State-building in Europe

The Revitalization of Western European Integration

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Volker Bornschier

The revitalization of Western Europe

The 1980s witnessed dramatic changes in world society. Political orders that seemed to be rigidly fixed changed within only a few years. The sudden acceleration of West European integration is a case in point and the topic of this volume. To be sure, another historic event needs mentioning. In the short time between November 1989 – the fall of the Berlin Wall – and the end of 1991 – the official dissolution of the Soviet Union – the East–West conflict, which had marked the postwar era, became history.

In a booklet distributed at Seville's 1992 Universal Exposition, the European Community (EC) presents itself to the world as follows:[1]

> Now an economic giant, the Community is striving to consolidate the Single Market into an economic and monetary union and to put in place political structures that will give it a prime role in helping define the post-Cold War world order. (CEC 1992: 2)

Since the post-Cold War world order is mentioned in the above quote, the coincidence in time of the Treaty on European Union – agreed by the heads of state and government of the European Community at their summit in Maastricht in December 1991 – along with the dissolution of the Soviet Union and German reunification could suggest that state-building in Europe and the end of the East–West divide are related. However, this is a mistaken perspective. Western Europe embarked on its path to a *new* and *additional* form of statehood as early as the first half of the 1980s, as manifested in the Single European Act signed in February 1986 by the then twelve member states.

After so many years during which the Community was paralysed by lethargy and squabbling over budgets, this relaunch of the Community

[1] The exhibition presented in the Community Pavilion was entitled: 'From Renaissance Europe to the Renaissance of Europe'. One main topic in the pavilion was 'The European Community: A Great 20th Century Discovery' – the theme of the 1992 Expo being 'The Age of Discoveries'.

in the mid-1980s was remarkable. The 1991 Maastricht Treaty on European Union continued this earlier move to a new European state level beyond the nation-states; it was not as exceptional when compared with the new beginning in the 1980s, although in terms of public attitudes it was more controversial.

What influenced the remarkable relaunch of integration in Europe, which culminated for the first time in the mid-1980s? The aforementioned publication of the European Community provides a clue that illuminates the framework within which the revitalization of the politico-economic development of Western Europe must be positioned – the so-called triad: 'The Community is one of the three pillars, along with the United States of America and Japan, on which the system of pluralist democracy and market economy is built' (ibid.). During the 1970s and early 1980s Western society found itself caught between the advent of a new technological style and the dissolution of its Keynesian era politico-economic regime. The dissolution of the societal model, which brought many years of economic crisis in its wake, went hand-in-hand with a relative economic decline of the United States – the Western hegemonic power of the postwar era – and the seemingly steady ascent of Japan. The new Far Eastern industrial giant set about pushing the European powers from second place behind the United States, into third place.

These challenges – the loss of hegemonic stability and the emergence of a strong new competitor – were clearly perceived by Europe's economic and political elites of that time, and their leading protagonists responded with a European answer advocating competition in a world of hegemonic transition. Yet, the European Community's claim to a 'prime' role could be misunderstood as a bid for mastery in global affairs. This was simply not the case, as the protagonists knew quite well.

The political Euro-entrepreneur Jacques Delors, who assumed the presidency of the EC Commission in Brussels on 7 January 1985, and brought fresh impetus to the Community by building on initiatives that dated back to the early 1980s, clearly stated in an interview the order of the day (Delors 1991: 20f.): 'Out of the dynamic economic and commercial power which we already are, a great political power must develop.' He explained this with reference to a 'historical responsibility' and felt it would be sad if 'the Europeans of the year 2010 . . . were to become mere spectators of history'. Anxiety about projecting European brilliance into the future appears in Jacques Delors' warning: 'We must move quickly; otherwise Europe will become an archaeological excavation site, where Americans and Japanese search for lost ideas and ways of life' (Delors 1991: 21). State-building needs political entrepreneurship; and in this context, one of the leading figures who met the challenge, Jacques Delors, has already been mentioned. But since the new project was taking form beyond the level of the nation-states, the institutional independence of the EC Commission, which was already stipulated in the original treaty of the Community of 1958, was surely a prerequisite for initiative and supranational entrepreneurship.

But for whom do state-builders venture such a project against the historical forces of the vested interests of nation-states? One motive was mentioned: projecting Europe's role into the future. To be sure, states that want to be successful in the long run need to seek legitimacy in the eyes of their citizens. Consequently, the concept of the 'European social area' presented by Delors to the European Parliament only two months after he assumed presidency of the Commission was designed to balance the Common Market project, whose leading architect was Lord Cockfield, then the Commission's vice-president.

In order to explain why, one has to consider that states and business in the capitalist world political economy are inextricably interrelated. States provide territorially bounded public goods which – if of good quality – help economic enterprises to prosper. This applies not only to the average firm that normally does business only within the framework of a single state, but more importantly – and this is a point neglected in the recent debate on globalization – to transnational corporations. In order to compete successfully, these corporations, although economically active around the world, need a strong home base allowing for economies of scale in large markets with common economic regulation. They prosper if backed by strong governments that protect their interests both at home and abroad. It was Etienne Davignon, vice-president of the Commission at the end of the 1970s and in the early 1980s, who recognized that global competition required a strategic view of science and technology and who became the architect of what later was termed the new technology policy of the Community. However, in the context of bargains between the demand for and supply of public goods and protection in the world, it is not only the interests of enlightened European statesmen that are involved, but also those of the transnational European economic elite. Among many others, Wisse Dekker, president of Philips Electronics, was an influential spokesman for this group in the early 1980s.

Europe met the challenge of the changing world political economy briefly outlined above by initiating a new European societal model, for which the Single European Act marks the beginning. This not only brought several new key elements to the political economy of Western

Europe, but also added a new and additional level to European statehood.

This chapter is aimed at generating explanations and providing a fresh perspective on what was happening in Europe during the 1980s and what is still under debate in the 1990s. The remaining chapters of this volume will investigate in detail whether such hypotheses hold when confronted with the facts. We begin this chapter by placing the revitalization of European integration in the 1980s in the context of European state-building. In the remainder of this chapter we elaborate our explanation of the integration thrust and the key actors involved in it.

State-building in Europe

Why do we stress the role of the Single European Act in the course of West European integration, given that the process had been proceeding for about twenty-five years prior to that treaty? The Act is the decisive point of departure for European economic integration toward a new, additional level of statehood in Europe. Under the banner bearing the magic inscription 'Europe 92', Western Europe was preparing to transform itself economically and politically. How can this be viewed within the framework of the European state-building process?

Looking back

Elsewhere, we have analysed the tortuous paths of capitalist and state evolution (see Bornschier 1988: ch. 11; 1996: ch. 10). The process of state-building is normally divided into phases. A frequently cited model was suggested by Stein Rokkan (1975, 1981), according to whom the fully mature nation-state can be recognized by four features: *central power, standardized culture, political mass participation* and *extensive redistributive policies*. In a developmental perspective, Rokkan identifies the following phases: penetration (the extension of central control over a territory and a population); standardization (the homogenization of administration through the creation of a bureaucracy and of the population through the creation of the nation); participation (increasing political participation of expanding groups leading to mass participation); and redistribution (the elaboration and coordination of redistributive policies by the welfare state).

In contrast to this developmental theoretical approach, we have advanced a different formulation. We see the modern state as the outcome of a multitude of conflicts, which it still reflects today. These are expressed, for example, by the tension between the state as a community striving for equality and as a power centre. Furthermore, in the course of its conflictive evolution the state was forced to assume a number of functions by a system that was always more extensive than any particular state, however powerful the latter may have been.

Economic and economically motivated competition in the European and later the expanding world system was the starting point and attendant circumstance of this conflictive process. Max Weber already saw states and capitalism as interrelated, and the condition of their conflictive dynamic, which promoted state-building as well as the unfolding of capitalism, is the decentralized state system, i.e. the absence of a world state. This conflict selects ever more efficient forms of the state and the capitalist economy. To this day, two opposing principles – nationalism and liberalism – have been the basis for and the permanent accompanying features of modern state-building, their interplay shaping the modern state. Nonetheless, the unfolding of the state project did not take place in only one location; rather, the opposition of these principles and the originally very differently shaped states adopted a zigzag course through Europe.

From a long historical perspective, we suggest that social arrangements that enjoyed high-quality protection had an edge over their competitors in the world system. This should be understood in comparative-historical terms, i.e. social formations as compared with their contemporary competitors. For this reason they were successful and, for a while, leaders in capitalist development. Freer arrangements of wage labour, greater opportunities for larger parts of the population, and more liberal institutions were typical of all the industrial leaders of the modern world system. This also holds when one goes back beyond Venice and North Holland, which pioneered the world economy project in European modernity. Since the nineteenth century, this option, typical of ascending social formations, became even more urgent owing to increasing levels of industrial complexity. Those who tried to 'buck this trend' never reached the peak of the world industrial pyramid.

The tortuous paths of state evolution and of the development of capitalism suggest that the modern state originated from diverse roots, but that competition between models enforced convergence. In the encompassing framework of the world political economy there is little use in trying to assign primacy to the *political* logic of economic action or the economic logic of political action. It seems obvious that the market and economic competition are politically motivated and based on political will. As collective goods of this kind cannot be produced by the market, the political logic of economic action naturally applies. At the same time, the economic logic of state policy also applies, because collective goods as prior conditions for markets – provided and regulated by the state – compete with each other. It is no surprise that such interrelationships resulted in the European welfare state, since claims to basic goods and equal opportunity cannot be adequately met by economic dynamics alone. Unless it meets such claims, capitalism may not last. However, solutions to the problem of creating legitimacy are not without their contradictions. Social welfare – according to Stein Rokkan the final stage of the fully mature West state – will be rearranged in the future. The welfare state cannot be considered the final West European innovation in this regard, and the emergence of a new supranational European level of statehood should be understood in this context.

Situating the recent move

West European integration represents in some respects a continuation of, while in other respects an overcoming of, previous features of the European state-building process. The continuation of the 500-year-old European state-building process refers to the concentration of politico-territorial rule (Elias [1969] 1977) – an implosion of originally 500 state-like structures to only two dozen (Tilly 1975: 15). On the other hand, the European Union exhibits features that point to an earlier successful yet atypical state project to be discussed at the end of this section.

West European integration is a social innovation in several respects:

(1) The process will mean the end of a multistate balance of power in Europe. The problem of the distribution of power at the core of the world system was posed anew after Western Europe lost its previous undisputed leadership earlier in the twentieth century. Thus, West European integration by no means creates a concentration of power for the whole of the capitalist core, which will remain at least trilateral.

(2) The unification project does not conform to two crucial characteristics of state-building according to the West European model (Rokkan 1975, 1981). As far as can be anticipated, the future Union will not have a prominent central authority or a standardized culture. Thus, the integration process will not continue the European nation-state-building tradition.

(3) During previous changes of the societal model, one constant was obvious: the articulation of the linkage between the political and economic realms, although it differed between societal models, always took place within the framework of nation-states. Through

the Single European Act and later the Treaty on European Union, for the first time a supra-state linkage of the two realms has been created that goes beyond loose international regimes. This is new, as is the extension of welfare state issues to the interstate determination of life chances.

(4) Finally, West European integration is developing in the direction of a new state level that exhibits certain similarities with an earlier European state project (see below). However, for the first time in European history, the state is relying not on military structures for the integration of such a huge and economically potent body, but rather on a legal and economic community, which does not aim to deprive its members of their cultural specificities.

Legal and economic issues are the point of departure for some remarks we would like to make on statehood. A community as a type of political body is characterized by the rule of shared laws based on treaties. According to the dominant doctrine, communities are not (federal) states in the true sense (Nicolaysen 1991). From a social science perspective, such an exclusive distinction does not make much sense, however. In any case, communities are characterized by supranationality according to legal principles (Nicolaysen 1991). In sectors specified by treaties, sovereignty is assigned to the community and thus supranationality is created.

To distinguish communities from states, constitutional law points to the fact that communities cover only limited goals, that is, communities are only a means of functional integration (Nicolaysen 1991). Here we must ask whether Europe's goals have really been as limited as this since the emergence of the Single European Act.

How communities can claim statehood could be determined on normative-theoretical grounds. Yet, for empirical sociology it is also useful to define statehood as a variable with threshold values in a descriptive, factual way. Whether statehood in this sense is reached depends not only on threshold values, however, but also on the societal type that circumscribes the role of the state. The characteristics of the societal type under discussion are the market economy and political democracy.

As economic actors, the people in the states of the European Community became fully integrated citizens of the Community with the adoption of the Single European Act. With respect to citizenship, the new Community is only indirectly endowed with legitimacy by these economic actors by way of democratic elections of the heads of state and government who negotiate and renew the treaties. This is true despite the fact that the European Parliament is directly elected and has been gradually upgraded by the Single European Act and the subsequent revisions. Its increased weight notwithstanding, the Parliament's jurisdiction does not match the jurisdiction of national parliaments. If we measure these developments with reference to the criteria of the societal type, we must therefore conclude that statehood is being developed in a different way.

Yet, in the important sphere of the market economy, statehood has already gone quite far. With reference to the market economy we can thus claim that a community assumes state character: (a) if important public goods are created by the community; (b) if the community has its own financial jurisdiction and its own fiscal resources; and (c) if remaining central areas of state functions (e.g. foreign policy, security, currency) are at least coordinated between the member states and if the community is at least party to such coordination. According to such a list of criteria, the European Community can be said to have added a level of proper statehood to the European political system since the adoption of the 1986 Single European Act (ratified 1987) – and thus prior to the 1991 Maastricht Treaty on European Union (ratified in 1993).

Some points of clarification must be added to these observations. The significant change within the Community during the mid-1980s becomes evident in two events that find expression in two documents published by the Community: the Commission's White Paper (CEC 1985) for the European Council (heads of state and government) regarding the completion of the internal market, and the Single European Act, adopted in December 1985 by the European Council and formally approved by the Council of Ministers (ministers of foreign affairs) on 28 February 1986. The White Paper was a political initiative of the Commission; as such it was not exceptional, because within the European Community the Commission is a supranational body, whose independence from the member states was already set out in the treaties of 1958. The Commission is at the same time a partner of and in opposition to the Council (Fusion Treaty, Article 15). Owing to the multitude of its functions, the Commission plays a key role within the Community – it is its motor, has a right to make proposals in the legal process (which then are formally agreed upon by the Council) and is mandated to take initiatives. The plans, programmes and memoranda of the Commission are believed to advance the development of the Community. All this was already agreed upon in the treaties in effect since 1958.

The White Paper had already been prepared when Jacques Delors assumed the presidency in early 1985. The first initiatives of the

Commission to establish the internal market can be traced back at least to 1981. The completion of the internal market project was worked out between the Commission and the European Roundtable of Industrialists (ERT). The ERT is an informal panel founded on the initiative of Commissioners Etienne Davignon and François-Xavier Ortoli in April 1983; it was composed of seventeen top European industrialists, and was later expanded to forty members. Wisse Dekker – head of Philips, already an influential figure in the ERT and later its president, who formulated the 'Agenda for Action: Europe 1990' (see Dekker 1984, 1985b) – and Lord Cockfield – then vice-president of the Commission, under whose auspices the White Paper 'Europe 1992' (CEC 1985) was drafted – were bound together by more than common intentions. At least since April 1983, the informal panel of the ERT (informal because it is not a body within the institutional framework of the Community) linked these two protagonists of the transnational European economy and the Commission.

Naturally, formally and as foreseen by the constitution, the member states of the Community had to become active and renegotiate the original treaty for the Single European Act. According to our hypothesis, the initiative did not originate in the Council (representing the member states). The Council only transformed the new project into applicable law. The renewed treaty brought about a marked extension and superseding of the original EC treaties. The Single European Act, with the single market as its core element (see chapter 3), marks the transition to a new supranational level of statehood.

The Single European Act is called *single* precisely because it regulates European policy cooperation by treaty and changes existing treaties of the Community at the same time. Since its adoption, the new superior body of the Community, the European Council (heads of state and government of the member states), coordinates political and economic policies with the president of the Commission, who is a member of the European Council with equal rights.

The intentions of the new formulation of the treaty are evident. The Single European Act is explicitly understood as a step towards European union (see its preamble). Part II of the Single European Act includes changes to the original European Economic Community treaty affected by the new one, and Part III regulates political cooperation in Europe. In the first instance, the provisions regarding the establishment of the internal market by the end of 1992 are worth mentioning. These conceptions of 'Europe 92' were the most prominent in the headlines at the time.

The Community had already operated as a common market.

However, despite the elimination of tariffs on intra-EC trade, the domestic markets of Community members had remained fairly fragmented owing to non-tariff barriers that proliferated and even intensified during the economic downturn of the 1970s. Only the completion of the internal market programme, which erased the variety of non-tariff barriers that sheltered domestic firms from competition, created, via deregulation or harmonization, a single market for merchandise, services, labour, and capital. This provides both greater opportunities for economies of scale as well as economies of common governance. In terms of protection and regulation, this means a restructuring: the locus at which the public good is provided is the Community and no longer the single member state.

The renewed treaty also involved substantial changes in the institutional frameworks. The procedure for enacting law changed as follows. The majority vote in the Council was extended. Now, for all decisions concerning the internal market, qualified majority votes are stipulated. In connection with the alignment of legal regulations, either a qualified majority vote or the mutual recognition of the equivalence of regulations in the member states is called for. Further, the participation of the European Parliament in formulating legislation and its budgetary authority are expanded. Finally, the treaty broadens the role of the European Court of Justice by way of coordination with the Court of First Instance.

In addition, the agreement concerning extensions of the earlier authority of the European Community as well as new authority is worth mentioning. The section regarding the progress of economic and social cohesion (Part V) represents a new jurisdiction. This area is supposed to shape the policies of cohesion and represents a collective good: solidarity.

What is more, the Community obtains the authority to support research and technological development to advance international competitiveness (Part VI). This section is designed to shape technological capital for international competition, which again is a collective good. Last but not least, environmental policy now partly falls under the jurisdiction of the Community (Part VII).

Earlier authority has also been significantly extended, for example in connection with social policy (improvement of working conditions, minimum standards, dialogue between social partners) and economic policy (the anchoring of the European Monetary System and its corresponding institutional changes).

These briefly described elements of the renewed treaty allow us to speak of the Community's statehood with respect to the sphere of the market economy insofar as it provides public goods on its own rather than simply coordinating member state activities. For the first time, a supranational provision of such goods common to the Community is detached from the nation-states of the members. It should be made very clear that this did not abolish the nation-states; quite the contrary. The member states, although they lost competencies to the Community, remain powerful because they have the sole legislative power in terms of the revision and extension of Community law.

Therefore, the European Union remains a somewhat strange hermaphrodite, between a state confederation and a federal state. Is it not too early to speak of state-building in Europe? In many respects, the new form is a novelty, but it has at least one European antecedent which made history for a century. Earlier in this section we already pointed to the very different roots of state-building in Europe. The theory of the social contract also distinguishes between these two poles: the 'contract of association' and the 'contract of domination' (Dahrendorf 1992: 47). In a philosophical perspective, Immanuel Kant can be linked to the former variant, whereas the latter can be traced back to Thomas Hobbes. During the aforementioned process of amalgamation, the modern core state was influenced more strongly by the 'trade and economic state' as a 'contract of association' than by the colossal rapacious states founded on domination and military power. The European Union supports this process towards a state characterized by a plurality of power centres at different levels bound to the principle of subsidiarity and numerous checks and balances. Similarities with the Republic of the United Netherlands cannot be overlooked despite the centuries that lie between the two.

In *The Perspective of the World*, Fernand Braudel ([1979] 1984) reports the boundless astonishment of contemporaries in the face of the vertiginous rise and unexpected power of such a small and in some respects entirely new country as North Holland. 'Can the United Netherlands be called a "state"?,' Braudel (1984, 3: 193) asks, and then goes on to explain:

> the seven provinces considered themselves sovereign, and that they were moreover divided into tiny urban republics. It is also true that none of the central institutions – the Council of State or Raad van Staat . . . and the States-General which also sat in the Hague and was a permanent delegation of ambassadors from the provinces – had in theory any real power at all. Every important decision had to be referred to the provincial States and approved by them unanimously. Since the interests of the provinces diverged considerably – in particular those of the coastal from those of the inland provinces – this system was a perpetual source of conflict.

Apart from the 'vertiginous rise', it is possible today to detect many parallels with the European Union in this description by simply changing certain institutional designations.

Theoretical considerations

The decline of the Keynesian societal model

Elsewhere we have analysed Western society as a sequence of rising and decaying societal models (Bornschier 1988, 1996). Since the beginning of the nineteenth century three societal models can be discerned:

(1) The liberal societal model of the founding era, formed after the liberal uprisings of 1830–48 and dissolving in the late 1860s.
(2) The class-polarized model of the post-foundation era, originating following the widening of political participation and the extension of compulsory education in the 1880s and dissolving after the turn of the century.
(3) The societal model of the re-allocative market economy and welfare state era that integrated neocorporatist and Keynesian elements in varying degrees, originating among pioneers (Sweden, United States, Switzerland) in the early 1930s and spreading after the Second World War. Since the late 1960s, this model has begun to dissolve and, since the early 1980s, has actually entered a phase of decay in certain countries (most obviously the United Kingdom and the United States).

In order to further clarify the term societal model, it seems appropriate to discuss somewhat more precisely the three spheres – i.e. normative theories, politico-economic regime, and technological style – that were linked to each other in the last societal model.

Normative theories

The swing in doctrines related to economic policy was very important for the last societal model. The then emerging normative theory for solving economic and social problems may be summarized using the following formula. The state was regarded as the solution for pressing problems that were the result of both the world economic crisis and a new technological style. Yet, the state was not only the solution; normatively fixed state intervention also allowed the integration of reformist socialism into the new societal model. Solidarity and redistribution, two socialist demands, were no longer in fundamental contradiction with a liberal position. The new guiding principles of economic policy in the welfare state era legitimized solidarity and redistribution as virtues that would stimulate economic growth. Yet the neoliberal and monetarist uprisings of the 1970s undermined the basic consensus regarding normative theories that had lasted for decades and introduced a new motto: Less State Intervention – More Freedom.

Politico-economic regime

The dominant normative theory of the neocorporatist–Keynesian societal model, with its interventionist guiding principles, created the possibility for a class pact for economic stability, social pacification and growth, thus promising a 'democratization' of wealth. The past societal model was therefore characterized by two new linkages within the politico-economic regime: first, a new linkage between the economy and the state; second, a new linkage between capital and labour. However, from a comparative perspective, the extent of cooperation and linkage of interests has differed among core countries. Despite the similarities, one finds different degrees of neocorporatist policy-making, i.e. of intermediation of organized interests coordinated by the state.

Technological style

Procedural changes in the chemical industry were originally the key element of the technological style of that era. Using the new flow production, it became possible to produce the key factor – energy (oil) – at diminishing relative prices for a long time. In addition, there were significant innovations in the shaping of formal organization. Mention should be made of 'scientific management', the division of labour, and the reorganization of large corporations. The growth of the firm was conditional upon a far-reaching separation of ownership and control, which in turn led to changes in the composition of the economic elite. By redistributing income and positions in favour of the distinctly enlarged middle classes, the renewed organization created mass demand, which reinforced mass production and the diffusion of the technological style. Finally, the new style offered a new mix of goods.

The 1970s announced the advent of a new technological style integrating and linking new productive, distributive and administrative elements. This style was formed during the 1980s by successively substituting information intensity for the material and energy intensity of the former style. The advance in productivity was a result of increasingly inexpensive micro-electronics and digital telecommunications. Computers are the new key product and chips the new raw materials. By changing the shape of organizations, the structure of jobs and the patterns of consumption, the new style will alter the appearance of social life – the changes being possibly even more dramatic than those resulting from the former style.

The state meets technology

The notion of technological style was originally proposed by Carlota Perez (1983, 1985), and later developed by Bornschier (1988, 1996). The advantage of Perez's approach in comparison with earlier conceptualizations of technological change (e.g. Schumpeter) is that she models the socio-institutional sphere – governed by states – as an indispensable element of technological style. Today we are witnessing a shift toward a new technological style. 'Telematics' or 'digitalization' is the new key project that has replaced 'automobilization'.

In order to understand discontinuous technological change in a model of the sequence of technological styles that shape markets, the structure of firms and lifestyles, it is necessary to examine the links between two subsystems that embody important aspects of the concept of technological style. Carlota Perez points to two interrelated subsystems of the process of the succession of technological styles: (1) the techno-economic subsystem, which is characterized by faster adaptation due to the logic of more individualized choices, and (2) the socio-institutional subsystem based on the collective logic of political choices, in which change is more conjunctural.

Both the techno-economic and the socio-institutional subsystems adjust to each other during a long-term economic upswing. The adjustment of the socio-institutional system is a necessary part of the evolution and diffusion of the new technological style. The institutional infrastructure that is able to support a new technological style is subject to a political logic. This needs to be defined, and new institutions need to be created in political struggles, not only within nation-states but also in the world market and the world polity.

A new technological style starts to emerge only when the old style reaches the limits of further diffusion and profits based on it decline. Even if the advantages of the new style become obvious, it cannot take over immediately. A struggle between the two styles thus begins, which can be compared to Schumpeter's (1939) notion of 'creative destruction'.

The other important brake on the emergence of a new style is the mismatch between the two subsystems: 'The transition to a new techno-economic regime cannot proceed smoothly, not only because it implies massive transformation and much destruction of existing plant, but mainly because the prevailing patterns of social behavior in the existing institutional structure were shaped around the requirements and possibilities created by the previous paradigm' (Perez 1985: 445).

The contradictions between the new technology and the old institutions explain the kind of limited economic recovery that occurred in the 1980s, while institutions such as Keynesianism, welfare states and labour unions came under pressure or even deteriorated. The coherence of the technological style begins to dissolve as soon as the long-wave economic peak is reached, i.e. when the permeation of the style, with its specific range of products, reaches saturation point and induces a surge of investments aimed at rationalization. To reach an equilibrium of production and consumption, two kinds of invention are necessary. Innovations aimed at saving labour in the productive apparatus alone (i.e. innovations that increase output with the same work-time input) lead to disequilibria if they are not linked to inventions that fascinate people so that they want to spend their leisure consuming these goods and services, and are even prepared to work overtime to acquire them. In the Keynesian societal model, flow technology and Taylorism were examples of process innovations, whereas television sets and cars represented the second type of invention, leading to the supply of hitherto unknown goods and services.

During the alteration of the technological style these two types of inventions do not occur simultaneously. This is a built-in disequilibrating mechanism that increases disparities and delays the emergence of a new style. This disparity produces its effects slowly because initially induced industries continue to expand. To take the example of the automobile, the induced growth effects consisted of the army of mechanics and gas station employees, the new tourist industry and public investments in roads, bridges and tunnels. Still, the downswing triggered by the mismatch of production with consumption gains momentum and is reinforced by entrepreneurs who act defensively in the face of crisis. They rationalize their production through new methods that already incorporate elements of the coming technological style. The widening gap between process and product innovations during the transition from the 1960s to the 1970s has been demonstrated empirically by Alfred Kleinknecht (1987). Only the match between the technological possibilities and the institutional infrastructure brings about a fresh range of products and services, and thus a new match between productive opportunities and consumption that leads to the unfolding of a new technological style.

European proposals for technology corporatism and protection

The supranational political entrepreneurs in Europe were well aware of these transitions by the end of the 1970s and the beginning of the 1980s. Etienne Davignon, at that time vice-president of the Commission, is a case in point. In an essay 'Europe at the End or Before a New Upswing?' which he published in a volume edited by Ralf Dahrendorf (1981) – himself a former Commissioner – Davignon outlined the policy recommendations that later became part of the new Community legislation. Davignon looks at the competition as one between industrial nations, spurred by the emergence of new competitors, involving structural adjustments of old industrial branches and innovation with regard to new ones, among which he especially mentioned micro-electronics, space and biotechnology. He suggested that in the competitive restructuring the resulting future world division of labour should be left neither to accident nor to fate but should instead be the result of concerted policies to foster innovations embedded in 'reasonable' decisions about investment and research. He especially pointed to the route Japan had already chosen earlier in this field (Davignon 1981: 169). What he proposed was nothing less than an 'independent European answer'. Davignon's postulates were the following:

> First of all, a market for the introduction of new products must be established, where the demand regarding the creation of European norms and standards as well as the expansion of public demand can be stimulated. Secondly, there must be real support to enable sufficient positioning in the world markets . . . Finally, Europe should make it possible to improve coordination of the respective national research and development activities.' (Davignon 1981: 183; our translation)

The point of reference is very obvious. Under the heading 'The Telematics Revolution: the Barriers Must Fall in Europe', Davignon points to the new technological revolution already going on, with the core area in telematics:

> The question is whether the Europeans – and this really concerns the whole continent and not simply a country or several countries – want to gain one of the first places in the current competition or whether they will content themselves with passively observing the strategies that their American and Japanese competitors are following. The answer is simple. Europe can no longer allow itself to stand aside when modern technology is on the agenda, otherwise it must accustom itself now to the fact that it will soon be ranked among the also-rans. Our autonomy is at stake. (Davignon 1981: 184; our translation)

This project of technology corporatism and of protection was clearly linked to the other core areas of the renewal:

We want to create a truly European market, a common market, which offers businesses the same chances that their American and Japanese competitors have. (Davignon 1981: 185; our translation)

In order to legitimize his approach he continues:

Quite a few people ask themselves why the EC Commission does concern itself with telematics. Furthermore, they say that on the telematics market everything appears to be going well and that business 'copes very well without the technocrats from Brussels'. But that only serves to confirm our diagnosis; that is, that in Europe one just muddles through . . . Europe manufactures only 10 per cent of world production of highly developed electronic components, whereas the EC represents 25 per cent of the world market in this sector. That means that the distance from our competitors will become increasingly larger. European industry must set itself the goal of producing one-third of the world market in the area of telematics by the end of the 1980s. This is a difficult goal but it is attainable – and it is the unanimous opinion of all, that is, of governments, business and the EC Commission. (Davignon 1981: 186; our translation)

From this early statement (published in 1981!) it becomes obvious that protagonists in the Commission coded the transition towards a new European societal model in terms of competition with 'Japan' and the 'USA' and that early on they proposed a European answer in the form of a proposal by the EC Commission (Davignon 1981: 187).

This approach not only shaped the later Single European Act (see above) but became part of the official normative theory of the Commission. Karl-Heinz Narjes (1988: 396), then vice-president of the Commission stated:

It was not until 1980 that the Community was able to take a strategic view of science and technology. It was then that the Commission first stated its belief that it was not possible to devise a new model for society, to secure Europe's political and economic autonomy, or to guarantee commercial competitiveness without a complete mastery of the most sophisticated technologies.

By the early 1990s the approach of technology corporatism and protection had become a standard core element of EC policy. The Commission justified its common procedure by pointing to competitive pressure and insufficient R&D funds in information technologies (CEC, 1991a: 8). 'The Community therefore developed a global strategy in the first half of the 1980s in close collaboration with industry and with research institutions' (CEC, 1991a: 10; our translation). This is followed by a list of different elements, the support of business as well as measures against side-effects and a vision: 'preparation of the transition to a society, in which information is seen as a raw material, which is used in agreement with the social partners and on the basis of the corresponding offers for education and training' (CEC 1991a: 10).

It was not only protection inside the EC that was envisioned in these tasks. In the words of the Commission: ‘Considering the growing challenges in the area of Information and Communication Technologies the Community must prove its joint action towards third party states. This applies to the bilateral relationship of the EC to the US and to Japan, as well as in international institutions like the General Agreement on Tariffs and Trade, International Standards Organization or International Telecommunications Union’ (CEC 1991a: 71).

Key structures and shifts of globalization

During the late 1980s a new term entered popular discourse: globalization. At least five different dimensions of globalization need to be distinguished: common ecological constraints, values and institutions, globalization of communication, political globalization, and economic globalization. Here we briefly consider only the last.

Economic globalization means globe-spanning economic relationships. The interrelationships of markets – finance, goods and services – and the networks created by transnational corporations (TNCs) are the most important manifestations of this. Transnational corporations are companies owning business assets in more than one country. TNCs thus own stock of foreign direct investment (FDI). Foreign trade and foreign direct investment can be considered mutual substitutes only to a limited degree. Normally there is considerable overlap between foreign trade and foreign direct investment patterns; about half of world trade is channelled by TNCs. Before we come to structures of foreign trade and stocks of foreign direct investment let us briefly look at shifts in the relative importance of foreign trade and stocks of foreign direct investment in the world economy.

The relative importance of both foreign trade and stock of foreign direct investment increased in the postwar era, although not continuously. Exports as a percentage of GDP of Western developed countries (Bairoch 1996: 175) fluctuated around 9 per cent between 1950 and 1968 and, after a ‘dramatic’ surge, fluctuated between 14 and 15 per cent from the middle of the 1980s to 1993.

World stock of foreign direct investment in relation to world product (Bornschier and Chase-Dunn 1999: 295, table 14.2) was around 4.5 per cent between 1960 and 1980 (rising slightly from 4.4 to 4.8) but had doubled by 1991 to 8.5 percent. This obviously large increase of the relative weight of foreign trade and foreign production is also referred to as evidence of a ‘recent’ economic globalization. But this assumption of a recent increase is a myth not backed by historical figures. As early as

1890 and 1913 we can observe figures of the relative importance of foreign trade and foreign direct investment that were reached again only in the 1980s (Bairoch 1996; Bornschier and Chase-Dunn 1999), and the growth rate of world trade between 1870 and 1913 was even a bit higher than that between 1980 and 1990 (UNCTAD 1994: 127). Obviously there are tides of globalization in the world economy. The Keynesian societal model of the hegemonic West, which started with democratic pioneers in the early 1930s following the world economic crisis, was a long period of limited globalization when compared with earlier and later periods. When the Keynesian societal model started to dissolve around the end of the 1960s, foreign trade and foreign direct investment began to surge. This has led to increased competition in the world political economy since the late 1960s – one of the decisive elements, we suggest, for an explanation of the integrational thrust in Europe.

Structures in the global economy

As can be seen from table 1.1, during the British hegemony about half of the total stock of foreign direct investment (FDI) was owned by transnational corporations headquartered in the United Kingdom. In 1914, US companies already owned 18.5 per cent, almost the same as companies headquartered in France and Germany together. During the heyday of American hegemony, about half of the world stock was owned by companies headquartered in the USA. This position has been rapidly deteriorating since the end of the 1960s, one indication of a relative industrial decline of US hegemony since that time.

Other indications of considerable shifts in the postwar era relate to shares in world production: the US and West European shares have been declining since 1967 whereas Japan's share has been increasing until the advent of the 1990s (UNCTAD 1994: 157). The same applies to shares in world trade (see Bornschier 1988: 410). Western Europe's share rose from 1950 until 1972 but declined in the 1970s and 1980s, whereas the share of the United States has been declining since the late 1950s. Japan's share in world trade has continuously increased since 1950, and continued to do so even during the 1970s and the 1980s.

What we can learn from these facts, and especially from the longer view that the 1914 figures in table 1.1 make possible, is that hegemonies rise and decline, and these are rather long-term processes. Moreover, we observe the often forgotten fact that hegemonic states in the world political economy, i.e. those that can set the rules of the game, not only have comparatively large internal markets (in Britain's case) or even a

Table 1.1. *Shares in world outward stock of foreign direct investment, selected countries, 1914, 1960, 1978 and 1992*

	Percentage of world total			
	1914	1960	1978	1992
United States	18.5	49.2	41.4	25.3
United Kingdom	45.5	16.2	12.9	11.4
France	12.2	6.1	3.8	8.3
Germany	10.5	1.2	7.3	9.2
Japan	0.1	0.7	6.8	13.0

Source: UNCTAD 1994: 131 (based on John H. Dunning).

huge one (in the case of the USA), but also have the strongest position in the world with respect to transnational corporations. Therefore, for economic transnationals to be allied with a strong state, or even better with a hegemon, seems to have provided a competitive edge. Thus, transnational business and strong states (in terms of internal market and external stature) are competitive advantages – something that advocates of the thesis that economic globalization will result in a 'withering away of the state' completely ignore.

Let us briefly look at Japan, a strong nation-state with a considerable internal mass market after the war. Compared with Britain early in the twentieth century and with the USA in mid-century, Japan's position is still moderate in terms of the share that Japanese transnational corporations control. But, compared with the big European players (Britain, France and Germany), Japan has not only threatened to push them from second place behind the United States into third place, but has actually succeeded in doing so (see table 1.1). Europe reacted, as we already know from earlier statements in this chapter. Let us therefore look now at the aggregated figures for the European Community given in table 1.2.

Table 1.2 shows a remarkable share of the stock of foreign direct investment owned by European economic transnationals headquartered in the European Union. This share increased after the relaunch, but this was mainly due to new members. Compared with the Japanese and even the US share, this aggregated European Union share looks quite impressive and does not invite fears about the EU's future world position.

But the figures in table 1.2 tell only half the story. Two arguments are relevant here. First, part of the 'foreign' direct investment of European transnational corporations is actually located within the European