro, Italy 1999, 2002).

The history of Italian industrial relations since the end of the Second World War, can be divided into three periods (Regalia & Regini 1998, 465-467). During the 1950's and the 1960's industrial relations were centralized and political questions and conflicts dominated them. After that, in the late 1970's and the early 1980's, tripartite centralized regulation of labour markets was attempted but it failed because the rank-and-file workers did not agree with union policy and employers wanted to gain more flexibility at the firm level. Lastly, in 1993 capital, labour and government concluded a new tripartite agreement that provided rules for Italian industrial relations. Since that time Italian industrial relations have stabilized notably and the 1993 agreement was renewed in 1998 (see Regalia & Regini 1998, 496-497; Eiro, Italy 1997, 1998).

International relations have also given effective support to strengthening the institutionalization of industrial relations in Italy. The ideology of international competitiveness began to play an important part in Italian industrial relations in the late 1970's. Yet, a true hegemonic project that was based on a coherent definition of Italy’s international relations and its internal structures was established only in the 1990's (see Regalia & Regini 1998, 479). This hegemonic project has two main elements. First, Italian economic competitiveness rose as a central policy objective (Regalia & Regini 1998, 497). Secondly, capital, labour and governments united in order to fulfill the convergence criteria of the Economic and Monetary Union (EMU) (Eiro, Italy 1997, 1998).

The convergence criteria of the Economic and Monetary Union (EMU) that defined the terms that member states would have to meet if they were to become members of the EMU’s single currency system included (Nugent 1999, 56; Treaty on European Union 1992, 185-186):

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1 Nevertheless, late reflection of violent class relations still hounds Italy. In 1999 and 2002 the Red Brigades terrorist group murdered two experts on labour relations for supporting a dialogue between capital and labour (1999) and taking part in drafting a controversial programme for labour market reform (2002) (Eiro, Italy 1999, 2002).
1. Price stability (low inflation) according to the limits set by the three most stable economies in the EU.
2. The avoidance of budgetary and national debt deficits.
3. Low interest rates according to the limits set by those three national economies in which the inflation is the lowest.
4. Currency stability in relation to the currencies of other EU member states.

As can be easily spotted, the two main elements of the Italian hegemonic project support each other because both competitiveness and the EMU’s convergence criteria can be interpreted as requiring moderation in wage increases. It remains to be seen, whether this ideology is strong enough to overcome one of the traditional sources of instability in the Italian regulative system, that is, short-lived coalition governments.

Belgium and the Netherlands: Corporatist “Pillar Societies”

Belgium and the Netherlands have been traditionally described as “pillar societies”; meaning state-societies in which political, regional, linguistic (Belgium) and religious cleavages divide these state-societies into several social groups that are integrated with each other through élite linkages and centralized state actions (Visser 1992, 328-329; Vilrokh & Leemput 1992, 358, 363-366).¹

Even though some of these traditional cleavages have been weakening in recent decades, they are still reflected in the structures of labour unions. In Belgium, labour unions are divided according to political world-views (Catholic, Socialist and Liberal confederations) and linguistic and federal structures (Flanders, Wallonia and Brussels) (Vilrokh & Leemput 1998, 319). Despite these divisions, the union density rate is the highest in the European core (61% in 1997, see Table 4.1). The high density rate may largely be explained by the manifold services that unions offer to their members and especially by the fact that

¹ Because of the complexity of its social structures Belgium (see Vilrokh & Leemput 1998, 315-316) is, along with Italy, one of the most interesting state-societies in Western Europe.
unions take part in administering unemployment benefits (Vilrokx & Leemput 1998, 320).

Dutch labour is divided into socialist and Christian confederations. In addition, there is a confederation for managerial and white-collar staff as well as a general confederation (Visser 1998, 297). The union density rate is relatively low (23% in 1997, see Table 4.1).

In both countries capital has a much higher density rate (80% in the mid 1990's, see Table 4.3) and a less fragmented organizational structure than is the case with labour (Visser 1998, 299; Vilrokx & Leemput 1998, 322).

In general, Belgian and Dutch industrial relations belong to the tradition of centralized, corporatist industrial relation. However, especially in the Netherlands centralized tripartite relations have been transformed into more decentralized and bilateral relations between capital and labour. As a result, Dutch labour market and social policy moved into a more market oriented direction during the 1990's. (Ruysselveldt & Visser 1996a, 206-207; Visser 1998, 307-309.)

The internal elements of the model of structuring of industrial relations presented in the beginning of this section suggest that because of the many divisions that criss-cross Belgian and Dutch state-societies their industrial relations would most likely be expected to have a quite decentralized character. Still, external elements have exercised a strong uniting force in both Belgium and in the Netherlands. The national ideologies of these countries have described them as nation-states that are dependent on the competitiveness of their national economies and this ideology has enhanced a consensus oriented and centralized regulation of the economy and labour markets (Ruysselveldt & Visser 1996a, 205-206; Visser 1998, 284-285, 308). For instance, by the turn of the millennium Belgian labour market actors had restricted the total labour costs according to the level set by its three main trading partners, France, Germany and the Netherlands (Eiro, Belgium 1997, 1999, 2001). In both Belgium and the Netherlands, the convergence criteria of the European and Monetary Union have strengthened centralized corporatist regulation

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1 In fact, unions are active participants in organizing unemployment benefits in all those national industrial relations systems that rank highest in union density rates. These countries include: Belgium, Denmark, Sweden and Finland (compare Table 4.1).
of the economy (Eiro, Belgium 1997-1999; Visser 1998, 284-285; Eiro
the Netherlands 1997-1998).

The United Kingdom: Europe’s Only Liberal Industrial Relations

Market liberal ideals have characterized British social order more than
anywhere else in Europe. Therefore, for example, labour law in Britain
has not supported collective bargaining between capital and labour as it
has in other Western European countries. This does not, however, mean
that British industrial relations necessarily follow a pure market model.
Rather, informal norms and rules have taken the place of formal
legislative regulation of class relations (Edwards et al. 1992, 21;
Ruysselveldt & Visser 1996b, 43). Because of the low level of legal
protection for workers, in the United Kingdom even the minimalist EU
labour legislation is both hoped for (by labour) and feared (by capital)
(Edwards et al. 1998, 1, 25, 33; Eiro, the United Kingdom 1997, 2001).

At the confederation level, labour has a centralized organization:
the Trades Union Congress (TUC) organizes all branch-level unions. Yet,
at the branch level, in spite of several mergers, organizational structures
are scattered and some unions compete for members at the firm level
(Edwards et al. 1998, 28-29). The formal organization of capital is less
developed than in other Western European countries and further
disorganization took place in the 1980's and the 1990's (see Table 4.2 and
Ruysselveldt & Visser 1996b, 56).

In the face of the structural facts introduced above, it is no wonder
that British industrial relations have traditionally remained decentralized
and collective bargaining takes place mainly at the firm level. Due to
economic difficulties, a more centralized and corporatist system of
regulation of the economy and labour markets was attempted in the 1960's
and the 1970's but these aspirations failed. In the 1980's and the 1990's,
employers and Conservative governments (the prime ministers were
Margaret Thatcher and John Mayor) attacked labour unions and the
rudimentary structures of collective bargaining. As a result, British
industrial relations returned to their earlier decentralized shape (Edwards
et al. 1992, 58-59; Edwards et al. 1998). This basic situation has not
changed in recent years, even though the Labour Party formed the
government in 1997 after being in opposition from 1979. This is so, because an important ingredient of the party line of “New Labour” is its business friendliness: By incorporating elements of traditional market liberal ideology into its party doctrines the Labour Party has attempted to adjust to the ideological mood created by the long-lasting conservative regime. This said, is must also be noted that since 1997 Labour Government has tried to enhance dialogue and “social partnership” between unions and employers (Eiro, the United Kingdom 1998-1999).

In the context of the European Union, British industrial relations are an important case for two reasons. First, The United Kingdom is one of the big EU member states. Secondly, since the introduction of national class compromises, regulative ideologies have wavered between market liberal ideas of the free functioning of markets (functional regulation) and ideas of political regulation of markets (intentional regulation). Because the United Kingdom represents market liberal ideals more purely than any other Western European state-society, the success or failure of its national model has potentially major ideological consequences in other Western European countries (see Ruysselveldt & Visser 1996b, 42).

Nevertheless, in economic terms the liberal British regime of accumulation has not been a great success in recent decades: As can be seen from Table 4.6, industry’s profit rate has been quite low in Britain. Total profits of capital have developed better but they showed no exceptional increase between 1971 and 2000 (see Table 4.7 and Ruysselveldt & Visser 1996b, 80-81). In terms of relative wealth as measured by the growth of mass consumption per capita from 1960 to 1999, the United Kingdom has lost its relative position by one point (see analysis of Table 4.4).

In sum, due to its poor or average practical performance, the liberal British regime of accumulation does not seem to be able to challenge ideologically Continental corporatist regulation of the economy and labour markets. Instead, traditional class relations, which are a source of the lacking of trust and cooperation, are reported to be an important reason behind the poor productivity level in Britain (Edwards et al. 1998, 41-46). The main national actors of British industrial relations (government, TUC and the Confederation of British Industry (CBI)) are well aware of poor productivity in industry. In 2001 TUC and CBI produced a common report on productivity problems (CBI & TUC 2001).
However in this report, in accordance with the British industrial relations tradition, organized capital and labour are seeking to resolve productivity problems mainly by activities (investment, skill, technology and innovation and by spreading of “best practice”) addressing individual workers and firms. In this rather sporadic report, macro-level organizational and institutional issues are hardly dealt with at all.

An additional explanation to the decentralized character of British industrial relations rises from Britain’s traditional position in international system of state-societies. It appears that because Britain was for a long time a major global imperium and its industry the most advanced industry in the world, British capital and labour did not have a functional need to develop mutual cooperation (see Edwards et al. 1992, 5-6). Consequently, unlike, for instance, Germany, Britain lacks a hegemonic ideology of national competitiveness. An upsurge of individualistic ideological components in recent decades has contributed to a weakening of traditional communitarian or collectivistic traditions in Britain (Krieger 1987). Expressed in the theoretical terms presented in the first chapter, associative socialization (Vergesellschaftung) has strengthened and communal socialization (Vergemeinschaftung) has weakened in the United Kingdom.

In other words — and this applies partly to France as well — a former imperium has problems in interpreting its outer environments in such a manner that this interpretation would enhance national cooperation between classes. Hence, Britain’s former economic superiority is a source of its present weakness.

**Ireland: Centralized Corporatism in the Name of Economic Competitiveness**

Historically, the United Kingdom and Ireland belonged to the same group, inasmuch as industrial relations are concerned. Ireland inherited many traits of its industrial relations system from its former host country. This includes also labour union structures, though in comparison to the United Kingdom, the Irish union density rate is considerably higher (52% against 29% in 1997/2000, see Table 4.1) (Prondzynski 1998, 70).

However, in recent decades Ireland has evolved into a country of centralized regulation of the economy and labour markets. Already in the
1970's, collective bargaining took place at a centralized national level, but the real change occurred in 1987 as the Irish tried to manage economic problems (inflation, growth of public dept) through a centralized tripartite agreement. The most important objective of this agreement was to find consensual solutions to problems of the economy and its international competitiveness (see Prondzynski 1998, 66-68).

Since 1987, there have been five consequent national agreements dealing with the centralized regulation of the Irish economy and labour markets. At first these agreements were directed at solving economic problems and later they sought to manage Irish economic success, that is, they endeavoured to restrict wages in the booming economy. The titles of these national agreements reveal well their spirit of economic nationalism and a shift from crisis management to the distribution of created wealth: the Programme for National Recovery (1987), the Programme for Economic and Social Progress (1990), the Programme for Competitiveness and Work (1994), the Partnership 2000 for Inclusion, Employment and Competitiveness (1996) and the Programme of Prosperity and Fairness (2000) (Prondzynski 1992, 80, 82; Prondzynski 1998, 68; Eiro Ireland 2000). Together with earlier consensual and centralized orientations in Irish industrial relations, the above five agreements have contributed to strengthening the institutionalization of Irish corporatism.

So far, Irish corporatism has been successful. The Irish economy boomed in the 1990's, unemployment has diminished, consumption has increased and industry’s profit rate has been well above the European average (see Tables 4.6 and 5.3).

Why, given the common traditions of British and Irish industrial relations, has Irish regulation of class relations developed into centralized corporatism while the British system remained decentralized? The decisive difference between Britain and Ireland seems to lie in their divergent international orientations. The Irish hegemonic project defines Ireland as a small country and a national economy the success of which depends on its international competitiveness. Therefore, the Irish must cooperate in order to enhance and preserve their economic competitiveness. As presented above, Britain lacks this kind of a hegemonic ideology. Irish corporatism has received additional international support from EU legislation and from the EMU’s
convergence criteria. (See Eiro, Ireland 1997-2001.)

**Austria: Centralized Corporatism**

As in Germany, the lost war meant a radical rupture in organization of industrial relations. The exceptionally centralized Austrian Trade Union Federation (Österreichischer Gewerkschaftsbund, ÖGB) was established from above by the Socialists, Communists and the Christian Democrat People’s Party (Mielke 1983, 859-870). Also employers (Bundeskammer der gewerblichen Wirtschaft, BWK) are centrally organized and thanks to mandatory membership in the employer organization, employer’s density rate within the private sector is practically 100% (Table 4.3) (see Traxler 1998, 252-253).

Several researchers have regarded Austrian industrial relations as the most centralized and corporatist in Europe (see Crouch 1994, 14). Both labour and capital actively take part in regulating the Austria economy and labour markets via several tripartite organs. To a certain extent, labour market parties replace official state organization in the Austrian state-society (see Traxler 1992). For some time Austrian industrial relations seemed to be exceptionally stable, but in 1999 when a new right-wing party, Freedom Party (Freiheitliche Partei Österreichs, FPÖ) scored an election victory and formed a government together with the People’s Party, this stability seemed to be threatened. Since then, the ÖGB has had conflicts with the new government in realm of social policies. However, it is to be noted that these conflicts have not spread to include conflicts between capital and labour (Eiro, Austria 1999-2001). Because Austrian corporatism is firmly institutionalized (several long-standing corporatist organs, a tradition of consensual policy making) it seems likely that Austrian corporatism will survive its present inner conflicts between labour and the government.

What factors might explain Austrian corporatism? To be sure, several inner influences, such as the need for national reconciliation after the Second World War, and Habsburg traditions of centralized politics and the representation of the estates, have played their role. Additionally, Austrian regulative practices are based on the ideology of national competitiveness. As with many other European nation-states, labour, capital and the state constitute a national block pursuing the enhancement
of economic growth as well as international competitiveness (see Traxler 1998, 246).

**Switzerland: Industrial Relations in the Framework of National Consensus**

The formation of the Swiss state-society was exceptional in Europe: A loosely connected group of small regional powers (cantons) united without conquest, kings or dynasties into a federal state. Switzerland is composed of 20 cantons and six half cantons, four language groups (Germany, French, Italy and Rhaeto-Romance), Protestants and Catholics and four major parties (Socialists, Christians, Liberals and a People’s Party). These cleavages in turn are reflected in the fragmented structures of Swiss labour unions. Once again capital has the more centralized organizational structure and a higher density rate (in the mid 1990’s, 37% against labour’s 20%, Tables 4.1 and 4.3). (Hotz-Hart 1992, 298; Fluder & Hotz-Hart 1998, 270-272.)

Swiss industrial relations are in fact Janus-faced. On the one hand, labour unions are divided and collective bargaining takes mainly place at the branch level. On the other hand, especially capital plays an active role in the formulation of national economic policy (Ebbinghaus & Fluder 2000, 661-662). Labour and capital cooperate with each other in a consensual manner and strikes are rare. A stable coalition government — the coalition has remained the same since 1959 — has given additional support to the consensual regulation of the economy and labour markets. It appears that in Switzerland, national consensus assumes functionally the same regulative functions as centralized corporatist arrangements and incomes policies in Belgium and the Netherlands. (See Fluder & Hotz-Hart 1998, 267-269.)

Also, in terms of its international relations Switzerland is a special case. Its independence and neutrality were guaranteed by an international agreement in 1815 and the Swiss have jealously safeguarded this status ever since. It seems that a crucial explanation for the Swiss national consensus derives from its international position: Surrounded by big state-societies in which the populations speak the same languages as are spoken in Switzerland, the Swiss have had to stick to consensual policy making in order to preserve the integrity of their federal state. In addition, the
Swiss have profited economically from independence and neutrality. The country is an important node in networks of international financing, it is the base for several international organizations and firms and Swiss firms use a lot of cheap foreign labour (Fluder & Hotz-Hart 1998, 266-267). Consequently, it is no surprise that the Swiss rejected EU membership in a referendum held in 1992. As the world's richest national economy and by far the richest economy in Europe (see Table 4.4), the Swiss seem to have good grounds in clinging to their present international status.

Spain and Portugal: From Conflictual State-Centred Industrial Relations to Centralized Corporatism (Portugal) and Decentralized Bipartism (Spain)

Spain and Portugal have both experienced long right-wing dictatorships. In Portugal it lasted from 1926 to 1977; in Spain from 1939 to 1977. These dictatorships created a tradition of politicized, state-centred industrial relations (see Mielke 1983, 1025; Lucio 1998, 426-427). After the collapse of these dictatorships, political and industrial relations militancy rose in both countries. Apparently, this militancy gained additional strength from the inner division of labour unions into socialist and communist confederations and unions. As in other Western European state-societies, capital is better and more centrally organized because its organizational structure is not divided by political cleavages. (Barreto & Naumann 1998, 395, 405-411; Lucio 1998, 433-437.)

This phase of militancy was linked with state-centred regulation of political and economic problems after the dictatorships (see Barreto & Naumann 1998, 402-403; Lucio 1998 504). In Spain this era lasted from 1977 to 1986 but after that centralized agreements were abandoned because employers and governments felt that in the face of increasing unemployment and decreasing union power, they did not need organized labour’s contribution to wage moderation (Lucio 1992, 503-505, 508). Since that time Spanish industrial relations have remained quite decentralized and the main structures of collective bargaining mixed: Collective agreements have been made mainly at the regionally organized branch level and at the firm level (Eiro, Spain 2001). Unlike in Spain, Portugese centralized corporatism succeeded in institutionalizing itself, though it is certainly much more conflictual than in Western European
core countries. At present, there are number of corporatist regulative organs in Portugal and collective bargaining takes place mainly at the branch level (Barreto & Naumann 1998, 416-418, 421-422 Eiro, Portugal 2000).

Both countries seem to lack a strong national ideology of international competitiveness that would unite socially, politically and regionally (Spain) divided state-societies. More important than an ideology of national competitiveness seems to be another type of international relation. For Portugal and Spain the European Union seems to offer an important frame of reference for the regulation of the economy and labour markets. In both countries many hope that industrial relations might be “modernized” towards the models prevailing in the European core (see Barreto & Naumann 1998, 395, 423; Lucio 1998, 426-427). Especially in Portugal, convergence in terms of wealth is desired for (see Table 4.4 on levels of consumption) (Eiro, Portugal 1997, 1999). In Spain, wage moderation and the decentralization of industrial relations are supported by referring to the EMU’s convergence criteria (Eiro, Spain 1998).

Greece: From State Paternalism to Freer Collective Bargaining

As in other countries in the European southern semiperiphery, in Greece class relations were also conflictual for a longer period than in the European core. From 1944 to 1949 there was a civil war in Greece, from 1949 to 1967 the political left was boycotted and from 1967 to 1974 right-wing military dictatorship ruled the country (Kritsantonis 1998, 504-505).

Consequently, industrial relations remained state-centred for a long time. For instance, for a long time labour unions were dependent on the state that financed them and appointed union personnel. However, after 1990 major changes in legislation made freer collective bargaining possible. Since then, Greek industrial relations have converged somewhat with other Western European industrial relations (see Kritsantonis 1998, 523, 526). However, the main level of collective bargaining is still centralized at the national-level and frequently the government, in line with capital’s demands, alone takes the lead in the regulation of the economy and labour markets (Eiro, Greece 1997-2001).

The labour legislation of the European Union, however, seem to
have had a distinct affect on Greek regulative practices and many in Greece seem to hope that European integration will help to make the country wealthier and also lead to convergence in the area of industrial relations (Eiro, Greece 1997-2001).

The Nordic Countries: Corporatist Traditions

The Nordic countries¹ comprise a group of countries in which labour is exceptionally well organized (see Table 4.1) and in which there are, at present, no ideologically competing unions. An important factor explaining the high Nordic density rate is that in Denmark, Sweden and Finland labour unions take actively part in organizing unemployment insurance. Capital is also well organized (see Tables 4.2 and 4.3).

In these countries, a consensual tradition of regulation of the economy and labour market was developed relatively early between 1900 and the 1930's (see the respective chapters in Ferner & Hyman 1992). For a long time, however, Finland was a Nordic exception due to conflictual class relations and a divided labour movement (strong Communist party, divided labour unions) but from the 1960's onwards centralized corporatism has also developed in Finland (Lilja 1992). Nordic industrial relations have a corporatist character, although the role of the state differs somewhat from country to country. The basic structures of Nordic corporatism have proved stable in recent decades even though especially in Sweden the employers’ attack against centralized corporatism led to decentralization of labour market regulation in the 1980's and the 1990's (see the respective country chapters in Ferner & Hyman 1998 and Eiro reports 1997-2001²).

The Nordic version of corporatism can mainly be explained by referring to the political and cultural homogeneity of these nation-states, which has eased collective organizing of labour and capital. Politically, strong Social Democratic parties are also part of the explanation. Nordic industrial relations have received additional institutional strength from

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¹ Denmark, Sweden, Finland and Norway are included here. Iceland is excluded, but its industrial relations resemble those of the other Nordic countries.

² An on-line observatory of European industrial relations (Eiro): http://www.eiro.eurofound.ie
their close connections with the Nordic welfare states (see Kosonen 1998, 32-35).

Also international relations, or the way in which Nordic national ideologies are accustomed to interpreting the international position of the Nordic countries, have supported consensual and centralized regulation of the economy and labour markets. Because the Nordic national economies are defined as being “small open economies” dependent on international trade, they are assumed to need consensual regulation of the labour markets to ensure their respective competitiveness (Kosonen 1998, 60-66). This line of thinking has continued in recent years, while making collective agreements at the centralized national or branch level “competitiveness” has constituted a crucial frame of reference for national bargaining (see national Eiro reports 1997-2001).

In the realm of transnational ideology formation, the weight of “the Nordic model” has well exceeded the limited size of these states-societies (see Table 1.1). This can be detected by considering how important this model of socio-economic development and its social policy arrangements has been since the Second World War. Sweden in particular has played a role of a model country.

The comparisons of national industrial relations in Western Europe presented in the preceding pages, are summarized in Table 5.1.1 This table is structured according to the model of structuring of industrial relations presented in the previous section (section 5.1).

---

1 For another classification of Western European industrial relations, see Traxler & Blaschke & Kittel 2001, 303.
Table 5.1 Industrial relations in the Western European private sector, turn of the millennium (table continues on the next page)

<table>
<thead>
<tr>
<th>International relations -&gt;</th>
<th>Socio-economic structures / political traditions -&gt;</th>
<th>Organization of labour/ capitala -&gt;</th>
<th>Industrial relations system / central level of bargaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern and Western semiperipheries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sw. national independence, competitiveness</td>
<td>several cleavages / consensus at federal level</td>
<td>cleavages 22 / more centralized 37</td>
<td>(consensual) corporatism / branch</td>
</tr>
<tr>
<td>Au. competitiveness</td>
<td>united / consensus</td>
<td>centralized 37 / centralized 96</td>
<td>corporatism / branch</td>
</tr>
<tr>
<td>Po. dependency, weak competitiveness, EU</td>
<td>cleavages / dictatorship 1926-1974</td>
<td>cleavages 30 / more centralized</td>
<td>centralized 37 / state-centred / branch</td>
</tr>
<tr>
<td>Sp. dependency, weak competitiveness, EU</td>
<td>cleavages / dictatorship 1939-1977</td>
<td>cleavages 17 / centralized 70</td>
<td>bilateral, state important / branch</td>
</tr>
<tr>
<td>Gr. dependency, EU</td>
<td>cleavages / dictatorship 1967-1974</td>
<td>centralized 24 / cleavages</td>
<td>state-centred (capital important) / branch</td>
</tr>
<tr>
<td>Ir. competitiveness, EU, EMU</td>
<td>united / consensus</td>
<td>centralized 52 / centralized 44</td>
<td>corporatism / centralized national</td>
</tr>
<tr>
<td>Core</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK national, EU</td>
<td>united (class division) / majority party governments: cleavages</td>
<td>cleavages 29 / cleavages 57</td>
<td>bilateral / firm</td>
</tr>
<tr>
<td>It. competitiveness, EMU</td>
<td>cleavages / cleavages</td>
<td>cleavages 36 / more centralized 40</td>
<td>bilateral / branch</td>
</tr>
<tr>
<td>Fr. national orientation</td>
<td>cleavages / cleavages</td>
<td>cleavages 10 / centralized 71</td>
<td>state-centred / branch (firm)</td>
</tr>
<tr>
<td>Ge. global competitiveness</td>
<td>united / consensus</td>
<td>centralized 24 / centralized 76</td>
<td>bilateral / branch</td>
</tr>
<tr>
<td>Be. competitiveness, EMU</td>
<td>several cleavages / consensus</td>
<td>divided 61 / divided 80</td>
<td>corporatism / branch</td>
</tr>
<tr>
<td>Ne. competitiveness, EMU</td>
<td>cleavages / consensus</td>
<td>divided 23 / centralized 80</td>
<td>bilateral, corporatism / branch</td>
</tr>
</tbody>
</table>
It can be seen that the model relating to the structuring of industrial relations can provide some insight regarding how industrial relations form in different social settings. Roughly speaking, Western European industrial relations can be divided to four groups. First, in many cases unitary social structures (these affect organizational modes of labour and capital) together with economic nationalism (ideology of competitiveness) and well established national class compromises have led to the creation of centralized industrial relations (Germany, Austria, Ireland, the Nordic countries). Secondly, in many cases, however, cleavages within state-societies have not prevented consensual and centralized regulation of the economy and labour markets, providing that national actors have achieved a consensus in their respective hegemonic projects (Belgium, Netherlands, Switzerland and in recent years to a lesser degree, Italy). Thirdly, in some cases deep class divisions and intense conflicts (dictatorships) have led to state-centred industrial relations. In these industrial relations systems, the state has assumed the leading role because conflicts between capital and labour do not allow for a more bipartite regulation of labour markets (Spain, Portugal, Greece and, to a lesser degree, France). Lastly, the United Kingdom alone
represents decentralized bipartite industrial relations in Western Europe.

Classifying social phenomena as in Table 5.1 is, nevertheless, less informative than attempting to understand the dynamics of their continuity and change. Therefore, the next section seeks to clarify the dynamics of regulation of the national economies and labour markets:

5.3 Reproducing Regulative Systems

In this section the point of departure is that understanding the dynamics of persistence and change calls for an analysis of reproduction of social phenomena (compare section 3.5 on the reproduction of social order in and by the social sciences). In other words, provided that one is able to detect those elements that constitute the essential dynamics of a given social configuration then one is also able to analyse why and how that configuration retains its basic qualities or loses them. While making this analysis, it is essential to recognize diverse feedback relations within a given social system. Feedback relations ensure the reproduction of a system because they create circular dynamics in which causes and effects produce each other.

Because my model of the structuring of industrial relations presented in the beginning of the previous section did not include feedback mechanisms, these are added to a dynamic model explaining the reproduction of national regulative systems in this section. This model is presented in Figure 5.2.¹

In the following pages, singular elements in the reproduction of national regulative systems are clarified. In this connection also a few phenomena that are often seen as consequences of socio-economic regulation or that are used as legitimatizing arguments for given regulative arrangements are examined. These phenomena include: equality, unemployment, economic efficiency, governability and industrial democracy. At the end of this section, there are a few general observations on the regulative dynamics of Western European industrial relations.

To begin with, international relations are situated in the middle

¹ For definitions of types of dynamic relations between elements of this figure, see the list of five elements of social causality in the beginning of section 1.2.
of Figure 5.2 in order to illustrate that the way in which a social system defines its external environments also affects considerably its internal constitution. In other words, while trying to come up with appropriate responses to outer environments subjects transform their definitions of outer environments into inner features of a social entity. On the other hand, the inner features of a social system lead to certain kinds of interactions with outsiders. In this way the internal and external qualities of a system define each other dialectically (for an empirical description of these relations see Rogowski 1989).

In the case of national industrial relations, it was shown in the previous section that in the majority of Western European state-societies hegemonic projects of “national competitiveness” (economic nationalism) have helped to constitute and reproduce centralized national industrial relations (many countries in the European core and semiperipheries and the Nordic countries). In Ireland, and to a much lesser degree in Italy, this uniting ideology is a relatively recent invention (from the 1980's onwards)
but it seems nevertheless to be rather successful. On the other hand, the semiperipheral countries Spain and Greece, and to a lesser degree Portugal, have suffered from a lack of such unifying ideology. Also, former imperial powers, France and especially the United Kingdom, seem to lack hegemonic ideologies of international competitiveness. In addition to international competitiveness, EU policies and especially the convergence criteria of the Economic and Monetary Union have also contributed to the coherence of national industrial relations.

Subjective factors of hegemonic ideology are connected with the long-term objective positions of state-societies. In semiperipheral countries foreign capital has a strong position (see Ferner & Hyman (eds.) 1992, 73, 446, 449, 495, 605) and these countries have traditionally been sources of cheap labour (in the form of emigration or as an attraction for foreign direct investments) and raw materials or targets for tourism. Because of this foreign dependency, these countries have not been able to create an integrated and, at least to some extent, independent national economy of their own (see Senghaas 1985 44-46, 145-146). Historically, this lack of internal economic dynamics has also hindered the creation of stable industrial relations directed towards cooperation. The semiperipheral international position is a vicious circle: because these countries are dependent they have difficulties in developing their own economies and societies, which in turn would make more independent development possible. However, vicious circles of reproducing peripheral social positions can be broken as the Irish example indicates.

In many Western European core countries, a class coalition of "social partnership" has helped to strengthen the coherence of national regulative systems. The importance of international factors can be detected from the fact that the leading industries in collective agreements have often been strong exporting industries, most often metal industries and engineering. Countries with these kinds of coherent "Fordist" economic systems have long remained leading cores of the world-system. On the other hand, the historical fact that the Western European core has been for a long time one of the leading cores in the world-system has also given support to its national economies and industrial relations: The lack of serious competition has kept external pressures weak. Stronger external pressures could destabilise industrial relations if, for example, exporting sectors begin to see domestic economic activities as burdens and not as
supporters. In other words, in European core countries industrial relations have supported the strong position of the core by strengthening its internal cohesion and economic dynamics. On the other hand, the core's historical position as a core has helped to reproduce its position.

As a conclusion of the above considerations, a tautology can be formed both for the semiperiphery and for the core. The core is strong because its historical position gives it the means to its ends to be strong; and the semiperiphery is weak because its peripheral position does not give it possibilities for improving its position (compare Braudel 1986, 47-50; Senghaas 1985). Yet, core positions are not eternal as the British case shows.

The Nordic countries have benefited from their position of almost being in the core of Europe. They could be classified in the international system as countries that partly have a semiperipheral and partly a core position. Accordingly, much of what is said above about the core could also be said about the Nordic countries.

In recent decades, increasing economic integration and especially vastly growing capital movements have put national regulation of the economy and labour markets under strain. However, as observed in the previous comparative section, these external influences seem to have strengthened national class coalitions between exporting capital and its employees rather than contributed to the erosion of a virtuous circle of the economic competitiveness and growth.

Therefore, it is changes in internal socio-economic structures and policies rather than international relations that have contributed to the changing dynamics of industrial relations. Structurally, increasing service employment (see Table 1.2) and enlarging public employment have caused worries that the service sector might replace exporting industries as the leader in wage development. Indeed, in some rounds of collective bargaining service branches have set the pattern for wage development and a few strikes aimed at increasing wages in diverse services have aroused attention in some countries. However, in general, exporting industries have preserved their position as wage setters. A more important factor has been that in several countries governments have attempted to decentralize industrial relations in order to achieve a more market oriented regulation of the labour markets. Yet, only in the United Kingdom have these attempts amounted to serious conflict between a
This includes the net effect of incomes from markets, taxes and income transfers. Hence, income unlike pay, takes into account effects of diverse welfare policies.

Two phenomena deserve special attention when discussing the reproductive dynamics of industrial relations. It is interesting to examine whether diverse levels of equality of income and unemployment have any connections with different kinds of industrial relations systems. Income equality and unemployment are often analysed as being consequences of national regulation of the economy and labour markets, but from a long-term perspective these are also elements of the reproduction of national industrial relations as argued below.

Table 5.2 shows that income inequality, as measured as a percent change of the Gini coefficient, decreased or remained the same in Western Europe between the early 1970's and the late 1980's but inequality increased from the middle of the 1980's to the late 1990's. A notable exception to this trend was the United Kingdom, in which inequality increased considerably during both periods. Inequality increased the most in Austria, the United Kingdom, Italy, the Netherlands and Norway. Only in Denmark did equality of income strengthen during the entire period of time examined in Table 5.2.

---

1 This includes the net effect of incomes from markets, taxes and income transfers. Hence, income unlike pay, takes into account effects of diverse welfare policies.

2 The Gini index measures inequality over the distribution of income. A value of 0 represents total equality, and a value of 100 total inequality (UNDP 2001, 185).
Table 5.2 Inequality of income from the early 1970's to the late 1990's (% change of Gini measure)

<table>
<thead>
<tr>
<th></th>
<th>Early to mid-1970's to mid- to late 1980's</th>
<th>Mid- to late 1980's to mid- to late 1990's</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Southern and Western semiperipheries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>..</td>
<td>increase of 1-7%</td>
</tr>
<tr>
<td>Austria</td>
<td>negligible change</td>
<td>increase of 7-15%</td>
</tr>
<tr>
<td>Portugal</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Spain</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Greece</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Ireland</td>
<td>decrease of 1-7%</td>
<td>increase of 1-7%</td>
</tr>
<tr>
<td><strong>Core</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>increase of 7-15%</td>
<td>increase of 7-15%</td>
</tr>
<tr>
<td>Italy</td>
<td>decrease of 7-15%</td>
<td>increase of 7-15%</td>
</tr>
<tr>
<td>France</td>
<td>decrease of 1-7%</td>
<td>..</td>
</tr>
<tr>
<td>Germany</td>
<td>decrease of 1-7%</td>
<td>increase of 1-7%</td>
</tr>
<tr>
<td>Belgium</td>
<td>negligible change</td>
<td>increase of 1-7%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>negligible change</td>
<td>increase of 7-15%</td>
</tr>
<tr>
<td><strong>Nordic semiperiphery</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>..</td>
<td>decrease of 1-7%</td>
</tr>
<tr>
<td>Sweden</td>
<td>decrease of 1-7%</td>
<td>increase of 1-7%</td>
</tr>
<tr>
<td>Finland</td>
<td>decrease of 1-7%</td>
<td>increase of 1-7%</td>
</tr>
<tr>
<td>Norway</td>
<td>negligible change</td>
<td>increase of 7-15%</td>
</tr>
</tbody>
</table>

.. No data available.


From the point of view of equality, it is especially important to examine whether some regulative systems could be linked with poverty. The following table indicates levels of relative poverty as the percentage of the population below 50% of the median income (data for Portugal and Greece was not available). The figures reflect the situation of the most recent available year within 1987-1997 (UNDP 2001, 152):

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>5.2</td>
</tr>
<tr>
<td>Belgium</td>
<td>5.2</td>
</tr>
<tr>
<td>Sweden</td>
<td>6.6</td>
</tr>
<tr>
<td>Norway</td>
<td>6.9</td>
</tr>
<tr>
<td>Denmark</td>
<td>7.2</td>
</tr>
<tr>
<td>Germany</td>
<td>7.5</td>
</tr>
<tr>
<td>France</td>
<td>8.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8.1</td>
</tr>
<tr>
<td>Switzerland</td>
<td>9.3</td>
</tr>
<tr>
<td>Spain</td>
<td>10.1</td>
</tr>
<tr>
<td>Austria</td>
<td>10.6</td>
</tr>
<tr>
<td>Ireland</td>
<td>11.1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>13.4</td>
</tr>
<tr>
<td>Italy</td>
<td>14.2</td>
</tr>
</tbody>
</table>

The Nordic countries, Germany and France have the lowest percentage of poor and Italy, the United Kingdom and Ireland the highest.
A second crucial element mentioned above in relation to the reproduction and consequences of industrial relations systems was the level of unemployment. Table 5.3 displays unemployment levels in Western Europe from 1961 to 2000.

Table 5.3 Unemployment 1961-2000, periodic means (% of civilian labour force)

<table>
<thead>
<tr>
<th></th>
<th>61-65</th>
<th>66-70</th>
<th>71-75</th>
<th>76-80</th>
<th>81-85</th>
<th>86-90</th>
<th>91-95</th>
<th>96-00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern and Western semiperipheries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Austria</td>
<td>..</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Portugal</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Spain</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>7</td>
<td>18</td>
<td>19</td>
<td>21</td>
<td>18</td>
</tr>
<tr>
<td>Greece</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>2</td>
<td>7</td>
<td>7</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Ireland</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>14</td>
<td>16</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>Core</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>11</td>
<td>8</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>9</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>France</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>7</td>
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<td>Nordic semiperiphery</td>
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<td>Finland</td>
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<td>Norway</td>
<td>1</td>
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<tr>
<td>Unweighted mean</td>
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<td>2</td>
<td>3</td>
<td>5</td>
<td>8</td>
<td>8</td>
<td>10</td>
<td>9</td>
</tr>
</tbody>
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.. Missing data or only 1-2 observations.

Sources: OECD 2001b; OECD 2001d.

Table 5.3 reveals a clear structural tendency: Crisis in the Fordist regime of accumulation led to increasing unemployment after the middle of the 1970's, but recovery of capital’s profits was not accompanied with a similar decrease in unemployment. It appears that once established, high levels of unemployment tend to be institutionalized as permanent features of national employment systems. In the late 1990's, unemployment was exceptionally high in Spain, Greece, Italy, France, Belgium and Finland. Switzerland’s exceptionally low unemployment rate can be explained by referring to the country’s exceptional wealth and to the fact that the Swiss
can effectively regulate the amount of their labour force by hiring and firing foreign labour. In fact, ensuring continuity of this practice was one of the reasons for rejecting EU membership in the early 1990's (see Fluder & Hotz-Hart 1998, 267).

It is often assumed that centralized industrial relations would help to reduce unemployment by restricting wage increases. According to this rationale, centralized bargaining over wages helps to restrict wage competition and in turn lower wages lead to higher employment. However, Table 5.3 shows that in several cases centralized industrial relations and have coexisted with high levels of unemployment (Ireland, Belgium, Denmark, Finland). Also Traxler, Blaschke and Kittel conclude in their study that wage moderation may withhold further increases in unemployment rather than lower already existing unemployment levels (Traxler & Blaschke & Kittel 2001, 283).

How, then, have inequality of income and the changing levels of unemployment contributed to the reproductive dynamics of industrial relations? First, rising unemployment has weakened labour’s bargaining position and this in turn has made partial decentralization of industrial relations and loosening of labour legislation possible. Secondly, at least in the Nordic countries there is a close connection between relatively equal division of income, relatively low unemployment (excluding Finland), centralized industrial relations and a hegemonic ideology of equality. Empirical studies largely agree that centralized industrial relations enhance equality of pay (Traxler & Blaschke & Kittel (2001, 213). Thirdly, centralized industrial relations do not necessarily correlate with institutional arrangements and hegemonic projects aimed at enhancing equality. For example, relative poverty has been at high level in Switzerland, Austria and Ireland despite centralized regulation of the economy and labour markets. Fourthly, from the above observations it follows that centralized industrial relations alone are not sufficient conditions for a relatively equal distribution of income or a low level of unemployment. However, at least the European experience indicates that having decentralized industrial relations is a necessary condition for a relatively high level of inequality (especially in the United Kingdom).

When it comes to the organization of labour and capital, in many countries the union density rate has diminished in recent decades (see Table 4.1) whereas capital has largely retained its high level of
organizing (see Table 4.3). However, in comparison to the early twentieth century, it is evident that both labour and capital have preserved their active regulative roles in European capitalism. Somewhat paradoxically, the regulative success of capital and labour might have contributed to their decreasing density rates. This is so because strong interest organizations, legislation and government activity will protect the interests of employers and employees in any case regardless of membership in interest organizations (see Visser 2001, 77).

A significant mechanism that has strengthened the long-term institutionalization of capital’s and labour’s organizations has been the functional feedback effect of intentional interest-based actions. This functional feedback works in the following way. While trying intentionally to influence national regulation of the economy and labour markets both capital and labour get involved in long-term interactions with each other and with diverse state organs (labour and finance ministries, governments, political parties, parliaments, tripartite or bipartite economic councils). These formal and informal contacts increase capital’s and labour’s possibilities of playing active roles in national regimes of accumulation. These relations also have functional consequences with regard to the inner organization of labour and capital. Increasingly, they have had to take into account their roles in common regulative organs while defining their inner policies and organizational structures (see Schmitter & Streeck 1999, 16).

As a consequence of this feedback mechanism, both capital’s and labour’s organizations receive counter-intuitive roles in national regimes of accumulation: Organized labour receives part of its political importance from its ability to restrict wage-earners’ demands of pay. Hence, an important function of labour unions is to guard capital’s profits. On the other hand, capital’s organizations take part in centralized regulation of the product and labour markets, which amounts to partaking in a kind of socialist regulation of markets.

In spite of long-term institutionalization, it must also be kept in mind that statistics and descriptions of national patterns of organizing of capital and labour do not reveal potential legitimacy problems among workers and individual managers. In the case of labour’s organizing, it is often reported that young workers and workers in the newly established branch of information technology and especially those who work in the
most flexible parts of labour markets have much less interest in organized labour activity than do other employees (see Visser 2001, 80). All in all, it seems as a sensible idea to keep an open mind to possible tendencies of every-day “subpolitics”\(^1\) that might contribute to eroding the reproduction of national industrial relations.

Together, all the above described elements lead to diverse patterns in the regulation of the economy and labour markets and industrial relations and these patterns in turn affect the other elements of the reproduction of industrial relations through intentional policy making and unintended functional consequences.

One of the most important features of national industrial relations is how centralized they are (see Figure 5.1). The level of collective bargaining that is formally recognized as predominant in Western European industrial relation was identified in Table 5.1, in its right-hand column. However, due to informal regulative practices, national wages and other terms of employment are most likely defined in a more centralized manner than that which is written down in formal agreements or in legislation. First, the ideology of economic competitiveness and diverse forms of informal coordination (pattern bargaining, voluntary peak-level coordination) and related phenomena constitute unified national frames of references for formal branch- and firm-level agreements (see Traxler & Blaschke & Kittel 2001, 247, 283-284). In “pattern bargaining”, the leading branch of a national economy opens a collective bargaining round and sets norms for consequent collective agreements. In Western Europe, this leading branch is usually the exporting metal industry. Secondly, national norms of legitimate wage hierarchies, that is ideas of fairness (see Hyman & Brough 1975 and Høgsnes 1994), set frameworks for branch- and firm-level developments (see Eiro, Ireland 1999-2001). For example, by the turn of the millennium, unions had become discontent with high increases in management’s wages in a situation of general wage moderation (see Eiro, Netherlands 1998-2001; Spain 2000 ). On the other hand, if national

\(^1\) This notion stems from Ulrich Beck (Beck 1997, Chapter 3), who maintains that in late modernity seemingly strong forms of traditional policy making might be weakened because ordinary citizens distance themselves from official interest politics and concentrate on their own every-day politics (“subpolitics”).
ideology deems equality of pay as an important objective, low-wage branches and women have received moderate additional pay increases (Eiro, Norway 2001; Finland 2000, 2001). In summary, informal practices often enhance the centralized regulation of labour markets, yet sometimes informal practices also undermine centralized regulation. In Spain, for instance, it is questionable whether branch-level collective agreements are followed at the firm-level (Eiro, Spain 1999).

After the Fordist regime of accumulation began to experience problems in the middle of the 1970's, it was generally assumed in the course of the 1980's that these problems would lead to a collapse of corporatist regulation of the economy and labour markets. True, in many cases some decentralisation and deregulation occurred, but only in Great Britain did collective bargaining collapse. In most of the countries in question, decentralisation, deregulation and a new labour market flexibility have been introduced in a more or less consensual and negotiated manner. In many cases this has probably led to worsening conditions for workers, but on the other hand, it has also prevented major breakdowns in social protection (for developments of employment protection legislation see OECD 1999b, Chapter 2).

To clarify this negotiated decentralisation and deregulation of the 1990's, industrial relations researchers have introduced a number of concepts that sound quite similar (see various chapters in Ferner & Hyman 1998): Franz Traxler differentiates between “organised” (most European industrial relations systems) and “disorganised” (Britain and the USA) decentralisation. Otto Jacobi, Berndt Keller and Walter Müller-Jentsch indicate that a new model of “regulated decentralisation” and “controlled flexibility” of industrial relations might be emerging in Germany. In the case of Italy, Ida Regalia and Marino Regini maintain that “the trend to deregulation has sustained the dual features of reform by agreement and the mutual interaction of legislation and collective bargaining”. They refer to Wedderburn’s concept of “articulated deregulation”. Kari Lilja describes the Finnish development as “centralized decentralization”, a term first used by Danish researchers in analysing the situation in Denmark and Jelle Visser points out that Dutch labour unions have adopted a policy of “negotiated flexibility”.

In addition to being able to describe the developments of the 1990's, these conceptual innovations also have other advantages. First,
their seemingly contradictory combination of the “centralisation” and “decentralisation” of industrial relations serves to point out that centralisation and decentralisation are not necessarily contradictory developments, but that they can both be realised at the same time. Secondly, the idea of negotiating on decentralisation and deregulation indicates that class relations between capital and labour can also be positive sum games in which both parties have something to gain.

How, then, have European industrial relations systems managed to retain their basic structures in the face of the economic and unemployment problems of the 1990s? There are several answers to this question (see Ferner & Hyman 1998). First, intensifying international economic competition has strengthened the role of the state as the most effective provider of “national competitiveness”. This means that, once again, perceived outer pressures have helped to consolidate established state-societies. At this point, it should be kept in mind that in many European countries the Second World War brought national industrial relations parties together and the foundations for centralised European industrial relations were established out of the turmoil of that war. In the present situation of European integration and globalization it is especially noteworthy that in spite of much talk about the “hollowing out of the state”, national institutionalised regulative systems have proved more adaptive and stronger than anticipated. Secondly, the problem of unemployment has also prompted concerted national responses. Thirdly, the convergence criteria of EMU membership have pushed reform of welfare and social security systems to the top of the political agenda. Since in many countries labour market parties take part in governing these systems, they have also been involved in these policies. In this way labour unions too share part of the responsibility, as well as of the blame, for cuts in welfare spending. Lastly, in many European countries employers have not been striving for radical decentralisation of collective industrial relations, but rather they have been satisfied with different forms of “negotiated decentralisation”. This has been the case at least in Germany, Finland, Norway, Ireland, Denmark and the Netherlands.

Because “competitiveness” is an essential element in most hegemonic projects in Europe, competitiveness is vital to the reproduction of national regimes of accumulation and industrial relations. In this respect national industrial relations have retained their legitimacy. In general,
organized capital and other actors seem to believe that present European industrial relations support national competitiveness, or that at least current regulative practices are not harmful to national competitiveness. In those two instances (Sweden and the United Kingdom) in which employers or a government have pursued forcefully more decentralized industrial relations this has happened because of inner class relations of these state-societies’ and not in order to enhance their economic competitiveness.

Statistical data supports this impression of subjective class attitudes (Traxler & Blaschke & Kittel 2001, 246-247, 283-284): Between 1970 and 1996 wage moderation (this is presumably advantageous to competitiveness) was most successful in those OECD countries in which collective bargaining was conducted in a coordinated manner (pattern bargaining, voluntary peak-level coordination with a high level of governability within industrial relations). In the face of ideas of post-Fordism and the decentralization of industrial relations in the 1990's, it is nevertheless interesting to note that in the 1970’s wage moderation was mainly exercised by formal corporatist institutions and organizations whereas later it was practised through more informal means linked to restrictive monetary policies.

The idea that European regulative traditions do not undermine international competitiveness receives additional support from the national economies’ competitiveness rankings at the turn of the millennium. According to Institute for Management Development (IMD), the mean rankings (1998-2002) of 16 Western European countries among 49 nations are as follows (IMD 2002, own computations):

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
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<tbody>
<tr>
<td>Finland</td>
<td>3</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4</td>
</tr>
<tr>
<td>Ireland</td>
<td>6</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7</td>
</tr>
<tr>
<td>Denmark</td>
<td>9</td>
</tr>
<tr>
<td>Germany</td>
<td>11</td>
</tr>
<tr>
<td>Norway</td>
<td>14</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>14</td>
</tr>
<tr>
<td>Austria</td>
<td>14</td>
</tr>
<tr>
<td>Belgium</td>
<td>16</td>
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<tr>
<td>France</td>
<td>19</td>
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<tr>
<td>Spain</td>
<td>19</td>
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<tr>
<td>Portugal</td>
<td>25</td>
</tr>
<tr>
<td>Italy</td>
<td>26</td>
</tr>
<tr>
<td>Greece</td>
<td>28</td>
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</tbody>
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As can be seen from above, European industrial relations seem to be able to coexist with high levels of economic performance. Additionally, these

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1 For other, largely similar kinds of results, see the World Economic Forums’s (WEF) competitiveness rankings for the years 1999-2001. It is to be noted that the IMD and the WEF have close relations with business interests. The WEF is funded by big firms and the IMD is an international centre for management education (see
rankings correlate with the results of Table 4.6 on profit rates in industry. Hence, with respect to competitiveness, the reproduction of Western European industrial relations seems to be guaranteed.

All in all, national reproductive dynamics of industrial relations have proven rather adaptive and therefore, contrary to several prognoses made in the 1980's and the 1990's, they have retained many of their basic structures which were established after the Second World War. Well-organized industrial relations have increased the governability of state-societies and this feedback has supported the reproduction of established industrial relations. It appears also that close linkages between particular employment systems, industrial relations and welfare-states have strengthened the institutional stability of national regimes of accumulation (see Esping-Andersen 1990; Nieminen 1995; Jefferys 1995; Scharpf 2000):

In the Nordic countries, centralized corporatist industrial relations which have coexisted with universal welfare-states that cover all citizens, aim at reducing inequality and favour partaking in paid labour. In the European core, bilateral and corporatist industrial relations are linked to a continental welfare-model, in which social security is based more on one's labour market positions than on citizenship. Hence, women’s activity rates have been lower than in the Nordic countries and equality is not so centrally situated in the national hegemonic projects. In peripheral Southern European state-societies (Greece, Spain, Portugal), state-centred industrial relations go hand in hand with relatively limited social security and a low participation rate among women. In the welfare regimes of these state-societies, the roles of families and of the Catholic church as providers of social security are more important than elsewhere. In Europe the United Kingdom alone represents the Anglo-Saxon welfare-state, which aims to provide low-level basic security to all citizens but is not especially concerned about equality. (See Kosonen 1998, 37.)

In the United Kingdom employers’ and government’s successful campaign against collective bargaining has been linked with a stronger emphasis on means tested social assistance, privatization and increasing inequality. In terms of the reproductive dynamics of national regulative systems, several institutional features have made this kind of a radical shift
in industrial relations and social policies possible (Scharpf 2000, 103-104, 123). First, traditionally, British hegemonic ideology has placed more stress on associative socialization than elsewhere in Europe. Secondly, in a two-party system the Conservatives were in a very powerful position to realize their market liberal programme while in power 1979-1997. Thirdly, Thatcher’s reforms eliminated earnings-related unemployment benefits and reduced the attractiveness of earnings-related public pensions, thus undermining well-off voters’ support of the British welfare-state. In contrast to this development, in the Nordic countries and in the European core, universal or otherwise more generous social benefits ensure electoral support for the existing welfare-states. With the help of these kinds of feedbacks these welfare-states ensure their own reproduction. In the case of the United Kingdom, such feedbacks have been weak.

The final element in the reproductive circle of national regulative systems consist of the production of goods and services (including relations with external nature). This element of production and work closes the reproductive circle of national state-societies presented in Figure 5.2 and dealt with in the above pages. The crucial importance of the production of goods and services for modern social order was already dealt with in section 1.3 on the development of capitalist production and work. Here, it suffices to recapitulate that the material production of goods and services and successfully arranged relations with external nature constitute vital bases for European social order.
PART III
FROM TRADE INTEGRATION TO POLITICO-ECONOMIC UNIFICATION

The first part of this study related the present processes of European integration to the history of European modernization and aimed to show that this process of modernization has also found expression in theories on modern social order and European integration. In this respect, practice and theory seem closely related.

The second part concentrated on the regulative traditions in European capitalism. These regulative traditions form a central subject matter in this study and the regulation of European capitalism also constitutes one of the most important dynamic forces of European integration. In the second part, it was also shown that Western European regulative traditions and industrial relations share a common historical heritage. This heritage includes class conflicts, similar kinds of organizing dynamics of capital and labour, the development of mature capitalism (“Fordism”) and the development of institutionalized industrial relations systems. Even though the various Western European industrial relations systems resemble each other in many respects, there are also substantial differences stemming from the divergent national social structures, political traditions and state-societies’ positions in European and in global social order. National regulative systems encountered problems when the Fordist mode of regulation experienced hardships starting from the early 1970’s, but at least so far it seems that most of the national industrial and regulative traditions have been able to retain their main characteristics.

This third part is based on the hypothesis that national regulative traditions of European capitalism have had an impact on the course of Western European integration since the Second World War. Thus, the dynamic notions introduced in the second part are here applied to the European-level developments: Do transnational developments follow the same kinds of dynamics as the national regulative systems? How have regulative traditions at the national level affected developments at the
Western European level? Has European integration affected national regulative traditions?

In this third part, the historical dynamics of Western European integration after the Second World War are examined. The main emphasis is on the development of European regulation of the economy and its industrial relations, but since these two are closely interwoven with the general politico-economic dynamics of integration, it is the general course of integration that is taken as the point of departure here. Another reason for this broad approach is that in this way the broad socialization perspective presented in the first chapter will not be lost. At the end of this study, in part four, this broad socialization perspective of European integration serves as the basis for the summary and conclusions.

In the third part, the history of Western European integration after the Second World War is divided into two periods of time. Chapter six (6 Primacy of Trade Integration) examines developments from the beginning of the 1950's to the early 1980's. In some cases, however, this analysis also reaches back to earlier periods of time. This applies especially to the organizational dynamics of capital and labour at the international level, which are examined starting from the nineteenth century. Chapters eight (8 Deepening and Widening Integration) and nine (9 Politico-Economic Unification in a Globalizing World) concentrate on the subsequent course of integration.

However, chapter seven (7 Economic Integration Changes Bases of Interests) does not follow the above periodization, but rather statistically investigates economic integration from the 1950's to the turn of the millennium. This is because in the case of statistical data, it did not seem a good idea to divide the time-series according to predefined periods of time. The information concerning economic integration is sandwiched between Chapters 6 and 8 because it concerns both periods of post-war integration.

Because, as pointed out above, the history of the regulation of European capitalism is closely connected with the overall destinies of integration, this part begins with a general account of integration from the 1950's to the beginning of the 1980's.
6 Primacy of Trade Integration

6.1 Attempts to Establish Western European Industrial Relations

After the Second World War much of Europe was in ruins, relations between former enemies were tense, and new power centres, the Soviet Union and the United States, seemed to be destined to replace the former Western European imperial powers. At this juncture it was aimed to conciliate relations among Western European state-societies (on Europe’s old violent power struggles, see the first chapter). But this conciliation aimed not only at civilising social relations within Western Europe, it also sought to strengthen the external position of Western Europe in relation to the two new super powers. Furthermore, at least from the 1960's onwards, Western European organizations have been used to strengthened the EEC’s member states’ positions in relation to the so-called, Third World.1 Yet, the EEC’s function of strengthening Western Europe’s global position was limited from the beginning because it was a part of the Western alliance that was in practice led by the United States and that was a crucial initiator of Western European political integration. (See Simon 1980, 88-90; Loth 1991; Ziltener 1999, 100-101.)

The idea that Western European integration was to a great extent inspired by forces external to Western Europe was also expressed by an influential Belgian politician Paul-Henri Spaak (Heater 1992, 150):

“In the last twenty years a number of Western statesmen have been dubbed ... ‘fathers of European unity’ ... Not one of them deserves this title: it belongs to Stalin.”

In the late 1940's and the early 1950's, several intergovernmental organizations were established for the purpose of integrating Western

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1 For example, several international agreements, such as the Yaoundé Convention (1963), have been used to regulate relations between the EEC’s core countries and their former colonies.
Europe state-societies. The Organization for European Economic Cooperation (OEEC) was founded in 1948 to administrate the economic help that the United States gave to Western European states ruined in the war (the Marshall Plan, 1947-1951). The Council of Europe, which aimed at integrating Western Europe, was given birth to in 1949. Western military cooperation was sealed in NATO (the North Atlantic Treaty Organization) in 1949.

Under the rule of the Soviet Union, Eastern and Central states of Europe formed organizations with similar functions. The Council for Mutual Economic Assistance (CMEA, also known as COMECON), which administered Eastern European economic integration, was founded in 1949 and the Warsaw Pact (the Treaty of Friendship, Cooperation and Mutual Assistance), which guided military unification, was established in 1955. (Vaughan 1979.)

However, not all plans for political integration succeeded; some of them proved unsuitable for the post-war political constellation. An ambitious plan for Western political integration, which was planned to be realised by the Council of Europe, failed because the British government did not want to become politically tied to continental Europe. Similarly, in the beginning of the 1950's, there were attempts to unite Western European core countries with respect to the military, but these attempts failed because the French National Assembly rejected the European Defence Community (EDC) treaty in 1954. Instead, a modified treaty with lesser transnational powers was signed and the Western European Union (WEU) came into being in 1954. (Loth 1991, 74-78, 105-112.) However, the true military core of the Western alliance has been NATO and the WEU has remained weak. In terms of Philip Schmitter’s neofunctionalist theory of political integration, the WEU has remained “encapsulated”, it exists but has little to say in the international arena (see Schmitter 1971, 258 and section 3.1 on theories of political integration).

Together, Western European international organizations formed a network of institutional bonds that integrated Western European state-societies with each other. In the following pages, I examine two of these organizations: the European Coal and Steel Community (ECSC) and the European Economic Community (EEC). Apart from the military
It is to be noted that even though Schuman, a Frenchman, made the first public suggestion, a Christian-Democrat chancellor of Western Germany, Konrad Adenauer, had made similar kinds of suggestions in 1949 and 1950 before Schuman announced his plan (Loth 1991, 80-81).

In 1950, in a speech inspired by Jean Monnet (Commissioner General of the French National Planning Board), the French Foreign Minister, Robert Schuman, proposed that France, Western Germany and any other European country wishing to join them should pool their coal and steel resources (the "Schuman Declaration", also known as the “Schuman Plan”).¹ The Schuman Declaration received large-scale political support and after controversial negotiations, the agreement establishing the European Coal and Steel Community (ECSC) was signed in Paris in 1950 by “the Six” (Belgium, France, Western Germany, Italy, Luxembourg and the Netherlands). It entered into force in 1952. (Loth 1991.) In this way, Western European politico-economic integration had started. The ECSC and later the EEC had only six members states, but together these countries represented (1950) some 54% of Western Europe’s population and gross domestic product (see Table 1.1 in section 1.2).

The organizational structure of the ECSC, founded by the Treaty establishing the European Coal and Steel Community, consisted of four organs (see Treaty establishing the European Coal..., Article 7):

- **A High Authority** responsible for the general regulation of coal and steel branches and which had some transnational authority.
- **A Special Council of Ministers** consisting of representatives of national governments and whose function was to “harmonise the action of the High Authority and that of Governments, which are responsible for the general economic policies of their countries” (Article 26).
- **A Court of Justice** whose duty was to monitor the lawfulness of the ECSC’s activities.
- **A Common Assembly** consisting of members appointed by national parliaments and which supervised the activities of the High Authority.

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¹ It is to be noted that even though Schuman, a Frenchman, made the first public suggestion, a Christian-Democrat chancellor of Western Germany, Konrad Adenauer, had made similar kinds of suggestions in 1949 and 1950 before Schuman announced his plan (Loth 1991, 80-81).
Interestingly, the founding treaties of the ECSC/EEC/EU seek to ensure the neutrality of their organs by stipulating that, for example, the commissioners must have independent positions in relation to member states and interest groups (see Treaty establishing the European Coal..., Article 9; Treaty establishing the European Economic..., Article 157; Treaty on European..., Article 157). This is a typical demand made upon the state organs: their powers should be separated from particular interests.

From the point of view of the regulation of capitalism in general and industrial relations in particular, an important organizational structure was a Consultative Committee that was attached to the High Authority. This committee comprised of “equal numbers of producers, of workers and of consumers and dealers” and “in the case of producers and workers, the Council shall designate representative organisations among which it shall allocate the seats to be filled” (Treaty Establishing the European Coal...; Article 18). Hence from the very beginning, organized capital and labour had legally established positions in the Consultative Committee of the ECSC.

However, these rights were not equal to those negotiating rights that existed at the national level. Therefore, in order to be able to analyse the history of weak ECSC/EEC/EU industrial relations, it is essential to distinguish between employees’ rights to “information” “consultation”, “negotiation” and “bargaining” (see Blanpain & Windey 1994, 70-72):

- **Information** means that employees are entitled to be informed by management on matters relating to firms.
- **Consultation** refers to an exchange of views in which workers have the right to express their views to the management but management retains its prerogative rights intact.
- **Negotiating or (collective) bargaining** means that workers have individual or collective rights to negotiate on certain issues (terms of work, pay). Normally, negotiation rights go hand in

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1 Interestingly, the founding treaties of the ECSC/EEC/EU seek to ensure the neutrality of their organs by stipulating that, for example, the commissioners must have independent positions in relation to member states and interest groups (see Treaty establishing the European Coal..., Article 9; Treaty establishing the European Economic..., Article 157; Treaty on European..., Article 157). This is a typical demand made upon the state organs: their powers should be separated from particular interests.

2 It is worth keeping in mind that here “consumers” and “producers” do not refer to individual persons, but to large industrial firms.
hand with rights to organize collectively and to use strikes (labour) or lock-outs (capital) to exert pressure on the adversary party (see Blanpain & Engels 1997, 344-346).

As can be seen, information, consultation and negotiating rights constitute a continuum in regard to capital’s and labour’s power relations. Informing workers leaves management prerogative rights intact. Consultation opens some room for the exchange of views and dialogue between capital and labour; this may have some affect on capital’s freedom of manoeuvre even if labour is not in a position to influence managements’ decisions formally. Lastly, labour’s rights to negotiate individually or organize and bargain collectively restrict managements’ powers the most. At the national level, negotiation rights form the corner-stone of class compromises and industrial relations. Because negotiating rights restrict capital’s powers the most, capital has been reluctant to engage itself in bargaining relations with labour at the European level.

The founding of the ECSC triggered capital’s and labour’s international organizing within the six member countries in the coal and steel branches of industry (capital’s and labour’s organizing is examined in the subsequent section). Within the ECSC, loose tripartite industrial relations were established at the branch level and industrial relation consultations and exchanges of information took place within the Consultative Committee. Additionally, capital and labour strove to influence directly the ECSC’s highest organ, the High Authority. (Haas 1958, 366-369, 476-477.)

As already indicated, these embryonic industrial relations did not give labour the same kinds of negotiating rights as in national systems of industrial relations. Organized ECSC labour was informed and consulted, but it lacked real negotiating rights (see Treaty establishing the European Coal..., Article 19). Despite this, some labour unions presented far-reaching plans for collective bargaining at the ECSC level. In 1956 and 1957, the High Authority organized two bipartite congresses which were supposed to lead to ECSC-wide collective bargaining. These plans were never realised because capital and some national labour unions opposed them. Capital’s opposition was apparently based on its interest in retaining its powers and some unions, notably the German labour
As in many other cases, also these formal regulative structures were preceded by informal regulation. In the 1920's and the 1930's, regulation of Western Europe's steel industry was attempted in the International Steel Cartel. In the 1930's, the governments of France and the Great Britain attempted to use this cartel as a means of preventing war ("business diplomacy") (see Gillingham 1991, Chapter 1).

Even if the ECSC lacked effective industrial relations as a component of capitalist regulation, it contributed to the intentional regulation of the steel and coal industries in the European core (Vaughan 1979, 112-116). The ECSC took part in the reorganization and downsizing of Western European coal and steel industries. While regulating the coal and steel branches, it often followed the lines of action proposed by German steelmakers and Charbonnages de France (the nationalized French coal industry). The ECSC provided retraining to displaced coal and steel workers, and by the end of 1974 its low-interest housing loans had financed the building of some 130 000 houses. The ECSC had an active labour market strategy, but its objective was not to ensure the stability of employment but to make the workers’ adaption to the new employment situation easier. (Haas 1958, 476; Bercusson 1996, 45-46.) Later, during the European “steel crisis” in the 1970's and the 1980's, the ECSC took part in regulative actions and it has continued this activity. The ECSC Treaty was made for fifty years and it was dissolved in 2002 and after that the European Union assumed its regulative role.

It was, however, anticipated that economic integration would not be confined to the coal and steel branches. Indeed, already in 1955 the foreign ministers of the Six agreed to aim for further economic integration ("The Messina Resolution"). Also at this time negotiations on an agreement for economic integration were controversial, but they were nevertheless completed with the signing of the Treaty establishing the European Economic Community (EEC) in 1957 (in force 1958). This treaty widened economic integration to include the whole of the

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2 For information of the EU industrial policy line in relation to steel industries see the web site of one of the European Commission’s departments, Enterprise Directorate-General: http://europa.eu.int/comm/enterprise/policy_en.htm
The Treaty establishing the European Atomic Energy Community was signed. Together these two treaties are called “the treaties of Rome”.\(^1\) The EEC inherited its organizational structures from the ECSC (Treaty establishing the European Economic...). These were:

- The **Commission**, which was set up to “ensure the proper functioning and development of the common market” (Article 155).
- The **Council**, which consists of ministers from member states and was designed to be the uppermost decision making body in the EEC.
- The Commission and the Council are entitled to issue **five kinds of legal norms**: “regulations”, which are directly binding in member states, “directives”, which have to be transformed into national legislation, binding “decisions” and non-binding “recommendations” and “opinions” (Article 189).
- The **Court of Justice**, which was set up to “ensure that in the interpretation and application of this Treaty the law is observed” (Article 164).
- The **European Parliament**, which is intended to “exercise advisory and supervisory powers” (Article 137). Unlike national parliaments, the EEC parliament lacked real legislative powers.

It was planned that the common market would be established within a transitional period of 12-15 years (Article 8), but these kinds of developments were realized only in the 1990's (see section 8.1).

The European Economic Community included the same Western European core countries as the ECSC. As a response to EEC integration, most of the remaining Western European countries (Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom) established the European Free Trade Association (EFTA) in 1960. Unlike the EEC, the EFTA concentrated on establishing a free trade area without further plans for federative integration. However, member countries of the EFTA did not seem to have great faith in EFTA since as early as in 1961 Ireland, the United Kingdom and Denmark applied for EEC membership and the Norwegian government made its application

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1 At the same time, the Treaty establishing the European Atomic Energy Community was signed. Together these two treaties are called “the treaties of Rome”.

in 1962. In fact, it was thought that EFTA would serve as a bridge towards a settlement with the EEC. (Vaughan 1979, 176-177; History of... 2003.) Hence, it seems that as an organization of the powerful Western European core, the EEC left little room for other corresponding organizations in Western Europe.

When it comes to the EEC’s role as an intentional regulator of Western European capitalism, a clear-cut difference between the ECSC and the EEC can be detected. The ECSC was established with the explicit intention of regulating the European core’s coal and steel resources. The EEC was much more based on ideas of the market’s functional self-regulation. It was set out to establish “four freedoms” of movement: freedom of international trade and the freedoms of movements of persons, services and capital (Treaty establishing the European Economic..., Article 3). However, in practice the EEC has been used as an organ for the intentional regulation of Western European capitalism:

First, already in the EEC Treaty, the economic branches of agriculture and transport received special statuses (see Treaty establishing the European Economic..., Titles II and IV). They were to be regulated according to the principles of common agriculture and transport policies — not by the functioning of the market equilibrium, that is, by functional regulation. Indeed, the most effective activity of the EEC has been the regulation of Western European agriculture (paying subsidies, setting production quotas and so on), the global position of which has been worsening due to much cheaper agricultural production elsewhere. About half of EEC funds have been addressed to agriculture (Nugent 1999, 413-414, 420-425).

Secondly, in practice member countries have been able to restrict competition from the other EEC economies by sticking to their respective national product regulations and standards, quotas, discriminatory public purchasing and licensing which, in effect, constitute barriers of trade (Egan 2001, 41-44). Formally, although such restrictions were abolished in many cases only in the 1990’s these measures do not guarantee that habits and informal norms will not continue to function as de facto barriers of trade.

Thirdly, when EEC activities have succeeded in creating common bases for the EEC-wide markets, the norms of these markets have been
created by compromises between big firms, standard-setting bodies and other actors taking part in the regulation of markets (see Egan 2001, 260-272). This kind of regulation exceeds the idea of liberal market capitalism according to which public authorities should only provide the formal bases for the functioning of markets and restrain from further regulative activities.

However, unlike at the national level, the regulation of the EEC capitalism did not include industrial relations. The EEC Treaty included a few norms concerning social policy (Treaty establishing the European Economic..., Articles 118-128) and a general (ideological) objective according to which member states should endeavour to “promote improved working conditions” and an “improved standard of living for workers” (Treaty establishing the European Economic..., Article 117). All these norms concerned only labour force.

The organizational positions and powers of organized labour and capital corresponded to those of the ECSC. As in the case of the ECSC, the EEC reserved for industrial relations partners a consultative role in the Economic and Social Committee (ESC). The Economic and Social Committee was entitled to consult the Commission and the Council, but it did not have negotiating rights. In the beginning, the Consultative Committee was to consist of “representatives of producers, farmers, carriers, workers, dealers, craftsmen, professional occupations and representatives of the general public” (Treaty establishing the European Economic..., Article 193). In practice, representation was divided into three equally large groups of capital, labour and all the other interest groups (Nugent 1999, 280). Hence, the Consultative Committee has had strong representation of industrial relations parties.

There were four reasons for including a consultative committee within the organizational structures of the EEC (Nugent 1999, 279): All member states, save Germany, had similar organs. Political actors wanted to involve the economic actors affected by integration into the EEC’s regulative apparatus. The European Parliament was regarded as ineffective in regard to representation of branch-level economic interests. Lastly, the ECSC’s consultative committee provided an example to be followed by the EEC.

Although leaders of organized business and organized labour started to meet each other in the Economic and Social Committee these
contacts were of a purely informative nature. Especially the Commission as well as many labour unions wanted to strengthen the EEC-level regulation of capitalism by strengthening the Community’s role in the regulation of social policy issues and by adding some sort of industrial relations to it (Dølvik 1997, 117-119, 122-123). The Commission justified its social policy activity by referring to the EEC Treaty, Article 118, which gave to it initiative rights in the realms of social security and labour market regulation, including “the right of association, and collective bargaining between employers and workers” (Treaty establishing the European Economic..., Article 118). Additionally, the Commission argued that regulation of capitalism would enhance the Community’s legitimacy: “If the Community is to be a success and win the allegiance of the people of Europe, it must be seen not just as an economic club, but as the bearer of social improvement”. (Petersen 1995, 9-10.)

In the beginning of the 1960's, several Community studies and conferences on developing the EEC’s industrial relations created tensions between the Commission and the national governments. In 1962, a tripartite European Social Security Conference, which followed a trade union report advocating for full “upward alignment” of the policies of the member states, managed to upset employers and national governments because this development appeared to create allies of the Commission and labour unions. As a consequence, the Social and Labour Affairs Council, that is, the ministers who were responsible for these matters in the member states, did not meet before 1966. The compromise that followed prompted a shift towards a more economic orientation of social policy. It is, however, noteworthy that all the issues, controversies and institutional conflicts that emerged during this period have remained on the EEC social policy agenda ever since. (Dølvik 1997, 118.)

The above history is interesting as representing the early beginnings of the EEC’s social policy, and industrial relations actors were engaged in them, but they were not, properly speaking, industrial relations that would have given negotiating rights to labour. Effective regulation concentrated on the free movement of labour (the first regulation came into force in 1961) and training activities of the European Social Fund, which was established by the founding Treaty of the EEC. For instance, by the end of 1968, 543 000 Italian workers had
been retrained and 340,000 had been resettled in France and Germany (Bercusson 1996, 48). In 1962, a Health and Safety Division was established in one of the Commission’s departments (Directorate General V) (Dølvik 1997, 118).

The first weak steps towards industrial relations within the EEC were taken as the Commission assisted in setting up Joint Sectoral Committees comprised of branch-level representatives of employers and employees. These committees were established within the branches in which the EEC had authority. Such branches of the economy included, for example, inland waterways, maritime fishing and rail transport. The first transnational collective agreement on the harmonisation of worker’s working hours was made in the agricultural sector in 1968 (Blanpain 1973, 298-299). This agreement, however, was not legally binding. It was presented as a recommendation to be followed by actors at the national level. A decisive precondition for this agreement was created in 1962 when a Common Agricultural Policy (CAP) was agreed upon.

The late 1960's and the early 1970's saw a revitalizing of the Community’s social policy and industrial relations incentives. There were several reasons for this revitalization (Vaughan 1979, 146, 156-157; Dølvik 1997, 118-119; Petersen 1995, 18): officially the Community’s customs union was declared to be completed (1968), de Gaulle, who had blocked political integration in the name of French national sovereignty, resigned in 1969 and the strong economic growth together with the political strength of left-wing parties led to activity in the fields of social policy and industrial relations. Indicators of advancing political integration were also that in 1965 the ECSC, the EEC and the European Atomic Energy Community decided to merge their separate Commissions and Councils into single organs, thus founding the European Community (EC)¹, the Commission gained some economic independence and it was decided that the members of the European Parliament would be elected by direct elections (this was realized only in 1979).

The Hague Summit (1969) signalled a change and emphasised the need for more active social policies: At the summit, it was decided to

¹ In the rest of this chapter, I shall use either acronym “EEC” or “EC”. In the fifth chapter I use either “EC” or “EU” (the European Union, from 1993 onwards).
establish an economic and monetary union. This decision layed the
Secondly, it was decided to create new structures for enhancing industrial
relations development at the community level. A tripartite committee, the
Standing Committee on Employment, in which employers and
employees had a stronger representation than in the Economic and Social
Committee, was established (1970) and it was agreed to organize
tripartite conferences between capital, labour and representatives of
governments. It was anticipated that stronger corporatist representation
of capital, labour and the state (governments) would more likely lead to
developments towards industrial relations at the EEC level than
negotiations within the Economic and Social Committee. Thirdly after
the Summit, the economic policy programme was supplemented with
preliminary guidelines for a Community social policy programme
(1971). This measure aimed at giving economic policy and social policy
equal weight. As a consequence, at the Paris Summit (1972) the heads of
state along with their governments invited the Commission to draw up a
Social Action Programme and the Social Action Programme was adopted
as a resolution in 1974. It contained approximately 40 initiatives grouped
under three principal objectives: full and better employment, improved
living and working conditions and greater worker participation. (Dølvik
1997, 118.)

For a short period, from the beginning of the 1970's to the mid
1970's, it seemed as if the EEC level industrial relations would be
realized. This attempt concentrated on the newly established Standing
Committee on Employment and especially on the tripartite congresses.
There were also plans to create a set of sectoral councils, wherein capital,
labour and state officials were expected to come up with proposals for
regulating the steel, shipbuilding, textiles, aerospace and
telecommunications branches of industry (Streeck & Schmitter [1994]
1998, 140.) The Economic and Social Committee was set aside because
it was regarded as ineffective since it had got stuck in consultations
concerning the technical details of regulation. Additionally, it lacked
powerful government representation and it was unable to reach a
consensus on broad policy lines (Petersen 1995, 16-20; Streeck &
Six tripartite (capital, labour and representatives from governments of the EEC member states took part) congresses were held from 1970 to 1978. Their agenda paralleled that of national concentration efforts of the same period: full employment, curbing inflation, wage restraints, fiscal policy, worker training and productivity measures.¹ The German example of “Concerted Action” was especially important (Simon 1980, 209; see section 5.2 on German industrial relations). In 1976, a tripartite congress in Luxembourg even succeeded in producing a “Joint Statement by the Conference on the Restoration of Full Employment and Stability in the Community”. This was the first time when organized capital, labour and governments managed to make an economic programme together. (Barnouin 1986, 93; Petersen 1995, 35.)

All these efforts ceased in 1978, when the newly established (1973) supporter of Euro-corporatism, the European Trade Union Confederation (ETUC), which was confronted by rising dissatisfaction from its ranks and received complaints about a lack of progress, withdrew its support (Streeck & Schmitter [1994] 1998, 140).

The failure of attempted Euro-corporatism became especially clear after the defeat of a draft European statute regulating European companies. This draft statute strived to expand German co-determination practices to companies incorporated under the Community law. Likewise, a draft directive (the Vredeling proposal in 1980) on consultation and information in multi-national enterprises failed. Organized capital opposed the draft directive strongly and the UNICE (the Union of Industries of the European Community) organized an international campaign against it. In addition to the UNICE, this campaign mobilized public relations and lobbying experts, American business associations and American chambers of trade in Europe as well as Japanese firms in Europe. Japanese employer organizations even announced that if the draft directive were adopted, their companies might

¹ The titles of Commission documents that accompanied these conferences reveal their agendas (Petersen 1995, 34): Conference on the Problems of Employment; Prospects of a European Social Policy, Tripartite Conference — Economic and Social Situation in the Community and Outlook; Restoring Full Employment, Stock in the Community; Growth, Stability, and Employment Stock Taking and the Prospect; An Overall Strategy to Fight Unemployment.
reduce their investments in Europe. Labour campaigned for the draft directive, but due to the ETUC’s more limited resources its campaign remained less effective and the draft directive failed. (Simon 1980, 127-128; Petersen 1995, 40-41.) The conflict over the draft directive concerning consultation and information in European multi-national firms marked the end of a comparatively cooperative attitude between capital and labour. It also marked the end of attempts at constructing Euro-corporatism in the 1970's. By the beginning of the 1980's, attempts towards EEC-level industrial relations had all failed; what remained were the Standing Committee on Employment and a few specialised working groups (Streeck & Schmitter [1994] 1998, 140).

Despite the collapse of Euro-corporatism, five directives that harmonised labour law in the Community were promulgated between 1975 and 1980. These directives concerned gender equality, collective redundancies, worker’s rights in case of transfer of enterprises and the insolvency1 of the employer (Blanpain & Engels 1997, 127).

6.2 Policies of Actors

What, then, may be said about the attitudes and policy lines that diverse actors assumed in relation to the idea of adding industrial relations to the regulative machinery of the EEC economy? In this section, the policy lines of the governments of the member states, the Commission, organized capital and labour are examined.

Because it was the governments of the ECSC/EEC member states that decided about the course of integration in the last instance, their opinions were the most decisive. As in the case of the Commission, the crucial structural question was to what degree actual statehood was to be placed at the national or at the EEC level. The word “actual” is here of importance because (nation) states are, of course, formally sovereign, but because their actual powers depend on their inner and outer relations,

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1 “Insolvency” of an employer denotes a situation in which an employer becomes unable to pay wages to employees (Blanpain & Engels 1997, 333).
their statehood is in fact a matter of degree. It would be juridical fiction¹ to claim the opposite. Governments, almost by definition, have an interest in preserving as much of their sovereignty as possible, hence they are inclined to oppose the development of transnational regulative organs. However, in some cases governments may choose to strengthen the international or transnational level of regulation. Sometimes they may feel that via such a policy they can at least partially control their international environment and thus contribute to the preservation of their statehood (see Milward 2000). Or sometimes they may not see any alternatives to transnationalization. Also, the size, political and geographical position of the state is bound to affect governments’ policy lines.

Starting from the above reflections, a plausible hypothesis might be that the more centrally situated and the smaller a state is, the more inclined its governments are to try to govern its socio-economic environments via international integration. The pro-integrative policies of Belgium, the Netherlands and Luxembourg seem to support this hypothesis. Hence, even if structural preconditions direct governments to assume policy lines that are against development of transnational statehood (including political regulation of the EEC capitalism and labour markets) these structural preconditions vary from state to state.

In addition to structural preconditions, political ideologies and economic trends have also affected the opinions of governments. In the late 1960’s and the 1970’s, the fall of de Gaulle in France and the beginning of a social-democratic government in Germany (1969) as well as the spread of left-wing ideology gave support to the transnational regulation of European capitalism and this was one factor that made tripartite congresses possible (see Barnouin 1986, 80-81; Dølvik 1997, 119). Yet, it seems that when the first oil crisis began in 1973, mounting economic and employment problems led governments to concentrate on fighting economic problems at the national level and they lost their interest in transnational regulation.

¹ Normally, legislation and legal thinking is based on premises concerning the nature of a social order. Often these premises have no established empirical content, hence they are in fact “judicial fiction”, such as for example, the idea that nation-states are independent of their cultural and natural environments (on judicial fiction, see Uusitalo 1999, 820-821).
The Commission of the EEC is the another important actor of European integration and it has in general supported development of European-level industrial relations (Dølvik 1997, 123). There seem to exist four reasons to this positive attitude. First, the more interest groups the Commission is able to draw into the EEC policy-making system, the more political weight the Commission itself obtains.

This is, in fact, the classic way of state formation. If the “state” is defined as an apparatus in which diverse socio-economic interests gather together in order to regulate a certain population and area, an organization increases its state-like character, “statehood”, by increasing the number of actors taking part in its activities (see Streeck & Schmitter [1994] 1998, 137-138). In this respect the Commission and the other EEC organs function as the “royal mechanism” in Elias’ theory of civilization (see section 1.2 on the formation of nation-states). They are the concentration points for all interest groups involved in Western European integration.

Secondly, the founding treaty of the EEC (Treaty establishing the European Economic...; Article 118) gave the Commission the obligation to promote integration, including also dialogue between employers and employees.1 Thirdly, the Commission has thought that if organized labour were to be included in the EEC’s regulative system, this as well as other positive social policy measures, would make the EEC more legitimate in the eyes of Europeans. Fourthly, it seems also reasonable to assume that because EEC officials are from the EEC’s member countries, they have been socialized into their respective social policy and regulative systems. And as described in the third chapter, especially after the Second World War regulative traditions of European capitalism have included industrial relations.

In addition to the governments of the EEC’s member states and the Commission, organized capital and labour are also important actors in integration. Western European capital was in general against EEC-

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1 That the Commission is supposed to actively advance integration is already expressed in its name, “Commissioner” is in the first place not an official entitled to run daily bureaucratic routines but he or she is a person that is commissioned to actively promote certain objectives. Such commissions have had, for instance, economic or political tasks (Brown 1993a, 451-452). For the historical usage of political commissioners, see Carl Schmitt’s classic book on dictatorship, *Die Diktatur* (Schmitt 1928).
level social policy and industrial relations and often this opposition was strong enough to prevent new EEC legislation on these matters (Simon 1980, 147-149; Dølvik 1997, 183). Yet, it is to be noticed that capital took part in regulating economic integration by acting as an economic expert and by lobbying the EEC organs and national governments (Simon 1980, 177-179, 188-189). It also partook in economic policy discussions in tripartite congresses and it was one of the actors that formulated a common economic policy programme in 1976. Hence, even if capital did not want the EEC-level industrial relations to develop, the idea of intentional regulation of European capitalism was by no means unfamiliar to it.

Labour, for its part, was largely in favour of developing the EEC’s industrial relations though it was divided both in terms of political ideologies and nationality: Communists traditionally opposed integration inasmuch as they saw it as an attempt to strengthen capitalism vis-à-vis the socialist countries and nationally organized labour (Simon 1980, 89). From the late 1960's on, many Communist unions, however, have began to assume a more positive stance towards European integration (Günter 1973, 326). Socialist and Christian unions were in favour of integration because they saw in it possibilities for advancing transnational economic planning and hence also a potential for creating a transnational counter-force to capital. The Christian unions, and especially Roman Catholic unions, have supported integration from the very beginning. This is so because Catholic social doctrine favours integration. (Haas 1958, 373, 386-388; Barnourn 1986, 4-10.) Unions were also divided in terms of their nationality. Especially British and Nordic unions were reluctant to advance transnational industrial relations (see Dølvik 1997, 132-138, 148, 509). An alternative strategy to transnationalization was to pursue developing coordination between national labour unions. For example, after the defeat of Euro-corporatism in the 1970's the ETUC started to stress coordination of national labour union policies as a strategy for European labour (Petersen 1995, 30-31).

An important structural precondition for every industrial relations system is the formation of collective industrial relations actors. Two European organizations of capital (UNICE) and labour (ETUC) have been already mentioned in this section. In the following two sections, the
histories of capital’s and labour’s most important European organizations are examined.

6.3 Organizing Capital’s Interests

To analyse the developmental dynamics of capital’s interest organizations, a few ideas on the relationships between changing bases of interests and actors of integration are needed. These ideas have already been presented in sections 2.2 on rational subjects and their interests but a short recapitulation may be useful here:

Modern social actors are normally supposed to have specific objective (material) bases of interests from which their subjectively interpreted interests rise. Interest-based actions are carried out in such a way that actors’ material conditions (objective bases of interests) are improved, or at least they are not aggravated. In this circular way, actors aim at reproducing and strengthening their bases of interests (see Figure 1.2). In the following pages, these general ideas are applied to the particular case of capital’s organizing.

Because leaders and owners of firms are entangled in a multitude of activities in modern societies they have several interests to pursue and defend. Consequently, capital’s interest organizations can be divided into four types: employer organizations pursue capital’s interests vis-à-vis labour; business organs aim to influence diverse state actors and international organizations; ideological organizations pursue to set socio-economic agendas and special organizations to affect more limited technical objectives. These types of organizations, their functions and target groups are presented in Table 6.1.

As shown in Table 6.1, diverse capital’s organizations have overlapping functions and target groups. For instance, just about all of them seek to affect such state actors as governments, ministries and political parties. In fact, in many instances, functions of trade and employer organizations are united at the national level (Traxler & Blaschke & Kittel 2001, 50-51). Furthermore, capital’s organizations may fulfill both internal and external functions (Müller-Jentsch 1997, 168-170). “External functions” refer to organizations’ activities towards their target groups and “internal functions” denote organizations’ regulative activities vis-à-vis their own members. Often external
regulative functions are connected with the inner administration of an organization’s own constituents. Such a functional feedback effect was described in section 3.5 on

Table 6.1 Types of capital’s interest organizations

<table>
<thead>
<tr>
<th>Type of organization</th>
<th>Functions</th>
<th>Target group</th>
</tr>
</thead>
<tbody>
<tr>
<td>employer</td>
<td>collective negotiations, lock-outs</td>
<td>labour unions, state actors, international organizations</td>
</tr>
<tr>
<td>business (trade associations, chambers of commerce, informal and formal oligopolist groupings)</td>
<td>regulation of the economy and markets</td>
<td>state actors, international organizations, consumers</td>
</tr>
<tr>
<td>ideological</td>
<td>affect political agenda, ideology and hegemonic projects</td>
<td>state actors, international organizations, public opinion</td>
</tr>
<tr>
<td>special</td>
<td>specific topics</td>
<td>certain actors at national and international levels</td>
</tr>
</tbody>
</table>

Sources: Based with modifications on Simon 1980, 9; Müller-Jentsch 1997, 170.

the reproduction of national industrial relations. These qualifications to the above table serve to remind one that even if the above notions are a useful way of pinpointing the diversity of capital’s organizational forms, they should not blind an analyst from capturing a holistic picture of capital’s regulative activities.

Historically, capital’s organizing can be traced back to medieval cooperation between merchants. This cooperation provided the basis for organizing industrial and commercial chambers at the end of the sixteenth century. These chambers were followed by economic associations of industrial capital, which later established national umbrella organizations. By the end of the First World War nationally organized groups of capitalists had their respective national umbrella organizations. (Simon 1980, 32-43.)
In the nineteenth century, business leaders organized in order to regulate markets for goods (there were several international cartels in the nineteenth century) and in order to foster the general preconditions for production. In addition they wanted to promote their interests in relation to the nation-state. Therefore, the activities of early organizations of capital aimed at influencing state apparatuses and at regulating markets. Only shortly before the end of the nineteenth century did capitalists organize into employer organizations. These were established in order to create a counterforce to the rising labour unions (Simon 1980, 36-42; for a short discussion of this dynamics, see Crouch 1994, 114-115).

The establishment of capital’s diverse organizations at the national level was a crucial structural precondition for capital’s international organizing because national organizations joined to form international umbrella organizations. The founding of international interest organizations began in the middle of the nineteenth century and international employer organizing was set in motion in form of bilateral international cooperation at the beginning of the twentieth century (Simon 1980, 70). However, international organizing did not just follow in the footsteps of organizing at the national level, but rather in many cases international and national organizing took place simultaneously.

After the above presented theoretical and historical introduction, the following pages describe capital’s international organizing after the First World War, capital’s most important contemporary organizations and lastly this section ends with conclusions concerning capital’s organizing dynamics.

After the First World War, there were several international organizations of capital at the branch level (levels of specific industries), but only a few contacts at the more general level of organizing (Simon 1980, 56). The first international economy-level organization was the International Chamber of Commerce (ICC) (1920), which sought to strengthen non-economic framework conditions of the capitalist economy (Simon 1980, 61-63).

The founding of the League of Nations (1919) and of the ILO (International Labour Organisation) (1920) triggered the establishment of the International Organisation of Industrial Employers (IOIE) (1920), which concentrated mainly on ILO matters. The League of Nations and the ILO gave a powerful impulse to increasing international organization
of capital’s business and employer interests. This is so because the League and the ILO wanted to have international or transnational negotiation partners. Between 1920 and 1929, the existence of the League of Nations and of the ILO encouraged the founding of 295 new international organizations of capital. Additional reasons for diverse forms of capital’s international organizing were the needs to regulate intentionally the international economy and resist the rising power of organized labour. (Simon 1980, 66-74.)

After the Second World War the same kinds of organizational dynamics can be detected. The establishment of the OEEC (Organisation for European Economic Co-operation) in 1948, and later in 1961 of the OECD (Organisation for Economic Cooperation and Development), gave grounds for the formation of such respective interest organizations of capital as the Council of European Industrial Federations (CIFE), which was established in 1949 and replaced in 1961 by the Business and Industry Advisory Committee (BIAC) of the OECD. (Dølvik 1997, 176-177.)

It was the Council of European Industrial Federations (CIFE) which decided to establish the Union of Industrialists of the six ECSC (European Coal and Steel Community) countries at the same time as the European Steel and Coal Community was established in 1952 (Haas 1958, 324-325). On the bases of this organizational evolution in 1958 capital founded its most comprehensive European business and employer organization, the Union of Industries of the European Community (UNICE), which was renamed the Union of Industrial and Employers’ Confederations of Europe (the acronym remained the same), a name which reflected better the UNICE’s comprehensive character (Tyszkiewicz 1991, 87). The founding of UNICE was triggered by the establishment of the EEC. Similarly, as the remaining Western European countries founded the European Free Trade Association (1960). This led to founding of another international capital’s organization, the Council of Industrial Federations of EFTA (1960) (Simon 1980, 76-77).

A similar development can be observed in the case of chambers of commerce: the International Chambers of Commerce (ICC) decided to create a European Council of Merchants’ Associations (1953), which was the predecessor of the Association of European Chambers of
Commerce and Industry (Eurochambres) founded in 1958 (Haas 1958, 318; Eurochambers 2000).

At the sectoral and branch levels, the founding of the ECSC and the EEC led to the establishment of numerous branch-level organizations which were active in those industries that belonged to the realms ECSC and EEC activities (Dølvik 1997, 177). After the creation of the EEC in 1958, agriculture established its interest organization, the Committee of Agricultural Organisations in the EEC (COPA) and several hundreds of Federations of European Business and Industry Organizations (FEBI) were established. In 1961, public sector enterprises established their European organization, the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP). In 1979, various European trade associations and organisations of medium-sized enterprises amalgamated and formed the European Association of Craft and Small and Medium-sized Enterprises (UEAPME) and a further merger took place in 1999 with the European Committee for Small and Medium-Sized Independent Companies (EUROPMI) (Greenwood 2002, 139). In 1983, large European multinational firms founded the European Round Table of Industrialists (ERT).

A few scattered numbers concerning the number of capital’s international organizations indicate the history of capital’s organizing since the 1950’s. In the middle of the 1950’s, there were some 58 international Western European organizations that represented capital’s diverse interests (industrial capital, wholesalers, retail merchants, exporters and importers) (Haas 1958, 318-319). Their membership came mostly from those countries that belonged to the European Coal and Steel Community, though some members came from Britain, Switzerland, Austria, Spain, Portugal and Scandinavia. These associations were mostly loose grouping of national branch-level organizations. Twenty years later in the mid 1970’s, the above figure had risen to 285. Membership of these associations consisted of 2111 national organizations. The biggest groupings among international organizations (total 285) represented industrial capital (170), trade (59) and diverse professionals (29) (Simon 1980, 166).

In conclusion, the above examination shows that capital’s regulatory organs have expanded considerably. Although the history of
capital’s international organizing is as old as capitalism itself, it was especially after the Second World War that capital’s regulative organs expanded considerably.

### 6.4 The International Labour Movement

As in the case of capital, labour’s collective organizing at the national level dates back to medieval times. However, labour’s organizing proper began only in the nineteenth century when industrial capitalism spread out powerfully. (See Slomp 1990.) Also, likewise as in the case of capital, labour’s international organizing advanced simultaneously with organizing at the national level. The following short history of labour’s international organizing is mainly based on Jon Erik Dølvik’s study on European integration and trade unions (Dølvik 1997). The information for the years 1997-2003 originates from other sources.

In 1864, socialists established the International Working Men’s Association, or the First International, as it was called later. However, this organization lacked support from national labour unions and parties, which were mainly founded somewhat later. It fell apart in 1872 as a result of a clash between Marxists and the followers of Bakunin. At the branch level, international cooperation spread in the form of the International Trade Secretariats (ITS) from the 1890's onwards. The Second International was established in 1889 and it inspired the creation of international union structures. From cooperation between International Trade Secretariats, developed an International Secretariat of National Trade Union Confederations (1903), which became the International Federation of Trade Unions (IFTU) in 1913. All these projects ceased with the beginning of the First World War, when national labour movements supported their respective nation-states. (Dølvik 1997, 128-129.)

After the First World War, the political situation had changed considerably and after the October Revolution (1917) labour split into communist and socialist movements. Communists established the Third International (Comintern) and its trade union organization, Profintern or the Red International of Labour Unions (RILU). This was dissolved in 1943 when the Soviet Union sought to cooperate with Socialists during the Second World War. The Socialist (reformist) International
Federation of Trade Unions (IFTU) was re-established in 1919. (Dølvik 1997, 128-129.)

In addition to the above presented Socialist and Communist labour movements, Christian workers in 1920 founded their own international organization, the Confédération Internationale des Syndicat Chrétiens (CISC), which stressed class compromise. Already in 1891 the Pope had advocated cooperation between classes and rejected both socialism and laissez-faire capitalism. In 1912 he called for the founding of Christian labour unions. Another factor affecting the founding of the CISC was the establishment of the International Labour Organisation (ILO) in the same year. (Dølvik 1997, 130; Mielke 1983, 22.)

In this way labour’s organizational history followed the political developments and cleavages of the twentieth century and differences in the world-views of workers led to the creation of diverse international organizations of labour. Yet, the gravest splitting of labour occurred according to boarders of nation-states. Labour had started to integrate into consolidating structures of state-societies before the First World War, but the war and growth of the regulative activities of states after the war intensified labour’s national orientation. (Dølvik 1997, 130-131.)

Yet again after the Second World War, the ideal of workers’ global unity re-emerged and Socialists and in 1945 Communists united under the banner of the World Federation of Trade Unions (WFTU). Again, this attempt failed because Christian and US unions as well as the important Trade Union Secretariats refused to join the WFTU. A few years later the onset of the Cold War split Socialists and Communists and the International Confederation of Free Trade Unions (ICFTU) was established in 1949. The ICFTU organized Socialists and Social-Democrats and it assumed an anti-Communist policy. (Mielke 1983, 3-4; Moreno 2000, 106-108.)

As a consequence of the above described history of labour’s international organizing, global and European trade union movements were divided into three internationals: the predominantly Socialist and Western oriented International Confederation of Free Trade Unions (ICFTU), the Communist World Federation of Trade Unions (WFTU) and the Christian Confédération Internationale des Syndicat Chrétiens (CISC) (from 1968 World Confederation of Labour, WCL). In terms of membership figures, the WFTU was the biggest (in 1980, 190 million
members), the ICFTU the second largest (in 1979, 62 million members from 122 union confederations) and the WCL by far the smallest. All the above presented internationals were formally global organizations, but in fact a great deal of their member unions came from Europe and North America. (Mielke 1983, 5-6, 13, 24.)

From the beginning of the 1950's, Western European politico-economic integration led to increasing organizing at the Western European level. Already in 1950, the Schuman Plan triggered the establishment of the European Regional Organisation of the ICFTU (ERO-IFTU). Similar organizing took place within the Christian international. In 1952 unions of coal and steel branches from the original six ECSC member states formed the “Committee of the 21”, which sought to represent worker’s interests in relation to the ECSC organs (Haas 1958, 362-363). In 1955, when the EEC was planned, the ERO-IFTU presented ambitious plans for strong transnational organizations, the harmonization of economic and social policies as well as for labour’s partaking in the Community’s decision-making. These ambitions, however, ceased as labour received only a modest role in the EEC’s organizational structure. But unions were also divided. For example, the German DGB (Deutsche Gewerkschaftsbund) preferred to take part in national regulation of the economy and labour markets rather than to support transnational forms of regulation. As a consequence, both the ERO-IFTU and the Committee of 21 remained weak international liaison bureaus.

In spite of their unanimity, Western European unions kept on establishing international union structures at the same pace as European integration continued to proceed. The EEC unions set up a European Trade Union Secretariat in 1958; and trade unions from the EFTA countries founded their own co-ordinating committee in 1960. At the branch level, especially those branches that were affected by the EEC launched their own offices. In the 1960's, a number of branch-level industry committees were established, partly because the Commission

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1 These included branches such as agriculture (the European Federation of Agricultural Workers’ Unions in the Community, EFA), food (the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers’ Associations, IUF), construction (the European Federation of Building and Wood Workers, EFBW) and chemicals.
attempted to promote information and consultation between EEC organs, capital and labour. In short, in the 1950's and the 1960's, ECSC and EEC integration led to founding of fragmented and weak European union structures that were mainly directed at representing labour’s interests via-à-vis organs of the Community. (Dølvik 1997, 132-134.)

However, starting from the late 1960's, unions began to unite their fragmented international structures. In 1969, the ICFTU unions from the EEC member states established the European Confederation of Free Trade Unions (ECFTU), which was not just a liaison office but had permanent organs and a formal recognition of majority voting. In the same year, Christian unions, which had assumed a more radical, secular and anti-capitalist programme, set up the European Organisation of the World Confederation of Labour (EO-WCL). This meant that for the first time in the history of labour’s international organizing labour had established international organizations with regional autonomy. In the beginning of the 1970's, there were discussions of a possible merger between the ECFTU and the EO-WCL, these and the anticipated Danish, Norwegian and British entries into the EEC led the German president of the ECFTU to launch the idea of territorial enlargement. After a period of preparatory work and inner debates between the ICFTU’s European members unions, a compromise was struck. According to this compromise, the new European labour organization would be open to all European labour unions including unions that came outside the EEC or represented Communist and Christian world-views. As a sign of this ideological openness the new organization dropped the word “free” from its name and the European Confederation of Trade Unions (ETUC) was established in 1973. (Dølvik 1997, 135-138.)

The Christian unions were the first to join the ETUC. They had already earlier been cooperating with ETUC’s Socialist unions. Seven Christian unions from Belgium, France, the Netherlands, Luxembourg and Switzerland joined the ETUC in 1974. These unions joined the ETUC on an individual basis while retaining their ties with the WCL. Without a doubt, ideological convergence between Socialists and Christians in the late 1960's facilitated this merger. From the late 1960's onwards, a similar kinds of convergence took also place between Socialists and Communists as “Eurocommunist” ideology that emphasised class compromise, a more positive attitude towards Western
European integration and independence from the Soviet Union spread. The first Communist confederation to join ETUC in 1974 was the Italian CGIL (Confederazione Generale Italiana del Lavoro). Yet, because of hostilities and competition between national union confederations and between socialist, communist and Christian ideologies, Spanish and Portuguese Communists were allowed to join in 1991 (Spanish CC-OO) and 1993 (Portuguese Intersindical) and French CGT (Confédération Générale du Travail) joined only in 1999 (Dølvik 1997, 139-140; Confédération... 2003.)

6.5 Fragments of Communal Socialization

The previous sections approach integration mainly as rational action in which actors pursue their selfish interests and integration is the sum result of their rational actions, that is, integration is mainly perceived as associative socialization. However, it is also possible to detect some fragments of European communal socialization and collective identity formation (see sections 2.3 and 2.4 on communal socialization and ideology). In the following pages, five such fragments are examined. These fragments of communal socialization include the European cultural heritage, a devotion to the symbol of Europe, enthusiasm for Europe and its integration, the idea of the “fathers” of Europe and lastly references to communal socialization made in the founding treaties of the ECSC and the EEC.

A common European cultural heritage can be characterised by referring to Greek, Roman and Christian traditions and the specific historical characteristics of European social order such as feudalism, nation-states and capitalism (see Chapter 1 and, for example, Ritter 1972, 827). However, it is questionable whether the European cultural heritage constitutes a unique entity in relation to the rest of the world.

European distinctiveness is undermined from three different directions. First, it may well be that many social traditions are variations

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1 “Eurocommunism” received its name from Santiago Carillo’s famous book *Eurocommunism and the State* which was published in 1970’s, but at least in Italy the communists had approached the socialists political stance already in the 1960’s (see Barnouin 1986, 26).
of universal themes rather than expressions of European cultural particularity. Secondly, over a period of several centuries European institutions and customs have spread to other parts of the world. Lastly, European peoples have often assumed influences from Europe’s environments. Only a few of those innovations that Europeans have used are distinctively European. In fact, it can be maintained that the specific strength of European civilisation has rested on its openness to influences from the other parts of the world and not on its inner innovative capacity. The issue of common European traditions cannot, however, be handled in detail here and the above short passage serves only to point out that these traditions constitute a mass of ideological material that may be used as building-blocks when trying to strengthen European identity (compare Hobsbawm 1992, 46-79).

Ernst Haas reported in his classic study on European integration, *The Uniting of Europe*, that after the war several individuals who supported integration shared a belief in the symbol of Europe (Haas 1958, 19-29). The group of these persons included representatives of conservative, liberal, socialist and Christian world-views. According to Haas, this “Europeanism”, nevertheless, was too scattered and ambiguous an ideology to offer a basis for studying integration (Haas 1958, 28): “A doctrine which means all things to all men, while useful in explaining convergences, is hardly a significant tool for the study of structured social action.” Haas’ opinion, which tends to underestimate the role of communal socialization, is best understood when recalling that his approach to integration focuses on explaining integration as rational self-interested action (associative socialization) and therefore elements of communal socialization appeared insignificant and irrational to him.

Of course, this line of thinking is not an invention of singular researchers, but rather constitutes an important element of modern social self-understanding. In modern social order, individuals and groups are accustomed to explain and legitimatize their actions in terms of rational behaviour, a situation which hampers the analysing the role of communal socialization in social order. An additional problem is that often elements of communal socialization of social integration cannot be separated from factors of associative socialization.
The above reservations notwithstanding, it seems to be the case that much of Western European integration can indeed be explained in terms of rational action although this does not exclude the fact that belief in European symbols has also played its role. Moreover, especially in the 1950's, Europeanism received additional strength from the idea of peace. For instance, the ECSC Treaty begins with the words (Treaty establishing the European Coal...; Preamble):

“Considering that world peace can be safeguarded only by creative efforts commensurate with dangers that threaten it, Convicted that the contribution which an organised and vital Europe can make to civilisation is indispensable to the maintenance of peaceful relations, ...”

A second element of European communal socialization is closely linked with the first one: that is enthusiasm for Europe and its integration. Émile Durkheim argued that important elements constituting societies are “collective effervescences”, events in which members of a social groups take part and from which strong emotions rise (Swedberg 1994, 383). These events are one of the birthplaces of symbolic representations of societies. Such events may be symbolic, such as real or invented historical events (revolutions, civil wars, mutinies against “foreign” rulers), or current events such as mass meetings, congresses or other political rituals. In the case of Western European integration, the Second World War and its aftermath was perhaps the most important intense period of history that raised feelings for European integration. Richard Swedberg has described one event of European enthusiasm, the Hague Congress in 1948:

Some 7000 people took part in the congress, among them leading European politicians such Churchill, Adenauer and Macmillan. In the congress, a very emotional pro-European atmosphere developed. Even Churchill, a politician who can hardly be described as a romantic person, was reported to have had tears in his eyes while giving a speech. One of the speakers, Rougemont, described his feelings (Swedberg 1994, 385):

“Where am I? In which epoch? In a dream? ... Someone speaks in front of a microphone and I hear a voice saying ... ‘We must here
and now resolve that a European Assembly be constituted’ ... Yes, it is a dream’.

Apparently, this kind of an emotional storm is exceptional in connection with European integration. Nevertheless, it is conceivable that diverse events, political rituals and representations of European symbols have raised some European enthusiasm that has added to European communal socialization.

A third fragment of communal socialization concerns the way how European configuration has been compared with an archetypical mode of communal socialization, the family. Every now and then Europe has been portrayed as a family led or created by its fathers. A good example of this can be found in a famous speech that Winston Churchill gave at the University of Zürich in 1946. In his speech Churchill advocated for building “a kind of United States of Europe”. The speech included several sentences that used an analogy between the family and Europe.¹ For instance, Churchill said (Churchill [1946] 1997, 40-41):

“... there must be an act of faith in the European family and an act of oblivion against all the crimes and follies of the past.”

Later he continued in the same manner:

“... we must re-create the European family in a regional structure called, it may be, the United States of Europe.”

A more common way of describing Europe in family terms, is to declare some prominent politician or politicians “fathers of Europe” and use their names and persons as embodiments of Europe. Candidates for European fathers include persons such as Jean Monnet, a French diplomat and commissioner-general of the French National Planning Board, who became the first president of the ECSC’s High Authority;

¹ I do not intend to maintain that Churchill’s speech is important because many European heard or read it. Rather this speech is illuminating because as an experienced politician Churchill probably wanted to use a symbol that would affect his audience strongly and chose therefore to compare Europe and the family with each other. Hence, Churchill’s historical speech is an indicator of the ideological power of the symbol of the family.
Robert Schuman, a French minister, who proposed in his “Schuman Declaration” that the French and Germans should merge their steel and coal resources; Konrad Adenauer, the Christian Democrat chancellor of Western Germany from 1949 to 1963; Paul-Henri Spaak, a Socialist Belgian politician and minister, who took actively part in diverse post-war projects of Western European integration; Alcide de Gasperi, a Christian Democrat politician and prime minister of Italy.¹

Alan Milward has pointed out that the real lives of these European fathers did not correspond to their mythical fame as firm supporters of Western European unity. Instead, argues Milward, they were pragmatic politicians who struggled to rescue their respective nation-states in a new political situation (see Milward 2000, Chapter 6).

It may well be that Milward has it right, but it is equally true that the symbolic value of a person or a historical event does not depend on the realistic accuracy of a symbol but on its allegorical significance.

Likewise, after the beginning of political integration in the 1950's, the ideological figure of the father has played its role in politics of integration. Occasionally, when encountering a political dead end, one has established committees of “wise men” including mostly elderly veteran politicians who are supposed to be able to offer political solutions to the dilemmas of integration. From the above point of view, it is also no surprise that a convention that made a proposal for a future constitution of the EU was chaired by an elderly French politician Valéry Giscard d'Estaing, who is one of the father candidates of the latest phase of European integration.

As in the case of a European ideology, it is difficult to estimate what kinds of roles the symbols of family and father have played in European integration. At least potentially they are strong symbols of social collectivities. The ideological strength of these symbols stems from at least three sources. First, for most people, the family is the cradle of primary socialization, a community par excellence, and modes of its powerful interactions can be projected on much larger social groups including nations, regional entities or the whole of humankind (see

¹ For brief biographical information on these European father, see, for instance, http://search.eb.com/eb/
Laing 1973, 11-27). Such a projection has potentially great ideological significance. Secondly, ideologies of fathers of diverse social entities create connections between biological origin and social order thus establishing a natural, hereditary, basis for social order. Hence, this is one of the links connecting nature and social order with each other that were described in section 2.5 on natural foundations of a social order. Thirdly, the long tradition of the father’s power stems from a premodern social order of kinship that makes its affect felt also in the present times.

The last fragment of communal socialization handled in this section constructs a connection between communal and associative socialization. This fragment can be found, for instance, in the Schuman Declaration, which preceded the ECSC Treaty and in the founding treaties of the ECSC and the EEC. The ECSC and the EEC Treaties do not make a very explicit link between associative and communal socialization, but in my mind they clearly construct implicit connections between associative and communal socialization.

According to the Preamble of the ECSC Treaty (Treaty establishing the European Coal..., Preamble), the peoples of Europe have been “divided by bloody conflicts” and in order to ensure Europe’s peace and future position in a changed world order (Western) Europe needs to be politically integrated. This integration should be set in motion by “merging their [European peoples’, AN] essential interests”: “Europe can be built only through practical achievements which will first of all create real solidarity, and through the establishment of common bases for economic development.” Then, once Europeans have learned to cooperate within the limited sphere of coal and steel integration, this cooperation would spill over to other areas of economic and political activity. Finally, this evolution would lead to the birth of a European
political community and its “institutions which will give direction to a
destiny henceforward shared”. Similarly, in the Preamble for the EEC
Treaty (Treaty establishing the European Economic..., Preamble) the
signatories of the Treaty declare that they are “resolved by thus pooling
their resources to preserve and strengthen peace and liberty, and calling
upon the other peoples of Europe who share their ideal to join their
efforts”. And this economic integration would serve “to lay the
foundations of an ever closer union among the peoples of Europe”.

It is easy to see that this mode of thinking is a modification of the
social contract theory presented in section 2.1 on rational subjects.
Parallels between the ECSC and the EEC treaties and social contract
theory can be schematically presented in a graphic form, in which
notions of the social contract theory are put in parenthesis:

<table>
<thead>
<tr>
<th>(state of nature, separate interests)</th>
<th>(social contract, common interests)</th>
<th>(state-society, Leviathan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe “divided by bloody conflicts”</td>
<td>“pooling their resources”</td>
<td>“ever closer union”</td>
</tr>
</tbody>
</table>

Thus, by merging separate interests that exist in the state of
nature, common interests are created on the bases of cooperative
interactions between once hostile actors. After some time, peaceful
economic interaction would lead to communal socialization. In this way
it was hoped that Western European communal socialization would be
strengthened by starting with associative socialization. In the realm of
political studies and theory building this approach has been labelled as
(neo)functionalism (see section 3.1 on theories of political integration
and Haas 1958) and also theories of economic integration seem to share
this line of thinking (see section 3.2 on theories of economic integration).
Nor is such a way of thinking uncommon in sociology. Émile Durkheim
predicted that factual economic interactions would lead to a common
“European consciousness” (Durkheim ([1893] 1964a, 405-406). Traits of
this mode of thinking can be also found in Norbert’s Elias theory of
civilization. The civilizing process means essentially that previously
antagonist individuals and groups make implicit or explicit agreements
concerning the civilized manners of behaviour (see section 1.2 on the
formation of nation-states).
This kind of thinking may reflect some universal truths about social relations and choosing to start integration from the limited area of coal and steel integration was probably politically a wise strategy for integration after the Second World War because raising issues of collective national identities after the war would probably have caused popular opposition against European integration. Nevertheless, it is worth noting that this mode of reasoning fits particularly well with modern social theory, which places associative socialization before communal socialization. Hence, also the ECSC and the EEC Treaties reproduced modernist traditions of social philosophy.

6.6 Predominance of Nation-States

This chapter concludes by presenting a summary of the dynamics of Western European integration and its industrial relations developments from the 1950's to the beginning of the 1980's. These dynamics are summarized in Figure 6.1, in which structural, political and economic preconditions of political integration are placed in the left-hand column and the following columns depict the evolution of Western European political organizations, industrial relations organizations, legislation and politico-economic programmes. The last, right-hand, column describes the actual state of affairs in industrial relations (abbreviated in the figure as “IR”). Arrows drawn in the figure show causal directions. For the sake of clarity, Figure 6.1 includes only the main factors that have affected evolution of Western European industrial relations. For instance, capital’s and labour’s branch-level organizing is omitted from the figure.

When considering preconditions for Western European integration after the Second World War, a crucial factor was that the United States supported Western European integration because it needed a stronger alliance against the Soviet Union. The role of the United States was important in giving birth to the ECSC, but in the case of the EEC it did not play such an important role any more (Loth 1991). Also, since the beginnings of political integration, the Cold War division of Europe had supported Western European integration. Therefore, the idea that ECSC and EEC integration secured European peace after the Second World War is somewhat poorly established because after the war hostilities between Western European powers were rapidly replaced by the Cold
War. Also the strategic importance of coal and steel sectors were losing their importance thanks to increasing the usage of oil and atomic energy. On the military front, atomic weapons partially replaced the earlier strategic role played by the steel sector. Hence in many respects, the ECSC succeeded in resolving problems that were rapidly becoming outdated (see Gillingham 1991, 372).

It is especially difficult to assess how much economic integration (trade and movements of capital) and European communal socialization influenced the dynamics of integration. It appears, however, that increasing European and global economic integration, which are measured in the next chapter, gradually changed the bases of economic interests towards a more internationalized direction. From the 1950's to the beginning of the 1980's, the increase of economic integration was quite gradual, whereas radical changes in direct investments and other international capital investments took place only in the 1980's and especially in the 1990's. This latter period of time is analysed in the chapters eight and nine. It is also conceivable that European symbols and diverse forms of communal socialization had at least some significance.

Which factors, then, explain the fact that industrial relations parties were included in the ECSC in the beginning? First, after the Second World War it was generally thought that economic planning was
needed to ensure full employment and economic growth and that this called for the participation of both organized labour and capital (Wee 1987, 32-36; Simon 1980, 92). For instance, the “founding fathers” of the ECSC were also in favour of politically regulated capitalism (Milward
2000, Chapter 6). Secondly, the development of national corporatist relations in the member countries of the ECSC/EEC (see Chapter 5) and especially in Western Germany, formed an important structural precondition for such intentional actions as the establishing of consultative committees in the ECSC/EEC. Thirdly, apparently the spread of Socialist order into “Eastern” European countries created systemic pressures for improved economic democracy within the Western camp.

The fundamental dynamics of Western European industrial relations clearly stemmed from the organizational evolution of the ECSC/EEC, which led to the expansion of capital’s regulative organs and the unification of European labour (UNICE, COPA, CEEP, ETUC, UEAPME). Also the ECSC/EEC legislation and programmes affected these developments strongly. A telling example in this respect was the signing of the first collective branch-level agreement in agriculture (1968). A decisive precondition for this agreement was the establishment of the Common Agricultural Policy (1962). The Commission and several labour unions were especially active initiators of European industrial relations from the 1950's to the 1970's, whereas national governments were much more reluctant and capital opposed transnational industrial relations. At least three attempts to initiate European-level industrial relations were made during this period of time. They all failed, but the recurrent attempts to establish Western European industrial relations show that an interest in the regulation of capitalism through industrial relations parties belonged to the regulative traditions of European capitalism.

In the 1970's, governments also showed increasing interest in European regulation of the economy and labour markets. Why then did the attempt at Euro-corporatism fail in the 1970's? Wolfgang Streeck and Philippe Schmitter (Streeck & Schmitter [1994] 1998, 140-147) have maintained that the main reason for this failure was that there existed no structural preconditions for Euro-corporatism:

First, even though labour had succeeded in establishing a transnational organization for the Western European level in 1973 (ETUC), it was still weakly organized. Secondly, capital’s employer organizations were also weak and they had refused to contribute to a transfer of social policy matters from the national level to the Western
European level. Thirdly, the EC stressed intergovernmental cooperation rather than the development of transnational statehood, which could have served as a counterpart to capital and labour at the Western European level. Lastly, the attempted Euro-corporatism failed because of the economic crisis after 1973. Instead trying to solve economic problems with the European regulation of capitalism, national governments retreated back to national policies aimed at tackling economic problems. Also the Commission’s proposed directives concerning a European company statute and consultation and information in trans-European firms failed due to capital’s resistance.

Despite the failure of Euro-corporatism in the 1970's, in the late 1970's several directives that gave protection to workers were promulgated. Thus, even the late 1970's cannot be regarded as having been at a total standstill in the realm of regulation of labour markets.

In summary, effective industrial relations as a part of the regulative machinery of European capitalism were not realised during the first three decades of ECSC/EEC integration and nation-states retained their primacy as regulators of the economy and labour markets. This was especially clear when considering what happened in the late 1970's. It is, however, important to note that the weak developments realised gave birth to structures (organizations and legislation) and policy themes that were to constitute structural preconditions for industrial relations developments in the coming decades. These are examined in chapters eight and nine after economic integration is investigated in the next chapter.
This section examines three of the EEC/EU’s “four freedoms”: the movements of goods, services and capital, but leaves aside the fourth freedom, the movements of people. In relation to the totality of national economies and labour markets, the movements of people are a less important form of economic integration than trade or the movements of capital. Because of this, and to limit the size of this study, I have chosen not to examine the movements of people.

7 Economic Integration Changes Bases of Interests

The previous chapter concentrated on the politics of integration and on fragments of communal socialization. This chapter deals with economic integration by measuring the quantity of foreign trade, foreign direct investments and other international investments. Thus, the approach adopted here resembles that of transaction analysis, which was introduced in section 3.1 on theories of political integration. From the point of view of regulation of the economy, it is essential to strive to define in what way shifting modes of economic integration affect various actors of European integration. Obviously, changing modes of economic integration modify the bases of interests of several actors (see Figure 2.1 on the dynamics of actions based on interests). Because firms, that is, their management manage international economic transactions in the first place, in this chapter the analysis of bases of interests and interest-based actions concentrates on capital’s perspective.

7.1 Capital’s Diversified Interests on Intentional Regulation

In order to understand capital’s positions in relation to economic integration, it is necessary to separate different forms of capital from each other. This is so because diverse forms of capital have diverging interests relating to intentional regulation. Capital has been divided into numerous subcategories (see, for example, van Apeldoorn 1999, 41-42); but I am settling here for a threefold classification of productive, finance and fictive capital.

First, the modus operandi of the most fundamental form of capital, “productive capital”, has already been described in section 3.1.

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1 This section examines three of the EEC/EU’s “four freedoms”: the movements of goods, services and capital, but leaves aside the fourth freedom, the movements of people. In relation to the totality of national economies and labour markets, the movements of people are a less important form of economic integration than trade or the movements of capital. Because of this, and to limit the size of this study, I have chosen not to examine the movements of people.
on regulation of the economy. Because only productive capital is able to bring about material profits from unpaid work, productive capital is the most fundamental form of capital on which the profits of other forms of capital are dependent.

Secondly, “finance capital” was given birth (see Hilferding [1924] 1955; Kosonen 1994b, 108) when the financing of productive capital was increasingly concentrated in hands of banks that collected money from diverse sources and lent this money to joint stock companies which used it to finance their expanding activities. In the course of time, banks and industries became mutually dependent on each other and they formed groupings of financial organizations and industries. Important phenomena in these groupings have been personal relations1 and networks of power between owners and managers of large banks, companies, diverse economic groupings and political actors. Examples of such networks are interlocking directorships of large companies, that is, the fact that leading business managers often take part in managing several companies at the same time (see van Apeldoorn 1999, 169). Because élite networks are very important for intentional regulation of socio-economic relations, they have been studied whenever political and ideological framework conditions have allowed such an inspection of élite actions (see, for example, Bottomore & Brym 1989). In public debate, the existence, or presumed existence, of such networks provides grounds for resurgent suspicions concerning a conspiracy between big capital, diverse state actors and political parties.

Development of centralized, nationally based finance capital led to a significant policy change (Hilferding [1924] 1955, 502-506): finance capital replaced the old ideology of liberal capitalism with ideas of “national competitiveness”, imperialism and diverse forms of (neo)colonialism in the late nineteenth and twentieth century (see also Figure 5.2 on the role of international relations in the reproduction of national regulative systems). All these policy forms aim at strengthening positions of national capital in relation to other national capitals. Historically, diverse regulative measures have been used. These methods

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1 Rudolf Hilferding ([1924] 1955, 161) calls these relations “personal unions” in his classic book on finance capital (Das Finanzkapital), which is used as the main source in the following pages.
include, among others, customs and other kinds of trade barriers, military interventions, state-sponsored investments, monetary policy measures such as devaluations and the most recently, policies that aim at strengthening the “human” and “social” capital of state-societies. All in all, the concentration of capital has constituted a crucial structural precondition for regulative traditions and industrial relations in European capitalism (see Hilferding [1924] 1955, 536-551 and section 5.2 on the role of competitiveness in the regulative traditions of European capitalism).

Thirdly, the creation of “fictive capital” is based on the development of finance capital, which is reflected in an increasing quantity of diverse securities.¹ Enlarging finance capital led directly to an increasing amount of tradeable stocks because large firms tend to be joint stock companies. Stocks and other securities are traded in stock exchanges and elsewhere in the form of fictive capital. The difference between the buying prices and selling prices of these securities constitutes the profits of fictive capital. This type of capital is called “fictive” because, unlike in the cases of productive and finance capital, its profits are not based on a real material surplus but on the difference between the selling and buying prices of diverse securities (see Hilferding [1924] 1955, 142-147). In order to gain a reasonable absolute amount of profit, representatives of fictive capital need to have a large amount of tradeable securities and they are therefore interested in transforming the economic value of productive capital into securities. Hence, the recurrent advice to firms to issue stocks in stock exchanges.

Because of their differing structural positions, the above described subcategories of capital have different kinds of interests in the intentional regulation of the economy and labour markets: Depending on its position in the economy, productive capital may or may not have an interest in regulation. In some cases, regulation may enhance profits, but in some cases it may harm them. Finance capital, on the other hand, consists of a large mass of united and networked singular capitalists.

¹ In present days these include a wide range of different kinds of securities such as shares, bills, bonds, certificates of deposit, commercial papers, debentures and tradable financial derivates (Commission of the European Communities (Eurostat) & International Monetary Fund & Organisation for Economic Co-operation and Development & United Nations & World Bank 1993, 254).
These have a substantially stronger interest in regulation because the larger the concentration of capital, the more representatives of that capital tend to assume a macroeconomic point of view. From a macroeconomic point of view, it is understandable that profits can be ensured by appropriate regulation of macroeconomic conditions such as demand for goods and services, trade policy, wages and conditions of work, technical standards and the like. However, the situation looks quite different from the point of view of fictive capital, because its profits are based on the speculative selling and buying of securities, and hence stability created by regulation would harm its profits. Thus, of all types of capital, the fictive capital has the weakest interest on intentional regulation of capitalism.

It should be noted that these three forms of capital are not necessarily separate persons or firms, but rather the same persons and firms may assume different roles or functions simultaneously. For instance, a firm may be active as a producer of goods at the same time as its leaders are engaged in networks of finance capital and speculate in securities in stock exchanges. This observation applies also to stock exchanges, which may assume the functions of speculative marketplaces and/or the long-term functions of financing institutions. In this way the same individuals, firms, networks and organizations of capital may assume contradicting roles and functions.

Now, in order to assess the strength of different types of capital in EEC/EU integration, this strength has to be measured. Although statistics of national accounts do not use the above kinds of categories, a few overlapping indicators can be found:

- Integration of productive capital is measured here in terms of foreign trade and foreign direct investments. Foreign direct investments (FDI’s) are investments that seek to gain substantial influence in the firm in which they are invested. Hence, they are a good measure of the integration of production.
- The integration of finance capital is studied via foreign direct investments and other investments that aim to create tight relations between firms in different countries.
- The integration of fictive capital is reflected in figures measuring international ownership of all kinds of foreign investments other than foreign direct investments.
The above presented overlapping forms of capital and their statistical indicators are summarized in Figure 7.1. These indicators are examined in the following section starting with the sum of exports and imports.

**Figure 7.1 Overlapping types of capital and measures of their international integration**

Note: these types of capital may refer to persons, organizations or functions.

### 7.2 Changing Modes of Economic Integration

In the following table (Table 7.1), the integration of productive and finance capital is measured as the sum of exports and imports as percent of gross domestic product (GDP). This is probably the most common measure of international economic integration. These figures reflect both the trade of goods and the trade of services. In order to stress structural tendencies the data has been aggregated into five-year periodic means.
Table 7.1 Exports and imports, 1956-2000 (exports and imports as % of GDP, periodic means)

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According to Table 7.1, the integration of productive and finance capital has been substantially strengthened from the 1950's to the 1990's. In the period of 1956-1960 the mean percent share of exports and imports of gross domestic product ranged from 14% (Spain) to 86% (Norway), whereas for the period 1996-2000 these figures were between 49% (Greece) and 158% (Ireland). The only exception to this general tendency was Norway, whose GDP share of exports and imports decreased from over 80% to about 70%. With regard to the politics of EEC/EU integration, it was important that this general tendency was also actualized in the large national economies of France, Italy and Spain. It is worth noting that of the large countries, Germany and the United Kingdom have had more internationalized economies. In general, differences between national economies can be largely explained by the size and geographical position of a country: small and centrally situated
countries are economically more integrated than other national economies.

However, when investigating Western European integration it is essential to measure how large a share of trade integration is concentrated within the EEC/EU. This is done in the next table (Table 7.2), which depicts the magnitude of exports and imports with EEC/EU member countries. Unlike in the previous table, the data in this table includes only the trade of goods and excludes the trade of services. This is a regrettable omission because the trade of services has become more important in recent decades (see United Nations & European Commission & International Monetary Fund & OECD & United Nations Conference on Trade and Development & World Trade Organization 2002, 1). Because of the missing data of the service trade, foreign trade data in this table underestimates the magnitude of the EEC/EU’s inner trade.

Table 7.2 Exports and imports with EEC/EU, 1965-1997 (as % of GDP, periodic means)

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Sources: OECD 2002b.
Table 7.2 shows that the intra-EEC/EU trade has grown in almost all EU member countries. Only in the cases of Greece, Germany and the Netherlands have there been decreasing shares of trade with EU member countries (during the 1990's) and even these decreases have not been substantial. Large sudden increases of intra EC/EU trade, such as in the cases of Ireland and the United Kingdom in the middle of the 1970's are due to the EC/EU enlargement. When countries that had a lot of trade with each other joined the EC/EU, the share of their trade with EC/EU rose quite suddenly. This can be clearly observed in the case of the Nordic semiperiphery. After the UK and Denmark joined the EC in 1973, the share of Denmark’s, Norway’s and Sweden’s trade with the EC rose substantially. The same kind of shift in figures can be observed in the late 1990's after Sweden and Finland joined the EU in 1995.

These considerations reveal that Table 7.2 is in fact constructed in a way which is unorthodox in comparative research. Normally, when comparing state-societies with each other, the basis for counting statistics remains the same in order to ensure that columns can be compared with each other. Yet, when computing the results underlying Table 7.2, I changed the group of countries included in the EC/EU according to expanding EEC/EU borders. For example, for the years 1965-1972 exports and imports figures include the original six EEC member states, for the years 1973-1981 the Six and the UK, Ireland and Denmark and so on. In this way it is possible to pinpoint how EC/EU enlargements have contributed to its increased economic importance for Western European national economies. In other words, Table 7.2 reflects the actual weight of the foreign trade with the EEC/EU during certain periods of time.

The findings of Tables 7.1 and 7.2 can be summarized by stating that the international integration of productive and finance capital has substantially increased during the last forty years and that an increasing share of this type of economic integration has occurred within the enlarging EC/EU (see also Fligstein & Merand 2002, 13-14; Widgrén 2001, 57).

A second indicator of economic integration, assesses the integration of productive and finance capital by measuring how large the total stock of foreign direct investment in relation to the gross domestic product is. Because foreign direct investments are defined as investments which seek to gain “a significant influence” and to have “a lasting
interest in an enterprise of another economy”, they establish long-term
relations between firms doing the investing and the firms being invested
in. In fact, most direct investment companies are branches or subsidiaries
of a single investor or a group (Commission of the European
Communities (Eurostat) & International Monetary Fund & Organisation
for Economic Co-operation and Development & United Nations &
Moreover a large share of foreign direct investments are realized through
mergers and acquisitions between firms (Thomsen & Woolcock 1993,
22; Eurostat 2002, 45). Therefore to a considerable extend, increasing
European foreign direct investments also reflect the centralization of the
structure of European firms.

In order to observe structural tendencies in the transnational
integration of capital, Table 7.3 presents the stock of all inward and
outward foreign direct investments as percentages of GDP from 1971 to
2000.¹

According to Table 7.3, the total stock of inward and outward
foreign direct investments has increased substantially in all Western
European countries (Greece, Ireland and Norway are omitted from this
table due to an absence of data). It is not very surprising that the small
open economies of Switzerland, the Netherlands, Belgium and Sweden
receive the highest values in this table. It is however, noteworthy that the
United Kingdom and France also receive high values. The most marked
increase took place during the late 1990’s. But has this step-up of the
integration of productive and finance capital meant the Europeanization
or globalization of production? This issue is examined in the next table
(Table 7.4), which depicts the EEC/EU directed share of foreign direct
investments as the percent of gross domestic product.

Before examining Table 7.4, however, a few words of warning
are needed. The figures presented in Table 7.4 represent crude
estimations rather than precise information. This is so because in order
to compute the figures, the values of national currencies had to be
changed into US dollars. Therefore, exchange rate changes have

¹ Short term fluctuations that are marked in the case of foreign direct invest-
ments could have been measured by flows of foreign direct investments.
influenced the final figures. Secondly in many cases, the information on inward and outward

Table 7.3 Foreign direct investments, 1971-2000 (stock of all foreign direct investments as % of GDP, periodic means)

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*a The mean is based on data from either one or two years.


foreign direct investment did not contain data concerning certain national economies. Especially information concerning direct investments relating to Spain, Greece, Austria, Portugal and Ireland were often missing. Thus, the figures presented in Table 7.4 underestimate rather than overestimate foreign direct investment connections between the EC/EU economies. In this respect estimations for Germany, France, the Netherlands and Denmark are the most precise because their figures did not contain missing data. Thirdly, due to the missing data it was not possible to count periodic averages. Also, due to the lack of data it was not always possible to choose comparative information from the same years. For this reason, the observation years are presented in Table 7.4 as periods of time within which the measurements took place.
Table 7.4 Estimated stock of foreign direct investments with the EC/EU member countries, 1984-2000 (% of GDP)

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<td>Netherlands</td>
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<td><strong>Nordic semiperiphery</strong></td>
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<td>Norway</td>
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<td>27</td>
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Sources: OECD 2002c; IMF 2002 (GDP in dollars).

Table 7.4 tells a story that follows the lines of Table 7.3: Inward and outward stock of foreign investments in the EC/EU have increased in all Western European countries included in this table (Spain, Ireland and Belgium are excluded because of missing information) and a great deal of this increase took place in the latter half of the 1990's (see also Eurostat 2002, 45). However in relative terms, a comparison of Tables 7.3 and 7.4 reveals that in the late 1990's global, that is, extra-EU direct investments, grew more than investments within the EU. The difference between global and EU-directed investments changed from about 1995 to 2000 as follows (difference as % of GDP):

- Switzerland: +16
- Germany: +8
- Austria: +3
- Netherlands: +15
- United Kingdom: +15
- Denmark: +7
- Italy: +5
- Sweden: -5
- France: +55
- Finland: -3
Only in Sweden and Finland did direct investments to the EU grow more than global investments. Hence, it can be concluded that Western European productive and finance capital has become increasingly integrated by means of foreign direct investments and that this integration gained strength especially in the 1990's. Yet, a great deal of this integration was globally oriented (compare Fligstein & Merand 2002, 17-20).

A third indicator of capital’s integration examined in this section consists of all types of investments other than foreign direct investments. These investments include securities such as bonds and shares (see Commission of the European Communities (Eurostat) & International Monetary Fund & OECD & United Nations & World Bank 1993, 254-255; Hilferding [1924] 1955, 179). Table 7.5 displays the percent share of the stock of these investments of the gross domestic product in Western Europe from 1971 to 2000.

Again, a sizeable increase in economic integration can be detected and this measure reaches considerably higher values than the other measures of economic integration examined in this section. Especially high levels of integration of international investments can be measured in the United Kingdom and Switzerland. This seems to be an understandable result because the financial sector has traditionally played an important role in these national economies (on Britain see van Apeldoorn 1999, 117). It seems also understandable that in many small national economies, stock of inward and outward international investments has been relatively large. However, in absolute terms it is more important that the same increasing tendency can be observed in large countries such as the United Kingdom, Italy, France and Germany. Unfortunately, it was not possible to obtain information on the European or global direction of these investments. Hence, on the basis of these figures it is not possible to assess the relations between European and global economic integration.

The above portrayed measures of economic integration can be summarized by stating that in recent decades economic integration has increased considerably. In addition to traditional international trade, foreign direct investments and other investments have also increased a great deal, especially in the 1990's. In particular, the amount of
Table 7.5 International investments, 1971-2000 (stock of all international investments excluding foreign direct investments as % of GDP, periodic means)

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<td>Greece</td>
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<td>Italy</td>
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a The mean is based on data from either one or two years.


Investments other than direct investments exploded in the 1990’s. A considerable amount of this increasing economic integration took place within the enlarging EC/EU.

Another way of summarizing recent developments is to add national time-series to each other and present these figures in a graphic form. Figure 7.2 displays the sum of global imports and exports, foreign direct investments and other international investment in a graphic form. Due to missing data, this figure includes only information from 1983 to 1999 and only ten Western European countries are included (Switzerland, Austria, Spain, the United Kingdom, Italy, Germany, Belgium, the Netherlands, Sweden and Finland). It should be noted, however, that in year 2000 these countries comprised 76% of Western Europe’s population of and gross domestic product (see Table 1.1). Hence, Figure 7.2 is based on quite representative data.
Figure 7.2 Summary of measures of economic integration, 1983-1999 (% of GDP)


From this figure, it is easy to detect how dramatic the increase of international investments had been in the 1990's. Also stock of direct investments more than doubled during the 1980's and the 1990's.

Nevertheless, one has to interpret Figure 7.2 with reservations once certain factors have been taken into account. First, imports and exports have been portrayed as flows, whereas diverse investments have been presented as stock. This way of measuring economic integration underestimates the importance of trade vis-à-vis investments. Measuring stock of all traded goods and services would most likely generate a figure that is comparable with the stock of all investments. Secondly, unlike international investments other than direct investments, imports and exports are substantially important because they measure movements of
material goods and services — not just monetary values. Thirdly, an increasing value of stock of investments does not necessarily reflect increasing investments; it may also reflect increasing prices of diverse securities. Especially in the late 1990's and by the turn of the millennium, a great deal of increase in the sum of investments resulted from increasing nominal prices of securities (Conert 1998, 400-401; Bank for International Settlements 2002, 106). Nevertheless, these qualifications do not indicate that the results in Figure 7.2 should be neglected. Substantial changes have indeed taken place. Yet, a certain caution is needed when interpreting the long-term (structural) consequences of these changes.

Reservations notwithstanding, the above analysis shows that Western European economic integration has strengthened considerably in recent decades. But what implications has this economic integration to the regulation of the European economy and labour markets? How do changes in economic bases of interests affect the diverse actors of integration?

Applying the concepts of productive, finance and fictive capital’s diverse interests in intentional action presented in the beginning of this section, results in the following kinds of controversial conclusions:

- Increasing foreign trade may add to capital’s interest in transnational regulation because by means of intentional regulation realisation of profits can be safeguarded. However, certain firms and branches of economic activity (industries) may find that intentional regulation is against their interests. Also, the timing of developments affects capital’s stance. Newly opened international markets are difficult to regulate because they lack institutionalized forms of cooperation and established divisions of market shares. Hence, it seems sensible to assume that whenever structures of markets change radically, it takes time to establish new forms of intentional regulation.

- The strengthening of integration of finance capital and the corresponding centralization of business structures (measured here mostly by foreign direct investments) may well increase interest in regulation.

- Massively increased international investments seem to have an effect in the opposite direction. As far as these investments represent fictive capital, they create a strong basis of interest
among those actors that oppose all kinds of regulation of capitalism (including also capital’s own informal means of intentional regulation). However, at least a part of these investments are presumably not of a speculative nature and therefore all international investments cannot be interpreted as forming basis for interests that are hostile towards intentional regulation of the economy.

The above described changing objective bases of interests do not necessarily lead mechanically to certain kinds of actions or opinions, but rather objective changes have to be subjectively interpreted. Hence, a multitude of mediating factors affect the subjective interpretation of changed bases of interests. Firms and branches of economic activity find themselves in differing structural positions that change in the course of time. Depending on their different positions, they assume different policy lines. At the national and the EC/EU level, the modes of capital’s organization, ideological currents, activities of organized labour as well as government policies affect capital’s policy line.

From the point of view of the regulation and reproduction of existing social order, it is interesting to note that in recent times international direct investments as well as international trade in services have attracted increasing interest among transnational regulative organizations, including the EU. An earlier lack of interest can be inferred from the fact that published data on foreign direct investment is much more limited than that on foreign trade statistics (compare time-series in Tables 7.1-7.2 and 7.3-7.5).

Increasing interest is reflected in the creation of international statistical standards and the collection of data concerning direct investments and trade of services. As pointed out in section 3.5 on the role of the social sciences in the reproduction of social order, this kind of data is used while regulating a socio-economic configuration. For example, a global standard manual for measuring international trade in services explains that (United Nations & European Commission & International Monetary Fund & OECD & United Nations Conference on Trade and Development & World Trade Organization 2002, 3):

“The Manual has been prepared to address the needs of a variety of producers and users of statistics on international trade in
services. While it is primarily a guide for statistical compilers, it is also a useful tool for Governments and international organizations that use statistical information in connection with international negotiations on trade in services. Furthermore, it can aid businesses and others that need to assess developments in international services markets.”

From the point of view of the chapter at hand, it is interesting to note that in the above citation, the list of regulative actors includes not only governments and international organizations (such as the EU) but also private business actors.
8 Deepening and Widening Integration

8.1 Breakthrough to Industrial Relations

After the previous chapter’s excursion into the developments of economic integration, let us move back to the history of political integration which was examined until the late 1970's in chapter six.

In the beginning of the 1980's, the state of European integration seemed to be very weak. Member states concentrated on fighting economic difficulties and unemployment by national means and showed limited interest in Western European cooperation. It was claimed that Western Europe was in a condition of “Eurosceloris”, meaning that political and corporatist regulation and a lack of economic competition was hindering economic growth and the fight against unemployment (see tables 5.3 on unemployment and 4.6 on the falling profits of capital). (Dølvik 1997, 60-61, Petersen 1995, 51.)

This stagnated state of European integration, however, was to change quickly (Petersen 1995, 51; Dølvik 1997, 61). Already in 1983, the European Council signed a “Solemn Declaration on European Union”, though the core of the revival of EC integration consisted of completing the internal market and not of a large-scale vision of political integration. In 1985 on the basis of the European Council’s initiative the Commission introduced a detailed plan for the completion of the EC’s internal market. According to the EEC’s founding treaty, this should have been done already by 1970-1973, but in this respect the treaty had never been implemented (see Treaty establishing European Economic..., Articles 8, 48, 52, 59, 67). Hence, in its plan (see Commission... 1985) on completing the internal market the Commission proposed 279 different measures aimed at removing physical, technical and fiscal barriers to the movements of people, goods, services and capital.

The Commission’s programme was a market liberal one, but it gave rise to negotiations between EC member states which led to an agreement amending the founding treaties of the EC and this new treaty included additions to a pure market project. The Single European Act (signed 1986, in force 1987) included simplifying the EC’s decision making rules, changes in foreign exchange, regional, research and
development policies. In addition foreign, environmental and social policies were modified (Nyström 2002, 57). The Single European Act stipulated that the internal market should be realised by the end of the year 1992.

The reason for including elements of social policy in the Single European Act was that in order to win broad enough support for relaunching EC integration, some concessions had to be made to political forces that wanted to add elements of social policy to the EC. For example, the ETUC supported the internal market but stated (1985) also that “the creation of a large internal market must be accompanied by the achievement of a European social dimension” (Petersen 1995, 52). In other words, the Single European Act was, like the previous agreements, a “package deal” that sought to create united Western European markets via political regulations but also included some elements of social protection (Petersen 1995, 51; Dølvik 1997, 61). Hence, for instance, the poorer Mediterranean member-states, Portugal and Spain, which joined the EC in 1986, were given concessions concerning the reform of structural funds designed to reduce regional discrepancies and supporters of “social Europe” received qualified majority voting in the field of “the working environment” (Article 118a in amended Treaty establishing the European Economic...) and the Commission was obliged to promote industrial relations between organized capital and labour (Treaty establishing the European Economic..., Article 118b):

“The Commission shall endeavour to develop the dialogue between management and labour at European level which could, if the two sides consider it desirable, lead to relations based on agreement.”

Simultaneous with the above described revival of politico-economic integration, a development orchestrated by the Commission brought capital and labour back to the negotiating table. In 1984, the Council had introduced a new social action programme aimed at tackling such issues as unemployment and safety at work as well as establishing a more intensive dialogue between labour and capital at the European level (Blanpain & Engels 1997, 128). In 1985, the Commission got a new president, Jacques Delors, a former labour unionist and French minister,
who was inspired by the French Socialist government’s idea of creating a “European Social Area”. After taking office, Delors initiated negotiations between UNICE, CEEP and the ETUC. However, at least in the short run, these negotiations were not supposed to lead to collective agreements. Instead, Delors aimed at a concerted corporatist policy in which EC legislation would be based on agreements emerging from “social dialogue” rather than relying on detailed Commission proposals. The aim was to enhance the legitimacy and practical feasibility of EC social policy by replacing the previous “monolithic harmonisation” approach of the Commission, and nurturing a Western European kind of “social partnership”. (Dølvik 1997, 119-120.)

This “social dialogue” among the EC-level industrial relations actors produced seven “Joint Opinions” on diverse issues between 1986 and 1991 (see Table 8.2 on EC/EU-level joint papers and agreements). These joint opinions dealt mostly with a few general objectives on the regulation of the economy and labour markets and they did not include core issues of capital’s and labour relationships, such as working time or wages. They possessed no binding character and remained largely unknown even to peak representatives of national labour unions. (Dølvik 1997, 185.)

Even though the joint opinions did not have a binding character, their production proved to be a significant sequence of events in other respects. First, these talks brought organized capital and labour back to the negotiating table after the break-up of the late 1970’s (see section 4.1). That this was not an easy task is demonstrated by the fact that talks broke down in 1988 because of disagreement between the parties. Thanks to Jacques Delor’s activity, however, they were re-opened in 1989 (Dølvik 1997, 184). Moreover, the fact that negotiations were not open to the media and that only a limited number of persons took part in them served to promote the attainment of a consensus. Secondly, it seems reasonable to assume that the process of negotiating on joint opinions contributed to the institutionalization of tripartite relations vis-à-vis the Commission, European labour and capital. In other words, the more the parties were engaged in common discussion, the less likely a disruption

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1 Also called as the “Val Duchesse” talks according to the name of a palace near Brussels where the negotiations took place (Petersen 1995, 70).
of negotiations relations was. Thus more institutionalized relations give less room for exiting from them than did casual interactions. In 1989, this process of institutionalizing was strengthened as Delors initiated a tripartite Political Steering Group for discussions. (Petersen 1995, 70-75.) Lastly, the contents of the joint opinions are also interesting because they reveal the smallest common denominator of capital and labour: both sides of the labour market share a productivistic ideology which includes class compromise and a consumeristic world-view. This productivistic ideology was to play a much more significant role during the 1990's (see section 9.1).

At the same time when these modest industrial relations developments were taking place, further integration initiatives were set up to lead to much deeper economic and political integration (see Nugent 1999, 59-63). As a part of the new bargaining between diverse politico-economic forces, the “social dimension” of integration also gained importance. The 1989 Madrid European Council reached conclusions on an economic and monetary union, but at the same time emphasized a need for a “balance” to be struck between the social and economic aspects of the Single Market (the same phrase was announced in 1972). In 1989, eleven member states of the EC adopted the Charter of Fundamental Social Rights of Workers, which was based on the article 117 of the EC treaty. The fact that the charter concerns workers and not all citizens, reflects the central role that industrial relations parties and the capitalist production has been playing in Western European integration. However, Britain opted out of the charter because its Conservative government, and especially the prime minister Margaret Thatcher, resisted the Charter, which represented to her “socialism through the back door” and pure “Marxism” (Petersen 1995, 65). The Commission in turn prepared a Social Action Programme, which was based on this Charter and Delors reopened the social dialogue that had ceased in 1988. (Blanpain & Engels 1997, 129, 133).

In 1990, the European Council decided that two Intergovernmental Conferences (IGC) were to be held to foster politico-economic integration. Once again on this occasion, the Council stated that social aspects of integration should be given the same emphasis as had been attributed to the economic aspects of integration. These Conferences were to negotiate on political and monetary union and they were to lead
to a new treaty which would amend the existing founding treaty of the European Communities. Again, as a part of advancing political integration, the Commission invited Western European employers and employees to make their contribution to ongoing negotiations on a renewing founding treaty. (Petersen 1995, 89-90.)

Negotiations between the EC-level labour (ETUC) and capital (UNICE; CEEP) ran parallel to intergovernmental negotiations which were preparing new amendments to the founding treaty of the EC. In the previous decades, UNICE’s opposition to EC-level industrial relations had been successful, but at this time pressure from the Commission, the ETUC and the majority of the governments negotiating the founding treaty amendments forced UNICE to agree on a role for European labour and capital when developing the Community’s social policies. A new understanding concerning capital’s and labour’s roles in the Community social legislation was formalized as an agreement between UNICE, the ETUC and CEEP.

According to the agreement “UNICE, the ETUC and CEEP Joint Proposal of the Draft Treaty for European Political Union” (October 1991), in cases in which labour market parties come to an agreed solution on new EC social legislation, they can pass the details of their agreement to the Commission, which is then able to make a proposal for new legislation based on the negotiated solution. This agreement was subsequently included within the “social protocol” of the Maastricht Treaty (signed in 1992), which established the European Union (EU) in November 1993. The social protocol was not included in the core text of Maastricht Treaty because, as in the case the Charter of Fundamental Social Rights of Workers, the British Conservative government refused to sign the social provisions agreed by UNICE, CEEP and the ETUC. (Blanpain & Engels 1997, 134, 429; Nyström 2002, 83-84.)

The developments described above marked a breakthrough in the EU-level industrial relations: from 1993 onwards, it has been legally possible to conclude agreements between organized Western European capital and labour and to later include these agreements within the EC legislation. This inclusion requires that the EC’s legislative machinery (the Commission, the Council of Ministers and the European Parliament) accepts the proposal. This arrangement transformed, in fact, organized capital and labour into legislative actors of the EC. This looks a bit
unconstitutional at the first glance, but it has not been uncommon in Western Europe that labour market parties have, de facto, taken part in legislative processes.

Since opposing binding EC legislation and negotiations with labour has been one of the cornerstones of UNICE’s policy for a long time, one cannot help but wonder why UNICE changed its stance in 1991. Several factors seem to have influenced UNICE (see Jensen 1998, 422-429). First, the Commission played a decisive role by initiating and pushing, together with the ETUC and CEEP, the initiative against UNICE opposition. As can be recalled from previous developments, the Commission had also earlier been an active initiator in this field. Apparently, the Commission, or at least parts of it, have assumed an ideology which gives to labour market parties an important role in regulating the economy and labour markets. It is evident that had the Commission not played such an active role, the labour market parties would not have signed an agreement. Secondly, the EC’s member governments were keen on enhancing integration (the internal market project, EMU project); this gave additional support to integrative actions within industrial relations. Lastly, even if the ETUC and CEEP on their own had been too weak to press UNICE into an agreement, pressure on their part as well contributed to the final result.

Now, recalling the decisive structural role that national class compromises have played in industrial relations at the national level, it would be tempting to interpret the October 1991 agreement as a class compromise at the transnational Western European level. Indeed, such correspondence might be postulated. Nevertheless, crucial structural differences remain (see also Dølvik 1997, 149-150): First, Western European national modes of regulating the economy and labour market served as ready-made models for regulative ideas at the transnational level. At the time when the first national class compromises were made, such models were largely non-existent. Secondly, European transnational industrial relations were initiated by transnational organizations (especially by the Commission), they were not a result of class conflict and class compromise, but rather they were based on established (Fordist) national regimes of accumulation (see Chapters 4 and 5).

In order to be able to situate social policy and industrial relations developments in the broader framework of advancing Western European
integration, it is necessary to consider the overall structure of the European Union created by the Maastricht Treaty, which established an EU which consists of three parts, or “pillars”, as they are generally called (Nugent 1999, 70-75):

- The first pillar of the treaty, and the most important part of the Union, is the European Community, whose legislation largely remained in effect. Two new principles, however, were added to the EC treaty. First, the “principle of subsidiarity” stipulates that the Community “shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of proposed action cannot be sufficiently achieved by the Member States...” (Article 3b). Secondly, a new, albeit mainly symbolic, Union citizenship was established. The EC’s transnational powers were strengthened by allowing the Council of Ministers to take a wider range of decisions on the basis of qualified majority voting, by giving some additional powers to the European Parliament and by giving the Court of Justice the power to impose fines on member states. From the point of view of the regulation of the economy and labour markets, the most important policy change in the Maastricht Treaty was that the main features of the European Economic Union (EMU) along with basic principles of a European System of Central Banks (ESCB) and a European Central Bank (ECB) were defined in the treaty. The EMU programme was set up to lead to a common currency for the European Union.

- The second pillar includes a Common Foreign and Security Policy (CFSP). The treaty states that “the Union and its Member States shall define and implement a common foreign and security policy ... covering all areas of foreign and security policy” (Article J.1). This opens up possibility of future military cooperation.

- The third pillar establishes “cooperation in the fields of justice and home affairs”. This refers to development of common boarder controls regarding asylum seekers, immigrants, terrorists and smugglers. Also inner judicial cooperation in civil and criminal matters as well as customs cooperation were included in the treaty (Article K.1).

In the more limited realm of social policies and industrial relations, the most important additions to the EU treaty included an extension of the social competencies of the Community, enlarging the possibilities for decision-making using qualified majority voting and the already
mentioned stronger legal basis for European collective agreements. The 1989 the Charter of the Fundamental Social Rights of Workers was used as a basis for these new norms (Blanpain & Engels 1997, 93). However, because Britain remained outside of the social protocol, it applied only to eleven of the EU’s twelve member-states.

As can be seen from the above, the European Union has possessed more statehood that the EC — albeit a great deal of this statehood had a programmatic character in pillars two and three of the Treaty on European Union. From the point of view of regulation the economy and labour markets, the most important addition to the EC treaty was the introduction of the programme for the Economic and Monetary Union (EMU).

In summary, the Single European Act (1987), the Treaty on European Union (1993) and the social policy agreement attached to the EU Treaty deepened Western European integration. At the same time, the EC/EU was also widening as the EC and EFTA started formal negotiations for the creation of the European Economic Area (EEA), which would integrate the EC and EFTA economies under the auspices of the EU. The importance of the EEA initiative remained, however, limited since all the EFTA countries, save Iceland, applied for the EU membership in 1989-1992 (Austria, Sweden, Finland, Switzerland and Norway). Iceland did not apply for EU memebship because its government wanted to protect the interests of its fishing industries. Switzerland and Norway did not join the EU because EU membership was rejected in national referenda. Switzerland also remained outside of the EEA. (Nugent 1999, 33-34, 541-543.)

Considering this fast deepening and widening of Western European integration after the second half of the 1980's, one is motivated to ask why the integration process was revived and why also some elements of social policy and European-level industrial relations were attached to the EU. Diverse researchers have explained the revival of integration in terms of numerous factors that fall under the broader categories of political and economic explanations. When political and economic categories are divided into internal and external factors, a classification with four categories of factors follows:

First, a crucial **internal economic factor** was that due to the economic and unemployment problems of the 1970's and 1980's (see
Table 5.3 on the growth of unemployment) many economic and political actors began to be convinced that European nation-states and national economies could not manage to ensure the economic growth, capital’s profits (see Tables 4.6-4.7) and the improving of the unemployment situation on their own (Sandholtz & Zysman [1989] 1994, 199-203). In this sense, the revival of integration is part of an answer to the problems of the Fordist regime of accumulation (see Kosonen 1994a, 32 and section 4.5). Leading European politicians as well as European capital saw that market liberalisation could enhance the competitiveness of European capital (Moravcsik [1991] 1994, 230-232). For instance, UNICE and the ETUC supported the single market programme (Petersen 1995, 52) and according to the European Round Table of Industrialists (ERT), which very actively pursued the fulfilment of the single market, a “European market must serve as the unified ‘home’ base necessary to allow European firms to develop as powerful competitors in world markets” (van Apeldoorn 1999, 192).

The Single European Act paved the way for further politico-economic integration because many believed that full benefits could be drawn from the European single market only if an Economic and Monetary Union were to be attached to it and this was agreed on in the Treaty on European Union (Nugent 1999, 60). This amounted to a political spillover: Certain political actions were seen as necessary complements to each other (see section 3.1 on the spillover mechanism).

Secondly, decisions on economic integration affected internal political factors directly. As a part of the Maastricht “package deal” economic integration was complemented by strengthening the social policy dimension of integration. There were at least two reasons to add some social policy to the Single European Act and the EU treaties (Nugent 1999, 60). It was thought that social policy measures would soften some of the socially undesirable consequences of the creation of the single market. In addition, member states with high level of social provisions wanted to prevent “social dumping”, that is, to prevent firms in member states with lower levels of social benefits from gaining additional competitive advantages. Another internal political factor that followed at least partly from decisions concerning economic integration was that the dismantling of border controls led to the idea that a more effective European surveillance of outer borders was needed (Nugent
263

1999, 60). Hence, the third pillar of “cooperation in the fields of justice and home affairs” was added to the EU treaty.

An important inner political factor was the weakening of the political left and the shift to the right in government coalitions that made a more market liberal integration possible. In addition, left-wing parties and labour unions also started to view deeper market integration and flexibility as a necessity (Sandholtz & Zysman [1989] 1994, 201-202; Moravcsik [1991] 1994, 229-230). Moreover, crucial was that the collapse of the Socialist camp led to unification of Germany, which would increase the potential of German domination of the Community. Many argued that deeper integration would tie a unified Germany more effectively to the Community. The last inner political factor had to do with the “democratic deficit”. There was a long-lasting critical debate concerning the fact that decision-makers at the Western European level were not directly responsible for their decisions (Nugent 1999, 60). Therefore, the EU treaty somewhat strengthened the positions of the European Parliament, established an European Ombudsman and defined the principle of subsidiarity. (Nugent 1999, 61; Levitt & Lord 2000, 52-57).

Thirdly, an important external economic motive for deepening integration was that Western European political and economic leaders saw that the EC was lagging behind its most important global economic competitors, the United States and Japan. These two countries have constituted the most important references of comparison for the EC and the EU for several decades. The idea that Western Europe should unite in order to be able compete economically first with the United States and then later also with Japan is as old as politico-economic integration after the Second World War, but it was economic and unemployment problems as well as debate on “Eurosceloris” which gave a powerful new impetus to this logic of global economic competition. Indeed, several researchers have argued that economic globalization was an important motivation in the revival of integration (see Rosamond 182-183).

Lastly, an important external political stimulus for the deepening of integration was that the ending of the Cold War actualized again the question of an independent Western European security policy and military power (second pillar of the EU treaty) (Nugent 1999, 61).
The above described factors influencing the revival of integration are summarized in Table 8.1, which displays both internal and external economic and political factors. New treaties and EU organs are placed in the middle of the table because they represented the political compromise of diverse actors and interests.

Table 8.1 New compromise on European integration (1980's - 1990's)

<table>
<thead>
<tr>
<th>Economic factors</th>
<th>External factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>growth, profits, competitiveness, unemployment</td>
<td>global economiccompetitiveness</td>
</tr>
<tr>
<td>new compromise on European integration:</td>
<td></td>
</tr>
<tr>
<td>Single European Act, Treaty on European Union</td>
<td></td>
</tr>
<tr>
<td>(including EMU)</td>
<td></td>
</tr>
<tr>
<td>EU organs</td>
<td></td>
</tr>
<tr>
<td>Political factors</td>
<td>collapse of the Socialist</td>
</tr>
<tr>
<td>shift to right, German unification, democracy deficit,</td>
<td>camp, global power</td>
</tr>
<tr>
<td>social policy, industrial relations</td>
<td>constellation</td>
</tr>
</tbody>
</table>

Now, even though EU-level industrial relations went through their principal breakthrough as a part of the revival of integration, labour market parties were largely unable or unwilling to negotiate on labour market regulation on their own. This was so largely because despite formal acceptance of EU-level bargaining in 1991, UNICE retained its reluctant attitude towards Euro-corporatist bargaining. For example, in 1993-1994 the ETUC and UNICE negotiated on European works councils that were to be established in European multinational firms — an issue that had been heavily debated for more than twenty-five years. The parties failed to reach a compromise, negotiations failed and the Commission made a proposition for a new directive, which was accepted by the Council and the European Parliament and came into force in 1994 (see Dølvik 1997, 319-325).

This said, it must also be recognized that contacts between EU-level capital and labour have produced a number of agreements,
declarations and joint opinions. In order to gain an overview of these developments, the following tables list common documents created by organized capital and labour. First, Table 8.2 presents a list of joint documents at the general EC/EU level from 1986 to 2002, that is, these documents were created jointly by the EU level organizations, mostly by the ETUC, UNICE and CEEP. Hereupon, Table 8.3 displays an overview of European branch-level joint documents and agreements between 1993 and 2003.

Table 8.2 shows that from 1986 to the mid 1990's common papers produced by “social dialogue” (that is, informing and consulting) consisted mainly of joint expressions of opinions. As has already been said in the beginning of this section, these joint opinions were non-binding and have remained largely unknown to national industrial relations organizations. Nevertheless, producing these papers helped to establish and institutionalize relations between capital and labour and their content reveals the productivistic ideology shared by organized capital and labour. Until 1995, the sole binding agreement between parties was the 1991 agreement that in principle opened the possibility of binding collective bargaining at the EU level. That there is a difference between agreeing on the structures of formal negotiations and actual binding negotiations is highlighted by the fact that it took some years to start making binding agreements. Furthermore, all four binding agreements (two in 1995 and one in 1999 and 2002) that were implemented by means of directives, were initiated by the Commission and not by capital or labour. In the late 1990's organized capital and labour were integrated more tightly into the EU/EMU’s regulative machinery. This is reflected in Table 8.2 which lists increasing number of capital’s and labour’s joint papers to European Council summits.

In the 1980's and the 1990's, the Commission’s activity and initiatives were vital to the development of industrial relations.
Table 8.2 EC/EU level joint papers and agreements, 1986-2002
(agreements boldfaced, table continues on the next page)

<table>
<thead>
<tr>
<th>Year</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>joint opinion on the cooperative growth strategy for more employment</td>
</tr>
<tr>
<td>1987</td>
<td>joint opinion concerning training and motivation, and information and consultation</td>
</tr>
<tr>
<td>1990</td>
<td>joint opinion on the creation of a European occupational and geographical mobility area and improving the operation of the labour market in Europe</td>
</tr>
<tr>
<td>1990</td>
<td>joint opinion on education and training</td>
</tr>
<tr>
<td>1991</td>
<td>joint opinion on new technologies, work organisation and adaptability of the labour market</td>
</tr>
<tr>
<td>1991</td>
<td>joint opinion on the transition from school to adult and working life</td>
</tr>
<tr>
<td><strong>1991</strong></td>
<td><strong>agreement on the role of the social partners in developing the Community social dimension</strong></td>
</tr>
<tr>
<td>1991</td>
<td>joint opinion on ways of facilitating the broadest possible effective access to training opportunities</td>
</tr>
<tr>
<td>1992</td>
<td>joint opinion on a renewed cooperative growth strategy for more employment</td>
</tr>
<tr>
<td>1992</td>
<td>joint statement on the future of the social dialogue</td>
</tr>
<tr>
<td>1992</td>
<td>joint opinion on vocational qualifications and certification</td>
</tr>
<tr>
<td>1993</td>
<td>joint recommendation on the functioning of interprofessional advisory committees</td>
</tr>
<tr>
<td>1993</td>
<td>joint opinion on the future role and action of the Community in the field of education and training, including the role of the social partners</td>
</tr>
<tr>
<td>1993</td>
<td>proposals by the social partners for implementation of the agreement annexed to the protocol on social policy of the Treaty on European Union</td>
</tr>
<tr>
<td>1993</td>
<td>joint opinion on women and training</td>
</tr>
<tr>
<td>1993</td>
<td>joint opinion on the framework for the broad economic policy guidelines</td>
</tr>
<tr>
<td>1993</td>
<td>joint publication: ‘Broad lines of the White Paper on growth, competitiveness and employment in the fields of education and training, and responses to the joint opinions’</td>
</tr>
<tr>
<td>1995</td>
<td>joint opinion on the contribution of vocational training to combatting unemployment and reabsorbing the unemployed into the labour market in the light of the new situation created by the White Paper</td>
</tr>
<tr>
<td>1995</td>
<td>joint opinion on the social partners’ guidelines for turning recovery into sustained and job-creating growth process</td>
</tr>
<tr>
<td>1995</td>
<td>joint declaration on the prevention of racial discrimination and xenophobia and promotion of equal treatment at the workplace</td>
</tr>
<tr>
<td>1995</td>
<td>joint declaration of the European social partners to the Madrid European Council on the employment policy arising from the Essen European Council</td>
</tr>
</tbody>
</table>
267

<table>
<thead>
<tr>
<th>Year</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>framework agreement on parental leave</td>
</tr>
<tr>
<td>1995</td>
<td>framework agreement on part-time work</td>
</tr>
<tr>
<td>1996</td>
<td>joint declaration ‘Action for employment: a confidence pact’</td>
</tr>
<tr>
<td>1997</td>
<td>joint contribution of the social partners to the Luxembourg Employment Summit</td>
</tr>
<tr>
<td>1998</td>
<td>joint opinion on the draft decision establishing the second phase of the Leonardo da Vinci programme</td>
</tr>
<tr>
<td>1998</td>
<td>1999 employment guidelines — joint declaration of the social partners (to the Vienna European Council)</td>
</tr>
<tr>
<td>1998</td>
<td>joint opinion on the reform of the Standing Committee on Employment</td>
</tr>
<tr>
<td>1998</td>
<td>compendium of good practice on the employment of disabled persons</td>
</tr>
<tr>
<td>1999</td>
<td>framework agreement on fixed-term employment contracts</td>
</tr>
<tr>
<td>1999</td>
<td>joint declaration for the Warsaw Conference on enlargement</td>
</tr>
<tr>
<td>1999</td>
<td>declaration of the European social partners on the employment of disabled people</td>
</tr>
<tr>
<td>1999</td>
<td>declaration of the social partners to the Cologne European Council</td>
</tr>
<tr>
<td>2001</td>
<td>joint contribution of the social partners to the Laeken Europen Council on the social partners’ future role in EU governance</td>
</tr>
<tr>
<td>2001</td>
<td>framework for actions for the lifelong development of competencies and qualification (for the Barcelona European Council)</td>
</tr>
<tr>
<td>2002</td>
<td>framework agreement on telework</td>
</tr>
<tr>
<td>2002</td>
<td>social partners’ common work programme (2003-2005)</td>
</tr>
</tbody>
</table>


For example, the Commission has tried to advance negotiations between capital and labour by issuing three communications1 (1996, 1998 and 2002) and it organized a “high-level” working group that published a report on European-level industrial relations in 2002. All these documents aimed at boosting the evolution of EU-level industrial relations (see Eiro, EU Level Developments 1996-2002).

However, in recent years, the leading role of the Commission has weakened somewhat. In their contribution to the Laeken European Council (2001) capital and labour underlined the difference between tripartite and bipartite industrial relations and expressed their interest in developing their bipartite relations (Eiro, 2001 Annual Review... 2002). In 2002 they signed the first binding agreement (on the lifelong

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1 A “communication” is a non-binding policy paper issued by the Commission.
Table 8.3 Examples of branch-level joint papers and agreements, 1993-2003 (agreements boldfaced, table continues on the next page)

<table>
<thead>
<tr>
<th>Year</th>
<th>Branch</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>road transport</td>
<td>agreement on the proposal for a directive concerning the minimum health and safety requirements for transport activities and places of work on board means of transport</td>
</tr>
<tr>
<td>1994</td>
<td>air transport</td>
<td>recommendation on working time for ground staff</td>
</tr>
<tr>
<td>1996</td>
<td>local public services</td>
<td>joint declaration on the modernisation of public services</td>
</tr>
<tr>
<td>1996</td>
<td>cleaning</td>
<td>memorandum on new sources of employment</td>
</tr>
<tr>
<td>1997</td>
<td>media</td>
<td>undertaking on tolerance and racism</td>
</tr>
<tr>
<td>1997</td>
<td>textiles</td>
<td>code of conduct on fundamental social rights</td>
</tr>
<tr>
<td>1997</td>
<td>internal navigation</td>
<td>examination of freer access for operators from outside the EU</td>
</tr>
<tr>
<td>1997</td>
<td>footwear</td>
<td>update of the Charter on Child Labour (extended to retail in 1998)</td>
</tr>
<tr>
<td>1997</td>
<td>construction</td>
<td>agreement on the application of the directive on the posting of workers</td>
</tr>
<tr>
<td>1997</td>
<td>wood</td>
<td>agreement on sustainable forestry</td>
</tr>
<tr>
<td>1997</td>
<td>agriculture</td>
<td>framework agreement on employment and working time</td>
</tr>
<tr>
<td>1998</td>
<td>insurance</td>
<td>comments on the Commission’s Green Paper on the organisation of work</td>
</tr>
<tr>
<td>1998</td>
<td>banks</td>
<td>joint declaration on the Commission’s Green Paper on the organisation of work</td>
</tr>
<tr>
<td>1998</td>
<td>railways</td>
<td>agreement on the organisation of working time</td>
</tr>
<tr>
<td>1998</td>
<td>sea fishing</td>
<td>opinion on the safety of fishing vessels of less than 15 m</td>
</tr>
<tr>
<td>1998</td>
<td>sugar industry</td>
<td>joint declaration on training</td>
</tr>
<tr>
<td>1998</td>
<td>postal services</td>
<td>agreement on the promotion of employment</td>
</tr>
<tr>
<td>1998</td>
<td>sea transport</td>
<td>agreement on the organisation of working time</td>
</tr>
<tr>
<td>1999</td>
<td>private security</td>
<td>handbook on the award of public contracts</td>
</tr>
<tr>
<td>1999</td>
<td>sugar industry</td>
<td>teaching instruments for safety in the sugar industry</td>
</tr>
<tr>
<td>1999</td>
<td>local government</td>
<td>joint declaration on equal opportunities</td>
</tr>
<tr>
<td>1999</td>
<td>commerce</td>
<td>agreement on fundamental rights and principles at work</td>
</tr>
</tbody>
</table>
269

<table>
<thead>
<tr>
<th>Year</th>
<th>Branch</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>commerce</td>
<td>joint employment declaration</td>
</tr>
<tr>
<td>2000</td>
<td>civil aviation</td>
<td>working time accord</td>
</tr>
<tr>
<td>2000</td>
<td>telecommunications</td>
<td>framework agreement on employment</td>
</tr>
<tr>
<td>2001</td>
<td>electricity industry</td>
<td>declaration on implications of electricity</td>
</tr>
<tr>
<td>2001</td>
<td>telecommunications</td>
<td>liberalisation</td>
</tr>
<tr>
<td>2001</td>
<td>hairdressing</td>
<td>guidelines for the organisation of telework</td>
</tr>
<tr>
<td>2001</td>
<td>commerce</td>
<td>European code of conduct</td>
</tr>
<tr>
<td>2001</td>
<td>temporary work</td>
<td>agreement on guidelines for teleworking</td>
</tr>
<tr>
<td>2002</td>
<td>banking</td>
<td>joint declaration on temporary agency work</td>
</tr>
<tr>
<td>2003</td>
<td>agriculture</td>
<td>joint declaration on lifelong learning</td>
</tr>
<tr>
<td>2003</td>
<td>sugar industry</td>
<td>vocational training agreement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>code of conduct</td>
</tr>
</tbody>
</table>


devlopment of competencies and qualifications) which resulted from their own initiative and which is to be implemented, not by an EC directive, but by setting European objectives and guidelines. In implementing this agreement capital and labour are using a new integrative method, “open method of coordination”, which stresses the setting of common objectives and agreed indicators, regular reporting and the identification of the best practices instead of relying on binding legislation (Eiro, 2001 Annual Review... 2002). A further indicator of the growth of the labour market parties’ own initiatives is that in 2002 they produced their own common work programme for 2003-2005 concentrating on employment, issues relating to the EU’s enlargement and the mobility of workers. (Eiro, EU-level Developments in 2002 2003.)

Similar to the general EU level, the 1990's saw increasing industrial relations growth at the branch level as displayed in Table 8.3 on branch-level joint papers and agreements. Especially in the late 1990's and in the beginning of the new millennium, an increasing amount of binding agreements were signed. Table 8.3 does not include all the documents but according to the Commission (European Commission 2000, 17), the number of sectors involved in the European level industrial relations, contacts between branch-level organizations and
number agreements increased substantially during the 1990's. In fact, the number of active branches at the EEC/EU level has increased almost continuously from 1965 (only a few active branches) to 2002 (27 active branches) (European Commission 2000, 17; Eiro, EU-Level Developments in 2002 2003). Also similar to the general EU level, the Commission has initiated the most of the common texts produced by the branch-level social dialogue.

Another example of the Commission’s activity in this field is that in 1999 the Commission reorganized branch-level social dialogue, or “sectoral dialogue” as the Commission calls it, by replacing old joint committees and informal working groups with new “sectoral social dialogue committees” (European Commission 2000, 14).

As one scans through Tables 8.2 and 8.3, an impression that in comparison to national industrial relations EU-level industrial relations lack effectiveness cannot be avoided. This is because the practical importance of EU-level labour market regulation seems to have remained limited so far. Therefore, it is capital’s and labour’s increasing integration into the regulative machinery of the EU that has been more important to the regulation of European capitalism than direct consultations and negotiations between organized capital and labour. From the beginning of the 1990's onwards, capital’s and labour’s integration into transnational regulative apparatus has resulted from four sources.

First, in accordance with the regulative traditions of European capitalism the management of the Economic and Monetary Union (EMU) and the economic policy attached to it called for the involvement of labour market parties. Secondly, as a part of a new package deal on integration, employment policies gained a stronger position in the EU than was the case in the EC. This policy change was also a part of the EMU: it was reasoned that a new economic policy should be supported by a new labour market and employment policy. Thirdly, the founding treaty of the EU was renewed again in two subsequent treaties (the Treaty of Amsterdam, 1997 and the Treaty of Nice, 2001) and along with a general strengthening of the EU’s statehood these treaties boosted transnational regulation of the economy and labour markets as well. Lastly, starting from the 1970's, the European Court of Justice has assumed a more proactive policy line when interpreting the EC’s social
and labour legislation. These four developments are examined in the following paragraphs.

First, the programme for establishment of the Economic and Monetary Union (EMU) agreed to in the Maastricht treaty on European Union set out to fix the exchange rates of the EU’s member states’ currencies and to replace national currencies with EU money (Nugent 1999, 73). The exchange rates of national currencies were fixed in 1999 and a common currency replaced national currencies in the beginning of 2002. By 2003 twelve of the EU’s fifteen member states had switched to the Euro (Britain, Denmark and Sweden have remained outside of the EMU) (History of... 2003). A central organizational feature of the EMU has been the founding of the European Central Bank (ECB) and a cooperative system of national central banks, the European System of Central Banks (ESCB). The main policy objective of the ECB and the ESCB has been the maintenance of price stability. Within the EMU member states are supposed to regard their economic policies as a common policy objective and they are supposed to coordinate their economic policies within the Council (Nugent 1999, 73). Because the regulation of wages is an important element of combatting inflation, organized labour market parties have been included within the regulative machinery of the EMU. In this way labour unions can be ideologically tied to the objectives of the EMU, even if wages are not determined at the EU level. Especially the “Cologne process” (initiated by the European Council in Cologne in 1999) seeks to create a macro-economic dialogue between the ECB, national governments, the Commission and labour market parties (Nyström 2002, 101).

Secondly, during the 1990's EMU politics were increasingly linked with strengthened employment policies that aimed at increasing labour market participation and at fighting unemployment without jeopardizing the EMU’s objectives of keeping inflation and public deficit low. The “Luxembourg process” (initiated by by the European Council in Luxembourg in 1997) defined the bases of the EU’s employment policies and since 2000 (the Lisbon European Council), the EU has striven to integrate employment and financial policies further with the help of a programme called the “Social Agenda” (Nyström 2002, 101).

A third development that has enhanced capital’s and labour’s position in the EU’s administrative machinery was that in the late 1990's
the founding treaty of the EU was renewed twice. The Amsterdam treaty (signed in 1997, in force 1999) continued the transnationalization of the EU by strengthening the powers of the institutions at the European level. Among other things, the institutional structure of EU decision-making was moved from its former Commission-Council axis towards a Commission-Council-European Parliament triangle and the framework for police and judicial cooperation as well as for foreign policy cooperation was fortified. (Nugent 1999, 83-88, 91-93).

From the point of view of the regulation of the economy and labour markets, the Amsterdam Treaty included two important additions (Nyström 2002, 59). First, the United Kingdom, which had remained outside the social protocol of the Maastricht Treaty, was now included within it. The reason for this inclusion was that in 1997 the Conservative government was replaced by a Labour government that had a more positive attitude towards EU-level social regulation. This meant that the social protocol was now included within normal EC legislation that applies to all 15 member states (Austria, Sweden and Finland joined the EU in 1995). Moreover, a new employment title (Title VIII, Employment) was added to the founding treaty of the EU (Nyström 2002, 97). According to its title, “Member States and the Community shall ... work towards developing a coordinated strategy for employment and particularly for promoting a skilled and adaptable workforce and labour markets responsive for economic change...” (Treaty of Amsterdam... 1997, Article 125). The main content of the new employment title concerns the organization of cooperative employment policy (Articles 126-129). This includes an annual procedure whereby member states report on their employment situations and policies to the Commission and the Council, which in turn are to make recommendations to member states regarding their future policies. The employment title also establishes a new organ, an Employment Committee consisting of representatives of member states and the Commission, which takes part in this regulation of employment policies. The Employment Committee is expected to consult representatives of capital and labour (Article 130).

A second treaty amending the legal foundations of the EU was the Treaty of Nice (signed in 2001, in force 2003), which made a number of amendments to the previous treaties. Most of these amendments aimed at
restricting the size the EU’s decision making organs in the face of its anticipated enlargement in 2004 when Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia were set to join the EU. In addition, the Nice Treaty broadens the scope of qualified-majority voting thus strengthening the statehood of the EU, and it makes it possible that at least eight member states may start enhanced cooperation in areas of foreign and security policies (excluding military cooperation) (European Commission 2001). With respect to labour law, the Nice treaty does not include any substantial changes, though it does include some strengthening of transnational decision making in labour markets, social policy and industrial policy issues (Nyström 2002, 101-102).

At the same time as the signing of the Nice agreement the Council, the Commission and the European Parliament declared a Charter of Fundamental Rights of the European Union (European Communities 2000), which includes a wide range of rights including the rights to strike, organize collectively and make collective agreements as well the right of workers to be informed and consulted. The Charter is not legally binding, but it is a "solemn declaration". The Commission, the European Parliament and the ETUC have expressed the wish that it will be included within the binding EC legislation; whereas UNICE and several member states, among them the Nordic member states are sceptical about this. However, the Charter has already been used as a legal basis in a court case on the right to a paid holiday. Accordingly in the future, the Charter may play an influential role in determining the content of social rights in the EU, just as another non-binding document, the Charter of Fundamental Rights of Workers (1989), influenced the social dimension of integration in the 1990's (the 1989 Charter was also mentioned as one of the bases for the 2000 Charter). These developments underline the fact that sometimes non-binding policy papers and programmes may lead to just as important effects as binding agreements and legislation. (See Nyström 2002, 105-107.)

1 In addition to these countries, Bulgaria and Romania are negotiating on joining the EU by 2007, while Turkey on the other hand has not been allowed to start to negotiate on its membership even though it applied for EC membership already in 1987 (European Commission 2003a).
The renewal of the EU’s organizational and constitutional structures has continued since the Treaty of Nice. After preparations and controversial negotiations that took two and half years, the governments of the old 15 EU member states and of the 10 new member states\(^1\) agreed on a consolidated founding treaty (constitution) which includes citizens’ basic rights and a number of organizational changes including an EU president, a foreign affairs minister, stronger military cooperation and enhanced transnational decision making rules. Direct democracy will be strengthened by adding the possibility of citizens’ initiatives to the EU constitution. However, the treaty will only come into effect if it is ratified by the parliaments of all EU member states (*Helsingin Sanomat* 19\(^{th}\) and 20\(^{th}\) June 2004). Interestingly, this step of strengthening the EU’s transnational powers (statehood) was also boosted by an external stimulus. Islamic terrorists exploded several bombs in Madrid before a summit of EU leaders which took place in March 2004. This external threat was one factor which made EU leaders continue their negotiations on the EU constitution (*Financial Times* 27\(^{th}\) March 2004).

A fourth tendency that has enhanced the growth of industrial relations at the EC/EU level has been the Court of Justice’s line of interpreting the EC’s legislation (Nyström 2002, 56-59). From 1958 to the mid 1970’s, there were very few legal cases that dealt with social and labour market issues but since then the number of such legal cases has increased and the Court of Justice has assumed a more positive and proactive stance in relation to the EC’s social legislation. The reason for this change of attitude lay apparently in the parallel development of Western European welfare states in the 1960’s and the 1970’s. In the 1980’s and the 1990’s the Court has continued its line of interpreting EC legislation in a way that has enhanced integration and its social dimension. For example, in 1999 the court stipulated that a collective agreement with social policy content had immunity in relation to the EC’s competition law (Bruun & Hellsten 2001, 77-78). This legal case is of great importance because social policy objectives were judged to be superior to the idea of a free market.

\(^1\) In 2004 Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia joined the Union.
As a part the process of European integration, transnational organizations of capital and labour also experienced substantial changes. These changes are described in the following two sections.

8.2 Expansion of Capital’s Regulative Organs

As explained in section 6.3, which examines capital’s earlier international organizing, the number of capital’s international organizations in Europe grew from 58 in the middle of the 1950's to 285 organizations by the mid 1970's. About 25 years later, by the turn of the millennium, there were some 950 capital’s interest organizations aimed at influencing the EU’s policy-making (Greenwood 2002, 3).

The above figures indicate a deepening and widening of Western European integration and capital’s increasing interest in European regulation of socio-economic relations. On the other hand, they apparently also reflect a technical and economic differentiation that creates the basis for an increasing number of organized interest groups (Simon 1980, 167). In any event, however, increasing numbers do not necessarily reflect growing powers of capital because increasing number of interest organization may also reflect a scattered and thus weak representation of interests.

By the turn of the millennium, the most influential organizations of transnational capital at the economy level\(^1\) included the Union of Industrial and Employers’ Confederations of Europe (UNICE), the European Round Table of Industrialists (ERT), The European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP) and the EU Committee of the American Chamber of Commerce (AMCHAM-EU). These four organizations are examined in more detail in the following pages.

As described above, UNICE’s organizational prehistory dates back to the post-war years (see Simon 1980, 74-77). UNICE was established in 1958 as a reaction to the founding of the EEC. In the 1970's, its constituents included 26 confederations from 18 European states; 13 of

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\(^1\) This notion denotes organizations that seek to influence the regulation of whole economy instead of concentrating on singular branches of the economy, such as, for instance, the textile industry.
these came from the nine EEC member states and the rest were associated members without full membership rights (Simon 1980, 124). In 2003, there were 35 member confederations from 28 European countries (Union of Industrial... 2003). Through its multi-layered confederation structures, UNICE represents thousands of capital’s national organizations.

Hence, UNICE is the most comprehensive of capital’s interest organizations. It represents a wide range of capital’s general interests at the European level (Simon 1980, 126). According to UNICE, its basic mission has remained unchanged since its founding (Union of Industrial... 2003):

“The original aims included uniting the central industrial federations to foster solidarity between them; encouraging a Europe-wide competitive industrial policy; and acting as a spokesperson body to the European institutions. UNICE strived for permanent liaison with official institutions, studied current problems, and co-ordinated responses, and always at a general "horizontal" level.”

UNICE represents all branches of the private sector, though especially small and medium-sized enterprises tend to pursue their interests via special organizations, such as the UEAPME (European Association of Craft and Small and Medium-sized Enterprises), which concentrate on matters that especially concern small and medium-sized firms.\(^1\) In addition, the industrial sector has had the greatest impact on UNICE’s activities. To counteract these limitations, an additional coordinating organ, the Employer Liaison Committee (ELC), has been established under the auspices of UNICE. By means of this organ, UNICE has attempted to coordinate capital’s activities at the European level (Simon 1980, 125, 146-147; Dølvik 1997, 177).

UNICE’s comprehensive character is both the source of its weakness and its strength. On the one hand, UNICE can claim to speak

\(^1\) The same kind of division between representation of small and big firms can be found also at the national level of capital’s national associations. Intuitively, such an organizational division is easy to explain because structural politico-economic position of small and medium size firms differs greatly from that of big firms.
with the voice of united European business. Several of UNICE’s member associations have their own offices in Brussels and UNICE’s regular staff (around 45 in 2003) has been able to gain from their resources and expertise. Through contacts with member offices UNICE is also in the position to affect its member organizations and thus to strengthen capital’s inner cohesion. On the other hand, such a combination of diverse firms, branches of economic activity and national employer confederations is bound to lead to internal conflicts of interests and a slowing down of decision making. As a consequence, UNICE’s expressions of interests often have the character of the lowest common denominator. UNICE has sought to act against this organizational weakness by introducing limited qualified majority voting into its decision-making rules (1989 and 1999) and it created a special organ, the UNICE Advisory and Support Group (UASG) (1989) for individual firms in order to foster direct channels between UNICE and the management of big firms. In 1998, UASG’s members included multinational firms such as, Bayer AG, BP Europe, IBM Europe, Norsk Hydro A. S. and Unilever NV. (Dølvik 1997, 180; Greenwood 2002, 118-121.)

A second one of capital’s organizations examined more in detail, is the European Round Table of Industrialists (ERT), which was founded in 1983 by leading managers of several European large firms (see van Apeldoorn 1999, 132-135). Leading initiators included Pehr Gyllenhammar (Volvo’s chief executive officer) and Viscount Etienne Davignon, who was one of the Vice-Presidents of the Commission of the EC and responsible for its industrial affairs. Using his network of élite business contacts, Davignon recruited many prominent business leaders to the new organ. He sought to create a representative organ for European transnational capital. An additional criterion for membership was a positive attitude towards European integration. Consequently, Wisse Dekker (from Philips) the ERT’s second chairman after Gyllenhammar, delineated the ERT’s role as follows (van Apeldoorn 1999, 131, 138):

“I would consider the Round Table to be more a lobby group as it helps to shape politics. The Round Table’s relationship with Brussels is one of strong co-operation. It is dialogue which often
begins at a very early stage in the development of policies and directives.”

The original list of members (1983) included leaders of 17 European companies (van Apeldoorn 1999, 136):

Renault (France)  Thyssen (Germany)  Volvo (Sweden)
Lafarge Coppée (France)  ICI (UK)  ASEA (Sweden)

(Bosch (Germany)  Shell (UK)  Cipa-Geigy
St. Gobain (France)  Unilever (UK)  (Switzerland)
BSN (France)  Fiat (Italy)  Nestlé (Switzerland)
Bosch (Germany)  Olivetti (Italy)  Philips (Netherlands)
Siemens (Germany)

In order to remain a relatively small organization that is able to react promptly, the ERT has limited the potential number of members to 50 (van Apeldoorn 1999, 141). In 2003 it had 43 members from the following companies (European Round... 2003):

Saint-Gobain (France)  Royal Dutch/Shell (UK)  Hoffmann-La Roche (Switzerland)
Air Liquide (France)  AstraZeneca (UK)  Nestlé (Switzerland)
Suez (France)  Fiat (Italy)  Nokia (Finland)
Lafarge (France)  Pirelli (Italy)  Store Enso Oyj (Finland)
Renault (France)  Cofide-Cir Group (Italy)
TotalFinaElf (France)  Unilever (Netherlands)  Solvay (Belgium)
Vivendi (France)  SMTMicroelectronics (Italy)  Norkas Hydro (Norway)
ThyssenKrupp (Germany)  Philips (Netherlands)  Sorporcel (Portugal)
Siemens (Germany)  Unilever (Netherlands)  Carlsbeg (Denmark)
Bayer (Germany)  Philips (Netherlands)  OMV (Austria)
E.ON (Germany)  Akzo Nobel (Netherlands)  Jefferson Smurfit (Ireland)
SAP (Germany)  Delta Holding (Netherlands)  (Greece)
Lufthansa (Germany)  Reed Elsevier (Netherlands)  Mol Hungarian Oil and Gas Company (Hungary)
Vodafone (UK)  Telefónica (Spain)
B.A.T. Industries (UK)  Repsol Ypf (Spain)  Profilo Holding (Turkey)
BP (UK)  Investor AB (Sweden)
Volvo (Sweden)
As the above lists of the ERT’s members show, its membership basis has enlarged from 1983 to 2003 in terms of nationality and branches of economic activity. The nationality of members (even large multinational firms tend to be led by nationals of the main host country) is of importance because national regulative traditions of capitalism are bound to affect businessmen’s attitudes. It can be seen that large core countries are well represented in the above lists, as are also countries with centralized regulative traditions.

Interestingly, the ERT’s membership has varied quite a lot during its twenty years of existence. For example, between 1998 and 2003 the ERT lost 17 of its 43 members and 17 new members joined it (van Apeldoorn 1999, 147-148; European Round... 2003). Many British firms especially (5 of 7 companies) left the ERT. However, these figures must be interpreted with some caution because in some cases they may reflect changing names of companies and changing ownership structures and not changes of actual membership. The crucial change in membership structure concerns the international orientation of companies because such changes alter the bases of interests of the ERT. The list from the year 2003 includes more globally oriented firms than did the list from the year 1983 (see van Apeldoorn 1999, 156, 199). For instance, the quintessential global business, the oil branch, was well-presented in 1998 and 2003 (TotalFilaElf, BP, Royal Dutch/Shell, Repsol Ypf, Mol Hungarian Oil and Gas Company).

Although dialectical relations between diverse socio-economic organs cannot be handled in detail here, a few examples of the effect the ERT upon other organizations illuminate how organizational dynamics work (Greenwood 2002, 11, 128, 133). Inspired by ERT, UNICE founded in 1990 an UNICE Advisory and Support Group (UASG) of large firms in order to establish closer relations between its high-level representation and firm-level practices. Likewise the EU Committee of the American Chamber of Commerce (AMCHAM-EU) also established, following the example provided by the ERT, the European-American Industrial Council, which was comprised of a group of chief executive officers responsible for the European operations of US multinationals. Additionally, the founding of the ERT triggered the establishment of the opposing group of the Corporate Europe Observatory. The foundation of the ERT, the above examples and some studies suggest that large
European companies enhanced their activities in relation to the political regulation of European capitalism in the 1980's and the 1990's (see van Apeldoorn 1999, 162).

The ERT’s and UNICE’s functions can be clarified by comparing these two organizations with each other (see van Apeldoorn 1999, 162-166; Greenwood 2002, 133-134). First, UNICE has a very large membership and the Commission has given it official status as a representative of capital’s interests. It enjoys the merits of representativeness but suffers from slowness and the need for reaching a consensus among its members. In these respects the ERT is more flexible. It does not represent its members — the members themselves are the Round Table. Its relatively small size and homogenous membership rewards the ERT with better abilities than UNICE for reacting and achieving consensus. The Round Table is able to speak directly as the voice of big capital, which increases its credibility. Secondly, as an official organization representing capital’s interest, UNICE has been forced to take part in wide range of regulative activities with the EEC/EU apparatus, whereas the ERT is able to concentrate on a few policy topics it deems to be important. Thirdly, more than UNICE, the ERT is essentially an ideological organization which formulates capital’s general interests at the European level (Sietses 1999). In fact, it is one of the “organic intellectuals”1 of European capital. Lastly, it is generally held that the ERT has been a very influential organization in Brussels. From the very beginning, the ERT had access to the Commission of the European Communities at the highest level and it has been perceived as a legitimate actor on the part of the EEC/EU’s policy makers. Yet, despite this it appears that in terms of overall power, UNICE is the stronger actor.

A third organization examined here, the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP), was established in 1961. It organizes firms and national organizations of public employers mainly from the

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1 This characterization stems from van Apeldoorn’s Gramscian interpretation of the ERT’s role. In quoting Gramsci’s *Prison Notebooks*, van Apeldoorn (1999, 48) defines “organic intellectuals” as intellectuals that are tied to a certain social class and support this class by giving it “homogeneity and an awareness of its own function not only in the economic but also in the social and political fields”.

transport, energy and communications branches but also other branches such as the financial branch, are included (see Dølvik 1997, 178-179; European Centre... 2003). According to CEEP, public ownership may include majority or minority participation or members of CEEP may also be “private enterprises that carry out services of general economic interest under regulation” (European Centre... 2000). Due to this mixed membership base, firms may belong simultaneously to CEEP and to private sector organizations. In 1991, its membership included 252 enterprises and associations from 8 EC countries; by the turn of the millennium there were 277 members from 13 EU member states (Dølvik 1997, 178; European Centre... 2003). Additionally, there are associated members from Norway, Hungary, Romania and Turkey. Hence, it seems that CEEP has, at least partially, succeeded in increasing its organization density among public sector enterprises. In previous years, however, a low density rate has been mentioned as an obstacle to the representation of the interests of public employers.

Because CEEP has a more limited membership base, its is clearly a less influential organization that the UNICE. However, because CEEP along with the UNICE, the UEAPM and the ETUC (European Trade Union Conference) has been recognized (in 1965) as an official partner in EEC/EU-level consultation and negotiation, it officially possesses an influential position in Brussels (Dølvik 1997, 178).

The above described organizations have drawn their members (singular firms and national organizations of capital) mostly from the EEC/EU member states, but many of them have also been open to members from the other European countries. Thus, capital’s organizing networks have exceeded the borders of the EEC/EU. In addition to this expansion outwards of the EEC/EU, capital which ownership rests mainly outside of Europe has also established its interest organizations within the EEC/EU. Apparently, the most important extra-European organization affecting EEC/EU policy making is the EU Committee of the American Chamber of Commerce (AMCHAM-EU). AMCHAM-EU has its origins in a panel of the American Chamber of Commerce in Belgium going back to the 1960's from which it gained its independence in the 1980's. According to AMCHAM-EU, its “membership is open to companies which are owned or controlled by US nationals, or to companies that advise on US interests” and it aims to represent
“European companies of American parentage in a timely and effective manner to the institutions and governments of the European Union in respect of policy and legislative initiatives” (EU Committee of ... 2003). By the turn of the millennium, AMCHAM-EU’s members include some 130 big American corporations representing diverse branches of the economy, including for instance, the following companies: Arthur Andersen, Citibank, Daimler-Chrysler, Ford, Exxon Mobil, Goldman Sachs, Intel and Microsoft. (Greenwood 2002, 125-127.)

Since the EU Committee of the American Chamber of Commerce does not seem to belong to the very core of the EEC/EU’s organized interests, its has not received as much attention as capital’s European organizations described above. Yet, several factors indicate that it is by no means an insignificant actor in Brussels (see Greenwood 2002, 128-130). First, due to its coherent membership base, it has a reasonably strong national membership identity that is further strengthened by the fact that AMCHAM-EU’s members are all large US-based multinational firms the leadership of which share the ideology of open markets. Secondly, it has a strong reputation for high quality and authoritative publications. In 2003 the EU Committee stated that “with over 600 active professionals producing around 60 position papers annually, we provide substantial input into the European legislative process” (EU Committee of ... 2003). Thirdly, in its reports and publications, the EU Committee regularly aims to take a constructive role in the EU politics. This guarantees that it is not excluded from the EU’s regulative activities. Indeed, according to Justin Greenwood, the European Commission regards the EU Committee as a supportive ally in favour of European integration. Lastly, AMCHAM-EU’s members represent a considerable amount of invested capital, work places and practical knowledge relating to the functioning of European and global capitalism. Such a concentration of resources and power can hardly be overlooked.

The nature of the above introduced four organizations can be illuminated by comparing on which functions of capital’s organs they concentrate. This can be done by examining upon which regulative functions the working groups of these organizations concentrate. Working groups are crucial elements in the functioning of capital’s organs because much of the practical work is in done within such groups (Greenwood 2002, 18). In Table 8.4 UNICE, the ERT, CEEP and the
AMCHAM-EU are compared by showing how their committees and working groups are divided between the main functions of capital’s organs (see Table 6.1). These functions include business, employer and ideological functions. The special topics functions included in Table 6.1 are excluded from this table because these organizations act at the general level of regulation.

Table 8.4 Functions of the most important EU-level organizations of capital, 2003 (number of committees and working groups)

<table>
<thead>
<tr>
<th></th>
<th>UNICE</th>
<th>ERT</th>
<th>CEEP</th>
<th>AMCHAM-EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>62</td>
<td>4</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>Employer</td>
<td>10</td>
<td>1</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Ideology</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Sum</strong></td>
<td><strong>72</strong></td>
<td><strong>9</strong></td>
<td><strong>20</strong></td>
<td><strong>17</strong></td>
</tr>
</tbody>
</table>

Sources: Union of Industrial... 2003; European Round... 2003; European Centre... 2003; EU Committee of ... 2003.

The Numbers depicted in Table 8.4 are based on my assessments and they should be interpreted as crude estimations rather than as precise measurements. For example, ideological functions can, of course, be found in all kinds of activities of capital not just in specific working groups dealing with such issues as “competitiveness” or “governance of Europe” (ERT) and the mere existence of a working group in an association’s organizational self-presentation does not say anything about the efficiency of the association. In any case, Table 8.4 emphasises the fact that capital’s organs frequently assume several functions at the same time.

Table 8.4 shows that all the organs in question concentrate on business functions but apart from the AMCHAM-EU they also lay some emphasis on employer functions. Unsurprisingly, the ERT and the AMCHAM-EU are the most ideological organizations. What is interesting, however, is that the ERT, which was identified above as an ideological organization, seems also to have four working groups that
concentrate on business issues, (accounting standards, competition policy, environment and taxation (European Round... 2003). Might it be that the ERT has in the course of time moved from capital’s “think tank” into the direction of traditional business organizations that get involved in the technical details of regulation? Such a developmental path could be anticipated because when ideological organizations gain access to policy making, they also encounter the threat of being dragged into detailed regulative activities. In other words, organizational feedback may turn ideological organizations into parts of administrative apparatuses.

In terms of the number of working groups, UNICE is clearly the largest organization with its 72 working groups; already by the end of the 1970's this figure was 42 (Simon 1980, 132). In 2003, UNICE claimed that some 1200 experts worked in its diverse working groups producing some 100 position papers yearly (Union of Industrial... 2003). For the AMCHAM-EU, the corresponding figures were 600 experts and 60 papers (EU Committee of ... 2003).

The above presentation as well the earlier history of capital’s organizing presented in section 6.3, can be summarized with a few conclusions concerning the dynamics of capital’s international organizing (see Figure 8.1).

First, capital’s organizing has a long history which dates back to medieval times and which includes strong continuities. In Figure 8.1 these long-term continuities include the legacies of the international economy and national and international organizations of capital and labour as well as of diverse intergovernmental organizations. In order to restrict figures size, the representation of capital’s organizing dynamics starts from 1948, but it should be noted that similar kinds of organizational dynamics may be detected in the earlier decades as well. An example of historical continuities is provided by the Council of European Industrial Federations (CIFE) (1949), which preceded UNICE (1958). Historical continuity is an important factor that strengthens capital’s organizations because it contributes to the institutionalization of
these associations making it a habit for firms to be members in associations. An important precondition for capital’s international organizing was the creation of capital’s interest representation at the
national level. In this way capital’s international organizing is rooted in national regulative traditions.

Secondly, there is a clear long-term tendency to extend the international and transnational activities of capital in terms of a geographical and branch-wide scope and in terms of the depth of regulation. For example, the number of Western European associations of capital increased from 58 to about 950 between the mid 1950's and the end of the century. This development is clearly an antithesis to the thesis that capitalism developed towards a more liberal direction in the late twentieth century or that “organized” European capitalism has been changing into “disorganized” capitalism (compare Chapter 5 on developments at the national level). Rather the above information would seem to point to the increasing organizing of capitalism at the EU level.

Thirdly, in the above examination I have not tried to define whether capital’s associations have an international or transnational character. That is, whether these organizations are one form of international cooperation or whether these organizations have been given transnational authority over their members. Formally, these organizations are mainly international associations, but it seems that in the course of time they have gained some independence, thereby gaining some transnational qualities. In fact, it seems reasonable to assume, as Justin Greenwood has done, that in order to bring additional benefits to their members and to represent their general interests, interests associations need to gain some independence from their members. Otherwise they would be tied to their members’ singular short-term interests. (Greenwood 2002, 151-152; see also Schmitter & Streeck 1999, 14-15.) In the case of international associations of capital, this means that they assume at least some transnational functions.

Forthly, even if capital’s organizing has been increasing during the last decades it has also remained scattered. Cleavages exist between different branches and sectors as well as between national organizations. Moreover, in many cases, the objectives of different organizations overlap with each other (Dølvik 1997, 177). However, formal structures of associations may hide informal socio-economic networks which help to overcome inner divisions of capital and enhance the formulation of a common ideology. The élites of transnational corporations especially often appear to know each other and they also seem to find their ways to
the corridors of power both at the European as well as at the national level (of capital’s networks see Simon 1980, 133-134, 176; van Apeldoorn 1999, 168-173). In this respect it is interesting to note that under the auspices of UNICE’s external relations committee there are several working groups that establish networks between EU capital and its environments. The ERT maintains contacts with the the AMCHAM-EU and contacts between European and US-American capital have been institutionalized in the form of the Transatlantic Business Dialogue (TABD) and the Transatlantic Policy Networks (van Apeldoorn 1999, 171; European Round... 2003).

Lastly, there were and there are, at least three principal reasons for capital’s international organizing (see Simon 1980, 66-68; Schmitter & Streeck 1999, 12):

- a functional need to ensure profits by regulating the international economy;
- establishment of intergovernmental organizations trigger capital’s international organizing and
- class relations between capital and labour call for a counterforce to the international labour movement and for regulation of class relations at the transnational level.

In terms of the model of interest politics presented in section 2.2 (Figure 2.1), capital has responded to changing economic, political and social bases of interests by establishing new international organs. The above presentation may exaggerate the effect that the founding of intergovernmental organs has had on capital’s organizing, but it is interesting to note that even the ERT, which is often regarded as one of the most proactive organizations of capital, was established in close cooperation between managers and a commissioner of the EC. In general, it seems fair to say that capital’s organizing has had a rather reactive character. A vital element that has contributed to the stability of capital’s organizing has been feedback between capital’s organs and intergovernmental organizations. In Figure 8.1, these feedbacks are shown by fragmented lines. Successful interest representation vis-à-vis European institutions has ensured capital that its international organs are a valuable part of its representative apparatus, worthy of being joined and supported.
The principal reasons for capital’s organizing at the transnational level do not seem to differ from its organizing motives at the national level. Indeed, because modern socio-economic order is not limited to particular national state-societies, but rather consists of principles of social relations which claim universal validity, it is no wonder that in terms of principles, capital’s international organizing does not differ from national modes of organizing. As in the case of labour, diverse forms of collective organizing help capital to transform itself from a class in itself to a class for itself, that is, to form a conscious social group (van Apeldoorn 1999, 40).

8.3 Labour’s Unification

As in the case of capital’s international organizing, labour’s international organizing from the nineteenth century to the 1980/1990's has been dealt with in chapter six (section 6.4). This examination showed that labour’s international organizations unified from the 1970's to the 1990's. From the point of view of European integration, the most important development was the founding of labour’s umbrella organization, the European Confederation of Trade Unions (ETUC) in 1973. This section describes the ETUC and summarizes labour’s organizational dynamics starting from the nineteenth century. At the end of this section, labour’s and capital’s organizational dynamics are compared with each other.

The founding conference defined the ETUC’s objectives in the following manner (Barnouin 1986, 47): The ETUC should “represent and advance the social, economic and cultural interests of the workers on the European level in general and towards the European institutions in particular — including the European Communities and the European Free Trade Association”. The latest amendment of the ETUC’s constitution (1999) defines its objectives in a similar manner with the possible exception that in 1999 the possibility of European-level industrial relations is explicitly expressed (European Trade... 2003): “The European Trade Union Confederation directs its activities towards ... the European employers' organisations, with a view to establishing solid labour relations at European level via the Social Dialogue and negotiations.”
As in the case of capital’s working groups, the ETUC’s main interests can also be derived from its organizational structure. In the beginning there were six permanent committees (Barnoin 1986, 59-60): the Committee on Collective Bargaining, the Committee on Democratization of the Economy, the Standing Committee on Migrant Workers, the Energy Group, the Working Party of Women Trade-Union Leaders and the ETUC Youth Group. From 1996 onwards, the ETUC had three standing committees the names of which reveal the central objectives of the ETUC: the Social Policy Committee (social rights and European social legislation), the Industrial Relations Committee and the Employment Committee (regulation of the economy and labour markets) (Dølvik 1997, 424). Changes in structures of committees reflect both changing political issues (energy in the 1970's) and the way in which the ETUC defines its permanent interests (employment, industrial relations, social issues).

In the beginning, the ETUC was clearly an international organizations since it did not have transnational powers and the national unions preserved their independence. Qualified majority voting was included in its statutes, but as a rule there was an attempt to reach consensual decisions. It was also agreed that specific issues concerning the EEC or EFTA could only be voted on by the respective national unions. (Dølvik 1997, 144-145) Later, during the 1990's the ETUC’s organization was consolidated and its transnational powers were strengthened.

Consolidation concerned, among other things, the role of European branch- (or industry-) level organizations. Their prehistory dates back to founding of the global International Trade Secretariats (ITS) and the Committee of 21 (see above). They had a controversial position in the ETUC until 1991, when conditions for their recognition in the ETUC were defined: they must follow the ETUC’s territorial and political expansion and be autonomous from the ITS (Ebbinghaus & Visser 2000, 782). During the 1990's, European Industry Committees reorganized their structures and assumed the more ambitious name of the European Industry Federations (EIF). They were given voting rights within the ETUC. By 2003, the consolidated branch-level federations consisted of eleven Industry Federations from the main branches of modern capitalism. At least officially they are expected to play a more
decisive role in the future since the ETUC’s constitution (Article 5) expresses a hope for European industrial relations at the branch level by defining the EIF’s role in the following way: “They represent the interests of workers in their sectors at the European level, principally in negotiation.” (European Trade... 2003.)

Transnationalisation took place by strengthening the Executive Committee’s position. The Executive Committee is responsible for determining the content of medium- and long-term strategies of the ETUC and this is the ETUC’s “supreme authority” between congresses that are held every fourth year. (Dølvik 1997, 166; ETUC 2003). The ETUC’s transnational powers were also strengthened by giving it the right to negotiate collectively at the European level on behalf of its members. This was a controversial issue because of the EIF’s fear that the ETUC would have too much negotiating power over branch-level issues (see Dølvik 1997, 11 Chapter). In 1996, a compromise was struck and general negotiating rights, save qualifications concerning branch-level issues, were given to the Executive Committee. After that the Executive Committee was able to decide on the results of negotiations with a two-thirds majority (see European Trade... 2003). However, even more important than the changes in formal statutes was that during the 1990's the ETUC’s member organizations may have learned to accept the idea that majority decisions could be made within the ETUC in the name of greater organizational efficiency (Dølvik 1997, 400-401).

Table 8.5 summarizes the ETUC’s organizational development in terms of its membership figures and the resources of its bureau in Brussels. The numbers in parenthesis refer to membership figures within the EC/EU. As in most of the tables presented in this study, the figures in the table should be seen as estimations rather than as precise data. For example, the total amount of individual workers included in unions and confederations belonging to the ETUC is probably somewhat vague.

The ETUC’s membership figures have risen considerably from its establishment in 1973 through the year 2003. In 1973 it had 36 million members from 14 national confederations, whereas in 2003 ETUC could claim to represent 60 million workers from 71 confederations. However, especially by the turn of the millennium, a great deal of this growth came from Central and Eastern European countries that had applied for EU membership (Dølvik 1997, 420). This means that inspite of growing
### Table 8.5 ETUC’s membership (millions) and resources, 1973-2003

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership (within EEC)</td>
<td>36</td>
<td>41 (33)</td>
<td>45 (36)</td>
<td>60</td>
</tr>
<tr>
<td>Countries (within EEC/EU)</td>
<td>14</td>
<td>20 (10)</td>
<td>21 (12)</td>
<td>34 (15)</td>
</tr>
<tr>
<td>Confederations (within EEC/EU)</td>
<td>17</td>
<td>34 (20)</td>
<td>45 (30)</td>
<td>71 (36)</td>
</tr>
<tr>
<td>EIC/EIF’s</td>
<td>6</td>
<td>10</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>ITUC’s</td>
<td>0</td>
<td>8</td>
<td>15</td>
<td>39</td>
</tr>
<tr>
<td>Income from dues (mil. €)</td>
<td>0.5</td>
<td>1</td>
<td>3.5*</td>
<td>..</td>
</tr>
<tr>
<td>Staff</td>
<td>..</td>
<td>..</td>
<td>45</td>
<td>52</td>
</tr>
</tbody>
</table>

Legend: EIC = European Industry Committee; EIF = European Industry Federation; ITUC = Interregional Trade Union Council.

* Data from 1992.


membership figures, ETUC representativeness within the EU has probably not increased. On the contrary, union density figures within the EU reveal that the ETUC’s representativeness has actually decreased. Within the EC’s 12 member states, union density dropped from 40% (1975) to 29% (1995). In the EU’s 15 member states, union density was 32% in 1995 whereas it was estimated to be down to 30% in 2001 (Ebbinghaus & Visser 2000, 786; Eiro, Industrial... 2002). Because almost all national labour confederations are members of the ETUC it can be concluded that the ETUC’s representativeness in relation to the EC/EU workers has varied from less than 40% (1975) to less than 30% (2001). Yet, because labour’s power position in relation to the EC/EU’s regulative activities does not depend solely on density rates, but on labour’s position in the overall structures of regulation, the above figures should not lead one to the conclusion that labour’s power position has been weakening within the EC/EU.
A second tier of the ETUC’s organizational structure consists of European branch- (or industry-) level organizations, the European Industry Committees (EIC) and from the 1990's onwards the European Industry Federations (EIF). Their number grew first from 6 to 15 and dropped then to 11 (2003). These numbers reflect the growth and consolidation of labour’s branch-level organizing in Western Europe.

A third level of the ETUC’s structure consists of the regional level of regulation of socio-economic order. This level of regulation includes regional organizations that operate in multinational border regions. The motivation for founding inter-regional organizations stems from specific problems of bordering regions such as unemployment, varied problems of frontier workers and the management of regional infrastructure (Barnouin 1986, 65). Furthermore, probably the EC/EU’s fortifying regional policy has also added to the purely regional dynamics of organizing. The number of these organizations has increased substantially from 8 (1983) to 39 (2003).

Considering its vast territory, the ETUC has had clearly too few resources at its disposal. Its full-time staff consisted of only 52 in 2003 and its incomes from dues ranged from 0.5 to 4.5 million Euros from 1973 to 1995 (Ebbinghaus & Visser 2000, 780). In practice however, it must be recognized that ETUC has received substantial support from the EC/EU. In 1997, Jon Erik Dølvik (1997, 409) estimated that half of all actual ETUC expenses were covered by the EU. The ETUC is also able to profit from the workings of its supporting institutions, the European Trade Union Institute (ETUI, a research centre, founded 1978), the European Trade Union College (ETUCO, a training body, founded 1989) and the Trade union Technical Bureau (TUTB, for health and safety standards, founded 1989) (Dølvik 1997, 156; European Trade... 2003). Also these institutions have been financially supported by the EC/EU. Lastly, it seems reasonable to assume that the ETUC receives support from those union bureaus which national unions and confederations have established in Brussels. At least they complement the ETUC’s activities by maintaining networks with their own nationals in the European Parliament, the Council and the Commission (Dølvik 1997, 425; compare Greenwood 2002, 119 on UNICE’s relations with corresponding bureaus of national capital).
In addition to the ETUC, there are two other European labour confederations, but these are far less important regulative forces than the ETUC. The European Confederation of Independent Trade Unions (Confédération Européenne des Syndicats Indépendants, CESI, founded in 1990) organizes diverse categories of workers. In the late 1990's, it had about 5.5 million members in the EU member countries (Institut des Sciences... 1999, 53; European Confederation... 2003). The European Confederation of Executive Staff (CEC) represents (2003) 1.5 million executives, managers and professionals (European Confederation of Executive... 2003). The Commission has recognized the CEC as a representative organization, but the CESI has not been granted this status (Dølvik 1997, 156).

The short history of labour’s transnational organizing presented in this and in section 6.4, allows for a few observations on the dynamics of organizing of labour’s international bodies (see summarizing Figure 8.2). First, labour’s international organizing has quite a long history. In fact, in some respects international organizing predates national organizing. A case in point was the establishment of the First International by Karl Marx and his associates. Poor performance and the quick disintegration of the First International resulted partly from a lack of workers’ national organizing. Indeed, somewhat ironically, the development of internationalism presupposes organizing first at the national level (see Muir 1919, 235-240). In other words, in early days of capitalism nation-states were still so undeveloped that they were not able to cage modern ideas of social organizing within their respective borders. Secondly, it is difficult to estimate how long-term changes in labour’s bases of interests have affected its international organizing. Yet, it seems sensible to assume that expansion of the capitalist economy both within state-societies and among them has strengthened the structural preconditions for labour’s international organizing (see Barnouin 1986, 8).
Thirdly in the twentieth century, national and international politics played an important role in the labour’s organizing. Development of
national models of regulation of the economy and labour markets integrated nationally based labour unions into national regulative institutions (see Chapter 5). The World Wars and the Cold War boosted this integration.

Fourthly, in close connection with national and international politics, labour divided into three fractions according to policy lines concerning class compromise. Socialist, Social Democrats and Christians were in favour of class compromise whereas Communists largely opposed it until the 1960s’/1970’s when Eurorcommunists started to take a more positive stance towards compromising with bourgeois social order. Especially during the Cold War, international and national class politics became mixed with each other. One of the Cold War front lines ran between Socialist and Communist unions and they were financially and otherwise supported by the Soviet Union and the United States.

Fifthly, Western European politico-economic integration, which was closely linked with the Cold War division of Europe, provided a strong impetus to labour’s regional organizing. This regionalization marked a radical principal change in labour’s international organizing because traditionally the international labour movement had always stressed global solidarity — even if in practice the majority of organized labour stemmed from European and other industrialized state-societies.

Sixthly, a significant difference between labour’s national and regional integration has been that at the national level, labour unions organized to influence capital and state apparatuses, whereas at the Western European level, labour directed its activity towards EEC/EU organs while capital refused serious negotiations with labour until the 1990's. Contacts with the EEC/EU have apparently created a similar system of feedback (drawn with fragmented lines in Figure 8.2) from EEC/EU organs to organized labour as described in the case of capital’s international organizing.

As a consequence of the above described history, European labour has a centralized, albeit otherwise organizationally weak, European labour organization, the ETUC.

Now, having examined capital’s and labour’s organizational dynamics separately, it is useful to compare them with each other. In this way, similarities and differences in their organizational dynamics can be located in addition to the dialectics of their organizing.
Capital and labour share many common characteristics in their international organizing (compare Figures 8.1 and 8.2). Organizing of both classes originated in many cases in the Middle Ages, but proper organizing gained momentum with the expansion of modern capitalism in the nineteenth and twentieth century. Extensive organizing of classes has been a distinctive feature of regulative traditions in European capitalism at the national level (see Chapter 5). In many cases international organizing of capital and labour is just as old a phenomenon as organizing at the national level, but European regional organizing gained momentum only after the founding and strengthening of Western European inter- and transnational organizations. Both capital and labour have enhanced their organizing at the EEC/EU level. Hence, the main impetus for their organizing stems from political integration, though underlying economic internationalizing has apparently also increased interests in regulating the European and global economies at the transnational level. However, despite expanding regional organizing, the strongholds of the parties are still located at the national level.

In spite of common traits in organizing, capital’s and labour’s organizational dynamics’ also diverge from each other. Because capital’s bases of interests are narrower than labour’s, it has concentrated on ensuring and improving conditions of capital accumulation (profits) leaving aside many areas of human life. In contrast to capital, the labour movement has had to deal with many facets of the life situations of workers. Indeed, the labour movement was born as a radical attempt to reorganize capitalist social order. Therefore, the destinies of labour organizations have been closely integrated with European political history.
8.4 Multi-Level Regulation of EU Capitalism

The previous sections presented an overview of the evolution of the EU’s industrial relations at the EU level. Yet, the regulative system of EU’s industrial relations constitutes a large and complicated system. In order to take into account the different levels and dimensions of this system, this section endeavours to examine its different aspects.

The most common way of bringing descriptive and analytical clarity to the analysis of the EU’s industrial relations is to differentiate between the diverse regulative levels of the economy and labour markets. The central constituting point of departure in such divisions is that the organizing of industrial relations follows the structures of modern political administration and governance (see, for example Lecher & Platzer 1994; Dølvik 1997; Jensen 1998; Kauppinen 1998, 31; Jacobi 1998, 294; Streeck & Schmitter [1994] 1998, 156-158). Above all, the EEC/EU level of industrial relations has been differentiated from the national level of industrial relation (see, for example Streeck 1998). Additionally, several researchers have separated the regional level (Nieminen 1995; Regalia 1998; Streeck & Schmitter [1994] 1998, 160-165), branch level (Keller & Sörries 1998) and firm level from other levels of labour market regulation.

My suggestion for a systematisation of the EU’s regulative and industrial relations system differentiates four levels of political administration: the European, national, regional and local levels. Furthermore, it seems reasonable to distinguish between diverse units of regulation: the macroeconomy, branches of economic activity and singular firms. By cross-tabulating these dimensions of regulation, a simple model of the multi-level regulation of EU capitalism is formulated in Table 8.6. In addition to the dimensions of regulation introduced

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1 This approach is common in integration research (see Rosamond 2000, 109-113, 147).

2 In addition to these levels, a weak global level of regulation could also be named, since global organizations such as the International Labour Organization and the World Trade Organization affect regulation of the economy and labour market at the global level.
above, Table 8.6 lists also the most important regulatory actors within each level in addition to the most significant units of regulation.

At the first sight, the model presented in Table 8.6 may create an impression that the EU regulative system is quite a scattered system, but there are at least four organizational factors that increase its coherence. First, levels of political administration form a hierarchal order in which upper levels dominate subordinate ones. Secondly, in many cases the actors are the same across levels of politico-economic administration (this applies especially to firm management). Thirdly, in many cases actors from diverse administrative levels have close relations with each other (this applies to, for instance, to labour union leaders of national branch-level unions and to leaders of central organizations).

Table 8.6 Model of multi-level regulation of EU capitalism

<table>
<thead>
<tr>
<th>Levels of political administration</th>
<th>Units of regulation</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Macroeconomy</td>
<td>Branches of the economy</td>
<td>Firms</td>
</tr>
<tr>
<td>European Union</td>
<td>EU organs, governments, UNICE, ETUC, CEEP</td>
<td>EU organs, governments, branch-level organizations of capital and labour</td>
<td>leaders of multinational firms, organized labour</td>
</tr>
<tr>
<td>National</td>
<td>state actors, confederations of capital and labour</td>
<td>state actors, organisations of capital and labour</td>
<td>leaders of firms, shop stewards, workers</td>
</tr>
<tr>
<td>Regional</td>
<td>regional authorities, regionally organized capital and labour</td>
<td>regional authorities, regionally organized capital and labour</td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td>local authorities, local capital and labour</td>
<td>local authorities, local capital and labour</td>
<td></td>
</tr>
</tbody>
</table>

Finally, in many cases those subjects who regulate the economy and labour markets are at the same time objects of that same regulation (self-regulation).
In the following pages, the roles of the diverse levels and units of the EU’s regulative system are briefly described. Although this examination concentrates on the most recent state of affairs, some observations on historical developments are also made. After that, a new summarizing table of the multi-level regulation of EU capitalism is presented encapsulating the findings of this and the previous section.

First, developments at the European level within regulative units of the macroeconomy and diverse branches of economy have already described in section 8.1. Hence, it suffices to repeat here that especially starting from the beginning of the 1990's, EU level industrial relations have gained more significance. A few figures serve to indicate this development. In the beginning of the new millennium, UNICE, ETUC and CEEP had issued several tens of joint expressions of opinion and made five binding agreements with each other (see Table 8.2). At the branch level’s 27 branches of economic activity, there were over 150 common expressions of opinion and at least 11 binding agreement between capital and labour (see Table 8.3; European Commission 2000, 17).

At the European firm level, the rights of workers have been debated in the EEC from the beginning of the 1960's onwards. Thanks to resistance on the part of employers and some national governments, initiatives to extend workers’ rights at the European firm level failed. For example, as already pointed out above, the “Vredeling proposal” (1980) on consultation and information in multi-national enterprises was fiercely opposed by UNICE. Also in 1993-1994, negotiations between UNICE and the ETUC ended in deadlock. However, because national governments were able to find a compromise on this issue, a directive that gave information and consultation rights to workers in multi-national European companies was issued in 1994 (European Works Councils, EWC). In the beginning, the United Kingdom remained outside, but when Britain’s opt-out in social policy area came to an end in 1997 (Treaty of Amsterdam), the directive applied to the all EU member states (and to Norway and Iceland as members of the European Economic Area). It seems that changing of at least two structural preconditions contributed to the promulgating of the European Works Councils directive in 1994. First, the Maastricht Treaty and the United Kingdom’s opt-out allowed for making social legislation by majority decision.
Secondly, as explained in the directive’s introduction, the Single Market development called for the centralization of structures of firms (fusions, mergers and take-overs) and to counterbalance this changed power position of capital, labour needed some additional rights. (See Nyström 2002, 169, 175-176.)

According to the European Works Councils directive, all firms that employ at least 1000 workers of which at least 150 work in at least two member states must establish information and consultation arrangements. Firms had the possibility of establishing works councils on a voluntary basis before 1996 with less stringent criteria than after 1996, when the directive was intended to be transposed to the legislation of member states. Consequently, in the spring of 1995 there were some 30 EWC’s. By September 1996 the figure had risen to 450 and in 2002 the figure was about 700 (European Trade Union Institute 2003). All in all, it is estimated that the directive applies to some 2000 firms.¹ Although European Works Councils do not give excessive new rights to employees, they nevertheless do represent a genuine development of European industrial relations. (Nyström 2002, 176-181.)

In addition to European Works Councils, there are number of other directives that grant information and consultation rights to employees at the firm level (see Nyström 2002, 170-171). Most of these directives apply in special situations such as in cases of collective redundancies or when firms are divided or merged. An important directive was agreed on in 2001, when after thirty years of debate, it was decided to draft a European Company Statute making it possible to establish a European company directly under EC legislation. European companies are obliged to establish works councils similar to EWCs (Nyström 2002, 181-183).

Secondly, the national level of industrial relations and the regulation of capitalism has been already described in third chapter. This level of political administration is especially important because it is the most effective level of the regulation of capitalism. In the realm of industrial relations, it is the national level that regulates core issues of

¹ For detailed information on European Works Councils and companies affected by the EWC directive see the database collected by the ETUI: http://www.etuc.org/etui/databases/default.cfm
industrial relations, such as wages and working time; whereas the European level has dealt with less conflictual issues in the area of social policy and minimum labour standards (Schulten 2002, 3). The national level of administration is vital to the EU as well because the EU has to rely on national authorities when it comes to the realization of its policies and legislation. The only way the European Union can effectively administer its own socio-economic life runs through national administrative apparatuses. On the other hand, national regulative traditions have formed bases for EU-level developments. Hence, the EU level affects national level of administration and vice versa.

The EC’s influence on the national regulation of the economy and industrial relations remained weak but this situation changed in the 1990's with the advent of the EU and especially because the convergence criteria of the Economic and Monetary Union called for wage moderation by setting a strict framework for national economic policies. By the turn of the millennium, the EU and the EMU formed explicitly an important point of reference in just about every member state of the EU (see Table 5.1 on the effect of international relations on the reproduction of national systems of industrial relations). In several EU member states this led to the unexpected centralization of industrial relations during the 1990's. These developments are summarized in Table 8.7 (see also Kauppinen 1998; Pochet 1999). This centralization took the form of diverse centralized collective agreements and national programmes of economic development, competitiveness and employment ("social pacts"). To a different degree such centralization could be observed in Portugal (partly), Spain, Ireland, Italy, Germany, Belgium, the Netherlands and Finland; whereas in Portugal (partly), Greece and Sweden attempted centralized negotiations failed.

In addition to this Europeanisation of the national macroeconomic regulation of capitalism, transnational European labour unions have attempted to coordinate national bargaining at the branch level (see Schulten 2002). The most advanced attempt at the coordination of national bargaining has been made by the European Metalworkers’ Federation (EMF). In 1998, it laid down the basic principles for coordinated European bargaining within the metal branch. The first
Table 8.7 Social pacts and regulative concertation in Western Europe, 1992-1999

<table>
<thead>
<tr>
<th>Country</th>
<th>Social Pacts/Concertation Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Southern and Western</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Austria</strong></td>
<td>centralized corporatism, no formal pact</td>
</tr>
<tr>
<td><strong>Portugal</strong></td>
<td>1995: short-term agreement (no CGTP); 1996: strategic consultation agreement; 1998: Europact (failed)</td>
</tr>
<tr>
<td><strong>Spain</strong></td>
<td>1993: social pact; 1996: social security Toledo pact; 1998: part-time agreement</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td>1997: negotiations (failed)</td>
</tr>
<tr>
<td><strong>Core</strong></td>
<td></td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>no pact, abandonment of centralized bargaining</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>no pact, labour and capital important in social security reform</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>1995: alliance for jobs; 1998: discussions on employment pact</td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td>1993: global plan; 1996: pact for future, competitiveness law; 1998: centralised agreement</td>
</tr>
<tr>
<td><strong>Nordic semiperiphery</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>1999: social security debate</td>
</tr>
<tr>
<td><strong>Sweden</strong></td>
<td>1997: wage standard (failed); 1999: pact for growth (failed)</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>1995: social pact; 1997: social contract</td>
</tr>
</tbody>
</table>

Source: Base with modifications on European Commission 2000, 81.

principle was a joint commitment to European guidelines for wage bargaining that aimed at preventing downward competition between national metal industries. The second point of departure was the political determination for “EMF minimum standards” that would apply throughout the EU. After 1998, several European branch-level unions have followed the EMF’s example and set up their own European collective bargaining policy.1

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1 By the beginning of 2002, the following European Industry Federations had developed at least some European bargaining policy activity: Union Network Europe (UNI-Europa), the European Trade Union Federation — Textiles Clothing and Leather (ETUF-TLC), the European Mine, Chemical and Energy Workers’ Federation (EMCEF), the European Federation of Public Service Unions (EPSU), the European Federation of Food, Agriculture and Tourism Trade Unions (EFFAR), the European Federation of Building and Woodworkers (EFBWW) and the European Federation of Journalists (EFJ) (Schulten 2002, 19).
Another initiative for coordinated bargaining within the EU stems from the ETUC (Schulten 2002, 21), which had been disappointed at the weakness of the EU’s social dialogue and which followed the example set by branch-level unions by establishing its own macroeconomic coordination policy lines for national industrial relations bargaining. In fact, the ETUC regards the coordination of national bargaining as constituting one pillar of the EU’s future industrial relations. The other three pillars are: European legislation, social dialogue and European Works Councils. However, it seems that so far these attempts at coordinating national bargaining have had no practical effect on national bargaining (Schulten 2002, 25).

The third and fourth administrative levels of EU capitalism are the regional and local levels. Because many issues concerning regulation are the same at the regional and local levels, and the national and regional variations of where the borders of regional and local entities lie vary, regional and local levels of administration are dealt with here together.

The regional administrative level has been strengthened in recent decades for four reasons (Nieminen 1995, 29; Regalia 1998, 157). First, at least in Belgium, Spain and France more decentralized administrative structures have been introduced and in Italy and the United Kingdom regional entities have sought to gain more independence in relation to their respective state apparatuses. Germany, the Netherlands and Austria already had strong regional administrations because they are federal states. Secondly, some new elements of capitalist accumulation have been associated with regional economic cooperation. This applies especially to areas termed as industrial districts in Italy. Thirdly, tendencies towards more decentralised industrial relations may have increased the importance of local bargaining. Fourthly, the regional dimension of EC/EU integration has been strengthened (Nugent 1999, 285-288). The establishment of the European Regional Development Foundation (ERDF) in 1975 gave an powerful impetus for local and regional actors to take part in European integration. In the Maastricht Treaty, a Committee of Regions was established, which has consultative rights in a number of areas such as education, training, economic and social cohesion. In the Amsterdam Treaty, the list of these consultative
Since the Amsterdam Treaty, areas about which the Committee of the Regions should be consulted include education, training and youth, economic and social cohesion, including Structural Funds, trans-European transport networks, energy infrastructure, public health, culture, transport policy, EU enlargement, combating social exclusion, environment and cross-border cooperation (Nugent 1999, 288).

Within its sphere of competence, the Committee of Regions exercises an influence comparable to that of the Economic and Social Committee. Not surprisingly, the Committee of Regions strives to strengthen the regional level of administration in the EU.

Similar to the situation at the nation level, labour unions have attempted to coordinate their activities regionally. Diverse combinations of national labour unions have attempted to establish coordination practices with unions from neighbouring countries (Schulten 2002, 5-11). The “Doorn initiative” aims to coordinate collective bargaining between the Benelux countries and Germany. Like other labor’s coordination projects this initiative also seeks to prevent downwards competition on wages under the policy framework of the European Economic Union.

Within the framework of the coordinated initiative on the part of the European Metalworkers’ Federation the German Metalworkers’ Union, IG Metal, launched an initiative for cross-border collective bargaining networks with unions from Germany’s neighbouring countries. Other similar kinds of networks include the Nordic metalworkers’ unions and the Austrian, German and Swiss construction workers’ unions. Nevertheless, the existing networks centre around Germany. It should be noted, however, that all these initiatives are so new that their actual impact on collective bargaining has not been studied — most likely it has been quite limited so far.

In states such as Spain and Belgium which delegate considerable powers to the regional level, regional bargaining may actually have had an effect upon core issues of collective bargaining, but in general, regional industrial relations are normally not regarded as an important level of regulation (see Regalia 1998, 159). However, even if the core issues of employment relations are excluded from regional regulative powers, this still leaves many issues that can be handled at the regional level. Such issues include, for example, local employment initiatives, education and training, the strengthening of entrepreneurship and regional infrastructure along with supporting of innovations. This wide

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1 Since the Amsterdam Treaty, areas about which the Committee of the Regions should be consulted include education, training and youth, economic and social cohesion, including Structural Funds, trans-European transport networks, energy infrastructure, public health, culture, transport policy, EU enlargement, combating social exclusion, environment and cross-border cooperation (Nugent 1999, 288).
This study was conducted in the West Midlands in the United Kingdom; Rhône-Alpes in France; the Saarland and southern upper Rhine in Germany; Lombardy, Prato and Padua in Italy and Catalunya in Spain. An array of activities seems to be related to the two macroobjectives of supporting (directly or indirectly) local economies and employment and promoting local social cohesion and consensus (Regalia 1998, 161). In some cases regional and local activities have wide coverage. For instance, a comparative study (Regalia 2001, 664, 666) found that an average of 60% of industrial and service firms had, over the previous two years, taken part in local initiatives concerning vocational training or employment creation.\(^1\)

In spite of large regional differences, regional and local industrial relations seem to have some common characteristics (Niimenen 1995, 37-38, see also Regalia 1998, 161-163):

- This level of industrial relations is quite invisible. This invisibility stems mainly from the fact that hard core issues of industrial relations such as wages are not dealt with at this level. For this reason these bargaining relations cannot be termed as ‘regional corporatism’, a more proper term would be “corporatist regionalism”. The difference between these notions is as follows. “Regional corporatism” (or a regional system of industrial relations) would mean that actors may bargain and decide on core labour market issues (wages, working time, safety and so on) at the local or regional level. “Corporatist regionalism” on the other hand, refers to a socio-economic configuration in which employers, employees, political actors and the public (municipal or regional) work together to strengthen the position of the area in question. Naturally, many different combinations of cooperative relations are possible.
- Since hard-core issues of industrial relations are not negotiated at the local level, it is relatively easy to attain consensus on the other kinds of issues at this level. Regional and local socio-economic relations are therefore often more consensus oriented than relations at the national or at the firm level.
- One of the most important factors influencing the strength of local and regional levels is how much autonomy the nation-state has given to the local level. The role of the state, and in some cases also the role of the European Union, is important also in other

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\(^1\) This study was conducted in the West Midlands in the United Kingdom; Rhône-Alpes in France; the Saarland and southern upper Rhine in Germany; Lombardy, Prato and Padua in Italy and Catalunya in Spain.
respects: often regional or local actors need outer support to successfully accomplish their projects.

- An important factor is the inner strength of a region’s identity and the tightness of its cooperative networks.
- The European Union’s local and regional initiatives seem to strengthen regional and local activities.

In sum, even if regional and local levels of regulation of the economy and labour markets often remain in the shadow in politics as well as in the shadows of industrial relations research, these are by no means non-existent levels of regulation.

My examination of multi-level regulation of Western European capitalism started with an analysis of national industrial relations in the fourth and fifth chapters, continued with a presentation of ECSC/EEC/EU-level evolution in chapter six and section 8.1 and finishes here with a few observations concerning regional and local levels of regulation. At this point, it is appropriate to present a summary of the multi-level regulation of EU capitalism. Table 8.8 summarizes the situation by the turn of the millennium. It is structured according to the model of multi-level regulation of EU capitalism introduced in Table 8.6.

As can be seen from Table 8.8, the EU affects regulation of Western European capitalism at all levels of political administration. From the point of view of the effectiveness of regulation, the most important level of European governance of the economy and labour markets is, however, the national level. Here, the EMU project has led to Europeanisation of the national regulation of the economy and labour markets. EMU convergence criteria have provided a strong framework for national bargaining on the terms of employment. This is probably the most influential way in which EU policy-making has affected industrial relations in Western Europe so far.

The multi-layered structure of the EU’s regulative system raises an essential question: what kinds relations are there between the diverse regulative levels of capitalism? This question is essential because the real regulative effectiveness of any system depends on the relationships
Table 8.8 Multi-level regulation of EU capitalism by the turn of the millennium

<table>
<thead>
<tr>
<th>Levels of political administration</th>
<th>Units of regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Macroeconomy</td>
</tr>
<tr>
<td>European</td>
<td>EC legislation, five agreements, capital’s and labour’s common expressions of opinion and their involvement in the EU’s socioeconomic regulative machinery</td>
</tr>
<tr>
<td>National</td>
<td>national industrial relations, realisation of EMU politics, ETUC initiative to coordinate national bargaining</td>
</tr>
<tr>
<td>Regional</td>
<td>in many cases corporatist cooperation at regional and local levels within the framework of EU regional policy</td>
</tr>
<tr>
<td>Local</td>
<td></td>
</tr>
</tbody>
</table>

between diverse administrative levels. Relationships among levels and units of labour markets regulation may have at least the following characteristics:

- Relations may be **hierarchical**. In this case upper levels of hierarchy rule lower levels. If the dominating position of higher levels of administration is strong, dominating actors may try and succeed in either harmonising or coordinating the modus operandi of lower levels of a hierarchy.
- If relations between industrial relations actors reciprocally support each other and the functions of different levels of regulation supplement each other, they can be called **complementary**.
- Actors have **competitive** relations with each other.
• **Conflictual** relations mean that actors disagree on how labour markets and economies should be regulated.
• **Weak integration** between different actors and levels indicates weak connections between different actors and levels.
• Many of the above characteristics of relations between different industrial relations levels stress the modern rational character of industrial relations actors. These actors are supposed to pursue their own interest in a rational manner. In terms of this study, these actors are engaged in interest politics and their dominant mode of socialization is associative socialization (Vergesellschaftung). However, as suggested in section 2.3 on collective identity and section 6.5 on communal socialization in the ECSC/EEC, associative socialization hardly ever exists alone, but rather it is to be found in the company of **communal socialization** (Vergemeinschaftung). Also, in the case of relations between industrial relations levels, it is reasonable to assume that actors at different regulative levels share at least to some extent a collective identity and ideology which ties these actors with each other (compare Crouch 1994, 23-28).

On the basis of this study, a detailed view of all relations between levels of regulation cannot be formed. Nevertheless, the information gathered allows for some observations and reflections. First, in principle, relations between administrative levels are, of course, hierarchical. It seems to me that the EU’s organs have gained some independence in relation to the EU member states. This strengthens their power position.

Yet, it has to be kept in mind that it is the national governments that make the final decisions in the Council of Ministers. Hence, for example EMU politics have been formulated mainly by national actors even though it is the EU apparatus which seeks to realise the Economic and Monetary Union. Another exception to the administrative principle of hierarchy is regional activity in which the organs of the EU and regional actors have formed alliances for the purpose of strengthening the positions of regional and EU levels of policy-making at the expense of the nation-states.

Secondly, for a long time it seemed that economic integration in the form of trade liberalisation was complementary with Fordist national regimes of accumulation and national systems of industrial relations (see Kosonen 1994a, 24-30), but as integration has intensified since the
beginning of the 1990's, it seems that this complementary relationship has weakened somewhat and it has been partly replaced by hierarchal relations between the EU and its member states. The most obvious example of this shift can be observed in the way that national industrial relations have adapted to the requirements of the Economic and Monetary Union (see Tables 5.1 and 8.7).

Thirdly, there is no question that diverse regulative levels and units compete and have conflicts with each other. It is exactly because of this competition between national economies that labour unions have sought to coordinate national bargaining at the regional and EU levels. Also regional entities compete with each other.

Fourthly, it seems obvious that because the EU's regulative system is very large and is divided by many political, economic and linguistic cleavages, its integration has remained weak. Lastly, it is very difficult to assess to what degree a common European identity and ideology have integrated diverse actors within the framework of the EU. This question is in part tackled in sections 9.1 and 9.2.

All in all, the above reflections fail to give definitive answers to the question of relations between regulative levels of EU capitalism. Nevertheless, they do give some impressions of the complicated dialects of regulation of EU capitalism.
9 Politico-Economic Unification in a Globalizing World

The questions raised in the preceding chapters, concentrate mostly on organizational evolution, leaving the contents of policies largely aside. This deficit raises two questions. Has integration been a guided process with certain objectives, or has its development been a functional result of the actions of diverse actors pursuing their own interests? If the policies of integration have had guiding principles and ideologies what has been their content? These issues are examined in this chapter.

9.1 Hegemonic Project: Growth, Competitiveness and Employment

The guiding objectives and principles of EEC/EU integration may be detected by identifying what kinds of issues have constituted the central objectives of integration. These central objectives form the bases of the EEC/EU’s ideology and hegemonic project (for a definition of ideology see sections 2.3. and 2.4 on collective identity and ideology). In section 5.3 on the reproduction of national industrial relations, it was maintained that national hegemonic projects, which define proper social relations and the ultimate aims of state-societies, have played an important part in national systems of regulating the economy and labour markets. Similarly, it seems reasonable to try to detect the core objectives of European integration by analysing documents that state these objectives. In the following pages, this is done by examining the founding treaties of the ECSC/EEC/EU and a few important programmatic documents that have guided Western European policy-making. While dealing with the founding treaties, the point of departure is that European legal order, as does any system of legal norms, reflects the basic structures and objectives of a social configuration (see Uusitalo 1999, 818).

All the founding treaties of Western European transnational organs stress the importance of economic growth as the first objective of European integration. For instance, the EEC treaty declared (Treaty establishing the European Economic..., Article 2):
“The Community shall have as its task, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, accelerated raising of the standard of living and closer relations between States belonging to it.”

It is likely that national governments assumed that economic growth would automatically foster employment but an explicit employment objective has been mentioned among the most important objectives of integration only in the founding treaty of the ECSC and in the Amsterdam Treaty, which amended the founding treaty of the European Union in 1997 (in force in 1999). In all probability the ECSC agreement got its employment objective because the signatories anticipated that the reorganization of European coal and steel industries would create unemployment. In the case of the EU, employment returned to the central objectives of integration because of unemployment and because a more effective employment policy was seen as a means of boosting economic growth. In fact, enhancing employment has always been among the objectives of integration but it was only in the ECSC and the EU that it received a central position.

In the 1990’s, a deepening of integration can be detected from the increasing number of objectives of integration. In the Maastricht Treaty (in force 1993) a common foreign policy, citizenship, inner security and maintenance of the Community’s legal order were included in the list of objectives and a promotion of “a high level of employment” was added in Amsterdam. The above described developments are summarized in Table 9.1, which displays the increasing statehood of the European Union.

The founding treaties reveal the most basic objectives of European integration, the core of its hegemonic project, but they do not define those mechanisms or policies which would realise the objectives of integration. Therefore, in order to clarify the Western European regime of accumulation it is necessary to examine influential programmatic papers that lay down generally accepted frameworks for policies. This examination concentrates on the recent developments since the beginning
For the methods used in this text analysis, see Appendix I.

Table 9.1 Main objectives of the ECSC/EEC/EU as stated in founding treaties

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Sources: Treaty establishing the European Coal..., Article 2; Treaty establishing the European Economic..., Article 2; Treaty on European...; Article B; Treaty of Amsterdam...; Article B.

of the 1990's and analyses only a few important policy documents. These documents include “Growth, Competitiveness, Employment, The Challenges and Ways forward into the 21st Century” (Commission... 1993) and “European Social Policy, A Way forward for the Union” (European Commission 1994). Both of these documents are “white papers” produced by the Commission and they were intended to lay foundations for the policy-making of the ensuing years. The last of the documents analysed is the Commission’s “Social Policy Agenda”, which aims at integrating the growing number of the EU’s economic, employment and social policy initiatives (Commission... 2000, 2).¹

Since the basic conceptions, views and doctrines that form the fundamental world-view of a social actor presumably constitute a basic frame of reference for his/her/its actions, it seems wise to start with a reconstruction of basic elements of the world-view of the Commission of the European Union. How does it view the world in its two white papers?

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¹ For the methods used in this text analysis, see Appendix I.
For the Commission, history presents itself as a progressive development of international economic competition wherein the most important actors are nation-states, international organizations, especially the European Union itself, and business firms (Commission... 1993, 57-58; European Commission 1994, 11, 30-32, 38, 59-61). In this competition the fiercest opponents of the EU are the two nation-states, the United States and Japan, with which the Commission constantly compares the EU. Consequently, these competitors set standards and challenges for the EU (Commission... 1993, 40-47, 57-60; European Commission 1994, 11, 17, 41; see also Rosamond 2000, 120). Although the Commission also lists some “shared European values” such as democracy and individual rights, free collective bargaining, the market economy, equality of opportunity for all, social welfare and solidarity (European Commission 1994, 9), its real worries are centred around global competition and economic growth as described in the Commission’s white paper on growth, competitiveness and employment (Commission... 1993, see also European Commission 1994, 10). Thus, “European values” do not produce challenges to the European Union, but rather they are seen as functional for global competitiveness.

The idea is, that if the EU is to be globally competitive, its economy must grow, and a growing economy together with lesser unemployment creates resources for social policy and social development (European Commission 1994, 11-12). In addition, social development supports competitiveness, since the social environment is also an essential factor in determining economic growth. It is not separate firms, or economies as such, but whole societies which compete: “Progress cannot be founded simply on the basis of the competitiveness of economies, but also on the efficiency of European society as a whole” (European Commission 1994, 12).

This broad picture of global economic competition as the motor of world history is so self-evident for the Commission that in most cases it can be left unspoken, sometimes the Commission only oracularly refers to “structural changes” (European Commission 1994, 11, 18, 55-56).

From this world-view of global competitiveness inevitably follows the way in which the Commission defines “challenges” to the Union: the globalization of trade and production, the huge impact of new technologies on work, society and individuals, the ageing of the
population, the persistent high level of unemployment (European Commission 1994, 7). The first two challenges are directly caused by international economic competition.

Consequently, the social policy of the Union should be developed in such a manner that it supports global competitiveness, economic growth and employment (European Commission 1994, 11-12). One needs “a new synergy between the welfare and wealth-creating functions of society” (European Commission 1994, 47); and “a better balance between social protection, competitiveness and employment creation” (European Commission 1994, 19). This means, above all, a shift from equality of outcome1 towards equality of opportunities: “... there needs to be a move away from more passive income maintenance measures towards active labour market measures designated to ensure the economic and social integration of all people. This means giving a top priority to employment ...” (European Commission 1994, 47; see also 11,17). Much emphasis is also placed on training and education: the Union should invest in “a world-class labour force” since “a qualified and well-motivated workforce is a cornerstone of a competitive economy” (European Commission 1994, 23; see also 12). The social policy of the Union is thus directed mainly at getting as many people as possible to work for wages, the disabled and older people should as well make their contribution to “the economic strength of a more integrated Europe” (European Commission 1994, 49). Here, differences in levels of income (i.e. equality of outcome) are basically no problem as long as everybody has an equal opportunity to work (European Commission 1994, see 18-19). Yet, in one passage the Commission does express a wish to upgrade the wages of low-paid jobs (European Commission 1994, 41), and also with the help of “gender-neutral job evaluation and job classification schemes”, to promote the value of women's work (European Commission 1994, 42). Because of this attachment to the equality of opportunity the Commission pays much attention to fighting all kinds of obstacles to equality of opportunity; it seeks to fight discrimination against women, the disabled, older workers, racial and religious minorities (see European Commission 1994, chapters V-VI). But wage labour is not just the key to the EU social policy, according to the Commission it is paid employment

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1 “Equality of outcome” refers here to equal distribution of income.
which primarily integrates people into a society (European Commission 1994, 11, 26-28, 47, 55), and unemployed people easily form a threat to the cohesion of European societies (European Commission 1994, 27, 49-50).

It is worth noting that because several Western European welfare states have stressed equality of outcome, that is equal distribution of income, the Commission’s strong adherence to equality of opportunity marks a considerable shift towards a market liberal social order. This may affect especially the Nordic model of welfare state, which has had a strong orientation towards the objectives of equality of outcome (for diverse forms of equality and the Commission’s policy line see Nieminen 1996).

However, since all people cannot possibly be employed, there seems to be also a weak idea concerning the basic human right to the fulfilment of basic needs, whether one earns money or not (European Commission 1994, 12). Yet, this dimension of basic needs is mainly justified not by abstract ideas of human value or a basic right to livelihood, but by the practical concern that too low a standard of living leads to problems in "social cohesion" (European Commission 1994, 12, 49).

As the content of EU social policy is directed towards activating people into wage labour, the way of organizing social policy further strengthens this orientation towards wage labour. Organized labour and capital have a strong position in the shaping of EU social policy — in addition to nation-states, of course (European Commission 1994, 55). Via the Social and Economic Committee, several other sectoral and professional organs and more informal lobbying, capital and labour can strongly influence the shaping of the social policy line (European Commission 1994, 55-56). Furthermore, according to the Maastricht Treaty they can take a more active role in forming social policy because negotiated agreements between parties can come into effect as part of EU legislation (European Commission 1994, 55-56; see section 8.1). For the Commission, however, this is not enough, it wants to develop a “... European-level social dialogue ... towards an organic and structured system of industrial relations ...” (European Commission 1994, 56), and for this purpose it suggests several actions in order to strengthen EU-level industrial relations (European Commission 1994, 56). It goes
without saying that also these industrial relations should be supportive of “massive structural changes” (i.e. the need for global competitiveness and economic growth); indeed, collective bargaining has the advantage of being a flexible instrument in creating consensus and a smooth adaption to economic pressures (Commission... 1993, 16-21; European Commission 1994, 55).

The above described structure of the EU’s hegemonic project as presented in the Commission’s two white papers is illustrated in Figure 9.1. In this figure the more important ideas are situated higher than subordinate ones. Arrows show the direction of influences between diverse elements of ideology. To sum up, by the beginning of the 1990’s global competitiveness seems to have assumed for itself a position that parallels that of the traditional ideological strength of economic growth. Other factors in this ideology are subsumed under the demands of competitiveness and growth and their supportive feedback to growth and competitiveness is weak.

By the turn of the millennium, the Commission and the Council had tried to integrate the growing mass of the EU’s economic, employment and social policy initiatives within a framework of a “Social Policy Agenda”, the structure which was layed down in a Commission Communication (Commission... 2000) and accepted by the Council (Nice European Council 2000). Because this agenda seeks to integrate diverse initiatives with each other, it provides a good basis when trying to define the most recent hegemonic ideology of the EU.

The Social Policy Agenda’s point of departure does not differ from the ruling ideas of the white papers of the beginning of the 1990's: The EU should develop into “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with better jobs and greater social cohesion” (Commission... 2000, 5; Nice European Council 2000).
As already pointed out, the constructive idea in the agenda is the integration of economic, employment and social policies so that these policies support economic growth and competitiveness (Commission.... 2000, 6; see also Nice European Council 2000):

“In the past, social policy has enabled the European Union to manage structural change whilst minimising negative social consequences. In the future, modernising the European social model and investing in people will be crucial to retain the European social values of solidarity and justice while improving economic performance.”

The Economic and Monetary Union defines an economic framework for other policy areas. This economic framework includes non-inflatory growth that requires moderate wage increases and the avoidance of public deficits (Commission... 2000, 6-7). Diverse legal and
policy measures to be integrated under the auspices of the Social Policy Agenda include some 60 diverse initiatives (Commission... 2000, 27-31). From the point of view of regulation of the economy and labour markets, the most interesting policy area is the employment policy which aims at raising “the employment rate to as close as possible to 70% by 2010 and increasing the number of women in work to more than 60% in 2010” (Commission... 2000, 15). At his point, the Commission refers to the “European employment strategy” that was introduced in 1997 and includes the four policy objectives of “improving employability, developing entrepreneurship, encouraging adaptability in businesses and their employees and strengthening the policies for equal opportunities” (Luxembourg European Council 1997, Part II). Moreover, the Commission calls for the “deepening and strengthening” of European employment strategy by concentrating on (Commission... 2000, 15-16):

- improving people’s employability, reducing skill gaps in particular through life-long learning;
- promoting entrepreneurship;
- developing the service sector;
- developing equal opportunities and the adaptability of the workforce;
- pursuing economic reform of product services and capital markets, with the objective of strengthening the employment content of growth.

As a means for achieving the goals of the Social Agenda, the Council urges the use of all available methods: “the open method of coordination, legislation, the social dialogue, the Structural Funds, the support programmes, the integrated policy approach, and analysis and research”. “The open method of coordination” is one of the new keywords in the policies of integration; it is not based on binding legislation or detailed political decisions but on “establishing policy guidelines, setting benchmarks, concrete targets and a monitoring system to evaluate progress via peer group review” (Commission.... 2000, 7). In order to guarantee the effectiveness of the above described policy line, the Commission demands that all actors from diverse administrative levels should take part in the new comprehensive governance of the EU (Commission... 2000, 14): “All actors, the European Union institutions,
Member States, the regional and local levels, the social partners, civil society and companies have an important role to play.” The same idea is also expressed in the Commission’s white paper on “European Governance” that delineates a more effective and coherent EU policy-making model (Commission... 2001, 11-18).

In section 2.3, which dealt with collective identity and ideology as elements of social order, it was maintained that one of the most important functions of ideology is its ability to define the character of social actors and thus influence the subjectivity of individuals and groups. What can be said about the EU’s hegemonic project in this respect?

It appears that EU ideology aims to define social subjects in such a fashion that they are bound to contribute to European integration. For example, by defining organized capital and labour as “social partners” that “cooperate” in “social dialogue”, the EU discourse attempts to direct capital’s and labour’s subjectivity in a prointegrative direction. Similarly, just about all European organizations which have some policy relevance may be defined as “stakeholders” in integration who are assumed to be taking part in European integration (see Commission.... 2000, 14). A strong example of an attempt to influence workers’ subjectivity is provided by the EU’s employment strategy which seeks to increase the amount of the work force and enhance people’s subjectivity as workers by demanding that people should improve their “employability” and “adaptability” and take part in “life-long learning”.

Apart from the EU’s employment policy, another Commission initiative also endeavours to strengthen workers’ commitment to their work. From the beginning of the 1990’s, the Commission has urged member states and firms to develop diverse forms of workers’ financial participation to their respective firms. A launching speech for the publication of a white paper concerning workers’ financial participation by Anna Diamantopoulou, the Employment and Social Affairs Commissioner, explains this method of strengthening worker subjectivity (Eiro, Commission Sets out Strategy to Promote Employee Financial Participation 2002):

"We need a new business model. Financial participation schemes for workers’ shares, share options or profit sharing - can contribute to this. Financial participation should not be confined to the
boardroom but should be an option for all workers. Where the rules of the game are crystal clear, up front and sound, it can be a win-win situation for business and workers by building commitment in the workforce and raising productivity while providing workers with a share of the benefit."

The analysis of the EU’s hegemonic project around the turn of the millennium is summarized in Figure 9.2, which is structured along the same principles as Figure 9.1 for the earlier phase of the EU’s hegemonic ideology (see also Commission... 2000, 6).

**Figure 9.2 EU’s hegemonic project by the turn of the millennium**

Figure 9.2 displays the primacy growth and competitiveness objectives formalized in the EMU. It also stresses the Commission’s attempt to integrate diverse policy areas with each other. Comparison of Table 9.1 and Figures 9.1 and 9.2 shows how EU ideology has gained more coherence at the same time as it has it has retained its old objective of the
economic growth to which a new objective of global competitiveness was added in the 1990's.

The content of the EU’s hegemonic project can be largely explained by identifying its creators, whose world-view and interests it reflects. The actors defining direction of European integration and the content of the EC/EU’s hegemonic projects, are the leaders of national governments, the organs of the EC/EU (notably the Commission) and a multitude of diverse political actors and interest organizations (see, for example, Commission... 2000, 14; Nice European Council 2000).

Among these actors, business interests have a strong position for at least three structural reasons. First, in a capitalist economy, the public sector and thus politicians are dependent on economic values created in the private sector. This partly explains why national politicians could unite their opinions concerning projects such as the Single European Market (see Greenwood 2003, 257-258). Secondly, firm management and its organizations have traditionally had privileged access to the corridors of power both at the national and at the transnational levels (see Greenwood 2003, 257). Thirdly, an overwhelming portion of interests organizations which engaged in policy-making in Brussels represent business interests: 66% of all interest organizations around the year 2000 (Greenwood 2003, 19). Even though their numerical strength does not necessarily translate into political influence, the numerical dominance of business interests is likely to produce some positive results for capital.

Because political and economic élites have tended to make decisions concerning European integration (see, for example, Holland 1980, 133; Nugent 1999, 97) and they seem to be more distanced from ordinary citizens than leaders functioning primally at other levels of governance, one is tempted to ask whether this élite-driven process of integration enjoys popular support.

In the context of this section, this question of popular support for European integration must be divided into two parts. First, does integration in general enjoy popular support? Second, is the core of the most recent hegemonic project, the Economic and Monetary Union, supported by EU citizens?

Information concerning both questions can be obtained from public opinion surveys of the Commission. Unfortunately, there is no direct question concerning the support for European integration that would
make it possible to examine a time-series which would have included the most recent years (see Wiberg 2000, 30-31). However, it seems to me that answers to the question of whether a country’s membership of the EC/EU is a good thing indicates also the general level of support for integration. In 1981, a little over 50% of the EC’s citizens felt that EU membership was a "good thing" for their respective countries. In 1991, this support peaked to 72%, diminished then continuously until 1996 to less than 50% and after that rose somewhat to 55% by 2002. At the same time, the share of those respondents who thought that the EC/EU membership was a "bad thing" oscillated between 15% and 10%. Interestingly, a large group of people had a rather neutral attitude towards integration, between 1981 and 2002 some 20 to 25% of the respondents answered that their country’s EC/EU membership was "neither good or bad". (Wiberg 2000, 32; European Commission 2003b, 32.)

Similar to the question concerning support for integration, support for the Economic and Monetary Union and the economic policy attached to it has to be assessed indirectly here. I assume that answers to a question concerning public support for a single European currency also reflect at least to some extent the legitimacy of the EU’s economic policy line. Between 1993 and 2002, average EU support for the single currency reached its lowest value in 1997 when 47% of the EU’s citizens supported the European currency; in 2002 this figured had risen to 63%. Opposition to the Euro has been much stronger than that against integration and between 1993 and 2003 this opposition has varied from 25% to 40%. However, within those countries that have accepted the Euro (all the EU member states excluding Denmark, Sweden and the UK) the Euro has received stronger support than in the EU as a whole: In 2003, an average of 71% of citizens within the Euro area supported it, whereas in Denmark, Sweden and the UK the average support was 63% (European Commission 2003b, 61.).

Although the figures presented above hide considerable differences between state-societies and social groups they nevertheless allow for the

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1 The question was: “Generally speaking, do you think that (our country’s) membership of the European Union is a good thing / a bad thing / neither good or bad?” (European Commission 2003b, B.51).
general conclusion that the majority of EU citizens support integration, though there exists also considerable opposition and even more considerable indifference towards the politics of integration. In contrast to public opinion, élites have clearly assumed a more prointegrative attitude, and this applies to several élite groups such as elected politicians, top civil servants, leaders of industry, the media and the intelligentsia (Spence 1996, vi).

What is interesting from the point of view of the hegemonic ideology of the EU is that the legitimacy of its current main objectives of economic growth and global competitiveness is not questioned in opinion surveys. Might this be because these objectives are so self-evident to the powerful actors of integration that they have not even been able to conceive of the idea that even their support could be questioned? Or perhaps one does not wish to raise this issue due to the fear of the consequences that a debate concerning economic growth and global competitiveness might have?

Hence, it seems provable that there does not exist an EU-wide consensus on the politics of integration. How then can it be maintained that there is something called the "hegemonic project of the EU"? At this point it is crucial to understand that even if diverse actors have conflictual opinions and interests, they may still comply with a certain policy line. Hegemonic projects do not necessarily presuppose unquestioned consensus, but they are dynamic constellations that reproduce themselves through interest conflicts. In conditions of established interest politics, actors share basic beliefs and disagree on such issues that do not threaten social structures. Furthermore, hegemonic projects do not merely reflect competition and struggles between diverse actors, but are also expressions of the functional needs to regulate and govern socio-economic systems.

What could, however, seriously put a hegemonic project into question would be an alternative ideological programme describing a different kind of model of socio-economic order and dictating different kinds of positions to its social subjects. In recent years there has not existed a politically strong alternative project to EU integration though different policy aspects, such as immigration policy and the EMU, have been criticised.
This said, it must also be recognized that public presentations of policy objectives do purport to hide differences of opinion and behind-the-scenes horse-trading. For instance, the creation of the Economic and Monetary Union and the defining of its policy principles included a process of uneasy and controversial bargaining (see Levitt & Lord 2000, 43-62). On the other hand, in the longer run what remains are basic ideological ideas, whereas the bargaining and interest conflicts that created them are forgotten.

A good indicator of the strength of a given hegemonic project is the degree to which even its critics must comply to its basic premises. For example, "A Manifesto for Social Europe", a paper written by several professors that aims at strengthening the social dimension of integration, begins its argumentation by maintaining that the social dimension is functional to the needs of economic competitiveness (Bercusson & Deakin et al. 1996, 9):

"A strong social policy is needed in Europe: to enhance cooperation and innovation, encourage economic competitiveness based on quality, and provide a powerful set of incentives for social cohesion."

On the basis of my knowledge, the main actors and elements the EU’s hegemonic project as a compromise can be summarized in the following way (see Figure 9.3; see also Holland 1980, 133; van Apeldoorn 1999, 232):

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1 A similar argument can be found in the new version of the Manifesto published in 2000.
Formally, wages are not defined at the level of the European Union but the EU configuration does affect national wage determinations.

The most important actors of the EU’s hegemonic project include the Commission and other EU organs, such as the European Central Bank, national governments and organized capital and labour (both at the national and the EU levels). These actors have diverse ideas about the priorities of integration: Organized capital wants to ensure the profits of firms and the competitiveness of European capital. Labour unions press for employment, higher wages and consumption possibilities, improving working and living conditions and equality. National governments, which are affected by their respective national capital and labour, waver between the political objective of national independence and the material and ideological pressures of European integration (see, for example, Moravcsik [1991] 1994). National governments as well as other national

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1 Formally, wages are not defined at the level of the European Union but the EU configuration does affect national wage determinations.
actors tend to take elements from their own regulative traditions and offer them as European solutions.¹

From the 1980’s onwards, the Commission has assumed a prointegrative stance; it seeks to enhance integration and a "European model" of socio-economic order. It also represents a compromise among the diverse actors of integration. Expressed in the wording of the Gramscian analysis of hegemony: the Commission of the European Union is one of the "organic intellectuals" of the EU that formulate hegemonic projects for the needs of a "historic block" of EU integration. The "historic block" of European integration consists of diverse national and class-based actors (for the Cramscian notions used here, see van Apeldoorn 1999, 29-30, 47-48, 116). As a consequence of the activities of the actors of integration, the EU’s compromised hegemonic ideology includes elements of economic growth, competitiveness, employment and increasingly the idea that integration is an inevitable process.

It is worth noting that core elements of this project have not changed since the beginning of the 1950's. This applies especially to the core orientation of a mature capitalist economy, economic growth. A crucial reason for this historical continuing of the core elements of the EU’s hegemonic ideology is that the main actors of integration have remained the same (the EEC/EU organs, organized capital and labour, other organized interests). These actors form a more stable historic block than, for example, national government coalitions (see Petersen 1995, 67).

When it comes the spreading and reproducing of this ideology, this rests partly on the Commission, whose production of publications is numerically impressive (see Table 3.2 on the number of publications on European integration). In addition to the Commission, governments, organized capital and labour as well as other actors have taken part in the distribution of prointegrative message. For example, in the case of the Single Market, local and regional chambers of commerce helped to

¹ Debate on competing national models of capitalism dates back at least to the end of the 1960’s, when Jean-Jacques Servant-Schreiber published his book Le défi Américain, which warned Europeans about the economic dominance of the United States and advocated for a European model of capitalism. In 1991 Michel Albert, also a Frenchman, published a book, Capitalism against Capitalism, which argued for the superiority of the “Rhine model” of capitalism in comparison to American capitalism (for competing models of capitalism within Europe see also van Apeldoorn 1999, 124).
establish some fifty European Information Centres (Sandholtz & Zysman [1989] 1994, 208). Moreover, as already maintained in section 3.5 on the role of the social sciences in the reproduction of social order, social scientific research has also been mobilized. For instance, in "the high level group on industrial relations and change in the European Union" two out of its ten members were professors (European Commission 2002, 48-49) and in the context of the Social Policy Agenda, the Commission states that research is one method of fostering realisation of its policy (Commission... 2000, 15):

"Policy analysis and research will underpin the implementation of this Social Policy Agenda. This should result in regular reports on employment, gender equality, social situation and industrial relations."

9.2 Effectiveness of the EU

The preceding section leads one to the conclusion that the EEC/EU’s activities have grown considerably and that this growth has not happened at random, but rather has had a defined policy content defined in Western European hegemonic projects. But does all this matter in practice? Has EU policy-making led to any concrete results apart from an impressive flow of publications (see Table 3.2), policy programmes and Eurospeak?

In the following pages, this question of the effectiveness of the EU’s political apparatus is tackled first by observing the historical growth of the EEC/EU’s regulative functions (including increasing integration through EC law). A second indicator of EU effectiveness is the degree to which diverse interest organizations have been integrated into the EU’s administrative apparatus. Thirdly, the effectiveness of the EU’s economic and employment policies are assessed. Fourthly, if the EU’s effectiveness has increased, then the possibility of exiting from the EU has decreased. This is so because an organization that can be freely exited posseses less power of persuasion than an organization with compulsory membership. This hypothesis is reflected upon at the end of this section.
The historical growth of EEC/EU regulative functions in diverse areas of regulation is displayed in Table 9.2, which is divided according to the main areas of regulation of capitalism (wage relations, money

Table 9.2 Areas of regulation and levels of authority in the EEC/EU, 1957-2001

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage relations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>persons/workers</td>
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<td>2</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
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<td>2</td>
<td>2</td>
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<td>work conditions</td>
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<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>labour-management relations</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>health</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Money relations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>macro-economic policy</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
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<td>1</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>money/credit</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>foreign exchange/loans</td>
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<td>2</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>revenue/taxes</td>
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<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Competitive relations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>goods/services</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
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<td>4</td>
<td>4</td>
<td>4</td>
<td>17</td>
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<tr>
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<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
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<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>industry</td>
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<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>justice and property rights</td>
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<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>transportation</td>
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<td>2</td>
<td>3</td>
<td>3</td>
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<td>education and research</td>
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<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>regional development</td>
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<td>1</td>
<td>3</td>
<td>3</td>
<td>9</td>
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<td>energy</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>8</td>
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<td>communications</td>
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<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>8</td>
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<tr>
<td>citizenship</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>International relations</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>commercial negotiations</td>
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<td>3</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>18</td>
</tr>
<tr>
<td>diplomacy and IGO</td>
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<td>1</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>membership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>economic-military assistance</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>defence and war</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>8</td>
</tr>
</tbody>
</table>

Legend: 1 = all policy decisions at the national level; 2 = only some policy decisions at the European level; 3 = policy decisions at both the national and European levels; 4 = policy decisions mostly at the European level; 5 = all policy decisions at the European level.

Source: Based, with modifications, on Schmitter 1996, 125.
relations, competitive relations and international relations; see section 4.1 on regulation theory).

Table 9.2 shows that EEC/EU integration has concentrated on economic integration, which deepened considerably in the 1990's. For example by 2001, most of the decisions concerning money relations were made at the EU level. Furthermore, this deepening of integration has concerned practically every subject of regulation including the classical state function of warfare (for other similar tables see Nugent 1999, 347; Molle 2001, 469; Schendelen 2002, 59).

An essential part of the increasing regulative activities of the EEC/EU has been a strengthening of the Community's legal order. Walter Hallstein, one of the most prominent politicians of integration, has written that the European Community is created by the law, is a source of law, establishes a legal order and it practices its own legal politics (Hallstein 1979, 53). EC law does not just offer a legal infrastructure for an integrated Europe it also actively promotes integration. Unlike in the case of national legislation, the founding treaties of the EEC/EU have included strong programmatic elements which define the advancement of integration as a goal of the EEC/EU. All this has led to the increasing importance of the EC law. For example, by the turn of the millennium, Justin Greenwood estimated that 50% of all legislation and 75% of economic legislation passing through member states parliaments originated from Brussels (Greenwood 2003, 9-10). These surprisingly high figures receive partial support from two studies. A study made in France in 1991 ended up with a figure of 53% but a more recent study made in the Netherlands to one of 30% (Mancini 1998). In any case, legal influences from Brussels have been becoming stronger. This influx of EC legislation has been criticised and its detailed regulations ridiculed, which has led to attempts to simplify and restrict the growth of EC legislation (see Nugent 2001, 235, 248-249, 246). The above legal evolution rises a question: Why has the EEC/EU placed so much emphasis on legislation as a method of integration?

The first answer to this question underlines the role of the intentional actions of the most important actors of integration. When representatives of modern states (often lawyers in terms of their professional backgrounds) get together in order to agree on the integration of their respective states, they are bound to concretize their
agreement in the form of legally binding documents. Similar to modern state-societies, transnational social order is also embodied in a collection of legal norms. The more numerous and pervasive these norms are, the more statehood a transnational configuration assumes. A second answer to the above question stems from the fact Western Europe largely lacks common informal norms and this weakens the structural preconditions of EU integration. State-societies are able to base part of their socioeconomic order on the long-term traditions of informal norms, customs and habits that ensure social trust and smooth functioning of every-day life (see Weber [1922] 1985, 187, 190). Such informal norms and practices, as well as the social trust that accompanies them, are less pronounced within the EU as a totality. Hence, the EU must rely more on the formal norms, that is, on the extensive legislation.

However, in addition to the formal legislation, the EU has a number of other policy tools at its disposal. These, as already pointed out in section 9.1, include at least “the open method of coordination”, the social dialogue, the Structural Funds, support programmes, an “integrated policy approach”, and analysis and research (Commission.... 2000, 7). It is to be noted that some of the “soft methods” of integration, such as the above mentioned “open method of coordination”, may even prove to be more effective than formal legislation, because they require the active involvement of many subjects and affect therefore more efficiently the subjectivity of actors than does formal legislation.

When it comes to the use of the EU’s budget as a policy tool, it is true that the EU’s budget is very small in comparison to national budgets. For example, in 1999 the EU budget represented only about 1% of the gross national product of the member states and about 2.5% of their total public expenditure (Nugent 1999, 390). Yet, the EU uses this limited sum of money effectively: In EU projects it is customary that a great deal of the expenses are paid by actors from the national level. With this method, the EU is able to command substantially larger monetary resources than its official budget has.

A second indicator of the growing effectiveness of the EU has been the advancing integration of diverse interest organizations into the EU’s administrative apparatus. As pointed out in section 1.2 on the formation of modern European state-societies and again in section 6.1, the integration of diverse interest groups into one centralized organ which is
used to administer and regulate a certain population and area is a classical method of state formation. Assessments of number of formal EEC/EU interest organizations vary considerably but many of these assessments have come to the conclusion that a significant increase has taken place, especially in the 1990's (see Greenwood 2003, 8-9). According to diverse assessments, there were some 200-300 EEC interest organization in the 1960's and about 1200-2200 organizations in the 1990's. Justin Greenwood’s figure, which is based on several reasonably reliable sources, ends up with 1450 organizations by the turn of the millennium. These organizations include business, professional, labour, territorial and a multitude of public interests such as the environment, consumers and diverse social interests. The percent distribution of these interest organizations looks like this (Greenwood 2003, 19):

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>business</td>
<td>66</td>
</tr>
<tr>
<td>public interest</td>
<td>20</td>
</tr>
<tr>
<td>professions</td>
<td>11</td>
</tr>
<tr>
<td>trade unions</td>
<td>3</td>
</tr>
<tr>
<td>public sector</td>
<td>1</td>
</tr>
</tbody>
</table>

These figures indicate a strong presence of the management of firms at Brussels’ political scene; a presence that well exceeds the small size of this group in relation to the total population. In contrast, labour unions, which represent much larger constituency, have numerically far weaker representation in Brussels.

EU organs and interest groups affect each other in many ways. First, the Commission has actively taken part in the founding of several interest organizations. An example of this activity was given in section 8.2 on the expansion of capital’s regulative organs, which described how commissioner Viscount Etienne Davignon took part in establishing the European Round Table of Industrialists (ERT). Secondly, the Commission has actively integrated interest groups into EU policy-making machinery. Again, the ERT offers an example of this kind of activity when it proved to be a fateful companion as the Commission launched its initiative for the Single European Market. By the turn of the millennium, the Commission had intensified its policy by drawing more and more interest groups into EU policy-making practices. Policy
See the Commission’s web site on governance at:
http://europa.eu.int/comm/governance/index_en.htm

The size of the Commission’s personnel depends on which groups are included in the statistics (Nugent 2001, 163-165). The above presented number of 17,000 refers only to established administrative personnel in Brussels. Including diverse separate institutions such as those engaged in research and development, raises the figure to almost 22,000 and including all employees raises the number of total commission employees to 31,000. In any case, in comparison to the size of the EU population (over 370 million in 2003) it is obvious that this tiny administrative organization needs the
organizations (between 10 000 and 30 000) constitute the public-private mix of the EU’s enlarged statehood (see Greenwood 2003, 9). In this system diverse directorate-generals represent diverse interests and engage in close cooperation with respective interest organizations (see Rosamond 2000, 120).

The organizational features introduced above fit nicely with the idea that a state mediates between diverse interests and internalizes these interests into its own structures. The close relations between private and public administration can be observed, for instance, in the career development of their personnel. For example, the dominant occupational backgrounds of the commissioners on the Commission have been as state officials, managers in private or public business and lawyers. Commissioners tend to have national political careers and very often they also have experience from European and other international organizations (Nugent 2001, 89). It is also worth noting that public and private administrative personnel, whose personal career changes are dependent on the advancement of integration, form a resourceful group in the service of European integration. Once created these kinds of administrative systems usually try to extend their size and influence (compare Rosamond 2000, 122).

However, in a situation in which final decisions lay in the hands of national governments, the influence of interest groups on EU policy making should not be exaggerated. Still, the growing presence of interest organizations in Brussels cannot but strengthen the statehood of the EU.

A third indicator of the EU’s effectiveness examined in this section, is the effectiveness of its hegemonic project (see section 9.1). To assess the effectiveness of the EU’s hegemonic project, recent developments in economic growth, business profits, competitiveness, unemployment and employment are displayed in Table 9.3.

Table 9.3 shows that the EU’s hegemonic project has been relatively successful. This applies especially to increasing profits, decreasing unemployment and increasing employment figures. Economic growth was relatively positive from 1994 to 2000 but diminished considerably after that. It is difficult to assess the competitiveness of the
EU but its member states are among the most competitive countries of the world. In addition to these figures, the Economic and Monetary Union has achieved its objectives of diminishing inflation and reducing the public dept of its member states. However, the reduction of public deficit has proved problematic and in 2001-2002, three of the EMU’s twelve member countries, Portugal, France and Germany exceeded the official limit of a three-precent public deficit (see Eurostat 2003).

The EU’s employment policy seeks to extend the labour force by reducing unemployment and increasing employment and according to Table 9.3 these objectives have been at least partially achieved. Furthermore, European employment policy has sought to strengthen the subjectivity of workers as persons who are increasingly committed to their wage work (see section 9.1 on the EU’s hegemonic project). If this objective along with a idea of the more productive, profitable

| Table 9.3 Effectiveness of the EU, 1994-2003 (growth, profits, competitiveness, unemployment, employment, %) |
|-------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 |
| Growth | 2.8 | 2.4 | 1.6 | 2.5 | 2.9 | 2.8 | 3.5 | 1.6 | 1.1 | 1.2 |
| Profits | increasing business profits and decreasing share of wages in the 1990's |
| Competitiveness | 11 national EU economies among 19 most competitive national economies in a sample of 49 national economies |
| Unemployment | 11 | 10 | 10 | 10 | 9 | 9 | 8 | 7 | 8 | .. |
| Employment | 60 | 60 | 60 | 61 | 61 | 62 | 63 | 64 | .. | .. |

1 Forecast.

Sources: Eurostat 2003; section 4.4, Tables 4.6 and 4.7; my own computations based on the Institute for Management Development’s competitiveness ranking presented in section 5.5.

and competitive European economy has been realized, some consequences should be perceivable in the way how Europeans work.
These consequences are examined in Table 9.4, which summarizes a few findings based on the Third European Survey on Working Conditions.

Table 9.4 shows that the general historical tendency towards the reduction of working time has continued throughout the 1990’s. It shows the intensification of work: The share of workers who experienced "high speed" grew from 47% to 56% and the share of workers who thought that "deadlines are tight" grew from 49% to 60%. This intensification of work efforts is one of the classical methods of increasing profits (see section 4.1 on Marx’s list of methods for counteracting the tendency of the rate of profit to fall). The method with which the tightened pace of work was realised, relied increasingly on workers’ self-control: in 1995 37% of respondents reported that their working pace depended mainly on colleagues by 2000 figure was 43%. Thus, it seems that at least partially the attainment of the EU’s hegemonic project has led to an intensification of work efforts in Western Europe and a strengthening of the subjectivity of workers as a work force (workers manage co-workers in order to achieve firms’ objectives).

Of course, the above presented tables do not prove that it was the EU which brought about the desired effects, these might have also be caused by favourable economic conditions and other factors. In any case, because of the limited administrative resources of the EU, activities

Table 9.4 Working hours and pace of work 1990-2000

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1995</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Weekly working hours</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-employed</td>
<td>47</td>
<td>46.1</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>38</td>
<td>36.7</td>
<td></td>
</tr>
<tr>
<td><strong>Pace of work</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enough time to do job (yes)</td>
<td>77</td>
<td>77</td>
<td></td>
</tr>
<tr>
<td>High speed</td>
<td>47</td>
<td>54</td>
<td>56</td>
</tr>
<tr>
<td>Tight deadlines</td>
<td>49</td>
<td>56</td>
<td>60</td>
</tr>
<tr>
<td><strong>Pace dependent on</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colleagues</td>
<td>37</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>External demands</td>
<td>67</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Numerical production targets</td>
<td>35</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Machine speed</td>
<td>22</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Boss</td>
<td>34</td>
<td>32</td>
<td></td>
</tr>
</tbody>
</table>

undertaken by other administrative levels and units of regulation, such as member states or firms, are decisive. And it should be kept in mind that member states and firms also belong to the multi-layered European system of regulation.

The last indicator of the effectiveness of the EU dealt with in this section includes some reflections concerning the possibilities of exiting the EU. Evidently, a system that is not easily exited is able to regulate its parts more effectively than a system with an exit option. To analyze this issue, let us assume that some groups find European integration unbearable and start to voice their opinion. What different kinds of options might such conflict groups have?

Conflict groups have two main strategies at their disposal. In conflict strategy they would express directly their dissatisfaction and hence try to change the situation. In disintegrative strategy they would leave the conflictual social system, in this case the EU (see Hirschmann 1970, 4). It is noticeable that the conflict strategy is compatible with the establishment of modern rational interest groups and the idea of bargaining between different interest groups (Hirschmann 1970, 30, 55; see also sections 2.1 and 2.2 on rational subjects, their interests and conflicts). Conflictual and disintegrative strategies, however, do not exclude each other. Conflictual strategy is more effective if one is able to threaten others with disintegration, as for example capitalists may do: "If you insist for higher wages I will move my factory abroad" (see Hirschmann 1970, 82). An intermediate strategy between conflict and disintegration is boycott. In a boycott an actor refuses to take part in the functioning of a social system but leaves open the return option if conditions change (Hirschmann 1970, 86).

These strategies are not chosen in random, but rather it depends on structural preconditions which strategy is more probable. The usage of a disintegrative strategy is more likely in situations in which integration is not very strong (actors are not very dependent on an integrated system)
or in situations in which lots of alternative strategies are at hand (for example, financial capital can be easily exported from one state-society to another) (see Hirschmann 1981a). On the other hand, if integrative restraints are forceful (actors are very dependent on each other) and there exist established collective identities, or if alternative disintegrative options are limited, actors would probably prefer conflict strategy to disintegration. An important factor influencing the adoption of a conflict strategy is the degree of loyalty between parties. The more loyal the parties are to each other, the more likely they will choose conflicting strategies over disintegrative ones (Hirschmann 1970, 77-78).

The main strategies open to different actors of European integration are presented in Table 9.5.

Table 9.5 Conflict strategies and actors of European integration

<table>
<thead>
<tr>
<th>Conflict strategy</th>
<th>Disintegrative strategy</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Yes/No?</td>
<td>No</td>
</tr>
<tr>
<td>multinational</td>
<td>governments,</td>
<td></td>
</tr>
<tr>
<td>firms, financial</td>
<td>European employer</td>
<td></td>
</tr>
<tr>
<td>capital, some</td>
<td>European trade unions,</td>
<td></td>
</tr>
<tr>
<td>national actors</td>
<td>other European interest</td>
<td></td>
</tr>
<tr>
<td></td>
<td>organizations</td>
<td></td>
</tr>
<tr>
<td>No weak actors</td>
<td>unarticulated European</td>
<td></td>
</tr>
<tr>
<td></td>
<td>interests</td>
<td></td>
</tr>
</tbody>
</table>


As presented in Table 9.5, different actors have different structural power positions in relation to EU integration. In other words, European integration (interdependencies) has an asymmetric character. International capital in its different forms, and perhaps some national actors who are not dependent on European integration, may both try to affect the European Union or other important European actors (conflict strategy) or in cases of deep dissatisfaction, they may choose to disintegrate from Europe (for example, in the form of capital movements). As explained above, conflict strategy receives much of its
power from the option to choose disintegrative strategy: one can threaten others with disintegration. Yet, it seems that increasing economic integration (trade and capital movements) within the EU have weakened capital’s exit options (see conclusions in section 7.2).

Those actors that have tied their existence to European integration, above all European interest organizations or national and regional interest organizations that have a very strong European orientation have, by definition, only the conflict strategy at their disposal. Choosing disintegrative strategy would rob these actors of their basis of existence.

Between these extremes there seems to exist a large grey zone for those subjects who are tied to Western Europe and its integration but who could at least in principle also choose a disintegrative strategy. Member states, many interest organizations that have both a national or global and a European orientation and Europeanized firms could in principle choose a disintegrative strategy, but the usage of this option is dependent on how subjectively and objectively attached they are to trans-European organizations (see Hirschmann 1981b, 278). Empirically, it is worth noting that no member state has chosen disintegrative strategy so far, whereas boycotts have been used several times (for national opposition to European integration see Taylor 1983). Apparently, powerful European political and economic actors feel that an openly disintegrative strategy would be too costly, it could harm future cooperation, cut economic relations, and possibly offend symbolic representations of Europe (see section 6.5 on European communal socialization and the next section). Such restrictions apply also to the governments of the member states (see Moravcsik [1991] 1994, 217). Structurally the weakest positions are those of weak actors who can only choose a disintegrative strategy and those scattered potential interest groups within Europe which lack articulation altogether.

To recapitulate the observations presented in this section, it seems that legal, political and economic integration has strengthened the EU’s regulative effectiveness. An important consequence of these developments has been a weakening of exit opinions, which has also contributed to the effectiveness of the EU polity.
9.3 Collective Identity

In section 6.5, historical fragments of communal socialization to Europe were examined. In this section, European collective identity during the more recent period of integration (from the 1980's to the turn of the millennium) is analysed. This analysis concerns five subject areas:

- Elements of communal socialization that are expressed in the EU’s official agreements, policy programmes, activities and symbols.
- The evolution of EU citizenship.
- The degree to which Western Europeans identify themselves as Europeans.
- The number of European international organizations.
- Reflections on whether European symbols or collective representations symbolize any holy qualities to Europeans.

First, agreements, legislation and programmatic publications of the ECSC/EEC/EU have mostly concerned with the fulfilment of diverse rational interests rather than collective identity. Thus, for instance, the founding treaties of the European Coal and Steel Community (1952) the Treaty of The European Economic Community (1958) include in their preambles only weak references to European identity. The treaty of the ECSC stated that “Europe can be built only through practical achievements which will first of all create real solidarity, and through the establishment of common bases for economic development”; and the Treaty Establishing the European Community stated that signatories were “resolved by thus pooling their resources to preserve and strengthen peace and liberty, and calling upon the other peoples of Europe who share their ideal to join in their efforts”.

Nevertheless as integration proceeded, the role of a collective identity grew in importance. The preamble to the Treaty establishing The European Union (1993) makes a balancing remark on the relationship between European and national identities. In it the signatories express their desire “to deepen the solidarity between the peoples while respecting their history, their culture and their traditions”. Yet, the only passage which speaks openly about a common identity refers to the EU’s ability to wage war. In this paragraph signatories are “resolved to implement a common foreign and security policy including the eventual
framing of a common defence policy, which might in time lead to a
common defence, thereby reinforcing the European identity and its
independence in order to promote peace, security and progress in Europe
and in the world”. This explicit link between warfare and collective
identity is rational in two ways. First, warfare necessitates a collective
identity because a collective identity makes men forget their individual
interests regarding safety and prepares them to risk their lives for their
communities. Secondly, the ideological construction of enemies is an
easy method for strengthening a collective identity.

In addition to the above kinds of appeals to “European values”,
Western European politico-economic organizations have introduced a
number of symbols that serve as a base for European identification. Such
symbols as a flag, passport, driving licence, stamps, the European
anthem, Europe Day1 and European sporting occasions have been
consciously created and are constantly reproduced in political rituals,
also the EU’s Internet site is called “Europa”2 (Laffan 1996, 97; see also
created common currency, the “Euro”, can also serve as a symbolic
representation of “Europe” (see Moisio 2002, 247-254). Ideological
information targeted at EU citizens refers to these European symbols and
information campaigns such as “People of Europe”, “The Euro, A
European Currency” and “Let’s Build Europe Together” seek to raise
European consciousness (see Fontaine 1998, section A People’s
Europe). Taken together, the above symbols constitute a growing mass
of European symbols that increasingly intervene in the everyday lives of
people living in the EU. An important quality of the above-mentioned
collective representations of Europe is that many of them are not tied to
any particular national language. Hence, these symbols are able to
surmount one of the most severe obstacles of European communal
socialization, language barriers (compare Eder 1999, 163-164).

A second subject area that forms a source of European collective
identity is the citizenship of the EEC and the EU. The roots of EEC/EU
citizenship can be traced back at least to the agreement establishing the

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1 On the 9th of May because on that day in 1950 Robert Schuman presented his
proposal on pooling together Western European coal and steel production.

2 See http://europa.eu.int/
European Economic Community. This agreement included articles on the free movement of workers, a stipulation prohibiting discrimination based on nationality and the right to initiate legal actions in the European Court of Justice (Tiilikainen 2001, 488). Since then, every acceleration of political integration has been accompanied with discussion and initiatives for establishing transnational citizenship status for citizens of the member states of the EEC/EU (see Pomoell 2000, 13-18; Tiilikainen 2001). Gradually, the scope of European transnational citizenship has been broadened from mere freedom of movement towards more comprehensive political and social rights. A breakthrough in this respect was achieved in the Maastricht Treaty (1993), which formally established citizenship of the European Union (Tiilikainen 2001, 490).

The motivation for creating specific European citizenship is manifold. Economically EU-citizenship endeavours to enhance the free movement of workers. Politically it is hoped that EU citizenship will increase the EU’s legitimacy and diminish its democratic deficit. Union citizenship is also seen as an important source of collective European identity (Pomoell 2000, 92-93). A fourth motivational force for establishing the codification of fundamental rights and citizenship in the EU may well stem from a juridical tendency to systematize legislation. The mess of European agreements and legislation must be quite disturbing to systematic legal thinking and it is therefore plausible that jurists, who have a strong position in both national- and EU-level administration, are striving to systematize EU legislation.

As a consequence of the diverse interests behind the systematization of legislation on EU citizenship these rights include human rights and a number of more detailed norms the content of which reflects present-day concerns (for example, the protection of personal data) and compromises reached by powerful actors of integration. In the realm of industrial relations, these rights stress the basic features of European industrial relations as well as other more general basic rights of workers (Bruun 2001, 216).

However, because politically decisive identities are exclusive (in case of conflicts a subject has to decide which identity or loyalty to follow) and the most important actors of integration have a national identity, the European Union tries to avoid possible conflicts between national and European identities. Therefore, for instance, the Charter of
Unlike other tables, this table excludes Switzerland because it was not included in Eurostat’s Eurobarometer surveys, which constitute the sources of Table 9.6.

Fundamental Rights of The European Union, which was accepted as a solemn proclamation by the Nice European Council (2000) and which guarantees a wide range of basic rights to EU citizens, states (European Communities 2000, 8): “The peoples of Europe, in creating an ever closer union among them, are resolved to share a peaceful future based on common values.” But it also qualifies the above point of departure by restricting the applicability of “common values”: “The Union contributes to the preservation and to the development of these common values while respecting the diversity of the cultures and traditions of the peoples of Europe as well as the national identities of the Member States...“. As a consequence, EU citizenship can be characterized as a multi-layered citizenship in which the national layer is strong (for multi-layered citizenship see Giesen & Eder 2001, 9-10; compare with section 8.4 on the multi-level regulation of European capitalism).

The above paragraphs study the politics of the EEC/EU as sources of European identity but to what degree do Western Europeans actually feel themselves to be Europeans? A third subject area of European identity tackles this question. Table 9.6 shows developments in European identification from 1982 to 2000 as reflected in Eurostat’s survey results. Unfortunately, Eurostat’s survey questions concerning European identification have changed from 1982 to 2000 and since 2000 the question concerning European identification has been omitted. For the years 1982 and 1985 the question was (Eurobarometers 17, 24):

“Do you ever think of yourself not only as (nationality) citizen, but also as a citizen of Europe? Does this happen often, sometimes or never?”

In 1990, the question was (Eurobarometer 33.0):

“Do you ever think of yourself as not only (nationality), but also European? Does this happen often, sometimes or never?”
The percentages for 1982-1990 shown in Table 9.6 depict the percentage of those who answered “often” to these questions. In the 1992-2000 surveys asked (Eurobarometers 37.0, 43.1, 53):

“In the near future do you see yourself as ... ?
1. (nationality) only
2. (nationality) and European
3. European and (nationality)
4. European only”

From 1992 to 2000 the figures reflect the shares of populations that answered “European and (nationality)” or “European only” to the above question. Because of the differences between the questions, the figures for 1982-1985, 1990 and 1992-2000 cannot be compared directly with each other. An additional weakness in these figures is that they are based on surveys. Therefore, small differences (1-2%) between countries and points of time need to be interpreted cautiously. They may reflect sampling or other errors rather than actual differences in European identification.¹

According to Table 9.6, European identification has been at its strongest in Germany, France, Italy, Belgium and Spain. In these nation-states, European identification was relatively strong both in 1981-1990 and in 1992-2000. In the European semiperipheries on the other hand European identification was clearly weaker. Interestingly, figures measuring European identification dropped in almost all nation-states from 1990 to 1992. A plausible explanation for this would be that the questions from 1982 to 1990 measure cultural belonging to Europe without juxtaposing European and national identity as mutually exclusive; whereas the question used from 1992 to 2000 does raise the question of political loyalty by juxtaposing national and European identities as mutually exclusive. This difference of meaning may explain the general weakening of European identification from 1990 to 1992. Especially in the cases of Greece and Denmark, there seems to exist a wide gap between feelings of belonging culturally to Europe and identifying with Europe at the expense of national identity. Another

¹ Sample sizes ranged from 2000 (the former Eastern and Western Germanies) to about 1000 (all the other countries).
Table 9.6 Identification as European in EEC / EU 1982-2000 (% of nationals)

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<tr>
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</thead>
<tbody>
<tr>
<td><strong>Southern and Western semipheripheries</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Portugal</td>
<td>..</td>
<td>11</td>
<td>9</td>
<td>5</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Spain</td>
<td>..</td>
<td>24</td>
<td>16</td>
<td>9</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Greece</td>
<td>28</td>
<td>25</td>
<td>28</td>
<td>5</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Ireland</td>
<td>9</td>
<td>8</td>
<td>11</td>
<td>8</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td><strong>Core</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>7</td>
<td>10</td>
<td>11</td>
<td>9</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>17</td>
<td>23</td>
<td>19</td>
<td>12</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>France</td>
<td>18</td>
<td>27</td>
<td>20</td>
<td>13</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Germany</td>
<td>28</td>
<td>21</td>
<td>13</td>
<td>11</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>Belgium</td>
<td>12</td>
<td>12</td>
<td>15</td>
<td>12</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Netherlands</td>
<td>5</td>
<td>16</td>
<td>8</td>
<td>10</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td><strong>Nordic semipheriphery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>10</td>
<td>16</td>
<td>17</td>
<td>5</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Sweden</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Finland</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Norway</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>4</td>
<td>7</td>
<td>..</td>
</tr>
<tr>
<td>European Union (EU 15)</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>14</td>
<td>12</td>
</tr>
</tbody>
</table>

Sources: Eurobarometers 17, 24, 33.0, 37.0, 43.1, 53.

Observation is that the strengthening political and economic integration in the 1980's and the 1990's has not led to stronger European identification. In the period 1982-1990 European identity weakened clearly but from 1992 to 2000 this weakening was less pronounced: The weighted average of the 15 EU member nations dropped from 14 (1995) to 12 (2000). This is not much, however, especially when taking account that a small difference like this may even be caused by survey errors. However, in Spain, Italy, France and Belgium European identity strengthened from 1992 to 2000. It seems that there is no direct correlation, at least not in the short run, between advancing politico-economic integration and collective identity formation. Instead, in many cases advancing political integration seems to have caused nationalist counter-reactions in form of weakening European identification. This explanation would fit with neofunctionalist thinking on European integration: neofunctionalists have suggested that strengthening
integration may well evoke conflicts and resistance (Rosamond 2000, 64-65, see also section 3.1 on political integration).

At first glance European identification does not seem to be especially strong (see also Wiberg 2000). Yet, such a first glance may be deceiving. First, because national identification is normally thought to be exclusive (members of nation-states are supposed to be politically loyal only to their respective nations), it is an achievement that so many people are ready to place their national identification in second place after European identification (see figures 1990-2000). Secondly, my criterion for European identification is quite strict. For instance, had I accepted the choices “(nationality) and European”, “European and national” and “European only” as criteria for European identification in 2000, the percentage opting for a European identity would have been from 75% (Italy) to 36% (Great Britain) instead of just 4-18% (Eurobarometer 53).

In addition to national differences, it is also interesting to examine whether European identification differs according to socio-economic status. The following table describes the situation in 2000 in the EU as a totality. In this table occupational groups are arranged according to their strength of European identification:

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>professional (employed)</td>
<td>21</td>
</tr>
<tr>
<td>general management</td>
<td>20</td>
</tr>
<tr>
<td>student</td>
<td>18</td>
</tr>
<tr>
<td>middle management</td>
<td>17</td>
</tr>
<tr>
<td>professional (not employed)</td>
<td>16</td>
</tr>
<tr>
<td>employee (mainly at)</td>
<td>16</td>
</tr>
<tr>
<td>supervisor</td>
<td>15</td>
</tr>
<tr>
<td>employee (not desk but tra)</td>
<td>13</td>
</tr>
<tr>
<td>employee (not desk but in)</td>
<td>13</td>
</tr>
<tr>
<td>self-employed</td>
<td>13</td>
</tr>
<tr>
<td>employee (skilled)</td>
<td>11</td>
</tr>
<tr>
<td>business owner</td>
<td>11</td>
</tr>
<tr>
<td>unemployed or not working</td>
<td>10</td>
</tr>
<tr>
<td>employee (unskilled)</td>
<td>9</td>
</tr>
<tr>
<td>retired or unable to work</td>
<td>8</td>
</tr>
<tr>
<td>working in household</td>
<td>8</td>
</tr>
<tr>
<td>farmer</td>
<td>2</td>
</tr>
</tbody>
</table>

1 The criterion for European identification is the same as in Table 9.6 and Eurobarometer 53 survey results have been weighted according to the population size of the different nation-states. The somewhat unclear classification of occupational positions stems from Eurobarometer 53.
The result of this table is straightforward: The better the socio-economic position and the more integrated a person is to wage work, the more likely it is that he or she also has a strong European identity. Students make the only exception. This might be due to youthful idealism or because students identify themselves according to their family background or their career expectations (see also Haas 1971, 14). It is noticeable that a great majority of the “business owners” in the above table are most likely small entrepreneurs or self-employed, whereas the tiny minority group that would be called “capitalists” in this study belong mostly to the group of “general management”. Cross-tabulating the survey results in terms of respondents’ household income level and European identification gives similar kinds of, albeit weaker, results. In the three lowest income classes European identification was 11% and in the highest income class it was 14%.

Coincidence of personal interests and European integration clearly also strengthens European identification. Cross-tabulating European identification and the question “Do you think you, yourself, have got more advantages or more disadvantages from (our country) being a member of the European Union?” gives this kind of linear result\(^1\) (percentages):

<table>
<thead>
<tr>
<th>Advantage Disadvantage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>many more advantages</td>
<td>22</td>
</tr>
<tr>
<td>more advantages</td>
<td>17</td>
</tr>
<tr>
<td>as many advantages</td>
<td>11</td>
</tr>
<tr>
<td>disadvantages</td>
<td></td>
</tr>
<tr>
<td>more disadvantages</td>
<td>7</td>
</tr>
<tr>
<td>many more disadvantages</td>
<td>5</td>
</tr>
</tbody>
</table>

In summary, European identity seems to be the strongest in its core areas and among those who have a good socio-economic position and who think that they profit personally from integration. This outcome coincides with other research results, for example, Ernst Haas wrote in 1971 that prointegrative attitudes characterized “the most successful and most “modern” segments of the population” (Haas 1971, 14; see also

\(^1\) “Don’t know” and “no opinion” answers are omitted. The criterion for European identification is the same as in Table 9.6 and results have been weighted according to the population size of the different nation-states.
Wiberg 2000, 35-38). What factors may be used to explain the above described profile of European-minded people?

First, it appears that a European cultural heritage has contributed to the fact that European identification has been stronger in those nation-states that historically belong to its cultural core (Greece, Spain, Italy, France, Germany, Belgium). Secondly, it seems that Émile Durkheim was at least partially right when claiming that increasing contacts between Europeans lead to stronger European identity (Durkheim [1893] (1964a), 405-406): It is very likely that those people who work at the upper levels of firms’ organization and public administration have more contacts with Europeans from other nations than those working in subordinate positions and these contacts may well strengthen their European identification. The same argument applies to students. Thirdly, from the point of social identity theory it is no wonder that coincidence of personal interests and European integration leads to stronger European identity (Abrams 1992, 58-59). This so because individuals need to evaluate themselves positively.

Hence, if some social institutions and processes clearly benefit me, I am tempted to identify myself with those institutions and processes. When assessing possibilities of success, future expectations may also play a role. Especially if regional integration is believed to have a great future in front of it, regional identity presents a strong appeal to different regional actors even if the historical basis for regional identity is weak (compare Nye 1971, 206).

A fourth indicator of collective European identity examined in this section is the number of international organizations that define themselves as “European”. Such a definition establishes a collective European identity for an organization and its members and leaves “non-Europeans” outside. In Table 9.7, the global distribution of regionally defined international organizations is presented. The regional attachment of organizations has been defined either by the name of the organization or its aims. Table 9.7 includes both governmental and non-governmental organizations (Union of International Associations 1994, 1752). Unfortunately, the data available does not allow for a longer time series. In the table, regions are ordered according to the number of international organizations attached to particular regions.
Table 9.7 Regionally defined international organizations 1994/1995 and 2000/2001 (% absolute figures)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>54</td>
<td>1527</td>
<td>53</td>
<td>1887</td>
</tr>
<tr>
<td>America</td>
<td>14</td>
<td>411</td>
<td>15</td>
<td>534</td>
</tr>
<tr>
<td>Other regions</td>
<td>11</td>
<td>309</td>
<td>11</td>
<td>408</td>
</tr>
<tr>
<td>Africa</td>
<td>10</td>
<td>289</td>
<td>8</td>
<td>294</td>
</tr>
<tr>
<td>Asia</td>
<td>7</td>
<td>212</td>
<td>9</td>
<td>312</td>
</tr>
<tr>
<td>European Union</td>
<td>3</td>
<td>94</td>
<td>4</td>
<td>152</td>
</tr>
<tr>
<td>Total</td>
<td>99%</td>
<td>2842</td>
<td>100%</td>
<td>3587</td>
</tr>
</tbody>
</table>

Sources: Union of International Associations 1994, 1752-1753; Union of International Associations 2000, 1672-1673 (my own computations).

As can be seen from Table 9.7, Europe assumes the lion’s share of regionally defined international organizations (54 to 53% of all), and the absolute number of European international organizations has increased substantially from 1994/1995 (1527) to 2000/2001 (1887). Europe’s disproportional share of regionally defined international organizations is quite impressive as one recalls that in 1996 Europe’s share of the total world population was a mere 13 percent (Uned Nations 1998, 12). These figures illustrate Europe’s relative strength as a regional unit. Even if only a small part of European international organizations have explicitly defined themselves as belonging solely to the European Union (3 to 4% or 94 to 152 organizations), it is quite possible that many European organizations concentrate, in fact, mainly on subject areas covered by the Union. However, these categories point out that there is a clear symbolic difference between the European Union and Europe.

The last subject area concerning European communal socialization deals with the symbolic value of European symbols or representations. In the section 3.3 on communal socialization it was suggested, in accordance with Émile Durkheim, that symbolic representations or totems form one of the bases of societies. Symbols or representations of the community represent the whole of the community to its members and therefore they must be respected and safeguarded. They have holy qualities. It is not customary to analyse modern European social order from this perspective because such a representation of modern society
would jeopardise its self-image as rational social order. In other words, such an analysis would not support ideological reproduction of this social order (see section 3.5 on the reproduction of social order in social sciences) (compare Goddard & Llobera & Shore 1994).

Unfortunately I have, however, not been able to come across studies upon which to base my reflections on this issue, but at least some empirical observations support the idea of a living collective representation of Europe, or European totemism. Richard Swedberg has described how after the Second World War idealistic enthusiasm for an united Europe gave support to the more mundane project of the European Coal and Steel Community. It seems that pragmatically oriented grounders of the Coal and Steel Community from the European core succeeded in tapping into a postwar enthusiasm that was based on the great symbolic significance of “Europe” and the destructions of the Second World War (Swedberg 1994, 383-386). Also Ernst Haas noted that even if political proponents of a United Europe had diversified ideas of how a united Europe should have been organized, they all shared a devotion to the symbol of Europe (Haas 1958, 20-24).

Later, at least in my home country Finland, accelerating European integration from the late 1980’s onwards and especially after her membership in the European Union in 1995 has boosted the usage of "Europe" and its different modifications in the names of business enterprises. The explanation for this practice is that by using highly positive European symbols, businesses hope to be connected with the positive energy that the symbol of Europe has, and in this way boost their business. In 1996 a winner of an essay competition, María Canal Fontcuberta from Spain, describes the member states of the European Union from the viewpoint of Saint Benedict, the patron saint of Europe. The words that she puts in Saint Benedict's mouth present a typical attitude concerning these symbolic representations of Europe: "History shows us that union is achieved only when we are fighting for a great-spirited cause, not for personal interest" (European 9-15 May 1996; European 16-22 May 1996; for other similar examples see Swedberg 1994, 383).
Lastly, anyone can make the following mental experiment\(^1\) to test whether the symbolic representations or totems of "Europe" have holy qualities for oneself. To what degree can I laugh or ridicule "Europe" (that is, the very idea of distinct "European qualities", not some singular actions of Brussels’ bureaucracy) without feeling that I have done something improper, if not insulted something holy? Or, to what extent is it in public possible to ridicule or condemn "Europe" (again "Europe" or "European qualities" per se, not some particular integrative policy) without being seen as an outcast? The stronger the feeling of shame and the stronger the likely public dislike, the more value of holiness symbols or totems of “Europe” have.

Observations from Finland supports the idea of the holiness of European symbols. As far as I know, European symbols are practically never ridiculed in the Finnish media, and this includes also political caricatures. Moreover, this example gives strong support to the idea of the holiness of European symbols because European identification is particularly weak in Finland (see Table 9.6).

To summarize the elements of communal socialization examined in this section, it seems safe to say that even if national collective identities are stronger than a European identification, a sense of European collective identity is by no means non-existent. It is therefore reasonable to assume that this identity has had some influence upon the course of integration.

### 9.4 Strengthening Statehood

Similar to the sixth chapter, this chapter also ends with a summarizing section and figure (Figure 9.4). Figure 9.4 displays the main developments of Western European integration from the beginning of the 1980's to the turn of the millennium.

In the beginning of the period treated in chapters eight and nine, many of the structural preconditions of Western European integration were the same as before: The Cold War division of Europe, national traditions of the regulation of capitalism and some elements of communal

\(^1\) See methodological remark on using personal experiences in Appendix I.
socialization. However, during the 1980's and the 1990's, these preconditions changed rapidly. The collapse of Socialist camp changed the European power constellation and the invention of globalization (both as a reality and an ideology), jeopardised nation-states’ ability to cope alone in global economic competition (see also Table 8.1 on diverse economic and political factors behind the revival of integration).

Economic integration (foreign trade and capital movements) also gained strength but radical changes in international direct and other investments took place only in the 1990's and especially during the latter half of the 1990's (see Figure 7.2). Hence, it can be concluded that at least in this respect political decisions that sought to create the Single European Market preceded market integration and not the other way round.

The crucial role that globalization in general and the global economic competition in particular played in the revival of integration can be observed in the changing hegemonic project of the EEC/EU. As described in section 9.1, during the 1990's the new objective of global competitiveness was added to the EU’s core ideology along with the old objective of economic growth.

In any event, the new situation and a new way of defining Europe and its position in the world led to the rapid deepening and widening of integration described in section 9.1. The Single European Act, the founding of the EU and the setting up of the EMU, the inclusion of new member states, the Treaties of Amsterdam and Nice along with Eastern enlargement (2004) mark important milestones of this evolution.

As a part of this development, EC/EU industrial relations also began to develop and they experienced their principal breakthrough in 1991, when organized capital accepted the idea of European collective bargaining. However, as subsequent events prove, there is still some way to go from acceptance in principle to practical application. In the 1990's, the Commission retained its leading role in embryonic EU industrial relations. Only at the turn of the millennium did capital and labour show some signs of independence from the Commission (an agreement on lifelong development of competencies and qualifications and a common work programme in 2002). For the sake of clarity, Figure 9.4 displays only part of the EU’s multi-level system of industrial relations, but section 8.4 shows that EU regulation of the economy and labour markets
has strengthened at all administrative levels. So far, it seems that EU policies have affected European industrial relations most at their strongest level, the national level. The Economic and Monetary Union has set a strict framework for national bargaining which has led to the Europeanisation of national industrial relations.

The deepening of integration in the 1980's and the 1990's has strengthened the EC/EU’s statehood, that is, regulative powers have been shifted to the trans-European level of administration. Several observations support this conclusion (see section 9.2 on the effectiveness of the EU): EC/EU regulative functions have widened, the number of European interest groups has increased and these groups have been tied to the EU policy-making apparatus (for the strengthening of capital’s and labour European organizations, see sections 8.2 and 8.3), the EU’s hegemonic project has been reasonably successful and the possibility of exiting from the EU appears to be more limited than in previous decades.
Figure 9.4 Dynamics of EC/EU industrial relations, 1982-2002

<table>
<thead>
<tr>
<th>Structural conditions</th>
<th>General organizational development</th>
<th>IR organizations, legislation, programmes</th>
<th>Industrial relations</th>
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</thead>
<tbody>
<tr>
<td>Cold War, national corporatism, globalization, communal socialization</td>
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<td>Social action programme: IR</td>
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<td>1985</td>
<td>new commission, Jacques Delors → social dialogue</td>
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<td>1986</td>
<td>EC 12</td>
<td>3 joint opinions</td>
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<td>Single European Act</td>
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<td>social dialogue fails</td>
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<td>1989</td>
<td>Charter of the Fundamental Rights of Workers</td>
<td></td>
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<tr>
<td>collapse of Socialist camp</td>
<td>Social Action Programme → social dialogue reopened</td>
<td></td>
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<td>1990</td>
<td>EMU</td>
<td>4 joint opinions</td>
<td>UNICE, ETUC, CEEP agreement on IR</td>
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<td>EU 12</td>
<td>white papers on competitiveness and social policy</td>
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<td>increasing economic integration</td>
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<td>European Works Council directive</td>
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<td>European Works Council framework agreement on parental leave</td>
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<td>1995</td>
<td>EU 15</td>
<td></td>
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<td>1997</td>
<td>European employment strategy</td>
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<td>framework agreements: part-time work, agriculture</td>
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<td>1999</td>
<td>Amsterdam Treaty</td>
<td>macro-economic dialogue</td>
<td>framework agreement on fixed-time work competencies and qualifications agreement, common work programme</td>
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<tr>
<td>2002</td>
<td>EMU, Euro</td>
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PART IV
DIALECTICS OF EUROPEAN INTEGRATION

The previous part of this study examined (Western) European politico-economic integration from the Second World War until the turn of the millennium. The sixth chapter described the history of integration from the 1950's to the end of the 1970's ending with the conclusion that despite developments in trans-European integration national actors preserved their predominant position in Western Europe. Chapter seven concentrated on economic integration by measuring the quantity of foreign trade, foreign direct investments and other international investments and showed that economic integration has increased substantially among Western European national economies. This economic integration has apparently changed the bases of interests of many actors into a more inter- or transnational orientation thus supporting prointegrative politics. The eighth chapter continued to study the dynamics of European integration from the beginning of the 1980's to the turn of the millennium. This period saw a substantial speeding up of political integration. In the realms of the regulation of European capitalism and its industrial relations, this accelerating integration was reflected in the strengthening of multi-level regulation of EU capitalism described in section 8.4. Chapter nine describes further the nature of the European Union by the turn of the millennium and presents the view that accelerating integration has led to the relative coherent policy content of integration, which centres around the EU’s global competitiveness. The ninth chapter concludes by stating that the EU has increasingly assumed a state-like character, that is, the power relations among Western Europeans are being regulated more and more by Brussels-based networks and actors. Hence, the previously dominant position of nationally based actors has been undermined by the strengthening EU statehood.

This final part presents a summary and the conclusions of this study. It is based on the preceding chapters and sections and therefore it includes only a few new references — it mainly refers to the preceding analysis. The purpose of these conclusions is to develop a theoretical
interpretation of European configuration. They do not repeat the detailed analysis presented in the previous parts of this study but rather they try to shed light upon the basic principles of European society.

The first section of Chapter ten follows loosely a historical and conceptual continuum starting from notions describing modern social order and the dynamics of European modernisation and integration (summary of Chapters 1 to 3) and ending with interpreting developments in the regulation of European capitalism and the evolution of the European Union and (summary of Chapters 4 to 9). The second section in Chapter ten describes the state of the European Union by the turn of the millennium by examining its reproductive dynamics. The eleventh chapter (Epilogue), reflects on the future and social meaning of EU integration.
10 Dynamics of European Integration

10.1 From Relations with Nature to Industrial Relations

In addition to analysing and describing the dynamics of European politico-economic integration, I have tried to interpret the history of integration from the point of view of a few central notions of modern social theory introduced in the first chapter. This societal approach to integration raises the question stated in the title of this study: Is European configuration evolving towards a European society?

The importance of asking the question of whether the European Union is evolving into a social configuration that could be called a “European society” stems from the basic definition of the notion of “society”: society is a social system that has internal interactions; its members perceive themselves as belonging to the same social unit and it is able to reproduce itself (see section 2.5 on definition of “society”). Hence, the notion of society raises fundamental questions for a social order: “Who belongs to it?” “What kinds of relations there are between its members?” “Where are its outer boundaries?”

The problem of the integration of a “society” is typically a modern question; ancient and the medieval social philosophy concentrated mainly on defining a good political order and largely omitted the question of the holistic reproduction of social systems. This situation changed in modern times when the formation of modern state-societies and the generalization of capitalism led to the systemic problem of the coherence and reproduction of this new socio-economic order. Indeed, it seems to me that the invention of modern sociology reflects partly this new need for ensuring the coherence of modern state-societies.

However, apart from stating the fundamental questions concerning the character of a social system, the notion of society is formal and empty. Therefore, in this section, the question of whether a European society is evolving is answered by characterizing the development and the present state of Western European configuration. This characterization proceeds systematically from general notions for describing social order (relations between nature and society, communal and associative socialization) to more particular phenomena such as the state, power relations, the
regulation of capitalism and industrial relations. These notions and their relations were described in Chapters one and two as well as in section 4.1 on capitalist regulation (see summarizing Figures 2.2 and 4.1 on the constellation of modern social order and the regulation of the economy and labour markets).

The most fundamental elements of a social order are its relations with the internal and external natures of humans. Several relations between nature and modern social order are exemplified in section 2.5, which describes the fundamental features of modern social order. Here, it suffices to list a few observations on the most obvious relations between nature and European configuration.

In European relations with external nature, geography has played a major role. It has constituted the bases for relations between European cores and peripheries and it has had an effect on borders between state-societies. Regulation of the usage of natural resources such as coal and steel has been a major policy theme in the European Coal and Steel Community (ECSC) as well as in the EEC/EU, in which the most visible example has been the regulation of agricultural production and consumption.

In the realm of relations between the internal nature of humans and social order, the political theory of a social contract and the economic theory of market balances constitute basic principles of action in modern social order (see sections 2.1 and 2.2). It is supposed that selfish individuals and groups seek to realize their interests, and interactions between diverse actors produce social contracts and “balances” in politics and the economy. Hence, the basic principles of modern rationality are derived from man’s internal nature and from the position of human beings in external nature. This observation reveals the most important motivation for studying conceptions of the man’s internal nature: these conceptions define the fundamental rationality and principles of action in particular societies.

In the case of Western European integration, this rationality is realized in the actions of subjects of integration (governments, trans-European organs, organized capital and labour and so on) (see Chapters 6-9 on dynamics of integration) and in those social scientific theories that attempt to interpret integration as a result of the rational actions of diverse actors (see Chapter 3 on theories of integration).
An example of the role of conceptions concerning external nature in the constitution of social order is provided by the use of the notion of “balance”, which originates from the realm of physics. The central role that diverse “balances” play in regulation of modern socioeconomic relations can be observed in those passages of the founding treaties of the ECSC/EEC/EU which refer to the attainment of economic balances as a basic mechanism for regulating socioeconomic relations. Also the EU’s political discourse refers frequently to the need for “striking a balance” between diverse interests.

In addition to relations between inner nature and a social order and between outer nature and a social order, there are also relations that mediate connections between external and internal nature. One of the most important of such connections is the social organization of work: in order to be able to produce materially, the internal nature of human beings (body, feelings, psychology) has to be regulated according to the needs of a given mode of production and the relations of production (see section 2.5). At this point it can clearly be seen how essential a function diverse regulative institutions, including industrial relations (see section 4.1 on institutions of regulation), fulfil for capitalism. They offer a substantial contribution to the reproduction of this social order. Hence, the functions that industrial relations assume in European capitalism well exceed the particularized bargaining over the details of working time and pay (see section 5.3 on the reproduction of national capitalism).

The “European employment strategy” offers a timely example of the regulation of relations between internal and external nature: An important objective of this policy programme is to make workers more committed to their work, that is, to strengthen people’s subjectivity as workers (see section 9.2 on the effectiveness of the EU). In this case, it is desired that the regulation of subjects’ internal nature (workers’ motives and orientations) leads to the more effective manipulation of external nature (production of goods and services).

Relations between society and nature affect and shape two basic modes of social integration: communal (Vergemeinschaftung) and associative (Vergesellschaftung) socialization. These modes of social integration have a very long history (see the historical list depicting diverse modifications of communal and associative socialization presented in the beginning of section 1.1).
The greater part of this study concentrates on associative socialization, that is, it focuses on the “rational” acting of diverse actors of Western European integration such as governments, ECSC/EEC/EU organs, organized capital and labour and diverse interest organizations. Consequently, the main dynamics of integration can be explained by referring to these actors and their changing bases of interests (see Chapters 6 to 9 on the dynamics of integration after the Second World War). However, it has also been possible to observe diverse forms of European communal socialization, which range from old influences of kinship (“fathers of Europe”) and the European cultural heritage to more recent attempts to create symbolic representations of the European Union (for diverse forms of European communal socialization see sections 6.5 and 9.3). Hence, associative and communal socialization form diverse combinations that define the most basic characteristics of social configurations. It is therefore not reasonable to conceive of them merely as separate areas of social life or to think that certain institutions such as “markets” base their functioning on only one of these modes of social integration.

Associative and communal socialization appear to belong to universal and perhaps perennial social phenomena. The historical bases of European integration, however, rise from European modernization (development of state-societies, capitalism, wage work and other diverse modern institutions and modes of thinking), which began already during Medieval times (Chapter 1). To my mind, it can be shown that theories of European regional integration (see Chapter 3) follow in their basic modes of thinking structures of modern social theory (see section 3.4) and hence partake in the intellectual reproduction of modern social order. In section 3.5 on social sciences and the reproduction of social order, it was shown empirically how the number of publications on European integration has followed the course of integration (see Table 3.2) and how European statistics (Eurostat) help to define the EEC/EU configuration in a way which facilitates its political regulation. Although it is customary to think that social sciences form an independent social institution above or outside of the rest of the society, when trying to comprehend the long-term constitution of social configurations, intellectual traditions and institutions must be included in the analysis. They form an integral part of the societies studied. For this reason, I have included several classic
works on social theory in the references of this study. They constitute intellectual representations and legitimations of given historical configurations.

The above described general traits of modern integration constitute the conceptual and practical foundations for the more particular subject of this study: relations between Western European integration and the regulation of the capitalist economy, that is, the regulation of the capitalist economy via industrial relations. In the fourth chapter it was shown how class conflict, which was born along with the development of capitalism and wage work, was transformed into pacified industrial relations. In Western Europe this transformation took place between the end of the nineteenth century and the 1970's. Developed national industrial relations form a part of the predominantly intensive regime of the accumulation of capital, “Fordism”, which is based on a virtuous circle of mass production and mass consumption (for these notions see section 4.1 on the regulation of the capitalist economy). Since the early 1970's, this regime of accumulation and its industrial relations have experienced problems that have led to changes in technology (information technology), in forms of organizing work (team work, atypical work) and in industrial relations (the partial decentralization of industrial relations). From the point of view of capital, these changes have been successful because capital has been able to restore its rate of profits (changes in profits of industry and capital’s overall profits were assessed in Tables 4.6 and 4.7). On the other hand, due to persistent unemployment (see Table 5.3 on European unemployment situation from 1961-2000) and the increasing inequality of pay, (Table 5.2) labour has to some extent suffered as a result of remedies to the problems of Fordism.

Nevertheless, it is essential to comprehend that mature capitalism cannot reproduce itself by impoverishing all workers. Profits cannot be realized if workers’ do not have enough money to consume the goods and services produced. Indeed, as can be seen from Table 4.4, per capita consumption continuously increased in Western Europe from 1960 to 1999. In this sense, the intensive regime of accumulation, “Fordism”, belongs to the necessary prerequisites of mature capitalism and there is no returning to the predominantly extensive regime of accumulation. The coexistence of mass production and mass consumption can be ensured by diverse institutional arrangements. In the case of Western European
national regulative systems, industrial relations and organized labour have helped to keep consumption at a high level (see section 5.3 on the reproduction of national regulative systems).

European modernization and the development of nation-states led to competition and power struggles among these politico-economic units (see Figure 1.1 on Elias’ model of the civilising process). After the Second World War, the changing European power constellation (the Cold War division of Europe) and the harsh experiences of the Second World War led six Western European nation-states to start politico-economic integration by establishing the European Coal and Steel Community (1952) and subsequently the European Economic Community (1958). However, from the early 1950's to the mid 1980's, economic and political integration advanced much more slowly than had been anticipated in the founding treaty of the EEC and predicted by many researchers who studied regional integration. Perhaps the most important explanation for this slow development was that during this period of time powerful national political and economic actors felt that state-societies were the primary form of socioeconomic organizing and that European state-societies would be able to ensure their political and economic success on their own (see section 6.6 on the predominance of nation-states at this stage of development). This slow advancement of Western European integration in the realm of high politics, however, did not mean a lack of integration in other areas: the increasing economic integration changed the bases of interests as explained in Chapter seven, capital’s international regulative organs expanded (section 8.2) and labour’s international organization unified (sections 6.4 and 8.3). On the bases of national regulative traditions (Chapters 4 and 5) the creation of trans-European industrial relations was attempted several times, but these attempts failed owing to the primacy of national regulative systems.

This situation of the stagnation of European integration ended by the middle of the 1980's, when the signing of the Single European Act launched a campaign to finally create open markets within the EC. Since that, the speed of the process of European integration has accelerated considerably. Several amendments to the founding treaties, the introduction of the Economic and Monetary Union and the increasing number of member and applicant countries mark a considerable deepening and widening of integration (see section 8.1). There were
several reasons for this acceleration, but one of them seems more important than the others. This is the idea that in the face of increasing global economic competition, European capital and state-societies can no longer ensure their success on their own, but rather a new more effective European system of capitalist regulation is needed (see Table 8.1 on a new compromise on European integration in the 1980's and the 1990's). The importance of this new way of defining the EU’s external environments can be verified by examining how central a role the EU’s competitiveness has assumed in its hegemonic ideology described in section 9.1.

From the point of view of the dynamics of European modernity the crucial role that Western Europe’s external environment has played in Western European integration is not surprising. Historically, the creation of the internal structures of each modern state-society was strongly affected by the other emerging state-societies (see section 1.2 on the formulation of nation-states). Likewise in the case of national regulative systems, it can be shown that the way in which their external relations are defined greatly affects the constitution of their industrial relations as well (see sections 5.2 and 5.3 on national industrial relations and their reproductive dynamics). Expressed in more general terms, the way in which a social system defines its relations to its environment, and this includes both natural and social environments, constitutes a system’s central organizing principles.

As a part of a new system of regulating European capitalism, the European frame of reference regarding industrial relations also began to gain more importance in the 1990's (see section 8.4 on multi-level regulation of EU capitalism). In general, the history of European integration shows that political integration and changes in the regulation of capitalism, that is, the political and economic constitution of a society, have evolved simultaneously (see Figure 1.1 on the dynamics of European modernization).

Many have feared that accelerating integration would lead to the victory of a liberal market capitalism that would undermine national industrial relations and institutions of social protection. In fact, the opening of European markets has changed many traditional market structures, national industrial relations have decentralized somewhat and social protection has been weakened. However, these changes are still a
far cry from liberal market capitalism. Indeed, given the regulative traditions of European capitalism (see Chapters 4 and 5 on European regulative traditions), the extensive trans-European organizing of both capital and labour (sections 6.3, 6.4, 8.2 and 8.3), European and global mergers of firms and the functional need to assure sufficient demand in the mature capitalist economy, it seems very unlikely that capitalism would turn in a market liberal direction. True, in the 1990's and by the turn of the millennium, hegemonic ideology stresses the importance of “free markets”, but in reality actors often assume an opportunistic line of action. In a typical contradiction between ideology and reality, just about everybody has to pay lip-service to the ideal of the free market but calls for the intentional regulation of markets as soon as their functioning seems to threaten one’s own interests.

As a consequence of deepening integration, the statehood of the European Union has strengthened (see sections 9.2 and 9.4 on the effectiveness of the EU and its strengthening statehood), that is, the EU has assumed more and more regulative functions that have traditionally belonged to modern states (see Table 9.2 on areas of regulation and levels of authority in the EEC/EU from 1957 to 2001). The dynamics of increasing EU statehood have followed the mode of classical state formation. Diverse EU organs, notably the Commission, balance relations between the various interested parties which take part in European integration (see Figure 9.3 on the EU’s hegemonic project as compromise) and EU organs receive a great deal of their power position from their strategic balancing position. This is the same kind of process that Elias Norbert described in his theory of civilization (see section 1.2 on formation of nation-states). Power struggles led via a “monopoly mechanism” to the concentration of power and in the absolutist states of the seventeenth and eighteenth century; kings and queens, that is states, ensured their power position through a “royal mechanism”, that is, through balancing relations between the aristocracy and the bourgeoisie. In the case of the European Union, this means that organs of the Union mediate relations and interests between the diverse actors of national state apparatuses, political parties, organized capital, labour and a multitude of other interest organizations. In this process the EU organs are dependent on diverse actors of integration and these actors need the EU organs in order to be able to regulate their own interrelatedness.
This observation of the increasing statehood of the EU does not mean, however, that states or other levels of political administration are necessarily losing all their powers (see section 8.4 on multi-level regulation of EU capitalism). Regional entities may win new independencies in relation to their respective nation-states and state apparatuses may strengthen their regulative powers as they are able to receive additional political support from EU organs, legislation and policies. Via the European Union, national governments are regulating their domestic and international environment more effectively than before but within the framework of increasing EU statehood this regulation takes place in accordance with agreed EU policies.

For us contemporaries, living our lives in a world divided into nation-states, this idea of the increasing statehood of the European Union might seem a misnomer but this impression vanishes as one recalls that the state as a political organization is much older than the nation-state. The basic function of the state is to offer a formal political power structure that is, by definition, not attached to other forms of social order. Hence, as a formal power structure and a legal order, a state may be established regardless of kinship, languages, cultures, ethnic or geographical entities. Herein lies its enormous evolutionary significance (see Eder 1980). The close relations between the state and a particular “people” are a relatively recent phenomena. There is no indispensable relationship between the state and a particular people.
10.2 Reproducing the EU within a World-Society

In the previous section, the findings of this study were summarized starting from general notions describing social order (relations between nature and society, communal and associative socialization) and proceeding to more particular phenomena such as the regulation of capitalism and industrial relations. Additionally, the above summary tried to present a picture of the historical evolution of the European configuration. In contrast to this historical approach, this section endeavours to characterize the present state of the European Union and to reflect on its present dynamics of reproduction. By the end of this section, an answer to the question posed by the title of this study: “Towards a European Society?” is given.

It seems sensible to comprehend the reproductive dynamics of social systems as dynamics in which systems themselves ensure their reproduction by establishing internal supportive feedbacks which assume a circular pattern. In the case of national systems of the regulation of capitalism, such a circle includes the following elements (see Figure 5.2): organized capital and labour, national regulation of the economy and labour markets (industrial relations), production of goods and services, socio-economic structures and political traditions. In the processes of the reproduction of a state-society these elements form each others’ preconditions, causes and effects (see section 5.3 on the reproduction of national regulative systems). Given that the actors and rules of action at the EU level follow the same general principles of modern socioeconomic order as at the national level, the EU’s reproduction can also be examined using the same kind of a model of reproduction. The reproductive circle of the European Union is presented in Figure 10.1, in which relations between diverse elements of the system are clarified with notions characterising the nature of these relations (intentional action, functional consequences, systemic determination, for these elements of social causality, see the beginning of section 1.2).

A fundamental element of EU integration is the idea that the EU’s member states could not manage in global economic competition on their own and therefore they need European cooperation (see sections 8.1 and 9.1 on advancement of EU integration and the EU’s hegemonic project). Because of the central role that a definition of external environments
assumes in the constitution of a social system, “global economic competition” is placed in the centre of Figure 10.1. On the bases of this ideology governments, organizations of capital and labour as well as other interest organizations, take part in formulation of EU policies. In addition to the shared hegemonic project, each of these actors seeks to influence the course of integration according to its particular interests (see Figure 2.1 on rational actions based on interests) and EU organs mediate between these subjects and their interests.

Figure 10.1 Reproduction of the European Union

At this point, it is crucial to note that trying to affect EU policy-making is a double-edged sword because the more diverse politico-economic subjects stress the importance of the EU level regulation, the more they get tied to this regulative system. In other words, as presented in Figure 10.1, intentional actions that seek to influence EU policy-making integrate subjects into EU policy-making apparatus via functional
feedbacks. Together these interactions constitute an essential part of the strengthening of the EU’s statehood (see sections 9.2 and 9.4 on the effectiveness of the EU and its strengthening statehood).

However, a virtuous circle of the reproduction of the politics of regulation does not alone ensure socio-economic reproduction of a social configuration. Politics of regulation are needed to support the production of goods and services. In other words, intentional regulative politics should ensure the continuing production of goods and services and contribute to the successful regulation of relations between internal and external nature. In terms of the capitalist economy, the EU has been relatively successful in this respect: it has contributed to increasing the profits of capital and to economic growth (see Tables 4.6, 4.7 on profits of capital and Table 9.3 on effectiveness of the EU). Also Western European consumption has increased continuously (see Table 4.4 on growth of mass consumption).

Successful reproduction of the capitalist mode of production and relations of production ensure the preservation of established European socioeconomic structures and the continuity of its political traditions. Lastly — and this closes the reproductive circle of the European Union presented in Figure 10.1 — on the bases of European socioeconomic structures and political traditions, subjects of integration take part in defining the politics of integration within the EU’s policy-making machinery.

The stronger the virtuous circle of the reproduction of the EU, the more secure the advancement of European integration and vice versa. In the following paragraphs, strong and weak points of the EU configuration are discussed using the notions of subjectivity, ideology and collective identity. As can be recalled from Figure 2.2 on the constellation of modern social order, these notions delineate associative socialization (subjectivity) and communal socialization (ideology, collective identity). Relations between these phenomena are explained in the following paragraphs.

First, because subjectivity is defined as a mediating factor between the objective world and subjects, objective changes modify subjectivity (see sections 2.1 and 2.2 on rational actors and their subjectivity). The more actors’ possibilities for and restrictions upon acting are defined by the EU framework, the more the European Union affects actors’
subjectivity. It seems that increasing economic (see Chapter 7 on economic integration) and political integration (Chapters 8 and 9) have strengthened the European framework of interests for many social subjects. For instance, the strengthening of EU statehood moulds the subjectivity of many actors in an effective manner. Diverse socioeconomic projects of the EU, such as those established under the European employment policy, aim to integrate individuals and groups into activities directed by EU organs. This is bound to have some effect on actors’ subjective dispositions. Furthermore, for some individuals and many professions, EU integration offers improved career opportunities, a situation which directs activities into prointegrative direction. As explained in section 9.3 on collective identity, European identification goes hand in hand with the subjective impression that one profits from integration.

On the other hand, although changes in objective environments do not directly bring about specific responses, they have to be subjectively interpreted. For instance, in some cases objective integration may give rise to subjective opposition against European integration. Furthermore, because objective economic integration is not a purely European but also a global phenomenon, some integrative developments do not support a specific European subjectivity.

Secondly, it is difficult to assess the role of European collective identity in European integration. At least, it can be concluded that there exist several elements of European collective identity: a European cultural heritage, devotion to the symbol of Europe, enthusiasm for Europe and its integration, the idea of “fathers” of Europe, EU citizenship, a degree to which Western Europeans identify themselves as Europeans and so on (see sections 6.5 and 9.3 on European communal socialization). Nonetheless, European collective identity may not be so necessary an ingredient of European integration as is often assumed. If EU policies and economic integration strengthen the social subjectivity which internalizes the EU framework of action, this European subjectivity may well at least partially provide a functional equivalent to collective identity.

Thirdly, élites of EU integration seem to have been able to arrive at a relatively stable definition of the EU’s hegemonic project characterized by concepts of economic growth, global competitiveness, employment and advancement of integration (see Figure 9.3 for the EU’s
hegemonic project as a compromise). Hegemonic ideology is an important element of socio-political integration because it effectively frames the subjectivity and collective identity of social subjects. This is so because hegemonic ideology defines crucial elements of social order, thus directing and limiting the freedoms of actors.

In summary, it seems that at the turn of the millennium several factors support the reproduction of the EU. On the other hand, the above examination of the reproductive dynamics of the EU may well be wrong in its details and it may prove to be wrong in coming years. In fact, more important than the empirical accuracy of the model presented in Figure 10.1 is its approach to the analysis of social dynamics. In other words, I do not argue that the above presented model includes all possible elements of the EU’s reproductive dynamics but I do maintain that in order to be able to analyse the dynamics of change and inertia in social systems it is essential to take diverse feedback effects into account by trying to construct models such as the one in Figure 10.1.

Obviously, the above described reproductive system of the European Union will change somewhat in the future when the European Union enlarges and its political institutions and its socioeconomic structures change. In 2004 Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia joined the Union. Bulgaria and Romania are expected to follow a few years later and Turkey is also a candidate country. However, it is questionable whether this Eastern enlargement of the EU will change the Union’s basic dynamics and qualities.

Sometimes it is suggested that convergence among modern state-societies would facilitate their transnational integration. Interestingly, the eastern enlargement of the EU seems to contradict this idea. True, it seems reasonable to assume that the convergence of Western European nation-states has eased integration because homogenisation and standardization facilitate governance. In fact, the EU has pursued the creation of convergence between the old EU member states and the new members. Yet, there is no direct relation between convergence and Western European integration. Instead, the dynamics of integration can mainly be explained by Europe’s internal and external politico-economic dynamics and interrelationships. How otherwise would it be possible to explain why relatively convergent countries such as Switzerland, Norway
and Iceland have remained outside of the EU at the same time as the more divergent former “Eastern European” countries have joined the Union?

Above, it is maintained that the way in which nation-states and the EU have defined their socioeconomic environment has had a profound effect on their inner constitution (see Figure 5.2 on the reproductive dynamics of national regulation of the economy and labour markets and Table 8.1 on the new compromise on European integration in the 1980's and the 1990's). Because in the case of the European Union the global configuration constitutes the EU’s primary point of external reference (see Figure 10.1), answering the question as to whether the EU is developing into a regional European society calls for assessing relations between global and European configurations. This in turn, necessitates a few reflections concerning the nature of “globalization”.

The word "global" refers to something that pertains to or embraces the whole of a group of items, or that is comprehensive and total or involves the whole world (globe) (Brown 1993a, 1101). This is a good working definition when starting to explore theoretically "globalization", that is, those processes that integrate the world into one comprehensive system (see also Robertson 1992, 53; Waters 1995, 3). "Global" refers thus to the end stage of the process of "globalization".

What, then, differentiates global condition from other human conditions, or from other social configurations? The answer to this question seems to lie in the totalizing character of the notion of global: in a fully globalized world all social subsystems are tied into a comprehensive global social system. Hence, the fully globalized world consists of only one closed social system. This means that the global social system lacks a social environment, all social phenomena belong to it, and there is nothing social outside it (see Luhmann 1987, 555-557, 585).

Historically, the dynamics of globalization started in the nineteenth century, when the competition of European imperial powers transformed the whole world into a loosely connected system. Colonial globalization meant that there were fewer and fewer “free” areas into which the colonial powers could expand their influence without intruding into each others sphere of influence. The world has been transformed ever more into “a single place” (Waters 1995, 39) and the reproduction of its competitive dynamics has become more and more closed (see Robertson
1992, 59 and Hobsbawm 1995, 87-96). Thus, it can be seen that the emergence of modern state-societies (see section 1.2 on the formation of nation-states) did not mean the end of civilizing and modernizing mechanisms and dynamics. The same competitive mechanism of monopoly building only moved on to the transnational arena.

The two World Wars mark the evolution of globalization. The First World War still concentrated mainly on the European power struggle. In it European powers fought for a hegemonic position in Europe. The First World War did not lead to a political solution concerning European power relations. Consequently, Europe was flamed by another “Great War” in 1939. This time the conflict was even larger and it turned out to be a true world war since it spread much further into Asia and Africa. After the Second World War, political and economic competition globalized further as almost the whole world was divided between two competing parties: the capitalist and socialist camps. It was within this power constellation that politico-economic Western European integration succeeded in the beginning of the 1950's.

When it comes to the interrelations between the economic and political dynamics of globalization (compare with Figure 1.1 on the politico-economic dynamics of European modernization), it must be taken into account that capital has always been international. However, apparently after the Second World War and especially from the 1960's and 1970's onwards, it has internationalized and globalized its actions at an accelerating tempo. The main rationality behind economic globalization is obviously the need to ensure capital accumulation in a situation in which nationally based accumulation of capital has reached its limits (see sections 4.4 and 4.5 on “Fordism” and its problems). Potentially, this leads to the loosening of established relations between national capitalists and their respective nation-states. In many cases, national capital and state apparatuses are no longer such unconditional allies for each other as they used to be. Simultaneously, cultural globalization erodes national integrity. These changes have been labelled differently in diverse “post” theories (post-industrialism, post-modernism, post-Fordism). Also political structures are changing as political actors are looking for new alliances across state boundaries.

Nevertheless, from the point of view of modern social dynamics, the more globalized situation described above is not as new as one may
The number of international organizations grew from 213 in 1909 to 6177 in 1999 (Union of International Associations 2000, 1661).

be tempted to assume at first glance. First, in the case of economic globalization the economic dynamics of capitalism and differentiation (division of labour) have only freed themselves from their national cages. Systemic determination of capital accumulation has not changed. Secondly, culturally and politically, globalization means the continuation of modernization at the transnational level rather than the emergence of a new type of social evolution.

For a long time established modern state-societies succeeded in presenting themselves as the true carriers of modern social order, but as economic (limits of national capital accumulation), technical (new productive and information technologies) and other conditions (cultural changes, population growth) have changed, state-societies are again confronted by the dynamics of modern social order. In other words, state-societies as a form of social integration should be turned right side up again by concentrating on the general principles the socioeconomic processes instead of limiting an analysis to the particular national institutes and organizations.

At present, it seems that dynamics of global modernization create new kinds of constellations of economic and political competition. Local, national, regional and global actors reformulate their relations and alliances (see Table 8.8 on the multi-level regulation of EU capitalism and Münch 1993). From the social perspective of established state-societies, this situation may be interpreted as post-modern fragmentation but from the point of view of analysis of social dynamics it means a massive reorganization of the global social system (see Robertson 1992, 53). In a process similar to that of earlier modernization at the state-level, global modernization also creates a functional need for the governance of the global socio-economic system. Diverse international governmental and non-governmental organizations are trying to do exactly this.¹ This means that modern political functions gain independence from formal state apparatuses and their legislation. Hence, in effect, international organizations, or their networks, gain political functions that formally belonged exclusively to nation-states. There are thus tendencies towards the civilizing of the global social system just as Norbert Elias predicted

¹ The number of international organizations grew from 213 in 1909 to 6177 in 1999 (Union of International Associations 2000, 1661).
in his theory of civilizing process (Elias [1939] 1992, 452). Yet, changing competitive situations and structures may also provoke new hostilities and wars. Therefore, in the future several development paths are possible.

For sociological theorizing, globalization has radical consequences. If “society” is defined as a holistic notion which includes all the crucial social relations that must be taken into account when analysing social life, then a globally integrated world forms one world-society (see the definition of “society” in section 2.5). In other words, inasmuch as the whole world constitutes a single closed social system, there exist only one configuration that fulfills the holistic criteria of society: world-society (see Nieminen 1993; Luhmann 1997, 145-171; compare also Kosonen 1999, 183).

As a consequence of the above reflection on world-society, the answer to the question raised by the title of this study “Towards a European Society?” is a qualified “no”. This is so because, as explained above, in the present situation the notion of society approximates world-society. However, given the processes of integration at the diverse administrative levels of the EU, it seems also reasonable to speak about a relatively independent EU statehood and a European society within the context of a world-society, even though the EU approximates more closely a modern state than a modern society. In other words, the notion of world-society does not prevent one from depicting other more limited units such as state-societies or the European configuration as “societies”, but it does stipulate that global dynamics should be taken into account when dealing with national or European entities. This is so because in a globalized world, socioeconomic dynamics cannot be explained solely on national or European bases.

Hence, the scheme of the dynamics of modernization pictured in section 1.4 must be reconstructed into a scheme describing the global dynamics of European integration. In this scheme European integration receives its basic dynamics from the evolution of the world-society:

\[(\text{strengthening EU statehood & regulation of capitalism}) \times \text{dynamics of world-society} = \text{dynamics of European society}\]

This system includes a multitude of actors, but it has actually only one subject — the global system itself. In these global dynamics,
relations between human and their external and internal nature play important roles.

In fact, one way of summarizing this study is to put it into the following Hegelian nutshell: society is itself the real subject of its development and its subjectivity is formed in interaction with objective nature. Because definitions of the internal nature of humans and of society’s relations with external nature constitute the bases for a society, it is these definitions that reveal the social meaning of a society. Furthermore, to make this kind of statement means that one is taking part in the reproduction of social practices. It means taking part in the formulation of ideology (see section 3.5 on social sciences’ role in the reproduction of social order).

The obvious danger in the above kind of competitive configuration lies in the possibility that, as in the case of the formation of state-societies, competition and power struggles may lead to violence and wars. In Europe this danger was realised twice during the twentieth century and the present global “war against terrorism” led by the United States and attempts to build military apparatus for the European Union raise some fears concerning the future.
11 Epilogue: The Future and the Social Meaning of the European Union

In the preceding chapter, the findings of this study were summarized by presenting the historical dynamics of European integration and by assessing the reproduction of the European Union. In this epilogue the EU configuration is examined by discussing its developmental possibilities, the methods of constructing its diverse potential futures and the social meaning of its existence.

The development of social configurations can be conceptualized as movements between the potential and actual states of affairs (see, for example, Kyntäjä 2000, 33-34). Each actual state of affairs constitutes a basis for constructing potential future choices. Selecting particular options and thus actualizing them produces the next actual state of affairs which in turn establishes potential options for future actions and so on. The uncertainties that this moving dialectic of the actual and the potential

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1"The train of events is a train unrolling its rails ahead of itself. The river of time is a river sweeping its banks along with it. The traveller moves about on a solid floor between solid walls; but the floor and the walls are being moved along too, imperceptibly, and yet in very lively fashion, by the movements that his fellow travellers make. It was an incalculable piece of good fortune for Clarisse’s peace of mind that this notion had not yet turned up among all those that occurred to her so far. Count Leinsdorf, for his part, was also proof against it. He was armoured against it by the conviction that what he was engaged in was practical politics." Robert Musil, *The Man Without Qualities* (Musil [1930] 1981, 174)
create raise a question concerning the realism of Realpolitik itself: How realistic can a policy that is based on constantly changing choices of numerous actors be?

In the case of the history of European integration, the dialectics between the potential and actual states of affairs may be exemplified as follows. After the Second World War, there seemed to exist a possibility for peaceful global integration. This kind of a policy line was suggested by functionalist theoreticians of integration (see section 3.1 on theories of political integration) and after the war labour unions attempted to organize in a unitary fashion (see section 6.4 on the international labour movement). Yet, the state of affairs actualized was the Cold War division of Europe and the world and Western European regional integration, which stressed the primacy of nation-states (see section 6.6 on the dynamics of integration from the 1950's to the late 1970's). In the 1970's and the 1980's, the world’s economic problems could have been answered by strengthening the global regulation of capitalism. Instead, however, in Western Europe a deepening of European integration was chosen. A bit later, the collapse of the Socialist camp changed the European power constellation and most of the former socialist countries chose to apply for EU membership.

Currently, at the turn of the millennium, a few examples of potential futures could be constructed for the European Union (see Moisio 2002, 240-241):

- a further strengthening of EU statehood,
- a new medieval empire,
- a weak EU within global networks of cooperation,
- a renewed primacy of nation-states.

A “further building of EU statehood” would mean that the European Union continues its present policy line of consolidating its inner state functions and increasing its external capacities including the military one. A “new medieval empire” would mean that the EU would be constructed as a loose framework for national, regional and local administrative entities without substantial external powers. Apparently, this potential option is the most market-friendly. A “weak EU within global networks of cooperation” would mean that global political
integration would gain more importance and competitive relations between the world’s regions would be alleviated. Lastly, the “primacy of nation-states” would mean a return to the earlier state of affairs. These potential futures are by no means the only ones. In fact, it is conceivable that one could construct tens of potential futures with a multitude of modifications.

Because the definition of potential states of affairs assumes a central role in the future-directed politics of integration, it is essential to reflect on factors that affect definitions of potential futures. To begin with, it seems obvious that constructing potential futures necessitates that actors place themselves in the stream of time and perceive the present state of affairs as a continuum from the past to the future. On the basis of this time perspective, subjects construct their ideas of potential futures. On the other hand, an anticipated future also affects interpretations of history and of the present state of affairs. A mental experiment\(^1\) might clarify this idea of the interdependence of the past, the present and future.

First, let us assume that within the next 50 years or so the world will experience a golden period of peaceful development that would solve such problems as inequality, hunger and organized violence. Let us also assume that a strong European Union would play a crucial role in this evolution. In the light of such a future, the history of European integration would be glorified and “fathers of integration” praised as global well-doers. Secondly, let us assume that as a consequence of the present global “war against terrorism”, the EU state would drift into major global war. This would lead to a very different kind of interpretation of the history of integration and the personalities of its “fathers”. Thirdly, what if environmental problems such as pollution and the exhaustion of raw materials would be a mounting problem in the future. This kind of a future perspective would lead to a critical attitude towards the EU’s hegemonic project of economic growth. As can be seen from the above examples, the anticipated future affects one’s interpretation of past history, the present state of affairs and of anticipated future possibilities.

Groups and individuals interpret the past history, the present state of affairs and the future possibilities from their own socioeconomic perspectives and direct their actions accordingly. Because defining future

\(^1\) For mental experiments as a method of investigation see Appendix I.
possibilities is a necessary and fundamental choice in policy-making processes, organized interest groups seek to affect the formulation of policy agendas as early as possible. Because groups and individuals wish to reproduce or improve their positions (see Figure 2.1 on rational actions based on interests), social structures tend to change relatively slowly. In other words, societies tend to follow particular developmental paths.

These stiffened dynamics of the reproduction of social order lead to two central problems of modern social theory and practice. Jürgen Habermas has called them “loss of freedom” (Freiheitsverlust) and “loss of meaning” (Sinnverlust) (see Habermas 1985a, 462-474). As will be seen in the following presentation, a loss of freedom is closely attached to associative socialization (Vergesellschaftung) and a loss of meaning to communal socialization (Vergemeinschaftung).

“Loss of freedom” refers to political domination by modern state bureaucracies and economic domination via large firms and market mechanism. Together these forces more or less functionally regulate politico-economic systems. In such a social system, separate individuals and social groups seem to have lost their freedoms to élites and faceless politico-economic rationalities. The problem of a loss of freedom is further accentuated by the fact that social integration seems to get more dense in late modernity (intensification of worker subjectivity, intensification of consumption via a closer affinity between lifestyles and commodities, closer politico-economic surveillance of citizens and consumers). In the case of EU integration these questions gain new importance through the reproduction of modern social order at the EU level.

Loss of freedom is a problem closely connected with the definition of private interests in the economy and politics. As can be recalled from section 2.2 on modern social actors, “interests” are subjectively defined on the bases of the objective socioeconomic positions of individuals and groups. Both in the economy and in politics, competition and struggle between diverse interests are supposed to lead to an optimal “balance” of socioeconomic forces. However, it is precisely this political and

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1 These ideas originate from Max Weber and they were later developed by, among others, Max Horkheimer, Jürgen Habermas and Anthony Giddens (see Habermas 1985a, 461 and Giddens 1984).
economic, quasi-natural balancing mechanism that leads to problems in interest politics.

A central problem in interest politics is that diverse interest groups may become unable to handle the general principles of social order. In a situation in which pure interest political orientation prevails, a social order is established functionally via competition and struggle between interest groups, but the totality of this system it is not reflected in political discussion.

An obvious answer to the problem of loss of freedom would be increasing the democratization of political and economic life. Yet, democratization of socioeconomic life alone does not provide an adequate answer to loss of freedom because democratization without reflections concerning the basic principles of social order would only lead to intensified interest politics that would reproduce the systemic subordination of social subjects. This leads us to the second main problem of modern social order, loss of meaning.

“Loss of meaning” is an ideological problem in modern social order. Before modern times, religion and other forms of metaphysical thinking offered meaning and foundations to social configurations, but these bases of societies have been weakened substantially because of secularisation and the increasing rationalization of social life (see Habermas 1985a, 462-468). As presented in the section 2.1 on modern rationality, secularised modern social order obtains its basic legitimation from nature. Modern social order understands itself fundamentally as a natural order (see examples of this in section 2.1). It is worth noting that this view of the foundations of social order is not in contradiction with the idea that (post)modernity is an increasingly artificial configuration. This is so because it is still nature that provides the fundamental bases for “artificial” (post)modernity. For instance, bodily needs and desires as motives for postmodern selfish individuals stem from inborn human qualities.

Some people have tried to answer the problem of loss of meaning by reintroducing religion to modern life (diverse attempts to revitalize official religions or introduce new forms of spirituality). These

1 Compare this with the historical shift from class politics to interest politics presented in section 4.2.
endeavours, however, are bound to have a limited impact on the modern way of life because they do not touch the core issues of modern social order: those relating to how the economy and politics are to be organized. Hence, they are bound to remain within the limits of bourgeois religiosity that is exercised only on Sundays and that has no practical significance for everyday activities. As far as I can see, the only way to proceed in dealing with the loss of meaning in a secularized world is to analyse and (re)construct humankind’s relations with nature.

For the most part the issue of relations between nature and man has been treated in politics in recent decades in terms of man’s external relations to nature (in academic discourse relations to internal nature have also been addressed, notably around the theme of the “body”). Paradoxically, actors in modern societies seem to be notoriously unable to deal with their inner nature, but they are very keen on trying to manipulate external nature. Green movements in diverse state-societies have successfully raised this theme to the status of a political issue that no political party which wants to be taken seriously can avoid. Discourse on “sustainable development” belongs also to the hegemonic ideology of the EU. However, the fate of the green movement also shows how difficult it is to introduce questions of world-views into modern politics and an economy that are accustomed to transforming everything into interest politics and commercial activities.

In the previous pages I have discussed potential futures and the social meaning of European society. Another way of presenting the main principles of thinking put forward in this study is to approach them as dialectic relations between theoretical generalizations and particular empirical observations. This way of summarizing the writing at hand is presented in Figure 11.1 (compare Flora 1999, 11). In Figure 11.1 the main ideas of this study are positioned in a two-dimensional space that spans long-term structural history and the history of events and general theory concerning principles of social order and particular institutions and organizations.

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1 A French historian Fernand Braudel has divided history into three time spans: long-term history is measured in centuries or in thousands of years, the history of cycles describes periods of tens of years and the history of events describes singular historical events (see Braudel [1969] 1980, 27-34).
At the most general level, the European configuration is defined by its relations with internal and external nature and by its basic forms of communal and associative socialization (see the upper left-hand corner of Figure 11.1). In terms of structural history, the dynamics of modern social order have played a decisive role in European integration. Political traditions, the regulation of capitalism in general and the traditions of European industrial relations in particular have laid the foundations for sequences of events in the history of integrations at the level of the history of events (see the lower right-hand corner of Figure 11.1). However, traditions inherited from structural history are not reproduced automatically, but rather they are replicated and changed through subjective actions while actors choose between diverse potential states of affairs. Reproduction of a given social configuration calls for dialectical definitions of the actual and potential states of affairs as well as for subjective actions upon which the subjectivity of actors is moulded (see
A recurrent theme of integration research has been whether trans-European organizations are “sui generis” phenomena (see Rosamond 2000, 14-16, 96). Figure 11.1 clarifies diverse answers given to this question. It depends on the position of an analyst in the continuum between theoretical generalizations and empirical observations whether (s)he regards European organs as sui generis formations. The more an analyst concentrates on particular empirical observations, the more European integration looks like a special case of socio-economic integration. On the other hand, the more an analyst interprets European integration from the point of view of theoretical generalizations and structural history, the more it appears to melt into the general processes of social integration. In any event, the dialectics between inertia and change explain why historical epochs differ from each other only relatively. Some traditions tend to reproduce themselves over very long periods of time.

To conclude the thoughts presented in this final chapter, the European Union, as any social configuration, must provide answers to the meaning and goals of social life. Yet, the EU seems to suffer from the same modern deficits as other modern social configurations: there is a loss of freedom and meaning in modernity. Indeed, in this respect established state-societies, even when they encounter problems similar to those of the EU, seem to be better off. National and ethnic traditions seem to better fulfil human needs for meaningful social life than consumerism and power struggles. The above-named problems of modern social life could be tackled, however, by making the EU more democratic and by (re)assessing the purposes of its existence. An essential point when trying to establish a meaningful social configuration would be an attempt to redefine relations between humans and nature. To my mind, the present situation shows why it is important to free political imagination from the daily pressures of interest politics and to preserve a certain distance between politics, the economy and social scientific research: once liberated, political imagination could offer new answers to old problems of arranging human relationships.
Appendix I: Methodological Remarks

The purpose of these methodological remarks is to shed some light on the methods used while conducting and writing this study. In order to treat the diverse methodological topics and methods these remarks are divided into six sections:

1. ontology and methods,
2. drawing figures and designing tables,
3. statistical methods and data,
4. analysing text,
5. using personal experiences and doing mental experiments,
6. designing and writing this study.

1 Ontology and Methods

It is obvious that explaining and understanding phenomena depend on ontological assumptions: by making assumptions concerning the constitution of the phenomena analysed, an analyst also defines relevant ways of explaining and understanding the phenomena in question (Pietilä 1981, 10; Zeleny 1972, 182; Rosamond 2000, 4-9). In addition, a plausible understanding and explanation of a social world is normally closely linked with a ruling ideology (see section 3.5 on the role of the social sciences in the reproduction of social order).

An example of the close relations between ontological ideas, methods, explanations of social dynamics and ruling ideologies is provided by the way in which major lines of explaining and legitimating social order have changed from the Middle Ages to the present time. In medieval times it seemed plausible to explain basic social structures in terms of religious belief; God and religion played an important role in explaining and legitimating social phenomena (Sorokin [1957] (1985), 479-480). Consequently, an important method of finding out about the state of affairs was reading and interpreting the Bible. After the Middle Ages, secularization replaced God with nature as the ultimate source of social dynamics and explanation. During this period, the “state of nature” (Hobbes, Locke, Rousseau) geographical differences (Montesquieu), “race” (imperialist ideology) and “laws of evolution” (see Spencer
The same kind of development can be observed also in the division of labour between academic disciplines: theology, the natural sciences and the social sciences were separated from each other. Later, the social sciences also differentiated internally in accordance with modern social structures of politics, economy and social relations. In this way practical and theoretical reproduction, or autopoesis, of a modern social order correspond and support each other mutually.

1879-1896a, 435-437, 440; 1879-1896b, 600) provided the most important explanations of social structures and dynamics. All these conceptions were, in one way or another, derived from nature. Gradually — parallel to Emile Durkheim’s idea that social facts should be explained by social factors (Durkheim [1895] 1982, 35,42,147) — extra-social explanations were expelled from social sciences (see Görg 1999). However, nature has not been totally eliminated from the present social scientific view of social world. In fact it still provides fundamental principles for the modern world-view (see section 2.5).

In the present era, the prevailing social ontology divides the world into nation-states or state-societies. Consequently, the methods of social sciences are divided into studies that concern individual state-societies, their comparisons (comparative methods) or relations among them (the study of international relations). These ontological assumptions are also reflected in studies on Western European integration.

European integration has been studied from at least three different perspectives. First, European comparative studies have tried to find out how European state-societies differ from each other. For example, welfare state studies have shown Europe to be divided into different welfare state models. On the other hand, some comparative studies have also shown how the social structures of European societies have been converging with each other. Secondly, those interested mainly in the integration of European society have been researching different relations between national societies or relations between European supranational organisations and national actors. Thirdly, a few holistic studies have analysed Europe as an integrated social system with its own structures and dynamics.

I find all these three theoretical approaches useful when studying European integration. Actually, they form a methodological continuum starting from comparisons and developing through the study of relations towards the understanding of Europe as a one loosely organised social

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1 The same kind of development can be observed also in the division of labour between academic disciplines: theology, the natural sciences and the social sciences were separated from each other. Later, the social sciences also differentiated internally in accordance with modern social structures of politics, economy and social relations. In this way practical and theoretical reproduction, or autopoesis, of a modern social order correspond and support each other mutually.
configuration. All these approaches have been applied in the study at hand.

However, it must be noted that comparative studies play only a subordinate role in this study. This is so because comparisons, strictly speaking, only compare state-societies with each other but comparisons as such do not tell us anything about relations between state-societies. In other words, by comparing state-societies one cannot study their integration. This said, it must be acknowledged that many of the tables presented in this study do display comparative information, but I have in most cases tried to handle the state-societies compared as parts of the European configuration and not to analyse them as separate units. For this reason, the works of some famous European sociologists who have mainly conducted European comparisons have received little or no attention in this study. This note applies, for example, to the works of Stein Rokkan (see Flora 1999, 10).

2 Drawing Figures and Designing Tables

This study makes use of a number of figures and tables. Their purpose is to provide evidence (statistical tables) and to facilitate the understanding of my analysis (figures). In fact, a reader to whom the way thinking applied in this study is not totally unfamiliar may well be able to follow the story of this study by skimming through the tables and figures.

Although graphics depicting social dynamics are often used primarily to illustrate social developments, I think that they can also serve as a useful methodological device for examining and analysing social dynamics. This is so because figures of social dynamics force a researcher to explicate her or his ideas on the dynamics of development, and thus the strengths and weaknesses of an analysis can be clearly located (see Toivonen 1999, 86-87, 96-97). A presentation based only on a text does not have this advantage of lucidity. To enhance the methodological usefulness of figures, a preliminary figure should be drawn as early as possible and the analysis of institutional development proceed as an analyst moves between her or his empirical material and a figure that is constantly being redrawn in the course of the analysis. Yet, this method (as any method) has also its shortcomings: Because this method clearly separates diverse actors, institutions and historical events from each other,
it is not well suited to presenting the general principles of a social order or shared ideologies. This is so because general principles or ideologies are shared by all actors, institutions and dynamic forces and they cannot accordingly be located in singular areas of a figure.

While designing the statistical tables, I have made use of two principles that hopefully make them more understandable. First, the tables have a layered structure dividing sixteen Western European countries into three groups (core, Nordic semiperiphery and Southern and Western semiperipheries). This layered structure is based on my idea that Western European integration started from its core and proceeded then to the more peripheral areas, but the layering the structure of tables is also intended to make reading them easier (Tufte 1995, 53-55). Secondly, all unnecessary dividing lines between rows and columns of tables are omitted. The purpose of this omission is to minimise the visual information and thus allow the reader to concentrate on the tables’ essential information (Bigwood & Spore 2003, 28-29).

For anyone interested in methodological questions concerning the visual display of information, I can only recommend three pleasurable books written by Edward Tufte: *The Visual Display of Quantitative Information* (Tufte 1984); *Envisioning Information* (Tufte 1995) and *Visual Explanations Images and Quantities, Evidence and Narrative* (Tufte 1997)

### 3 Statistical Methods and Data

This study includes a number of tables displaying figures which describe various aspects of the Western European social entity and measure its integration. Almost all of these tables are based on a simple cross-tabulation technique. Only in a few cases is the information displayed based on a bit more complicated calculations, such as computations of the profit rates of European industry in Table 4.6. The method of cross-tabulation has some strong advantages. It is a simple, easily understandable method which produces reliable and robust results. The simplicity of this method helps to reduce the number of possible mistakes. On the other hand, this method does not allow a more complicated analysis that would, for example, display relations between several variables.
In general, it seems to me a good methodological rule of thumb that one should use the most robust methods available for a given research task and aim to end up with clear and reliable results. Using robust methods is important because simple, robust methods reduce the possibilities of making mistakes thus increasing the validity and reliability of research. Methodological robustness also most likely contributes to the intelligibility of research reports.

The data used in the statistical tables stems mostly from diverse international organizations, such as the International Monetary Foundation (IMF), the Organisation for Economic Co-operation and Development (OECD) and Eurostat (the Statistical Office of the European Communities). When interpreting the results of the statistical tables, I have on several occasions warned the reader of the fact that due to differences in national definitions of statistical categories and likely mistakes made when the data was collected, figures displayed in tables should be interpreted as estimations rather than as precise numbers. An additional source of impreciseness in socio-economic statistics is that because national socio-cultural frameworks differ from each other, the same numbers may mean different things in diverse state-societies. For instance, unemployment seems to entail a more severe problem in a country in which participation in wage work constitutes an essential content of life than in a country in which family relations and other informal social relations are more important.

In this study I have applied the following rule of thumb, which seemed reasonable to me. International statistical data is most likely quite imprecise (divergent national definitions of statistical categories, mistakes in the collection of data, socio-cultural differences). Although such data probably presents reliable information on the crude comparative levels of figures between countries and directions of changes in time-series, one should, nevertheless, avoid reaching strong conclusions based on small differences in numbers (see Merle 1987, 86-92), nor should one try to do particularly detailed things with crude statistical data.

4 Analysing Texts

The method used when analysing texts was quite straightforward. The first underlying analytical principle was that I concentrated on a few
central documents concerning mainly the ideology of the European Union and the founding treaties of Western European intergovernmental organizations. This approach made it possible to undertake a more thorough interpretation and analysis than would have been the case if I had tried to master a larger body of texts (see Auerbach 1992, 582-583). The analysis of the texts was done in two steps. First, I reconstructed and condensed the main ideas and structures of the texts into a few basic ideas (see Auerbach 1992, 308, 317-318). Secondly, I tried to analyse and understand the documents by interpreting them in their ideological and practical surroundings (see Auerbach 1992, 420, 484-485).

I did not use any specific techniques or analytical apparatuses while analysing the texts. The point of departure was that texts should be interpreted and analysed by starting from their content and their practical purposes instead of subsuming them under the rules of some predefined methodological framework. This does not imply that I find more sophisticated analysis methods, such as those developed in discourse analysis (see, for example, Jokinen & Juhila & Suoninen 1993), as futile. Yet, given the limited time and resources that I was able to put on any particular part of this study, it seemed a good idea to concentrate on the general analysis of the content (on content analysis, see Berg 2001, Chapter 11).

5 Using Personal Experiences and Doing Mental Experiments

At first glance using one’s own personal experiences in a study that concerns a macrosociological subject such as European integration might seem a bit strange (for personal experience methods, see Clandinin & Connelly 1994). Yet, in fact, the social sciences are founded on the study of social experiences because these are what constitute the subject matter of social sciences (Clandinin & Connelly 1994, 414). Furthermore, any researcher is restricted by her/his personal experiences, historical situation and socio-cultural surroundings. This existential situation supports the making of social scientific research because it makes the understanding and analysis of the social world easier.

For instance, without any previously gained information concerning Europe and its history, doing the study at hand would have
taken a much longer time. On the other hand, personal experiences may also distort research because an analyst may remain caged within his/her own socio-cultural framework, which hinders an objective and free analysis of social phenomena. Yet, as far as I can see, the only way of diminishing the influences of personal biases on the research process is to practice personal introspection. With this method one is better equipped to resist those biases that inevitably follow from all socio-cultural backgrounds.

In any case, personal experiences were implicitly used several times in this study when I used my previous experiences while making it. Explicitly, personal experiences were used in two mental experiments (the mental experiment concerning the holiness of European collective representations in section 9.3 and the mental experiment clarifying the interdependence of the past, the present and the future in Chapter 11).

6 Designing and Writing this Study

This study was written using the process writing method. This means that there were no separate phases of first researching and after that writing the research report, but rather I continuously wrote and rewrote the manuscript while doing the actual research. This meant that designing the totality of the research process and the final research report took place throughout the whole process of making this study. Now, when looking back on the process of making this study, a doubt arises that every now and then it would have been a good idea to separate researching and writing from each other. In any case, it seems like a good methodological idea to be able to do a study using both methods. Apparently, however, these kinds of methodological choices depend also on what kind of a study one is doing.

Designing the structure of the final research report was not an easy task: between the spring of 2000 and the end of the year 2003 I tried out some forty different structures for the final research report. Even by the end of the process of doing this study I split the six-chapter structure of the manuscript into the present structure divided into eleven chapters. In this final phase, I also added the introductory passages and summaries in the beginning of each part of this study. Hopefully, these changes make the reading of this study a bit easier.
The structure of this study is built on a loose historical continuum starting from medieval times and ending with some reflections concerning the future of the European Union. In addition to this temporal structure, this study also makes use of a systematic structure, which can be found, for instance, in Chapter two, which introduces the central notions describing modern social order (for diverse structural designs when writing a study, see Hirsjärvi & Remes & Sajavaara 2000, 35-36).
Appendix II: Publications on European Integration 1951-2000

The data on the number of publications on European integration published in Western Europe was collected from the respective national and trans-European data bases (national libraries and the library of the European Commission). In the following, a list of countries with the date of data retrieval and the Internet addresses of libraries is given:

Germany, 6 March 2001: http://dbf_opac.ddb.de/
France, 12 March 2001: http://www.bnf.fr/
Italy, 12 March 2001: http://www.bncf.firenze.sbn.it/
Netherlands, 12 March 2001: http://www.kb.nl/
Belgium: Retrieval of periodic data was not possible.
Great Britain, 5 March 2001: http://blpc.bl.uk/
Denmark, 12 March 2001: http://www.kb.dk/
Ireland: Retrieval of periodic data was not possible.
Greece: No Internet connection available in March 2001.
Spain, 12 March 2001: http://www.bne.es/ingles/cat_fra.htm
Portugal: Retrieval of periodic data was not possible.
Sweden, 5 March 2001: http://www.libris.kb.se/
Austria 30 April 2001: http://www.onb.ac.at/
Finland, 5 March 2001: Telnet: linda.helsinki.fi
Switzerland, 15 March 2001: http://www.snl.ch/
Norway, 15 March 2001: http://www.nb.no/
Tämän suomenkielisen yhteenvedon tarkoituksena on avata käsillä olevan tutkimuksen sisältöä myös niille lukijoille, joille englanninkieli tuottaa vaikeuksia, tai joilla ei ole aikaa tai mielenkiintoa lukea koko tekstiä. Yhteenvedon väliotsikot ovat samat kuin englanninkielisen tekstin osien ja lukujen otsikot. Tässä yhteenvedossa viitataan varsinaisen tutkimuksen taulukoihin ja kuvioksi niiden numeroilla (taulukkoluettele sivunumeroineen löytyy alkusivuilta). Näin lukijalle on mahdollisuus tarkastella ainakin osaa niistä tiedoista, joihin tämän tutkimuksen johtopäätökset perustuvat.

Johdanto: Yhteiskuntateoria, integraatio ja kapitalismin sääntely

Alkaessani työskentelemään tässä tutkimuksessa käsiteltyjen teemojen parissa 1990-luvun alussa (Länsi-)Eurooppa ja maailma näyttivät integroituvaan kiihtyvällä nopeudella. "Euroopan integraatio" ja "globalisaatio" olivat, ja ovat yhä, näkyviä iskusanoja tiedotusvälineissä ja tutkimuksen piirissä. Tämä tilanne näytti haastavan traditionaalisen sosiologisen tavan tarkastella maailma, missä sosiaalista elämää tavallisesti tarkastellaan pääasiassa kansallisten yhteiskuntien, kansallisvaltioiden kautta. Näitä sosiaalisia kokonaisuuksia voidaan myös nimitää "valtiollisesti organisoituneiksi yhteiskunniksi".

Näin syntyi teoreettinen ongelma: Mitä tulisi ajatella paikallisista, kansallisista ja alueellisista sosiaalisista järjestelmistä (konfiguraatioista) tilanteessa, jossa niiden väliset yhteydet tiivistyvät lisääntyvää? Onko Eurooppa kehittymässä kohti kokonaisuutta, jota voitaisiin nimitää "eurooppalaiseksi yhteiskunnaksi"? Vai johtaa lieriö ja eurooppalainen integraatio yhteiskunnan käsitteen uudelleen määrittelyyn? Vai pitäisikö koko yhteiskunnan käsite hylätä vanhentuneena historiallisena jäänteenä?

Teoreettisesti mielenkiintoni keskittyi siis siis, miten sosiaalista integraatiota tulisi tarkastella nykyisessä tilanteessa. Empiirisesti käsillä oleva tutkimus pyrki analysoimaan länsieurappalaisen konfiguraation


Tutkimusraportti jakautuu neljään eri osaan. Ensimmäisessä, suurelta osin teoreettisessa osassa (I Osa Modernin Euroopan teoriasta ja historiasta, luvut 1-3), hahmotellaan teoreettinen viitekehys muita empirisempiä osia varten. Lähtökohtana on analysoida Euroopan integraatiota modernin yhteiskuntateorian (modern social theory) yleisten käsitteiden kautta, sekä toisaalta tarkastella integraatiota sijoittamalla se osaksi Euroopan historian pitkääikaista dynamiikkaa. Toinen empirisempi osa (II Osa Eurooppalaisen kapitalismin sääntelyn traditiot, luvut 4-5)
Seuraavilla sivuilla kerrotaan tutkimuksen sisällöstä luku luvulta.

I Osa Modernin Euroopan teoriasta ja historiasta

1 Eurooppalaisen modernisaation dynamiikka

"Integraation" käsite viittaa niihin eri tapoihin, joilla yksilöt ja ryhmät liittyvät yhteen laajemmkiksi sosiaalisiiksi kokonaisuuksiksi. Yleinen sosiaalisen integraation käsite jakautuu kahteen alalajiin, "yhteisöllistymiseen" (Vergemeinschaftung) ja "yhteiskunnallistumiseen" (Vergesellschaftung). Yhteisöllistymisessä on kyse sosiaalisesta integraatiosta, joka perustuu yhteiseen kollektiiviseen identiteettiin. Yhteiskunnallistumisessa yksilöitä ja ryhmiä liittää toisiinsa päämäärärationaalin toiminta, palvelusten ja tavaroiden vaihto.

Euroopan modernisaation tapauksessa näille yleisille käsitteille saadaan historiallista sisältöä tarkastelemalla kansallisvaltioiden ja kapitalismin historiallista kehitystä. Ilmeisesti (Länsi-)Euroopan integraatio on saanut suuren osan energiasta "politiikaksi" ja "taloudeksi" nimittäystä modernin sosiaalisen järjestyksen osa-alueista. Tästä syystä on mielekkää keskittyä tarkastelemaan näiden kahden toiminta-alueen historiallista kehitystä (Katso Kuvio 1.1, jossa olen pyrkinyt tiivistämään Norbert Eliaksen esityksen Eurooppalaisen modernisaation dynamiikasta.).

Yhteenvetäen voidaan sanoa, että Euroopan modernisaation dynamikka palautuu kansallisvaltioiden luomiseen ja samaan aikaan tapahtuvaan kapitalismin kehittymiseen ja että näitä prosesseja on kiihdyttänyt kehittyvien kansallisvaltioiden välinen kilpailu (ks. kuvio Euroopan modernisaation skeemasta jakson 1.4 lopussa). Toisella tavalla ilmaista modernien valtiollisesti organisoituneiden yhteiskuntien
dynamikassa näiden kokonaisuuksien ulkoiset ja sisäiset liikevoimat liittyvät kiinteästi toisiinsa.

2 Moderni sosiaalinen järjestys


Ensimmäisen luvun Euroopan historian tulkinta ja toisessa luvussa esitellyt analyyytiset käsitteet muodostavat yhdessä tämän tutkimuksen yleisen teoreettisen perustan.

3 Integraatioteoriat yhteiskuntateorian valossa

Euroopan integraatiota käsitteellistettäessä ei voida pitäytyä vain yleisiin yhteiskuntateoreettisiin käsitteisiin, vaan on kysyttävä millaisten käsitteiden avulla Euroopan integraatiota on pyritty aikaisemmin ymmärtämään ja analysoimaan. Euroopan integraation koskevat teoriat jakautuvat kolmeen ryhmään, jotka noudattavat normaalia tapaa jakaa moderni yhteiskunta eri osa-alueista:

- poliittisen integraation teoriat (funktionalismi, neofunktionalismi, transaktioanalyysi, hallitustenvälsiä suhteita korostava ajattelutapa, federalismi, monitasoisien hallinnan viitekehys),
- taloudellisen integraation teoria ja integraation poliittinen
taloustiede,
• yhteisöllistyminen (Eurooppa ideologia ja eurooppalainen identiteetti).

Yleisesti voi todeta, että nämä Euroopan integraatiota käsitteellistävät teorian noudattavat samoja rakenteita kuin toisessa ja kolmannessa luvussa esitellyt modernia sosiaalista järjestystä kuvaavat käsitteet (ks. Taulukko 3.1). Euroopan integraation teorian muodostavat siis muunnelemman modernin yhteiskunnallisen järjestysen teorioista ja ideologioista. Ne jatkavat tiettyjä vanhempia ajatteluperinteitä ja osallistuvat siten osaltaan modernin sosiaalisen järjestysen uusintamiseen.

II Osa Eurooppalaisen kapitalismin sääntelyn traditiot

4 Eurooppalaisen kapitalismin sääntelyn kehitys

Yllä todettiin, että talouden kehityksen dynamiikka on ollut tärkeää Euroopan integraatiolle. Lisäksi kansalliset kapitalismin sääntelyn traditiot ovat muodostaneet pohjan kapitalismin sääntelylle Länsi-Euroopan tasolla. Näistä syistä neljännessä luvussa tarkastellaan sekä teoreettisesti että empiirisesti sitä, miten eurooppalaista kapitalismia on säänneltä. Teoreettinen tarkastelu perustuu pääasiassa ranskalaisen sääntelykoulun kehittämille ajatuksille (ks. yhteenvetoa Kuviosta 5.2).


5 Kapitalismin kansalliset muunnelmat

Kun neljäs luku kuvailee ja analysoi yleisellä tasolla eurooppalaisen kapitalismin sääntelyn kehitystä, niin viides luku tarkastelee vertaillen 16
Länsi-Euroopan maan työmarkkinasuhteiden nykytilaa ja kehitystä viime vuosikymmeninä (ks. Taulukko 5.1).

Viides luku päättyy yhteenvetoon siitä, mitkä voimat vaikuttavat kansallisen talouden ja työmarkkinoiden sääntelyjärjestelmän muutokseen ja pysyvyyteen (reproduktioon). Oleellinen dynaaminen tekijä näiden kansallisten sääntelyyn järjestelmien muutoksessa ja pysyvyydessä on se, miten järjestelmän sisäiset palautemekanismit (feedbacks) toimivat. Lyhyesti kansallisen sääntelyjärjestelmän uusintamista voi kuvata seuraavalla tavalla (ks. Kuvio 5.2).

Työn ja pääoman organisoitumistavat ja poliittiset linjavalinnat vaikuttavat ratkaisevasti siihen, miten kansallista taloutta ja työmarkkinoita säätmeldungän yhteiskunnan valtioon ja luonnon välisiin suhteisiin. Työn ja tuotannon säätely vaikuttaa materiaaliseen tuotantoon ja sitä kautta myös yhteiskunnan ja luonnon välisiin suhteisiin. Työmarkkinoiden orgaaniset rakenteet ja taloudelliset rakenteet muodostavat tasasuhteet paljon sille, miten työn ja pääoma organisoituvat, jolloin palataan taas uusintavan kehän alkukohdalle, työn ja pääoman organisoitumiseen. Lisäksi, aivan samoin kuin modernin kansalliskulttuurin muodostamisessa ja uusintamisessa yleensäkin (ks. 1 luku), se tapa, jolla sääntelyyn osallistuvat toimijat määrittelevät ulkoisen ympäristönsä vaikuttaa oleellisesti toimijoiden keskinäisiin suhteisiin. Tässä kohdin ideologialla, joka korostaa kansallisten kapitalismien välisiä kilpailua on suuri merkitys: ajatus yhteisistä eduista edusta suhteessa ulkopuolisiin kilpailijoihin on ratkaisevasti tiivistänyt työntekijöiden ja pääoman edustajien välistä yhteistyötä kansallissuhteiden sisällä.
III Osa Kauppaintegraatiosta poliittis-taloudelliseen yhdentymiseen

6 Kauppaintegraation ensisijaisuus


7 Taloudellinen integraatio muuttaa intressien perustoja


Eurooppalaisen kapitalismin sääntelyn kannalta nämä tulokset johtavat ristiiritaisiin johtopäätöksiin. Toisaalta voi ajatella, että pääomien lisääntyvä eurooppalaistuminen ja globalisoituminen lisää pääoman

8 Syvenevä ja laajeneva integraatio


Aikaisempina vuosikymmeninä keskeiset eurooppalaiset poliittis-taloudelliset toimijat saattoivat pitää työväen työtä, että politiikan ja talouden ongelmiin voitiin löytää vastaukset kansallisvaltioiden puitteissa, mutta 1980-luvulta lähtien yhä useammat — mukaan lukien vanhat eurooppalaiset imperiumit — tulivat siihen tulokseen, että globalisaatta kilpailussa pärjääminen edellyttää tiiviimpää eurooppalaista yhteistyötä.

Tiivistevä integraatio ei rajoittunut pelkästään hallitusten väliseen toimintaan, vaan se heijastui myös työn ja pääoman ylikansallisessa organisoitumisessa. Tiivistevä integraatio on nykyä vaikuttanut eurooppalaisen kapitalismin sääntelyyn kaikilla sääntelyyn tasolla yritystasosta ylikansalliseen Euroopan unionin tasoon (ks. Taulukko 8.8).

9 Poliittis-taloudellinen yhdentyminen globalisoituvassa maailmassa

Luvuissa kuusi ja kahdeksan keskitytään paljolti Länsi-Euroopan
ylikansalliseen politiikkaan ja organisaatioiden kehitykseen, mutta
integraation politiikan sisällöllisempi arviointi jää vähemmälle huomiolle.
Tästä syystä yhdeksännessä luvussa tarkastellaan integraation politiikan
sisältöä.

Viime vuosien etenevän integraation ideologisena ytimenä on
hegemoninnen projekti, joka lupaa jotakin kaikille vaikutusvaltaisille
modernin yhteiskunnan ryhmille: talouskasvua (pääomalle), lisääntyvää
kulutusta (työntekijöille), globaalia kilpailukykyä (politiikoille ja
pääomalle) sekä työllisyyttä (työntekijöille). Tässä suhteessa Euroopan
unioni jatkaa selvästi sitä eurooppalaisen kapitalismin sääntelyn
perimettä, joka muotoutui lopulliseen muotoonsa toisen maailmansodan
jälkeen.

Vaikka Euroopan unioni ei olekaan yhtä voimakas poliittisen ja
taloudellisen organisaation muoto kuin eurooppalaiset kansallissvaltiot
ovat, niin sen sääntelyn tehokkuus on kuitenkin lisääntynyt merkittävästi.
Tässä suhteessa voidaan puhua Euroopan unionin vahvistuvasta
valtiollisuudesta (statehood, tosiasiallisen valtasuhteiden
keskityminen) verrattuna aiempiin vuosikymmeniin, jolloin
integraatio painottui kansainvälisen kaupan vapauttamiseen ja
kansallissvaltiolliset toimijat uskoivat enemmän kansallisen tason
politiikan mahdollisuksiin. Kuviossa 9.4 on vedetty yhteen integraation
ja ylikansallisten työmarkkinasuhteiden kehitysdynamia vuosilta

IV Osa Euroopan integraation dialektiikka

10 Euroopan integraation dynamiikka

Johdannossa esitän, että tämän tutkimuksen analyysit sijoittuvat kolmelle
eri tasolle: yksittäisten historiallisten tapahtumien taso, institutionaalisen
analyysin taso sekä sosiaalisen järjestyksen periaatteiden taso. Käsitettyä
empiirisesti Euroopan integraatioita luvussa 3-9 palaan
integraation kahdessa viimeisessä luvussa yhteiskuntateoria yleisemmälle
tasolle (periaatteet, jotka organisoivat tiettyä sosiaalista järjestystä, tämän
integraation teema).

Kymmenennessä luvussa vedetään yhteen tämän tutkimuksen
tuloksia ja arvioita niitä voimia, jotka pitävät eurooppalaisista

401
konfiguraatiota koossa. Tässä yhteenvedossa käytetään hyväksi niitä käsitteitä, joita otettiin käyttöön luvuissa yksi ja kaksi:


- Euroopan integraation liikevoimissa yhteiskunnallistuminen (Vergesellschaftung) painottuu paljon voimakkaammin kuin yhteisöllistuminen (Vergemeinschaftung) ja siihen painottuu myös tämän tutkimuksen analyysi. Tästä huolimatta tulee pitää mielessä, että Euroopasta löytyy myös viitteitä eurooppalaisesta yhteisöllistymisestä, kuten ajatuksen yhteisestä kulttuuriperinnöstä tai jonkin asteista eurooppalaisen kollektiivisen identiteetin kehittymistä (ks. Taulukko 9.6).

- Mielestäni voidaan osoittaa, että Euroopan nykyinen integraatio merkitsee eurooppalaisen modernisaation (poliittinen integraatio ja kapitalismin kehitys) jatkumista ylikansallisella tasolla. Pitkään aikaa kansallisvaliot onnistuivat sulkemaan moderniin sosiaalisdaloudelliseen dynamiikkaan kuuluvat voimat sisäänsä, mutta taloudellinen, kulttuurinen ja poliittinen kansainvälistyminen ja globalisaatio ovat aiheuttaneet sen, että vuosituhannen vaihteessa eurooppalaisetkin kohtaavat jälleen modernisaation maailmaa muuttavat voimat.

- Länsi-Euroopan poliittisella integraatiolla on ollut läheiset yhteydet siihen tapaan, jolla eurooppalaina kapitalismin on saannelty. Tämä yhteys tulee selkeästi esille myös integraation viimeisissä käänteissä sekä eurooppalaisen hegemonisen projektin sisällössä.

- Integraatio poliittis-taloudellisena yhdentymisenä on myös johtanut siihen, että Euroopan unionin valtiollisuus (statehood) on lisääntynyt, kun keskeisten poliittisten päätösten tekeminen on lisääntymästi keskittynt Brysselin kautta toimiviin
valtaverkostoihin. Tämä tarkoittaa sitä, että muodollisen oikeudellisen sääntelyn lisäksi Euroopan unioni vaikuttaa voimakkaasti eri toimijoiden subjektiviteettiin muodostaessaan uuden voimakkaan käytännöllisen ja ideologisen viitekehyksen sosiaaliselle elämälle.

• Euroopan unionin sosio-ekonomisen järjestelmän uusintamista ja tulevaisuuden kehitystä pohdittaessa tulee kiinnittää erityistä huomiota niihin palautemekanismeihin (feedback), joiden varassa tämän järjestelmän jatkuvuus on (ks. Kuvio 10.1).


Tämä ei kuitenkaan estä sitä, että olisi mielekästä puhua myös rajoitetummassa mielessä kansallisesta tai eurooppalaisesta yhteiskunnasta maailmanyhteiskunnan suhteellisen itsenäisinä osina. Tosin, johtuen heikosta kollektiivisesta identiteetistä, Euroopan unioni muistuttaa enemmän Euroopan liittovaltiota kuin eurooppalista yhteiskuntaa.

Joka tapauksessa eurooppalaisen konfiguraation dynamiikka ei palaudu siisen itsensä vaan siihen tapaan, jolla Euroopan unioni on integroitunut maailmanyhteiskuntaan. Tämä ajatus voidaan tiivistää seuraavaan kuvioon (ks. jakson 10.2 loppua):

(EU:n valtiollisuuden vahvistuminen & kapitalismin sääntely) x maailmanyhteiskunnan dynamiikka = eurooppalaisen yhteiskunnan dynamiikka
11 Epilogi: Tulevaisuus ja Euroopan unionin sosiaalinen merkitys

Sosiaalisen järjestelmän kehitys voidaan käsitteellistää muutoksena potentiaalisista aktuaalisin asiantiloihin. Historian kuluessa jokainen aktuaalinen asioiden tila muodostaa pohjaa seuraaville potentiaalisille asioiden tiloille. Erä toimijat valitsevat toimintalinjansa sen mukaan, miten he tulkitsevat mennytä historiaa, niitä mahdollisuuksia, joita nykyhetki tarjoaa sekä riippuen siitä, miten he näkevät tulevaisuuden. Tällä hetkellä näyttää siltä, että Euroopan unionin nykytila tarjoaa potentiaalisia mahdollisuuksia ainakin seuraavan kaltaisille tulevaisuuksille:

- Euroopan unionin valtiollisuus vahvistuu lisää.
- Euroopan unioni kehittyy löyhänä valtioiden välisenä liittona.
- Euroopan unioni muodostaa osan globaaleja politiikan ja yhteistyön verkostoja.
- Kansallisvaltioiden suhteellinen painoarvo vahvistuu uudelleen.

Aivan samoin kuin aikaisemmissakin historian vaiheissa (kansallisvaltioiden muodostaminen ja niiden välinen valtakamppailu, maailmansodat) myös Euroopan unionin vahvistuminen aiheuttaa potentiaalisen vaaran lisääntyvistä konflikteista EU:n ja muiden poliittis-taloudellisten toimijoiden välillä.


Eurooppalainen yhteiskunta kohtaa siis samoja organisatoorisia
ja sisällöllisiä ongelmia kuin moderni sosiaalinen järjestys muutenkin. Tässäkin suhteessa se ei poikkea täysin niistä valtiollisesti organisoituneista yhteiskunnista, joista se koostuu. Mielestäni tämä tilanne osoittaa, miten tärkeätä on vapauttaa poliittinen mielikuvitus intressipoliitikan päivittäisistä paineista ja miten tärkeätä on säilyttää tietty etäisyys poliittisten ja taloudellisten käytäntöjen ja yhteiskuntatutkimuksen välillä. Vapautettuna poliittinen ja sosiologinen mielikuvitus voisi tarjota uusia vastauksia siihen vanhaan ongelmaan, miten ihmisten väliset suhteet tulisi järjestää.
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