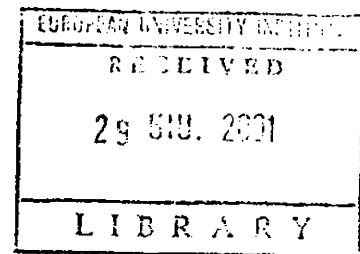


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'Binding Engagements': Explaining European Integration from the
United Provinces (1579-1795) to the European Communities (1952)



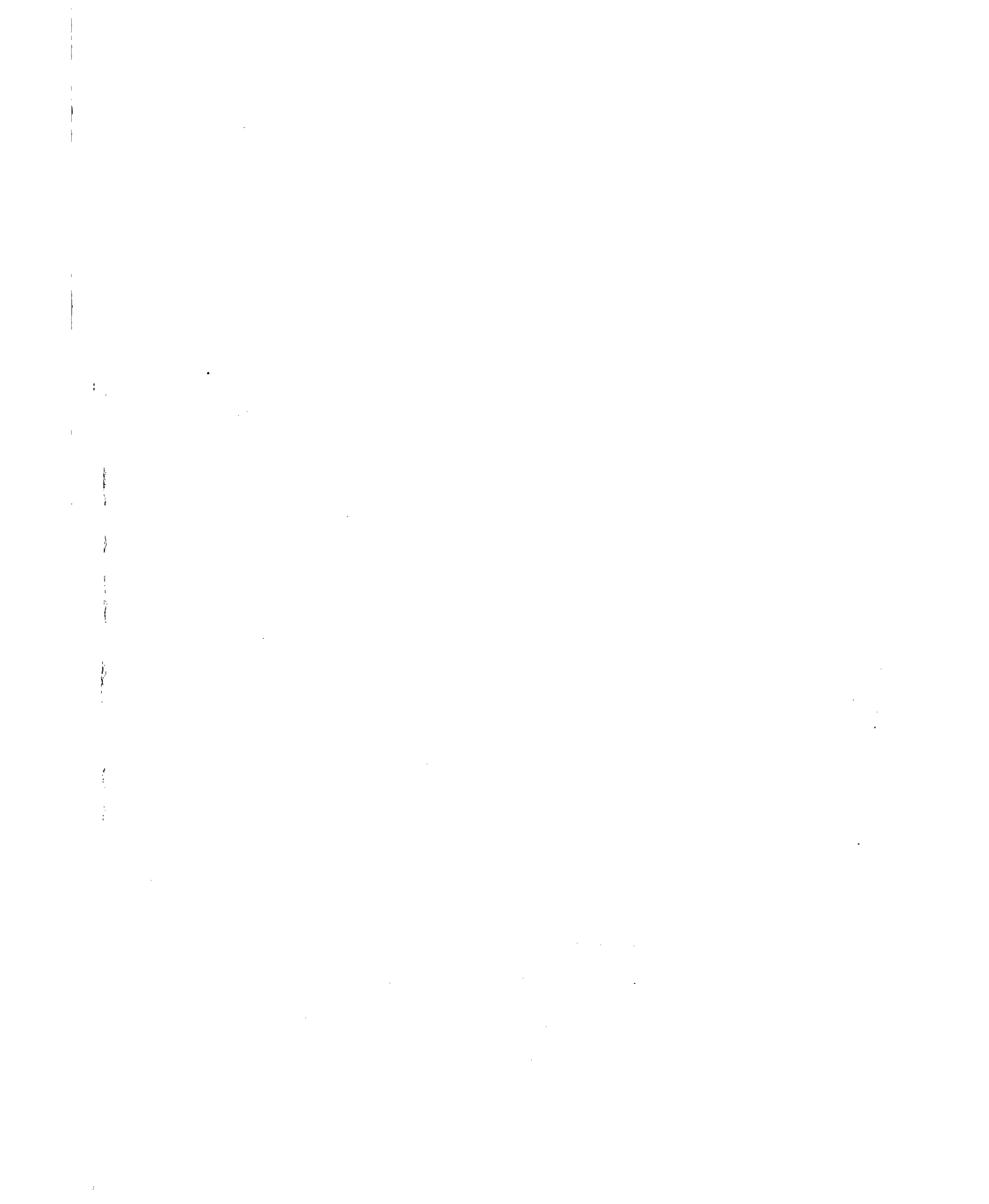
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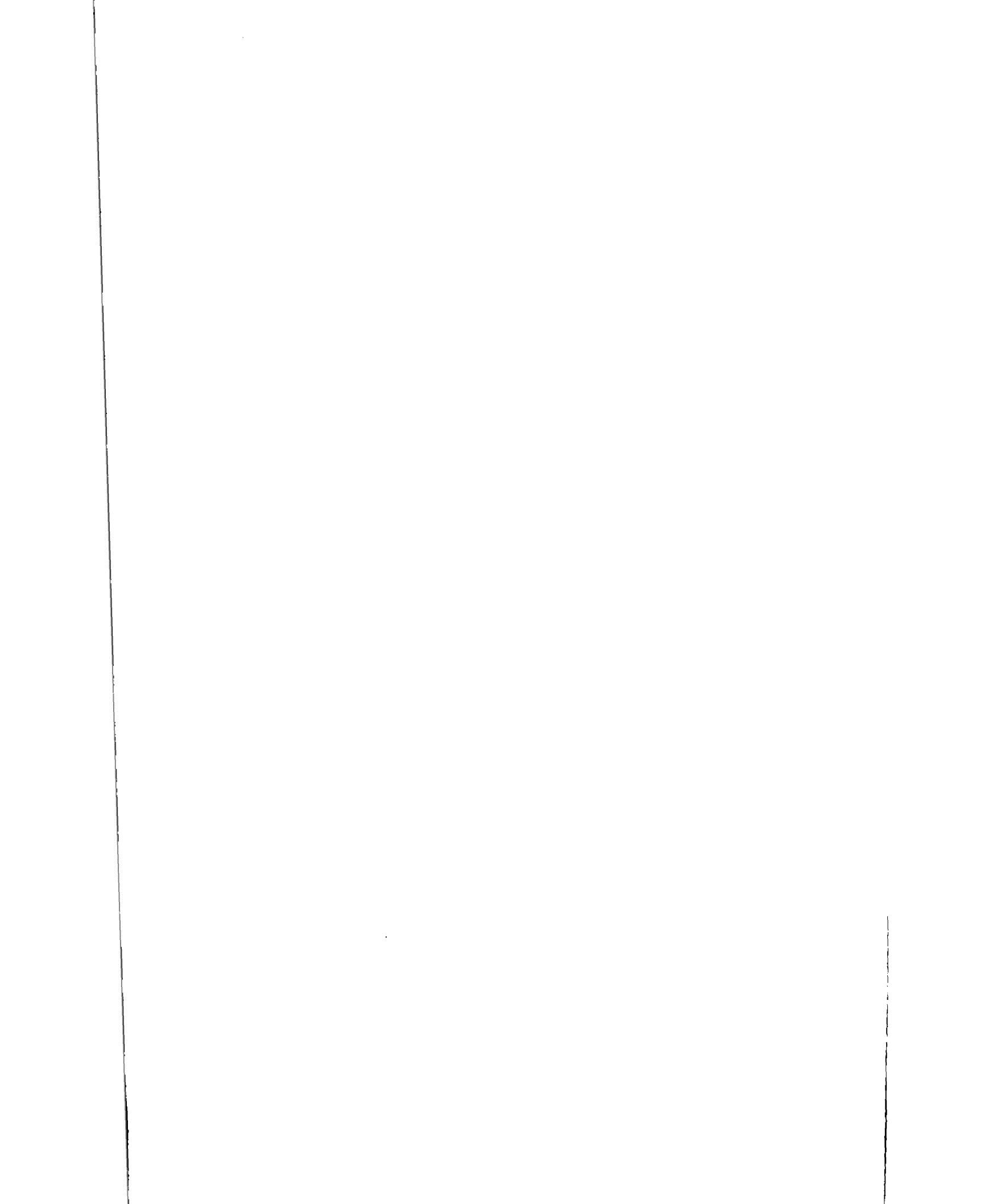
Nette Eilstrup Rasmussen

Thesis submitted for assessment with
a view to obtaining the Degree of Doctor of the
European University Institute

Florence, June 2001

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Examining Jury:

- Prof. John Ikenberry (Georgetown University)
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Abstract of Dissertation: “Binding Engagements’: Explaining European Integration from the United Provinces (1579-1795) to the European Communities (1952)”.

Mette Eilstrup Rasmussen

The dissertation seeks to offer a broad security-based explanation for regional integration. The central argument is that integration presents a solution to a particular time-consistency problem--known in the security literature as the ‘preventive war dilemma’--which arises from uneven growth rates among states. Conventional international relations theory offers only one solution to the preventive war dilemma: war. I argue that another possibility is for states to create a regional institution that enables credible commitment. If states can create an institution which constrains their actions and disables their future discretion to use force arbitrarily, the time-consistency problem disappears. I label this strategy of integration, ‘institutional binding’.

Looking at the historical record, we find several instances in which states have managed to solve a preventive war dilemma and avoid war by integrating with a rising challenger instead of balancing against it. The dissertation examines three such cases. The first is the United Provinces of the Netherlands (1579-1795) in which six smaller Dutch provinces chose integration as a way to bind a growing Holland. The second is the German Zollverein (1834-1871) which—in parallel with the German Bund—provided a framework for peaceful cooperation among the German states, which enabled them, for a few decades, to stave off Prussian domination. The third case is the European Communities (1952-) where integration has been motivated by a desire to contain a potentially resurgent Germany. In all three cases, a primary motivation behind integration is the desire by smaller states to establish binding constraints on a more powerful, rising, power in their midst. By contrast, competing explanations stressing external military threat or economic concerns as key motivating factor for integration perform less well across the three cases. The dissertation concludes that regional preventive conflict is a crucial factor in explaining regional integration.



I INTRODUCTION

Explaining Regional Integration

Regional integration is a recurrent theme in modern European history. At various times since the founding of the modern states system, independent states have come together to form communities in which sovereignty was to some extent shared. Perhaps strikingly, integration has often come about in the wake of sustained conflict among future integration partners. In 1579, seven Dutch provinces came together at the city of Utrecht to found the 'United Provinces'. This union followed immediately upon a period of intense conflict during which the largest of the provinces—Holland—invaded and plundered adjacent states in what has often been described as a 'civil and religious war' among the Dutch provinces. A similar pattern can be observed in 19th century Germany. Germany at that time was marked by virulent economic and political rivalry among its many autonomous states. Yet in 1834, eighteen German states agreed to form a comprehensive customs union, which vested control over tariff levels and duty collection in an independent central institution. In June 1950—only five years after the end of World War II—Germany and five of the countries it had recently invaded and occupied came together to negotiate the European Coal and Steel Community (ECSC). In taking this step, they embarked upon a process of political and economic integration whose ultimate outcome was a tight confederation.

That regional integration often emerges after periods of great instability, or even armed conflict, should perhaps not surprise us. After all, as John Ikenberry has noted in a recent book, the great moments of order formation in international relations have tended to

come after major wars, as states undertake to rebuild a war-torn system.¹ Yet, the idea that states choose to integrate not only following, but often *during* periods of great conflict runs contrary to the predictions of most current integration theories, which see integration as contingent on stable and peaceful relations that in turn allow states to cooperate in the pursuit of economic gains. The timing of the cases of integration just mentioned therefore presents us with a puzzle.

This dissertation seeks to offer a broad security-based explanation for regional integration. Throughout the dissertation, integration is defined as the “*voluntary* linking in the political and economic domains of two or more formerly independent states to the extent that authority over *key* areas of national policy is shifted to the supranational level”.² My central argument is that states’ primary motivation for pooling or delegating sovereignty to a supranational institution is to establish *binding* constraints on one another, which will rule out the future use of arbitrary force. Specifically, integration provides a solution to a preventive war dilemma, which is often salient among states in close geographic proximity.

Of course, the idea that states pursue integration in order to control or ‘bind’ their partners is not novel. The notion that French desires to rule out a future war with Germany played a role in the creation of the European Coal and Steel Community (ECSC) in 1952 has been popular with historians of diplomacy as well as non-academic writers. There is no question that this assertion has occupied a central place in the political oratory of Europe’s leaders past and present.³ However, political scientists have all by and large dismissed this

¹ Ikenberry 2001, p. 7.

² This definition is given by Matti 1999, p. 1. Empirically, integration gives rise to what we may label ‘state unions’ or ‘confederate unions’. Such unions differ from the federal states that were the subject of many integration studies in the 1960 and 70s (See e.g. Hinsley 1963, Pentland 1973) in that they do not lead to the creation of new centralized polities but allow members to retain their status as independent states. State unions also differ from simple free trade areas which involve limited deregulation and administrative oversight but do not entail significant pooling of decision powers.

³ Among those who stress French fears of German power as a driving force in the creation of ECSC are Archer 1990, Dell 1995, Dinan 1994, Gillingham 1991 and Milward 1984.

argument—rejecting it as political rhetoric masking the real, economic, process lying underneath the surface.⁴ One of the central contentions of this dissertation is that they are wrong to do so.

There are two main reasons that political scientists have failed to take the idea that European integration has posed a ‘constructive solution to the German problem’ seriously. First, there seem to be no good theoretical reasons for why Germany in 1950—a country with clear prospects for expanding its capabilities in the future—would agree to an arrangement that would constrain its future power. Second, it is unclear to many observers how the European Community (EC)⁵ has in fact succeeded in ‘binding’ Germany.⁶ This dissertation addresses these objections by explaining not only why other European states chose to bind German power, but also why Germany agreed to be bound and how the EC was successful in binding it. Furthermore, by testing the argument against three centuries of European history, the dissertation provides additional support not only for the German case but for the general theoretical argument that integration provides a way to engage and subsume the power of a stronger state, thereby preventing it from abusing its strength in the future.

I. THE ARGUMENT: REGIONAL INTEGRATION AS A CREDIBLE COMMITMENT TO PEACE

The main argument of this dissertation is that integration presents a solution to a particular time-consistency problem known in the security literature as the ‘preventive war

⁴ So far, only Joseph Grieco has given pride of place to the role of German power in driving European integration in his analysis of the achievement of EMU in terms of what he labels a ‘neo-realist inspired voice-opportunity thesis’ (Grieco 1995a, 1995b). I discuss this thesis in the following chapter.

⁵ Throughout the dissertation I use the term *European Communities* (EC) to refer to the totality of the West European integration project which began with the European Coal and Steel Community (ECSC) in 1952 and culminated with the Treaty of European Union (TEU) in 1992.

⁶ On these critiques see e.g. Risse 1998, p. 6.

dilemma'. Realist international relations theory has only one solution to the preventive war dilemma: war. In an anarchical system which affords no protection against the dominance of stronger over weaker actors, power transitions are expected to lead to war because declining states have a dominant incentive to attack a rising challenger before it grows too powerful. At the root of this preventive war dilemma lies a commitment problem. It is plausible that a rising state would be willing *ex ante* to promise not to take advantage of its military superiority, once the balance of power shifts in its favor, if it believed that it could thereby avert a preventive attack. However, since the rising state would have an incentive *ex post* to renege on the bargain should it gain the power to do so, it cannot make its promise credible. Instead, war ensues, although both sides would have preferred to stay at peace.⁷

I argue that war is the most likely outcome of the preventive war dilemma, but it is not the only solution. Another possibility is for states to create an institution enabling credible commitment. Insofar as states can create an institution that disables their future discretion to use force arbitrarily, the time-consistency problem disappears. The historical record provides several instances in which states have managed to solve a preventive war dilemma by integrating with a rising challenger instead of balancing against it. In this dissertation, I examine three such cases. The first is the United Provinces of the Netherlands (1579-1795) in which six smaller Dutch provinces chose integration as a way to bind a growing Holland. The second is the German Zollverein (1834-1871) which—in parallel with the German Bund—provided a framework for economic and politico-military cooperation among the German states, which enabled them, for a few decades, to avert Prussian domination. The third is Western Europe after World War II, where the EC emerged as a

⁷ Fearon 1995, Levy 1987, Powell 1999.

framework for harnessing a potentially resurgent Germany. I label this strategy of integration 'institutional binding'.⁸

The 'institutional binding' thesis can be contrasted with (at least) three alternative theories of regional integration: neofunctionalist and 'historical institutionalist' theory, political economy theories, and realist arguments based on a balance of power logic. Throughout the dissertation these perspectives will be treated as competing hypotheses.⁹ Neofunctionalist integration theory maintains that supranationalism is the only method available to states to maximize welfare. Integration is described using concepts such as functional and political 'spill-over' whereby the effects of prior institutional choices are transformed into determinants of further integration. Neofunctionalism provides a helpful tool in constructing a comprehensive account for the process of West European integration. Dynamics of spill-over can be identified at various points in the history of European integration. However, neofunctionalism in itself is not enough. By its very assumption neofunctionalist theory fails to give a satisfactory explanation for what triggers demand for integration at the national level—it merely assumes that once the process gets underway, it will become self-sustaining. Nonetheless, as Robert Keohane and Stanley Hoffmann remark, spill-over and unintended consequences require prior bargains among states, thereby refocusing our attention on the exogenous determinants of the decision to integrate—determinants on which neofunctionalism sheds little light.¹⁰

⁸ The term 'institutional binding' has been used by Grieco 1995a, 1995b and Ikenberry 2001.

⁹ A third competing framework is neofunctionalist theory. Neofunctionalism provides a helpful framework for analyzing European integration after World War II. However, because the theory relies on a narrowly technocratic view of politics, this framework is not easily extended to cases before World War II. Instead of treating neofunctionalism as a general competing explanation, I have therefore chosen to present this theory as an alternative framework only in the case of the EC. The theoretical foundations of the neofunctionalist approach are discussed in the literature review in chapter II.

¹⁰ Keohane & Hoffmann 1991, pp. 1-39.

The second competing view, the 'political economy approach', maintains that states integrate in order to maximize economic gains. On this view, integration takes place in response to 'increasing opportunities for profitable international exchange'.¹¹ Specifically, integration provides a means to eliminate negative policy externalities, reduce transaction costs (e.g. by abolishing tariff barriers and others regulations) and reap benefits from economies of scale.¹² The political economy perspective shares with purely economic explanations of integration a focus on the efficiency consequences of policy coordination. But unlike strictly economic explanations which portray governments as reacting directly to stimuli from the international economy, political economy theories focus attention on societal demands, particularly from domestic producer groups.¹³

The political economy approach appears to offer a convincing explanation for at least one major case of integration: the EC. In the early 1950s, European countries faced strong incentives to cooperate on rebuilding their war-devastated economies. Following the creation of the EC, trade among the West European countries expanded rapidly, resulting in significant improvements in national welfare. The problem remains, however, that while there may be benefits to liberalizing trade and cross-border investment, such benefits seldom require strong and exclusive politico-economic unions. In fact, such unions often have significant trade diversion effects which may reduce the economic benefits to members.¹⁴ Instead, gains from economies of scale and reduced transaction costs could be achieved through the creation of simple free trading zones, which do not represent an extensive encroachment on national sovereignty. In the case of the EC, for example, it seems that if

¹¹ Moravcsik 1998.

¹² Proponents of this view include Moravcsik 1998, Mattli 1999, Milward 1984, 1992, and Keohane 1984.

¹³ Moravcsik 1998, Mattli 1999.

¹⁴ Many economists have questioned whether customs unions and currency unions among states are indeed efficient from an economic viewpoint. E.g. Cooper and Massell (1965) and Johnson (1965) have shown that participation in a customs union is inferior to unilateral tariff elimination, which leads to greater trade creation without giving rise to trade diversion. See also Mattli 1998 p. 35, Krugman 1991 and Cohen 1997.

policy makers had been concerned primarily with economic advantages, they would have engaged in less extensive cooperation in much weaker international institutions, such as the European Free Trade Area (EFTA) or the North Atlantic Free Trade Area (NAFTA). Indeed, this was the outcome that producer groups in many West European countries were lobbying for.¹⁵ What emerged instead was a geographically narrower and institutionally more constraining framework which provided for cooperation on both economic, political and military issues. It therefore appears that additional factors are needed in order to explain why states choose integration.

A third approach to integration, which we may label realist, links integration to the geopolitical objectives of states. On this view, integration is driven not by a direct desire to maximize economic gains, but by the consequences that such gains may have for national security.¹⁶ Built on this claim, realism offers two related images of integration. One links integration to the presence of an external military threat. Integration, on this view, presents a way to strengthen cooperation among a group of allies against a common outside enemy.¹⁷ A second realist argument stresses international autonomy and influence. On this view, integration is driven by a desire to bolster the power and prestige of a group of states vis-à-vis other actors on the world political stage. The problem with these types of geopolitical explanations is that whereas an outside threat may provide for greater cohesion among states in a region, there is no reason *a priori* to assume that it should prompt them to integrate. External power balancing is often realized more effectively through less restraining military alliances. Again, a case in point is Western Europe in the postwar period, where NATO provided a way of balancing the Soviet Union much more effective than the EC.

¹⁵ See Morkovits & Otto 19xx.

¹⁶ Gowa 1994, Grieco 1999.

¹⁷ Mearsheimer 1990, Waltz 1979, 1993, Lister 1996, 1999.

The problem with existing geopolitical and political economy explanations for regional integration is not that they are wrong but that they are insufficient. The fact that there are joint benefits to cooperation (in terms of enhanced security and autonomy or increased economic gains) does not justify the creation of permanent political and economic unions. While some degree of institutionalization may be needed in order to lock in specific agreements, insofar as there are significant efficiency gains to cooperation, the creation of binding unions from which states cannot withdraw without incurring prohibitively high costs should not be needed to sustain cooperation. Moreover, the above theories often fail to explain cases of integration other than the EC. As we will see, economic gains cannot explain why the Dutch provinces decided in favor of integration, and external balancing does not account well for the case of the German Zollverein.

In this dissertation I therefore focus attention on a third explanatory factor, namely the existence of a regional preventive war dilemma. I show how a peaceful solution to the preventive war dilemma that benefits both rising and declining states calls for the creation of binding international institutions whose authority extends across areas of military, political and economic policy. And I point to a set of concrete factors (beyond mechanisms of repeat-play and reputation) by which institutions can impose binding constraints on state action. At heart, then, my proposed theory is institutionalist. Like functionalist theories of institutionalization, I stress the ability of international institutions to shape state preferences and constrain state action. But unlike such theories, I argue that states are motivated to create binding institutions primarily in order to safeguard national security and only secondarily to reap economic advantages.

II.

THEMES AND ORGANIZATION OF THE DISSERTATION

The dissertation proceeds in eight chapters. After a brief review of existing theories of integration in Chapter Two, Chapter Three presents my proposed explanation for why states integrate. The theoretical chapter addresses two main questions. First, under that conditions do states prefer integration as a means to solve a regional security conflict? Second, how can we explain the concrete form of integration? The analysis of these questions turns on three related puzzles: First, when would a weaker state choose to bind a stronger partner by integrating with it? Second, why would a stronger state agree to be 'bound' by accepting institutional constraints on its powers? Third, how—in practice—can international institutions serve to create binding constraints on state power?

The analysis proceeds in three steps. A first step shows why—in an anarchical environment—preventive war is a rational response when the balance of power between two rivals is shifting. A second step modifies the standard preventive war theme by introducing the possibility for credible commitment. I show that, given the option to create an institution that enables credible commitment, war may be avoided for scenarios in which the cost (in terms of surrendered sovereignty) of creating the institution is less than the expected cost of going to war. A third and final step explains how the pooling of sovereignty in a supranational institution enables states to credibly commit themselves to a given course of action in the future. I identify a range of concrete means by which international institutions can place binding constraints on state action. These include mechanisms for transferring resources from rising to declining states, and for pooling strategic resources to increase exit costs. The chapter ends by deriving a set of concrete hypotheses and listing their observable implications.

Chapters Four through Seven illustrate and test the theoretical framework of Chapter Two on six historical cases. The framework for testing combines a technique of what Theda Skocpol and Margaret Somers have dubbed 'comparative history as the parallel demonstration of theory' with a procedure of systematic comparison among similar and contrasting cases.¹⁸ In the first procedure, three similar cases-studies of integration are juxtaposed to show that the binding thesis applies convincingly to each of them. These cases are: The United Provinces of the Netherlands (1579-1795); the German Zollverein (1834-1870); and the EC (1952). With exception of the old Swiss confederation (1315-1798), these are the foremost examples of regional integration in modern Europe. As the reader will recognize, these are not all successful cases of integration from the viewpoint of institutional binding. Indeed, the German Zollverein failed to prevent political domination by Prussia. However, cases should not be selected based on success, but on whether historical participants sought to find an institutional solution to the time-consistency problem that prompted them to conflict. In the second procedure, I contrast these 'positive' cases of integration with three 'negative' cases in which successful integration might have occurred (according to competing theories) but did not, in order to compare values on the hypothesized independent variable.

Chapter Four begins the empirical analysis by examining a particularly successful case of institutional binding, namely the United Provinces of the Netherlands (1579-1795). I show that, in this case, the preventive dilemma occasioned by the ascendancy of the largest of the Dutch states—Holland—led to the formation of a tight confederate union that kept the peace among the Dutch states for more than two hundred years. The notion that the United Provinces emerged as a way to 'bind' a rising Holland runs contrary to most existing accounts

¹⁸ 'Comparative history as the parallel demonstration of theory' involves a procedure of "juxtaposing similar case-histories in order to demonstrate that a given explicitly delineated theory applies convincingly to a series of historical trajectories which ought to fit if the theory is valid". Skocpol & Somers 1980, p. 176.

of this case. By focusing on the Eighty Years War (1568-1648) between the Netherlands and Spain, historians have often portrayed the Dutch case as a prime example of regional integration motivated by an external threat. However, I suggest, the conflict with Spain cannot adequately explain integration without taking into account the simultaneous conflict between Holland and its smaller neighbors within the Dutch region. There is also reason to doubt that economic interests served as a vehicle for integration in the Dutch case. Indeed, as we will see, economic interdependence among the Dutch provinces was low both before and after the advent of integration.

Chapter Five turns to a second, less successful, case of integration, namely the German Zollverein (1834-1871). In parallel with the German Bund—featuring a Diet at the head of no less than ten army corps—this comprehensive customs union provided a framework for economic and politico-military cooperation among the German states, which, for more than three decades, allowed the smaller German states to stave off Prussian domination. The fact that the Zollverein was first and foremost a customs union has led many observers to focus on commercial interests as a primary force in shaping integration. As we will see, however, economic incentives by themselves are insufficient to explain why the German states opted for a tight politico-economic union instead of relying on a looser free trade area. To explain this outcome, we need to take account of Prussia's rapidly growing strength and expansionist policies—policies which gave rise to a preventive conflict in the German region and which prompted other states to seek merge with Prussia on favorable terms before it became too powerful.¹⁹

Chapter Six analyzes a third, well-known, case of integration, namely the European Communities. A plethora of theoretical arguments have been forwarded to explain this

¹⁹ Prussia did of course manage to unify Germany by force in 1871. However, the outcome for other states was a lot more beneficial that it might have been had the Zollverein and German Bund not been in place to equalize power.

case, most of them focusing on economic interests, norms, and institutional mechanisms or—alternatively—on the facilitating conditions of the international bipolar conflict. In contrast, I argue that the chief driving force for postwar European integration has been the fear of a resurgent Germany. By analyzing the development of the EC since 1952, I demonstrate that each major step toward closer integration has coincided with a perceived growth in German power. In each case, deeper integration has been seen to render this growth less threatening. Economic factors have played a secondary role. There can be no doubt that the EC has spurred economic growth and that this growth has been an important factor in keeping the community together. However, economic interests alone have not provided a main driving force for integration. Whenever security and economic interest have conflicted, security interests have won out. Thus, the demand from Europe's 'big business' for a broad FTA has repeatedly been rejected in favor of a geographically narrower and politically more constrictive framework.

Evidence also suggests that external threat has been of secondary importance in driving European integration. In the early postwar years, both France and the Benelux countries continued to see a resurgent Germany as a potentially greater menace than the more distant threat from the Soviet Union. While a serious threat from the Soviet Union has continued to loom over postwar Europe, the task of balancing against this threat has principally been served by traditional diplomatic arrangements such as the North Atlantic Treaty Organization (NATO) and the Western European Union (WEU)—not by the EC.²⁰

Chapter Seven concludes by summarizing the main findings of the dissertations and by considering evidence from contrasting cases. Section I begins by condensing and

²⁰ Of course the United States pushed for European integration as a condition for aid to Europe. However, it is not conceivable that Washington would have withdrawn its security guarantee from Europe, had the EC not materialized.

comparing the findings of the three case studies. Section II turns to the examination of a set of contrasting cases. Chapters Four through Six have considered 'positive' cases in which both the hypothesized independent variable (a preventive dilemma) and the dependent outcome (integration) are present. However, to avoid selection bias and extend variation in explanatory variables, section II of Chapter Seven briefly analyses two 'control cases' with differing values on the dependent and independent variables. The first of these cases is the North Atlantic Free Trade Area (NAFTA). In this case there have been strong commercial pressures for regional economic integration. The result, so far, has been the creation of a loose free trading zone, the cohesion of which is low. I argue that, given the absence of an intelligible regional threat which can be addressed through 'binding' (the United States is already a hegemon with a massive preponderance in power and has little incentive to let itself be irreversibly 'bound'), NAFTA is unlikely to develop beyond the current free trade area.

A second 'control-case' case examined in Chapter Seven is Europe after World War I. This is a particularly hard case for the binding thesis insofar as a significant regional threat (from Germany) was present but no integration took place. The analysis reveals that Germany was a strong candidate for regional hegemony. It also reveals that several attempts were made by France to place institutional constraints on German power. Thus, the analysis draws attention to debates among historians which challenge the predominant view of a strictly punitive French policy after World War I and stress the way in which France, until 1921, sought to establish an institutional framework for cooperation with Germany.²¹ However, several of the factors which facilitate institutional binding were lacking. First, France's main allies—the United States and Britain—both resisted the idea of imposing

²¹ Trachtenberg 1979, pp. 26-29, McDougall 1979, p. 11, Jacobson 1983.

permanent institutional constraints on Germany. But most importantly, the inordinate power of Germany within Europe both before and after World War I meant that it had little incentive to let itself be 'bound'.²² Hence a consistent policy to bind Germany never came about. Chapter Seven ends by considering the general theoretical implications of the binding thesis.

III METHODOLOGICAL CONSIDERATIONS

How reliable are the findings? To what extent should the reader be persuaded by evidence drawn chiefly from three historical cases-studies which are admittedly selected on the dependent variable? The analysis of the three case-studies which form the core of this dissertation adheres to four methodological principles which strengthen confidence in the findings. First, in addition to identifying correlation between independent and dependent variables, each of the case-studies offer a detailed examination of the interaction of events and of decision-making processes in order to reveal precisely how the independent variable causes the dependent outcome.²³ Second, although the value of the dependent outcome (integration) does not vary across the three main cases analyzed in chapters Four through Six, there is substantial 'within-case variance' in the dependent variable to permit me to make comparisons within cases. Such comparison allows me to test whether high values on the dependent variable (integration) are associated with high values on the independent variable (preventive dilemma).²⁴ Third, I seek to strengthen confidence in my findings through

²² Historians largely agree that German war potential was not greatly reduced by World War I. See e.g. Kissinger 1994, Gillingham 1991.

²³ van Evera 1997, p. 54 and Pierson & Skocpol 2000, pp. 9-10. Process tracing allows us avoid the functionalist *post-hoc* fallacy of (implicitly) backwards inducing from the observed benefits of extent institutions to the underlying cause of their creation. By permitting us to explore pre-integration policy and diplomacy and to take into account the declared intentions of decision-makers, a case-study procedure enables us to demonstrate an inverse relation between effect and cause in institution-building rather than tacitly assume it.

²⁴ This enables effective testing of a hypothesis even with small numbers of cases since it multiplies the number of actual observations. See van Evera 1997, p. 52n and Mahoney & Rueschemeyer 2000, p. 16.

systematic testing of the working hypothesis against competing explanations rather than against the null-hypothesis. To do so, I secure systematic variation in competing causal variables across the three cases: While all three cases of successful integration coincide with a regional threat, economic pressure is absent in one case (the United Provinces) and an external threat is missing in another (the German Zollverein). Finally, whereas detailed analysis is limited to three cases of successful integration, I extend across-case variation in the dependent variable by including a less detailed analysis of a set of control-cases in which successful integration is absent.

It may be objected that the framework for testing is still tainted by the fact that it relies solely on evidence from European history. Of course, integration is not an exclusively European phenomenon. Unfortunately, it is beyond the scope of this dissertation to include cases from other parts of the world. Instead I allude briefly in the concluding chapter to some additional cases which may be used to further test the argument.

Sources

In constructing the case histories, I have relied both on secondary sources and published primary sources (public statements by decision-makers, political diaries, transcripts of negotiations, etc.). The main problem with relying on secondary historical evidence is that one is often faced with differing, even competing, accounts for given events. This creates the risk that reliance on given accounts may bias one's findings. To alleviate this problem, I have sought to rely on multiple sources and to provide as detailed a documentation of events as possible, using a varied selection of historical references.

An often cited critique of arguments related to 'binding' postwar Germany is that they are based on rhetoric sampled selectively from the self-glorifying memoirs of Europe's political leaders. In testing competing explanations, I have therefore given principal weight to

evidence of congruence between theoretical predictions and decision-making outcomes. Of course, in the context of social science especially, one frequently encounters the problem that given outcomes may be consistent with more than one theoretical argument. In such cases, I have sought to strengthen confidence in my findings by employing a second, complementary, standard which seeks to establish the link between actors' intentions and decision-making outcomes. This method has the advantage of avoiding the post hoc fallacy of explaining the existence of institutions solely in terms of their observed function, thereby ignoring the possibility of institutional failure and unintended consequences.²⁵ By seeking to reveal intentions behind the demand for integration we can explain institution-building in terms of *anticipated*—not just observed—effects, and thereby demonstrate an inverse relationship between effect and cause rather than merely assume it. To reveal the motivations behind policy choices, I have relied both on the speeches and writings (public as well as private) that policy makers have used to justify their decisions and on published records from negotiations. Rather than cite political speech as conclusive evidence in favor of my argument, however, I use it in concurrence with 'hard evidence' explaining why we should believe these arguments.

²⁵ See Keohane 1984, pp. 80-81.

II A REVIEW OF THEORIES OF POLITICAL INTEGRATION

In this chapter, I review the main political-science approaches to the study of regional integration. Broadly speaking, these can be grouped into three main analytical categories: (1) neofunctionalist and 'historical institutionalist' theories; (2) political economy approaches; (3) realist or 'geopolitical' approaches to integration. With few exceptions, theories within each of these categories have focused primarily—if not exclusively—on explaining integration among West European countries in the post World War II period.²⁶ However, many of the insights gleaned from these studies can be generalized in principle, thereby allowing us to derive from each approach a set of general hypotheses about why integration takes place.

The three approaches present three distinct perspectives on integration. Roughly, we can distinguish different theoretical perspectives according to two dichotomies. One is between intergovernmentalism and a supranationalism. Whereas intergovernmentalist theories view member states as the primary actors in the integration process, supranationalist theories focus attention on the autonomous actions of institutional actors. A second dichotomy is between a traditional international relation approach, which maintains that integration is motivated by 'high politics' and which views integration policy as unconstrained by domestic politics, versus a more 'functionalist' approach which holds that integration is driven mainly by economic necessity and which portray integration policies as amenable to domestic political pressures.

The three approaches reviewed in this chapter present distinct combinations of these perspectives. Whereas geopolitical or 'realist' integration theories see state

²⁶ Although some attempts have been made at broadening the empirical scope beyond Western Europe these are few and far between. See Nye 1968, Haas & Schmitter 1964, Matti 1999.

preferences as determined mainly by security-related events at the international level, political economy (PE) theories locate pressure for integration at the sub-national level, among domestic producers and 'big business' groups. Thus, whereas geo-politically oriented scholars portray integration as the outcome of 'grand political designs' enacted in clandestine executives in pursuit of some version of the 'national interest', PE oriented scholars tend to see integration as emerging from the 'normal politics' of social economic demands and government response.²⁷ It is important to note, however, that both approaches identify states as the main actors. Despite attention to social demands, the PE perspective shares with realism a focus on states as crucial gatekeepers in the integration process which either restrict or promote the 'supply' of integration. This stands in sharp contrast to neo-functionalist and historical institutionalist theories, where both demand and supply of integration is seen to be generated at the sub-national and transnational level—among political parties, technocratic elite and various supranational actors—and where integration is theorized as a gradual and self-sustaining process defined largely by unintended outcomes of path dependent choices.

Before I proceed to review the different theories within each of the three categories, it will be helpful to list a few criteria by which a theory of integration can be assessed. First, a theory of integration should explain the emergence of state preferences in favor of integration by pointing to a coherent set of independent factors which lead states to perceive that their interests will best served by pooling or delegating sovereignty to a set of common institutions. These factors should be derived from a general theory of state preferences rather than deduced post-fact from observation of state actions. Second, and related, a theory of integration should be able to account for timing—that is, it should

²⁷ PE-oriented scholars like Andrew Moravcsik (1998), Walter Mattli (1999) and Alan Milward (1992) all explain the EC/EU chiefly as a response to increasing economic interdependence which has led to social demands for integration.

explain why integration took place when it did, not sooner or later. Third, a theory of integration should be generalizable. The majority of existing integration studies are geared towards explaining a single, geographically and historically bound phenomenon, namely the EC. This is not objectionable *per se*. To claim theoretical status as 'general explanations', however, the central attributes of such explications should be in principle applicable to a number of similar cases.²⁸ Fourth, a convincing theory of integration should be able to account for both failures and successes of integration. Finally, a theory of integration should be able to generate probabilistic propositions about future events of the kind; "if a certain number of variables are present in sufficient strength then integration in area X is likely to occur".²⁹

I. NEO-FUNCTIONALIST THEORY

A first framework for analyzing European integration is neofunctionalist theory. Neofunctionalism—like the political economy perspective—is grounded in a liberal theory of international relations. The context in which successful integration is expected to operate is economic, social and technical rather than power-oriented. Increasing international interdependence is seen as a main vehicle for institutionalization since it adds to the number of technical problems which can only be solved at the supranational level. Thus, according to neofunctionalism, the growing importance in the 20th century Western societies of technical problems whose scope transcend the borders of any single state is the key development which has necessitated regional integration.

The theoretical basis of neofunctionalism is classical functionalism, pioneered by David Mitrany during World War II.³⁰ Starting from the assumption that political

²⁸ Particular explanations designed to account for a single case can qualify as general explanations insofar as they clearly identify the theories that govern their operation. See Mancur Olson 1982, p. 10.

²⁹ Huelshoff 1994.

³⁰ The seminal work on functionalism is Mitrany's *A Working Peace System* (1943).

divisions are a main source of conflict among states, Mitrany proposed to create a 'working web' of international institutions that would bring states together in close economic and technocratic cooperation.³¹ His strategy can be described as one of "peace by pieces". Mitrany believed that by initiating cooperation in low-political, functional areas, one would set in motion a gradual process towards closer cooperation since every function would generate another through a process of "functional spill-over". Once in place, the web of functional organizations would generate new political loyalties at the supranational level (by increasing prosperity) and gradually undermine loyalties to the nation-state. The result would be a lasting peace.³²

Classical functionalism suffered its first blow with the emergence of the European Communities in the 1950s. The notion that territorial sovereignty would easily be abandoned in favor of supranational institutions failed to survive confrontation with the empirical experience of West European integration. In its place, Ernst Haas proposed a more explicitly empirical (and utilitarian) approach.³³ The objective of integration was no longer 'peace through prosperity' but simply prosperity. Self-interest and instrumental rationality were taken for granted and relied on for delineating actor perceptions.³⁴ Thus, Haas in *The Uniting of Europe* writes; "Good Europeans are not the main creators of the...community; the process of community formation is dominated by nationally

³¹ Mitrany 1943. See also Pentland 1975, p. 75.

³² The functionalist proposition is that political loyalties are the result of satisfaction with the performance of important functions by a governmental agency. Since it is possible for peoples to be loyal to several agencies simultaneously, there may be a gradual transfer of loyalty to international organizations performing important tasks. Dogherty and Pfaltzgraff 1990, p. 439.

³³ Ernst Haas was the first to focus attention on 'integration' as an appropriate concept for describing the institutionalization of interstate cooperation that was taking place in Europe. See Haas 1957. Other key neofunctionalist texts include Nye 1970, Haas & Schmitter 1964, Lindberg 1963.

³⁴ Mattli 1999, p. 23; Pentland 1975, pp. 16-17. In neofunctionalism, technological determinism is no longer the main driving force for integration. The emphasis now lies on the self-interest of political actors (interest groups, political parties, and supranational institutions) who attempt to exploit functional pressures for cooperation to their own advantage.

constituted groups with specific interests and aims, willing and able to adjust their aspirations by turning to supranational means when this course appears profitable".³⁵

Since its inception, the neofunctionalist approach has evolved in close symbiosis with the empirical development of the European integration project. The concept of functional spill-over—i.e. the idea that, due to high levels of interdependence, integration in one area will give rise to new tasks which can only be resolved by further integration in related areas—has remained a key concept in successive versions of neofunctionalism as has the notion that unintended and unanticipated consequences play a significant role in the integration. According to Ernst Haas, "most political actors are incapable of long-range purposive behavior because they stumble from one set of decisions into the next as a result of not having been able to foresee many of the implications and consequences of earlier decisions".³⁶ However, periodic crises in the EC during the 1960s, which eventually lead to stagnation in the integration process, meant that the idea of a self-sustaining or 'automatic' process of 'functional spill-over' was soon complemented by more complex notions of 'political' and cultivated' spill-over which saw functional linkages as contingent on the self-interest and political will of national actors as well as pressure from supranational agents.³⁷ Haas wrote in 1964 that "[only] if the actors on the basis of their interest-inspired perceptions *desire* to adapt integration lessons learned in one context to a new situation, the lesson will be generalized".³⁸ In this respect, the autonomous actions of

³⁵ Haas 1958, p. xiv.

³⁶ Haas 1971, p. 23.

³⁷ The 1963-65 crisis in which supranationality was disrupted in 'high politics style' by Charles de Gaulle led scholars to place more weight on political spill-over—i.e. the mechanism by which political elites, pursuing their own welfare interests, develop the perception, through a process of 'learning', that their interests are best served by supranational solutions. The crisis also led Haas to suggest that "incremental processes...are always subject to reversal". The result was the introduction of new linkage concepts, including 'spill-forward' (the fulfillment of a postulated task for integrative purposes), 'spill-back' (a retreat from an original commitment to integration) and 'spill-around' (the extension of a postulated task into spheres of action not previously anticipated). See Nye 1971; and Pentland 1975, p. 16. For a discussion of neofunctionalism's different 'phases' see Kelstrup 1992, pp. 41-2.

³⁸ Haas 1964, pp. 47-48. The notion that integration depends less on functional pressures as such and more on the interaction of political forces seeking to exploit these pressures finds a clear expression in Haas

supranational actors (including the Commission and the European Court of Justice) were seen as key. Supranational institutions would act as vital mediators in the integration process by 'upgrading the common interest' of national actors by means of issue-linkage and side-payments, thereby allowing the integration process to move forward.³⁹

Despite set-backs caused by the stop-and-go nature of European integration during the 1960s and 1970s, the concepts of spill-over and 'unintended consequences' have remained popular among many observers of European integration. Whereas many students of integration during the 1970s abandoned neofunctionalism in favor of more general theories of international relations or political economy, arguments based on spill-over and supranational entrepreneurship experienced a major revival with the signing of the Single European Act in 1986, leading to a wave of new neofunctionalist inspired scholarship.⁴⁰ More recently, a new rendition of the neo-functional argument has emerged called "Historical Institutionalism" (HI).⁴¹ Like previous versions of neofunctionalism, HI views regional integration as an incrementally constructed, partly unintended outcome of path dependent processes. What distinguishes HI from previous scholarship is a more explicit focus on how institutional developments unfold over time and may change the position of states in ways unanticipated by their creators. According to Paul Pierson, the crucial claim of HI is that actors may be in a strong initial position, seek to maximize their interests and nevertheless carry out institutional and policy reforms that fundamentally transform their own positions in ways that are unanticipated or undesired.⁴²

and Schmitter's 1966 redefinition of integration as "involving the gradual politicization of the actor's purposes which were initially considered 'technical' or 'non-controversial'".

³⁹ In contrast to Intergovernmentalism which holds that effective power lies with the institution that acts last (i.e. can veto new legislation) neo-functionalism stresses the importance of agenda setting power. It therefore proscribes an important role for both the European Commission and Parliament. See Garrett & Tsebelis 1996.

⁴⁰ Prominent examples of the 'revived' neofunctionalist approach include Taylor 1989, Tranholm-Mikkelsen 1991, Sandholtz 1992, 1993, Huelshof 1993, Laursen 1990.

⁴¹ See e.g. Hall & Taylor 1996, North 1990, Pierson 1996, and Steinmo, Thelen & Longstreth 1992. See also Ikenberry 1994.

⁴² Pierson 1996, p. 126.

However, HI bears close resemblance to 'classical' neofunctionalism via its emphasis on learning effects, and given its focus on incremental and frequently unforeseen developments rather than grand political visions as a primary determinant of integration.⁴³

Hypotheses & Observable Implications of Neofunctionalism

Three main hypotheses can be derived from neofunctionalism. First, if neofunctionalists are right, the expansion of integration into new areas should somehow reflect disequilibria caused by prior integration, or at least follow logically from prior path-dependent choices. Secondly, the primary players in the integration process should be found above and below the nation state—among technocratic elite and supranational entrepreneurs—while national governments should play only a secondary role.⁴⁴ Thirdly, institutionalized cooperation should occur mainly on issues of a technocratic or economic nature rather than on strictly political issues.

Neofunctionalist theory may be seen to be corroborated by some incidents in the European integration process. For example, many scholars have pointed to elements spill-over from the Common Market (EEC) established in 1958 to the Single European Act (SEA) in 1986, and from the SEA to EMU in 1992. However, the assumption of integration as a smooth, continuous process can quickly be dismissed. If dynamics of spill-over from the Rome Treaties had been sufficient to create the SEA why did it not occur earlier?⁴⁵ The great importance ascribed to institutional actors is also doubtful. Although

⁴³ Pierson (1996: 130-31) identifies four fundamental factors that are likely to create 'gaps' in member-state control over the integration process: the autonomous actions of European institutional actors, the restricted time horizons of decision makers, the large potential for unintended consequences, and the likelihood of changes in government leaders over time. All four factors are largely identical to the assumptions of traditional neofunctionalist theory.

⁴⁴ The debate between supranationalists and intergovernmentalists has provoked a third, *neo-institutionalist* position, which holds that neither the interests of governments nor the interests of supranational and transnational actors alone can explain the institutional development of the EC but that, taken together, the interests of actors on the supranational, the governmental and the transnational level can explain institutional change. The problem with this approach is that it lacks a clear understanding of the interplay of interests on different levels. On the neoinstitutionalist position see Scharpf 1988, Zang & Wolf 19xx.

⁴⁵ Keohane & Hoffmann 1991, p. 19.

neofunctionalist arguments about the independent actions of the Commission and European Court of Justice have some merit, there is little doubt that the member states, acting together in the Council of Ministers, remain the most powerful decision makers. As Andrew Moravcsik has convincingly shown, when member-states choose to pool and delegate sovereignty to regional institutions it is not due to technocratic imperatives but because of a calculated need to promote a carefully circumscribed centralization of authority in order to 'lock in' given agreements on which governments might later be tempted to cheat.⁴⁶

II. GEOPOLITICAL AND REALIST APPROACHES TO INTEGRATION

Realist integration theory developed in the 1970s in reaction to the prevalence of liberal and functionalist theories of integration. The essence of realist or 'geopolitical' explanations for integration is in the link between regional cooperation and underlying national security interests. Whereas political economy approaches stress the material benefits from integration, the focus of realist integration theory is on the "externality effects" that such benefits may have on national security.⁴⁷ At the basis of realist integration theory lies the assumption that states who are allied in the pursuit of common geopolitical goals will be more likely to cooperate economically as a way to generate wealth to strengthen the alliance.⁴⁸ From this basis, realism offers three relatively distinct images of regional integration, each stressing a different source of geo-political threat and each resting on a strictly intergovernmentalist understanding of integration. The first stresses balancing against external military threats, the second emphasizes perceptions of 'global prestige and ambition',

⁴⁶ Moravcsik 1998.

⁴⁷ Gowa 1994.

⁴⁸ See Moravcsik 1998, pp. 27-29. See also Gowa 1994, Grieco 1999.

and a third—realist auxiliary hypothesis—focuses on ‘collective security’ and notions of ‘balanced growth’.⁴⁹

The first realist explanation builds directly on classical balance of power theory. On this view, integration emerges primarily to reinforce balancing against an external enemy. One frequently encounters this type of argument in the literature on political leagues and confederations, where, historically, confederation has been perceived as a means for smaller states to boost their power vis-à-vis larger neighbors.⁵⁰ The ‘external balancing’ view is also popular in the context of Cold War Europe, where the preeminent threat from the Soviet Union is often seen to have provided a crucial vehicle for integration. Among the chief proponents of this view are John Mearsheimer and Kenneth Waltz who both portray postwar European integration as a direct function of the postwar bipolar conflict. On one hand, European integration presented a way to strengthen the western alliance against Soviet threat. On the other hand, the ‘shadow cast by the superpowers’ facilitated integration by providing a protective mantle under which European states could cooperate without the fear that the greater advantage of one would be translated into military force to be used against the others.⁵¹ The upshot of this version of realism is that, in the absence of both a powerful external threat and a bipolar international structure, European integration can be expected to relapse—indeed this has been the prediction of several realist scholars in the immediate post-Cold war period.⁵²

⁴⁹ For an overview and discussion of geopolitical approaches to integration see Moravcsik 1998, pp. 27-35.

⁵⁰ This view is prevalent in the writings of Montesquieu. For recent versions of the same argument see Lister 1999, 1996, and Forsyth 1981.

⁵¹ According to Waltz, bi-polarity turned the West European democracies into ‘consumers of security’: “Because the security of all of them came to depend ultimately on the policies of others...unity could effectively be worked for, although not easily achieved”. (Waltz 1986, pp. 58-59, and 1979, pp. 70-71). Similarly, Mearsheimer has argued that the bipolar conflict created a ‘hothouse’ in which European integration should flourish. Mearsheimer 1990, p. 47.

⁵² E.g., Mearsheimer argued in 1990 that “without a common Soviet threat and without the American night watchman, Western European states will again be viewing each other with greater fear and suspicion as they did for centuries before the onset of the Cold War”. Mearsheimer 1990, p. 47.

A second realist explanation views integration as a way to bolster the power and autonomy of integrating states in a world dominated by large 'global' powers. On this view, postwar European integration aimed to bolster the political prestige and influence of European countries in a world dominated by superpowers.⁵³ The 'political autonomy and prestige' explanation has gained increasing popularity at the end of the Cold War. The 1989 collapse of bipolarity and the almost simultaneous deepening of European integration manifest in the move to EMU presented a challenge to realist arguments based on conventional military balancing logic. However, realist scholars have been quick to argue that the persistence of European integration reflects a desire to balance the growing economic and political power of Japan and the United States and thereby prevent a decline in Europe's global position.⁵⁴ Observationally, this explanation may be seen to overlap with a liberal political economy perspective insofar as it sees integration as a way to secure competitive advantages for a regions' firms and businesses. However, the underlying motivation for integration differ in the two approaches. On a realist view, integration presents a way to 'balance' against the economic and political power of other states. State preferences are determined directly by competitive pressures from the world political-economy and do not reflect demands from domestic businesses and producer groups such as they do in the liberal view. Also the realist focus is on relative gains vis-à-vis third parties, rather than on the maximization of absolute welfare gains for regional member-states.

⁵³ The goal of creating a 'third super-power' is often associated particularly with the policy of General Charles de Gaulle. See Kolodziej 1974 and 1990. For a discussion of this view see also Moravcsik 1998, p. 30.

⁵⁴ The "economic balancing" explanation of integration is spelled out by Wayne Sandholtz and John Zysman (1989) who argue that the 1992-process was triggered by a shift in the distribution of economic power resources from the US to Japan, allowing Japan to assume a leading role in a number of key high-technological sectors. A similar account of the 1987 European Single Act (SEA) is offered by Geoffrey Garrett (1992) who attributes the market liberalization process initiated by the SEA to a felt need for increasing European competitiveness vis-à-vis the US and Japan. For similar arguments see also Gowa 1994, Keohane & Hoffmann 1991, p. 22, Grieco 1995b, and Kahler 1995, p. 83.

A third 'geopolitical' explanation—which may be termed a realist 'auxiliary hypothesis' insofar as it draws heavily on institutionalist theory—abandons the focus on external threat or international 'prestige' in favor of a focus on power-relations *within* a region. This explanation comes in two forms. One version—which is consistent with the binding thesis set forth in this dissertation—sees integration as a way to anchor and bind a powerful state through ties of economic interests and shared rules and norms. Hence, in the context of Western Europe, it is often said that integration presented a way to bind Germany to the Western bloc and prevent a German-Soviet détente and to ensure that Germany would not use its preponderant power to bully its neighbors. As argued in the previous chapter, this argument has largely failed to capture the attention of political scientists, who tend to dismiss it as mere political rhetoric. So far, only Joseph Grieco has given the fear of power German power pride of place in his analysis of the adaptation of EMU in terms of what he labels a 'neo-realist inspired voice-opportunity thesis'.⁵⁵ Building on Hirshman's theory on 'voice and exit', Grieco proposes that weaker states may favor institutional ties with a stronger partner as a way to influence its policies and avoid political subordination.⁵⁶ Consistent with this hypothesis, he maintains that the decision to adopt EMU was driven by a desire to introduce greater symmetry in 'voice opportunity' in monetary matters than existed within the European Monetary System (EMS) where the German Bundesbank played a 'hegemonic role'.⁵⁷

A second realist argument which focuses on power-relations *within* a region as a key factor in explaining preferences for integration is what Grieco has labeled the "relative disparity shift hypothesis". This hypothesis suggests that relative stability of power

⁵⁵ Grieco 1995a, 1995b.

⁵⁶ Grieco 1994a, 1995b, p. 34. According to Grieco's voice-opportunity thesis, "if states share a common interest and undertake negotiations on rules constituting a collaborative arrangement, then the weaker but still influential partners will seek to ensure that the rules so constructed will provide sufficient opportunities for them to voice their concerns and interests and thereby prevent or at least ameliorate their domination by stronger partners."

⁵⁷ Ibid 1995b, pp. 34-36.

capabilities (which depends in part on gains from regional cooperation), and expectations that such stability will persist, contributes to the establishing and deepening of regional institutions. The intuition is that when patterns of cooperation are associated with stability in relative gains (or 'growth'), states will be less afraid that institutionalizing those patterns might lead to long-term power imbalances. By contrast, when power relations are unstable, declining states will resist institutionalization for fear that this will lock-in an asymmetric relationship and further undermine their position. Institutionalization is no longer seen as a way for weaker states to achieve voice and avoid domination, but rather as a means to cement a given pattern of exchange; states will only agree to do so when national growth-rates are relatively balanced within a region.⁵⁸

Essentially, this second auxiliary hypothesis may work best as a 'complementary' thesis to one of the two 'balancing' explanations. Thus, one might imagine that a group of states would be more inclined to agree on integration as a means to balance against an outside challenger if patterns of cooperation within the region were associated with relatively even growth rates. This explanation runs contrary to the binding thesis which argues that integration takes place in reaction to *uneven* growth rates and is not dependent on a previous history of balanced growth.

Hypotheses and Observable Implications of Realist Integration Theory

From the above versions of the realist argument, we can derive a set of concrete hypotheses about the timing and shape of regional integration. First, according to a realist intergovernmentalist perspective, important developments in the integration process should be traceable exclusively to grand intergovernmental bargains whereas periods of consolidation are of little interest. In contrast to neofunctionalist theories which focus on unintended effects of previous decisions, the realist perspective holds that it is exclusively

⁵⁸ Grieco 1999.

intergovernmental bargains that create and change the rules of the game.⁵⁹ Second, as noted by Andrew Moravcsik, if realists are right, the *timing* of intergovernmental bargains should reflect a response to major geopolitical problems while bearing little relation to fundamental economic trends or changes.⁶⁰ If integration is spurred by external military threats (or by bipolar conflict) we would expect a positive correlation between the intensity of international (bilateral) conflict on the one hand, and regional integration on the other. If integration is driven by concerns of 'political autonomy and prestige', we would expect it to be preceded by increased international competition—along economic and political dimensions—combined with an actual or anticipated decline in the relative political clout and/or economic competitiveness of the states seeking closer ties. Finally, if integration presents a means to anchor and bind a stronger state within a region, we would expect institutionalization to correlate with increasing disparities in the distribution of capabilities among regional states.

What observable implications would tend to confirm a geopolitical reasoning about integration? The timing of an event can provide some indication about its probable cause. However, correlation does not suggest causation *per se*. Therefore to accept a geopolitical argument in favor of integration we must also supply evidence that integration can indeed be seen to have posed a solution to the geopolitical problem at hand. For example, while we may readily accept that an external threat provides incentives for states to deepen their cooperation, it does not follow that balancing against such a threat calls for the creation of a regional integration scheme in which sovereignty is pooled, as opposed to a less restraining military alliance which allows states to remain independent.⁶¹ Unless it can be

⁵⁹ Pierson 1996, p. 130.

⁶⁰ Moravcsik 1998, p. 34.

⁶¹ To save their theory, many realists have argued that integration is not fundamentally different from inter-state alliances. In fact, some maintain that cooperation among West European states is not irreversible and does not involve any crucial relinquishment of state sovereignty (e.g. Mearsheimer 1990a). Yet, this seems implausible in light of recent research. Current scholarship shows that European institutions have authority

shown that efficient balancing against third parties requires the creation of regional political unions rather than conventional alliances, the causal link between exterior threat and regional integration seems tenuous at best.

The thin causal link between forms of external threat on the one hand and regional integration on the other hand constitutes a major weakness of received geopolitical integration theory. It is not clear why balancing against an external military threat would require economic and political integration. Historically we see that whereas states show a greater propensity to trade with states with whom they are allied than with states whom they see as posing a threat, trade only nominally increases the cohesion of existing military alliances.⁶² Evidence with respect to the timing of integration in relation to external threat is also dubious. Whereas European integration in the 1950s may be explained as a reaction to Soviet threat, this factor was less important in the 1980s and 1990s. Integration in the latter period may be rationalized as a result of increased competition from American and Japan producers.⁶³ However, this explanation runs into the problem that competition from the U.S. and Japan was fierce also in the early 1970s—a period during which European integration stagnated.⁶⁴ This casts doubt on the notion that integration constitutes a form of balancing.

Joseph Grieco's realist 'voice-opportunity thesis' holds more promise. In contrast to explanations based on balancing of power, the voice-opportunity hypothesis is able, in theory, to account both for the timing of integration as well as for its concrete form. In the case of the EMU, for example, Grieco shows why an actual monetary union (as opposed to

far beyond the competence we normally associate with international institutions. Keohane & Hoffmann 1991, p. 10.

⁶² See Gowa 1994.

⁶³ See e.g. Garrett 1992 and Sandholtz and Zysman 1989.

⁶⁴ As Robert Keohane and Stanley Hoffmann note, Europe faced serious economic challenges in the late 1960's from the US and in the 1970s when a combination of US political and economic policies and events in the Middle East produced turbulence in markets for money and oil. Had Europe unified itself more strongly in the 1970s, one could have explained those actions in terms of economic instability and crisis. See Keohane & Hoffmann 1991, pp. 22-23.

more *ad hoc* forms of monetary coordination) was necessary in order to secure a permanent voice for the smaller states. The problem with Grieco's theory, however, is that it does not offer a convincing explanation for why Germany—the dominant European state—would agree to be bound within EMU, nor does it explain how an institution such as EMU in fact serves to constrain German power in the long run.⁶⁵ These are some questions which I address in the following chapter.

III POLITICAL ECONOMY APPROACHES TO REGIONAL INTEGRATION

Whereas geopolitical theories of integration focus on the security externalities which may flow from integration, political economy (PE) accounts explain integration simply as a means for enhancing material welfare. Integration is seen as a way for governments to reduce transaction costs, reap economies of scale and restructure general patterns of economic policy externalities to their mutual advantage.⁶⁶ In contrast to the geopolitical perspective where preferences for integration are seen to emerge within closed executives and to be driven by 'grand strategic goals', the PE approach expects pressure for integration to emerge primarily from domestic producer groups who respond to opportunities for profitable international trade and investment by demanding increased liberalization at the regional level. Governments respond to such pressures within the limits set by the states' various political and budget constraints.⁶⁷

⁶⁵ Grieco offers two possible explanations for why Germany would agree to provide its smaller partners with 'voice opportunities' in monetary affairs. First, he argues, despite a belief that EMU would lead to a reduction of German influence in monetary affairs, German officials might have had reason to believe that they would still be able to defend key German monetary objectives, including price stability. Second, he suggests that Germany at the end of the 1980s has come to believe that it needed to accept some limitation on its influence on European monetary affairs as the price for fostering a more effective European coalition against Japan. (Grieco 1995a). The first explanation is problematic because it suggests that German policy is not in fact constrained by EMU. The second explanation suggests that balancing against an external threat—not binding of German power—created the impetus for EMU.

⁶⁶ Moravcsik 1998, p. 35, Matti 1999, cpt. III.

⁶⁷ Moravcsik 1998, p. 35.

The focus on economic efficiency implies that the PE perspective is, broadly speaking, functional: The intensity and form of integration follows the functions that governments must perform to keep their firms and economies competitive in a rapidly changing world economy.⁶⁸ Yet, unlike purely functionalist approaches, the PE perspective is not apolitical. The focus is on distributive as well as efficiency effects of policy coordination.⁶⁹ As a result, state preferences in favor integration are not determined solely by shifts in world economic circumstances which give rise to opportunities for profitable international trade and investment, but instead reflect the impact of such shifts on the constellation of competing preferences at the domestic level.⁷⁰

In the following I focus primarily on two recent contributions within the PE approach to integration. The first is Walter Mattli's 'efficiency view of integration', the second is Andrew Moravcsik's Liberal Intergovernmentalism (LI).⁷¹ These contributions are singled out because they represent the most comprehensive recent attempts to generate a framework for explaining, not only how states form preferences in favor of integration, but also how governments pursue those preferences at the regional level.

Walter Mattli's 'efficiency view of integration'.

According to Mattli's theory, integration can be conceived as 'an exercise in internalizing the externalities that affect cross-border trade and investment in order to reduce transaction costs'.⁷² The starting point for his theory is the assumption that technological and political changes create functional pressures which lead to a demand for integration within states. As new technologies increase the scope of markets beyond the boundaries of a single state, actors who stand to gain from wider markets—usually 'big

⁶⁸ Keohane & Hoffmann 1991, p. 18.

⁶⁹ Moravcsik 1998, p. 36.

⁷⁰ Moravcsik 1998, pp. 37-38.

⁷¹ Matti 1999, Moravcsik 1993 and 1998.

⁷² Mattli 1999, pp. 12-3.

business' groups—will seek a change in the existing governance structure to realize these gains.⁷³ For example, Mattli explains integration in 19th century Germany as a result of the building of the railway and the innovation of steamboats which expanded the distance across which individuals and firms could profitably trade with one another. This led to a strong demand for new political and economic arrangements that would enable German merchants and producers to increase cross-border transactions and improve their competitiveness.⁷⁴

However, for integration to prosper, 'supply' conditions must be satisfied as well— that is, political leaders must be willing to accommodate demands for integration. Assuming that political leaders value state autonomy and power, but premising that politicians' ability to hold on to power depends on the strength of the national economy, Mattli defines a first supply condition as 'economic hardship'. Leaders of economically successful states are unlikely to pursue integration because their expected marginal benefit in terms of improved re-election chances is minimal. In economic crisis, however, leaders will be inclined to support integration as a way to enhance economic efficiency and thereby increase their popularity.⁷⁵

A second supply condition—drawn from hegemonic stability theory—focuses on international leadership. Integration, even among states who share a substantive interest in controlling negative externalities, can be obstructed by collective action problems. A condition for successful integration therefore lies in the presence of an undisputed leader among the states seeking closer ties, which can serve as 'focal point' in the coordination of

⁷³ Ibid. pp. 46, 58.

⁷⁴ Mattli 1998, p. 115.

⁷⁵ Ibid. pp. 44-50. For similar analyses of political leaders' preferences with respect to integration see e.g. Grossman & Helpman 1994 and Milner 19xx, p. 87. The assumption that technological change creates pressures which lead national business groups to demand integration, and the notion that integration supply is contingent on the harmony of integration effects and the self-interests of political leader bears some resemblance to a neo-functional logic.

rules and policies and ease distributional tensions via side-payments.⁷⁶ Only when both conditions are satisfied—domestic demand for and political will to supply integration as well as strong leadership at the international level—will integration be successfully implemented. Once underway, however, an integration process may become self-sustaining insofar as “the successful provision of a new governance structure is likely to further market integration, hence putting the structure under pressure to adapt”.⁷⁷

Andrew Moravcsik's Liberal Intergovernmentalism

A second PE approach—which may be said to be a hybrid between a liberal and a realist approach insofar as it combines a society-centered approach of preference formation with intergovernmentalist bargaining theory—is Andrew Moravcsik's Liberal Intergovernmentalism (LI).⁷⁸ The LI framework presents a tripartite model of integration grounded in a liberal theory of international interdependence. The first level presents an explicit theory of national preference formation. At this level, foreign policy goals are formulated in response both to the constraints and opportunities imposed by economic interdependence and to shifting pressure from domestic constituents. The dominant actors at this level are organized domestic producer groups, reacting to rising opportunities for trade.⁷⁹ Thus Moravcsik argues with respect to postwar European integration that “existing scholarship greatly underestimates the extent to which national policies have been driven by the desire

⁷⁶ Mattli 1999, pp. 51-56. Mattli concludes that “if political leaders are willing to initiate an integration process, chances of sustained success are greatest if two strong integration conditions are satisfied: First, a regional group stands to reap important gains from integration; second, the group is lead by a country able to serve as an institutional focal point”. Ibid. pp. 64-65.

⁷⁷ Ibid. p. 49. This assumption bears close resemblance to a neofunctionalist logic.

⁷⁸ “Liberal Intergovernmentalism” is laid out by Moravcsik in a series of articles 1991, 1993, 1994, 1995 as well as in a recent book *The Choice for Europe*, 1998.

⁷⁹ Ibid., p. 39. According to Moravcsik, European leaders have “consistently pursued economic interests—primarily the commercial interests of powerful economic producers and secondarily the macro-economic preferences of ruling government coalitions—that evolved slowly in response to structural incentives in the global economy.” The influence on producer interests on national preferences is not direct, however. These interests are promoted “within the broad constraints set by a general demand for regulator protection, economic efficiency and fiscal responsibility”. Ibid, p. 3.

to promote exports".⁸⁰ At the second level, the outcome of interstate negotiations is explained using an intergovernmentalist bargaining theory focused on asymmetrical interdependence. At this level national executives are the supreme actors — societal actors exert influence only through the domestic political structures of member states. Negotiation outcomes are seen to reflect the relative bargaining power of states which is a result of relative opportunity costs, itself a function of export potential.⁸¹ The third level employs a functional theory of institution-building to explain why states decide to pool or delegate sovereignty to international institutions instead of relying on ad hoc cooperation. The incentive to institutionalize interactions is explained by reference to Transaction Cost Economics which analyzes institutions as a functional means to overcome informational and other collective action problems among states, thereby enhancing the credibility of commitments.⁸²

Hypotheses & Observable Implications of the Political Economy Perspective

If the PE thesis is correct, integration should follow new trends in economic circumstances which allow states to reap joint benefits from cooperation that could not previously be obtained.⁸³ Specifically, integration should be associated with 'rising opportunities for profitable cross-border exchange', brought about either by rising international interdependence or by technological innovations which increase the practical scope of economic and political cooperation.⁸⁴ When such conditions hold, we expect

⁸⁰ Moravcsik 1998, p. 87.

⁸¹ Relative bargaining power is determined by patterns of asymmetric interdependence. Those states that will be least harmed by the non-agreement outcome gain most in negotiations. Moravcsik 1998, p. 87.

⁸² Pooling and delegating of sovereignty is seen to bolster the credibility of international commitments because it raises the visibility and costs of non-cooperation and establishes records of reputation. Moravcsik 1998, pp. 74, 93. See also Keohane 1984, North 1990.

⁸³ In order to account for the *timing* of integration, PE explanations must demonstrate that positive economic gains from integration were not previously available to states. If it cannot be shown that opportunities for gains from cooperation have arisen that were not previously present, we are still left with the question of what served as a trigger for integration.

⁸⁴ Moravcsik 1998.

national preferences for integration to reflect an outflow of societal pressures—most notably in the form of demands for liberalization by organized producer groups.

Going a step further, we may also glean some hypotheses about the functional shape of regional institutions. If the PE perspective is correct, we would expect the bulk of institutionalized cooperation to take place in areas of economic activity. Integration should be aimed explicitly at getting rid of major stumbling blocs to economic exchange such as high tariffs, detailed regulations, or fluctuating exchange rates. Institutionalized cooperation on strictly political or military issues, by contrast, is not explained by the PE approach unless such cooperation is shown to be critical in supporting economic exchange. Another way of stating this is that we would expect to see states pool or delegate sovereignty to regional institutions only to the extent that doing so can be expected to enhance politico-economic efficiency.

At first sight, West European integration may be seen to offer excellent evidence for these assumptions. Since 1958, the major intergovernmental bargains have been primarily of an economic nature, focusing on reducing barriers to trade, managing exchange rates etc. Nonetheless, the European integration process as a whole has not taken quite the form and shape that PE theory would lead us to expect. The first integration initiative, the European Coal and Steel Union of 1952, had little background in commercial concerns. In general, if member states had been concerned exclusively, or even primarily, with commercial advantage it is plausible that they would have engaged in less extensive cooperation, for example via the creation of broad FTA, which would have offered more opportunities for European producers to expand their exports of goods and services. The fact that European integration has been confined to a geographically more narrow and politically more constrictive framework suggests that a full explanation for integration must take account of geopolitical concerns as well.

Summary

In this chapter I have presented a brief overview of the main political science approaches to regional integration. As we have seen, each approach gives rise to a set of concrete hypotheses and observable implications regarding the underlying motivations for integration. A weakness of many current integration theories, however, lies in the lack of an integrated approach which can illuminate the tradeoff between national autonomy on the one hand, and the benefits—be they economic or security-related—from integration on the other hand. As I have shown, existing approaches often have problems in accounting for both the timing and concrete form of successive integration initiatives. When will opportunities for profitable exchange compel governments to surrender sovereignty to international institutions? How damaging must transaction costs be before national governments are persuaded to abandon control over key policy-making tools in order to eliminate such costs? Under what conditions will states choose integration over a simple military alliance as a way to balance against military threats? To say that received theories of integration fail to offer a convincing answer to these questions is not to say that these theories are wrong, only that they may be insufficient. To adequately explain both the timing and form of major integration initiatives, I argue, one must take account of an additional explanatory factor, namely that of a regional preventive conflict. Only by focusing on security concerns *within* regions can we provide a satisfactory explanation for both the timing of integration (in response to regional power fluctuations) and its concrete form (binding agreements which reduce the returns to power and raise the costs of exit from institutional arrangements). Nevertheless, my choice of focusing on preventive conflict as a key causal factor should not be seen as a whole-sale rejection of the explanatory variables emphasized in existing theories. My argument is not that “A not B mattered”, but rather “both A and B may have mattered, but A mattered most”.

III. A THEORY OF INSTITUTIONAL BINDING

"Peace is not the end of struggle, but the finer organization of it". (Charles Merriam)⁸⁵

I. INTRODUCTION

The central argument of this dissertation is that integration can best be explained as a solution to a particular time-consistency problem known as the preventive war dilemma. At the root of the preventive war dilemma lies a commitment problem. In situations of power transition, rivaling states who could in theory gain from peaceful bargaining nonetheless wage war on one another because they cannot trust each other to uphold a deal *ex post*. However, as I illustrate in this chapter, integration can solve the commitment problem by enabling states to credibly commit *ex ante* to a peaceful course of action *ex post*. By pooling sovereignty in supranational institutions states can establish binding constraints on one another which rule out future use of arbitrary force by making it either physically impossible, or prohibitively expensive, to pursue national objectives by means of force.

The idea that states pursue integration in order to constrain one another's power is not novel. For example, it is widely agreed that French desires to rule out a future war with Germany played a key role in the creation of the European Community of Steel and Coal Community (ECSC) in 1952.⁸⁶ Similarly, the linkage between German re-unification (and the fear this caused in France) and the move to European Monetary Union (EMU) in 1992 is acknowledged by many observers.⁸⁷ However, no attempt has been made at developing these assertions into a general theory of European integration—let alone a theory which

⁸⁵ Charles Merriam, "Systemic Politics", 1945.

⁸⁶ Among those who stress French fears of German rearmament as a driving factor in the creation of the ECSC are Archer 1990, Baun 1996, Dell 1995, Dinan 1994, Gillingham 1991, Hogan 1991, Ikenberry 2001, p. 42, Lynch 1984, Milward 1984, and Poidevin 1991. This reading is contested by Moravcsik 1998.

⁸⁷ See e.g. Baun 1996, Cole 1993, Dinan 1994, Haglund 1991, Saeter 1995, Sandholtz 1993, and Yost 1990.

might account for other cases of integration as well.⁸⁸ Missing is a theoretical framework which gives the argument about French desires to 'bind' German power via integration a clear analytical basis and which could be extended—in principle—to similar cases. Such a framework would have to answer three questions: First, under what conditions will weaker states attempt to tie down a stronger, potentially threatening state by integrating with it? Second, when will a stronger state agree to accept institutional constraints on its powers? Third how, in practice, can international institutions serve to bind states to a given course of action thereby enabling credible commitment? This chapter offers an attempt at providing such a framework.

The chapter is organized as follows. Section II presents the theoretical assumptions which underlie the analysis. The following three sections explore the relation between the preventive war dilemma and the incentive for states to institutionalize their political and economic interactions. In section III, I present a simple version of the standard preventive war scenario, showing why preventive war is a rational course of action when the balance of power between two military rivals is expected to shift. In section IV, I modify the standard commitment problem by giving states the option to create an institution that enables them to credibly commit *ex ante* to a given course of action *ex post*. In section V, I specify the key conditions that an institution must meet in order to enable credible commitment and spell out a number of concrete ways in which international institutions can be engineered to fulfil these conditions. Section VI proceeds to address some possible objections to the binding argument. Section VII concludes by deriving a set of concrete

⁸⁸ References to security interests remain *ad hoc* in most accounts of European integration. E.g., Baun (1996) argues that European integration has proceeded according to two separate logic: the logic of 'security and geopolitics' on one hand and the logic of 'interdependence and economic necessity' on the other hand. In the early postwar years, security interests were the primary motivation for integration, whereas by the late 1950s economic interests had become the main driving force. This remained true until the late 1980s when the end of the Cold war "made the logic of security *once again* the predominant driving force of European integration". Baun 1996, p. 7.

hypotheses about the conditions in which the binding thesis would lead us to expect integration.

II. BASIC ASSUMPTIONS

The theoretical framework is based on two key assumptions about the nature of international relations. First, states are the primary actors in international politics. Second, states can be conceived as rational, unitary actors. For our purposes, 'states' can be defined simply as 'territorially defined organizations that provide protection for their constituents in return for revenue'.⁸⁹ The assumption that states are rational implies that they choose instrumentally among different policy options based on which option is most likely to maximize their interests.⁹⁰ The assumption that states are unitary, on the other hand, implies that states act in international affairs with a 'single voice'.⁹¹

The first step in explaining regional integration is to explain what determines state preferences. Following Andrew Moravcsik, I define state preferences as "an ordered and

⁸⁹ This definition is given by Gilpin 1981, pp. 15-17. Several forms of political organization fit this definition. The polities analyzed in this study range from city-states and dukedoms to contemporary nation-states. These polities frequently lack many of the characteristic commonly associated with modern nation-states. However, they all share certain features (such as a firm territorial basis within which they constitute the only legitimate source of authority, and autonomy vis-a-vis outside actors) which makes it appropriate to speak of them as 'states'.

⁹⁰ The standard definition of instrumental rationality requires that states 'make logically correct calculations, using all available information to pursue well-defined goals'. (Snidal 1986, pp. 38-39, Morgenthau 1978, p. 5, Harsanyi 1986, p. 83). Some may object that the assumption that actors consciously calculate the costs and benefits of alternative courses of actions is unrealistic. This objection is valid, I believe, when we talk about consumers in a market, but carries less weight in the realm of international cooperation and conflict. It is widely agreed that the higher the stakes of a decision, the greater the likelihood that decision-makers will behave rationally in the sense of using all available information to produce a utility maximizing response (Stam & Bennett 1999, p. 2, de Mesquita & Lalman 1992, pp. 12-17). Moreover, the fact that foreign policy decisions often result from bargaining among a limited number of people increases our confidence in the rationality of these decisions. Archer 1988, Stam & Bennett 1999.

⁹¹ Moravcsik 1998, p. 21. Theories based on a unitary actor assumption differ in whether they assume that states are also unitary *internally*—i.e. whether the process of foreign policy making is constrained by competition between different domestic interests. A 'weak' unitary actor assumption views foreign policy goals as resulting from the give and take of domestic politics. E.g. Moravcsik (1998: 22) takes the unitary actor assumption to imply that "once particular objectives arise out of...domestic competition, states strategize as unitary actors vis-à-vis other states in an effort to realize them". This view rests on a 'thin' rationality account which insists only that states act with short-term instrumental rationality, but which does not assume that state preferences are uniform or coherent across issues or over time. The assumption made here is somewhat stronger: Assuming the existence of a hierarchy among foreign policy and domestic policy goals we can assume that important foreign policy decisions are relatively unconstrained by domestic politics.

weighted set of values placed on future substantive outcomes that might result from international political interaction".⁹² Also, I distinguish between state preferences over substantive outcomes on one hand, and state choices of 'strategies' or 'policies' on the other hand. Preferences over outcomes reflect fundamental state objectives which are exogenous to a given political environment. By contrast, choices between different strategies reflect considerations about how to best achieve these goals within a given political context.⁹³

I assume that states have a serial or lexical preference ordering. This is an order which requires states to satisfy the first principle in the order before they can move on to the second, the second before the third, etc. A principle does not come into play before those previous to it have been met or no longer apply.⁹⁴ The primary interest of states which must be satisfied before other objectives can be pursued is 'national security'. National security interests include perceived threats to a state's sovereignty or territorial integrity. Security interests may also reflect threats to a state's economic system, which are seen to carry a risk of serious economic deprivation. Such threats impinge on national security because economic activity, qua surplus-creating productivity and surplus-derived capability, is ultimately decisive for administrative proficiency and military preparedness.⁹⁵ For example, the threat of a complete economic collapse currently facing Russia can be seen to constitute a threat to its national security.⁹⁶

In periods in which a state is externally secure it will be free to respond to other concerns. These include strengthening the power of the state vis-à-vis potential threats to its authority from within a domestic society, and responding to demands from its

⁹² Moravcsik 1998, p. 24.

⁹³ Moravcsik 1998, pp. 24-25.

⁹⁴ Rawls 1991, p. 41.

⁹⁵ Liska 1990, p. 311. See also Gilpin 1981, pp. 18-19, Kennedy 1987, pp. 539.

⁹⁶ This looming economic collapse threatens both the external and internal security of the state.

constituents for increased material welfare or other benefits. Thus, with a rough simplification, we can express state preferences in terms of three principles:

- 1) control over an external security environment (defense against attacks)
- 2) control over domestic society (defense against insurgents)
- 3) ability to satisfy demands from constituents (responsiveness)

It is important to note that a lexical preference ordering does not preclude that states can pursue two or more goals simultaneously. However, goals can be pursued concurrently only when they are not in direct competition with one another. If a state's efforts to maintain control over an external security environment conflict with the demands from key domestic constituents, constituents' demands will be satisfied *only* if the principle of national security has already been satisfied. As we will see in chapter VI on the European Communities, for example, pressures from domestic producer groups for new economic policies in the wake of World War II were allowed to influence the formulation of foreign policy goals only *after* the problem of national security had been adequately addressed.

The assumption of a lexical preference ordering, headed by the principle of national security naturally raises the question: When is a state secure? At what point can states move on to pursue other, secondary, goals? Realistically, states can never achieve absolute security, defined as the absence of conceivable external threats to their existence. Instead, we assume that states strive to satisfy some minimal condition of external security, defined as the maintaining of control over external events which may threaten their *immediate* survival. Control in this case can be distinguished from formal sovereignty. A state's sovereignty can be understood as consisting of: a) a set of legal competences over given issue areas; b) a legitimate monopoly on the use of force within its jurisdiction; and c) formal recognition by other states. While formal sovereignty is important to states, it is

less important than actual control over events which may threaten its external security. In other words, states do not preserve sovereignty at all costs. Indeed, a main argument of this dissertation is that in situations in which a state's national security is threatened, it may agree to relinquish some of its formal sovereignty if by doing so it can establish more firm control over the factors that impinge on its external security.

III. THE PREVENTIVE WAR DILEMMA AND THE PROBLEM OF COMMITMENT

In this section, I present the elementary logic of the preventive war dilemma which I argue lies at the root of regional integration. Historically, preventive wars have been prominent. According to leading balance of power theorists, the majority of wars between the great powers in the past centuries have started as preventive wars not as wars of conquest.⁹⁷ The theoretical significance of the preventive war dilemma derives from the importance of changing power differentials between states, arising from uneven growth rates. In an anarchical system which affords no protection against the dominance of stronger over weaker actors, war is the only way to balance power. From this premise derives the assumption that most international wars are preventive in nature, aimed to forestall dangerous disequilibria in the distribution of power before they occur.⁹⁸

⁹⁷ See Taylor 1954, p. 166, Morgenthau 1985, p. 202, Carr 1939, Levy 1987 and Claude 1962. The preventive axiom is contested by Organski who argues that in recent history it has been the challengers (Italy, Germany, Japan) who attacked the dominant nation and its allies long before they equaled them in power. This, he argues, contradicts the logic of prevention. See Organski 1968, p.375, Organski & Kugler 1980, p. 61, Thompson 1983.

⁹⁸ Most conceptualizations of preventive war rely on a notion of a declining state's perception of the inevitability, or at least high probability, of a future war in which a challenger's power will have surpassed its own. However, as Jack Levy has shown, preventive motivation may apply even in the absence of an immediate danger of being surpassed in strength. Armed prevention may be attributable not only to a current 'imbalance' in military position but also to the projection of a future imbalance and to a corresponding perception by some states that only a preventive war can guarantee their long-term security. See Levy 1987, p. 88 and 2001. See also Dougherty & Pfaltzgraff 1989, p. 146. The link between uneven growth rates and preventive war is explored by among others Taylor 1971, p. 166, Dehio 1963, Levy 1987, Morgenthau 1985, p. 202, Aron 1966 and Gilpin 1981. For an empirical test of the relation between uneven growth and war, see Siverson & Tennefoss 1984, Powell 1996, de Mesquita & Lalman 1988.

At the root of the preventive war dilemma lies a commitment problem. Consider two neighboring states, one whose power is rising and who seeks to revise the status quo, another whose power is declining and who is satisfied with the status quo. Given its relative growth, at some point in the future, the rising state will be able to establish a dominant position, meaning that it is able to use its preponderant capabilities to prevail in future distributive conflicts.⁹⁹ In this situation, what should the declining state do? The standard answer is to wage a preventive war while the rising state is still relatively weak. The reason is inter-temporal inconsistency. Rationalist theories of bargaining and war tell us that—as long as states incur a positive cost for going to war—it will be possible, in theory, to reach a negotiated solution which leaves both sides better off than going to war is possible in theory.¹⁰⁰ For example, it is plausible that a rising state, while still weak, would be willing *ex ante* to promise not to take advantage of its future military superiority if it believed that it could thereby avert a preventive attack against it. However, since the rising state will have an incentive, *ex post*, to renege on the bargain should it gain the power to do so, it cannot make its promise credible in the absence of third-party enforcement.¹⁰¹ Instead, war ensues, although both parties would have preferred to stay at peace.

To see why preventive conflict often results in war, and to comprehend how such conflict can instead be solved peacefully, it is helpful to provide a formal illustration of the

⁹⁹ A common definition of dominance or 'hegemony' is a situation in which one state is able to 'lay down the law to others' hence depriving them of their 'autonomy or capacity to make their own decisions' (Aron 1966). In formal terms, hegemony is often defined simply as preponderance in resources. Hence Wight (1977) defines hegemony as "a situation in which a single state can measure strength against any combination of other states" and Niou, Ordeshook and Rose state that hegemony arises when one state "gains control of exactly half the resources in the system". (Niou et al. 1987, pp. 76-78). Although such formal definitions are tainted by the fact that they assume that resources translate directly into power they nonetheless provide a useful approximation for when a state can be said to be dominant.

¹⁰⁰ Fearon (1995) has argued that, as long as both sides in a conflict suffer a real cost for fighting, war is always inefficient *ex post* since both sides could be made better off by agreeing on the same outcome without incurring the cost of fighting. Insofar as states share similar probability estimates about the likely outcome of a war they should therefore be able to agree, *ex ante*, on a bargain what will leave both sides better off than going to war. See also Powell 1999.

¹⁰¹ Fearon 1995 and 1998 identifies this problem as a commitment problem. A similar analysis is given by Levy 1987, pp. 96-98.

preventive dilemma. We can model the preventive war problem as a simple two-period game with full information. The game has two players; a rising potential hegemon, H, and a coalition of status quo states, C, which we shall assume to act like a unitary actor.¹⁰² Both players are assumed to be risk-averse. Both the rising potential hegemon and the declining coalition have preferences over a set of issues represented by a one-dimensional space. The rising hegemon prefers outcomes closer to the right side of the spectrum, whereas the coalition prefers outcomes to the left.¹⁰³ We may think of this spectrum as representing control over an economic resource—such as territory—such that the right side of the spectrum represents full control by the hegemon, and the left side represents full control by the members of the coalition. We can also conceive of the spectrum as representing political autonomy. The left side represents absolute autonomy for declining states, whereas the right side represents a situation in which the autonomy of declining states has been eliminated by the hegemon (domination). Outcomes in the middle represent various forms of shared sovereignty.

The game is played over two periods. At both points in time, t , the would-be hegemon makes a demand X which represents a revision of the status quo by granting it control over more of the resource in dispute. The coalition can either accept this demand or fight it in war. The rising hegemon is assumed to win a war (and the coalition to lose it) with probability P_t .¹⁰⁴ The probability of prevailing in war is a function of states' physical resources. Since the rising hegemon's power is growing relative to the coalition's, the probability that H will win a war is assumed to increase between the first and second

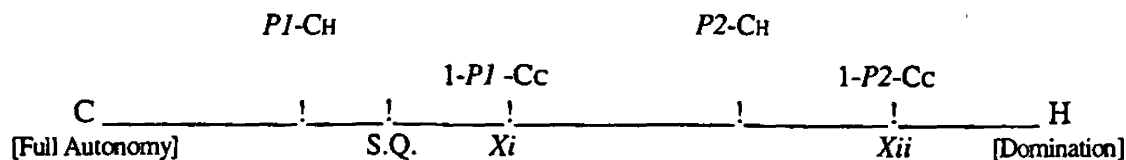
102 This is admittedly a strong assumption which will be relaxed below.

103 Rasmussen & Verdier 2001. See also Fearon 1995, p. 387 and Powell 1999, p. 119.

104 I assume that states estimate the probability of success in war according to their relative share of capabilities. See Levy 1987, de Mesquita & Lalman 1992.

period ($P_2 > P_1$). The winner of a war gets to impose its preferred solution in all subsequent periods.¹⁰⁵

Fig. 1



Imagine that in Period 1, the rising hegemon makes a demand for X_i (a moderate improvement over the status quo). The coalition can either accept this claim as the new status quo or question it on the battlefield. C accepts the demand if its utility for the revised status quo is greater than its expected utility for going to war. The value to the coalition of challenging the demand is equal to the expected value of winning the war minus the one-time cost of fighting. ($1-P_1 - Cc$). Hence, the maximum demand that the rising hegemon can make in Period 1 without inviting a war is X_i (this is equal to C's expected payoff from war or its 'reservation payoff'). If the coalition accepts the hegemon's demand, the game proceeds peacefully to Period 2 at which point H can make a second demand. Given that the rising hegemon's power is growing at a faster rate than the coalition, it will be able to make a claim In Period 2, X_{ii} that is greater than its initial demand. Again, the coalition can choose to accept the demand or fight. C's utility for fighting is $1-P_2 - Cc$.

The 'game' is solved by backward induction. If the change in H's power between Period 1 and Period 2 is substantial and the increase in its demands for revision therefore large, we see that the coalition's utility for accepting X_{ii} is less than its utility for war in

¹⁰⁵ This simplifying assumption amounts to saying that the winner will be able to prevail in all future distributive conflicts. Of course, this assumption is contingent on an 'absolute' victory and as such may be rather unrealistic.

Period 1. Moving back to Period 1, we see that the coalition—knowing that by accepting a demand for X_1 in Period 1, it will invite a demand of X_2 in Period 2—will reject the demand for X_1 and go to war. The intuition is simple: Because war is the ultimate means for settling disputes among states, and because a state whose power is rising will have an increasing chance of winning a war, other states will reject its demands for a 'peaceful revision of the status quo' since those demands may continue to increase in proportion to its growing power. Instead they will seek to avert domination through balancing power (via preventive war). The only scenario in which war will not be the dominant outcome is if states highly discount the future¹⁰⁶, or if the one-time cost of war is so high that states are indifferent between the risk of domination and the risk of armed confrontation.¹⁰⁷

IV. INTEGRATION AS A SOLUTION TO WAR

Standard realist international relations theory offers only one solution to the preventive war dilemma: war. In a world where might is right, states are expected always to react to looming threats by balancing power—if necessary in coalition with other states who also feel threatened.¹⁰⁸ However, balancing of power and war is not the only options available to declining states in a power transition. Alternative options include 'bandwagoning' and 'binding'. Historically, states have sometimes sought to ward off danger by allying with a rising challenger instead of balancing against it or by seeking to

¹⁰⁶ I have assumed that states do not discount the future at all.

¹⁰⁷ If the one-time cost of war is extremely high—i.e. if war is assumed to involve a nuclear holocaust—then war may not be a feasible option and the preventive dilemma disappears.

¹⁰⁸ While balance of power theorists, including most contributors to recent debates about balancing, disagree about what kinds of states balance and what it is they balance against, one thing they agree on is that the great powers in the system will balance against a state that threatens to achieve a position of hegemony over the system. Both those who argue that states balance against power (Waltz 1979) and those who argue that states balance against threats (Walt 1987, Healy and Stein 1989) reach this conclusion, because a state strong enough to threaten hegemony will almost certainly be the greatest single threat to the interests of any other great power. The same logic may lead to the prediction that non-great powers in regional systems will balance against a state in the region that threatens to achieve a position of hegemony in the region. See Levy 2001, p. 5.

'hide' from a threat by opting for neutrality.¹⁰⁹ If successful, strategies of balancing and hiding may present a low-cost alternative to balancing. However, such strategies often back-fire. By aligning itself with a would-be aggressor or by staying aloof from a hegemonic conflict, a declining state invariably increases the resources at the challenger's disposal and thus places its trust in its continued benevolence and forbearance.¹¹⁰ Bandwagoning will therefore tend to be eschewed by all but small and weak states who cannot muster enough force to balance against danger.¹¹¹

War is the most likely outcome of a preventive dilemma, but it is not the only solution. Risk-averse states may prefer another possibility, namely institutional binding. This strategy implies embedding a rising state within a common institution which places constraints on its future power. As we saw in the previous section, the preventive war dilemma is rooted in a time-consistency problem. Because declining states cannot trust a rising challenger to remain benign, they will attack preventively to guard against the possibility of a future conflict in which the challenger's power will have surpassed their own. But imagine for a moment that states could in fact make a credible commitment not to abuse their future power. Imagine, for example, that rising and declining states could create an institution which would resolve all future issues in accordance with the present balance of

¹⁰⁹ Paul Schroeder (1994) argues that, in modern history, most states have sought to protect their vital interests by seeking to hide from or bandwagon with threats rather than rely on self-help. Other proponents of the bandwagoning theory include Schweller 1994 and Rosecrance & Lo 1996. Whereas Schroeder maintains that states bandwagon because they cannot afford to balance, Schweller charges that states may bandwagon in pursuit of profit. The notion that states bandwagon is disputed by many authors who point out that empirically, the evidence in favor of bandwagoning is scant. As Stephen Walt has argued, if it were true that states prefer bandwagoning to balancing we would expect to see an international system in which hegemony was relatively easy to achieve. Walt 1987, pp.18, 29, Snyder 1997, pp. 158-160. See also Morgenthau 1955, pp. 43-44.

¹¹⁰ Morgenthau 1985 p. 169.

¹¹¹ Small states may be frequent 'defensive' bandwagoners. With narrow territories and few resources, small states often lack the strength to balance. Moreover, weak states add little to the strength of a defensive coalition but incur the wrath of the more threatening state nonetheless. Faced with a threat on their borders, small and weak states may seek to ward off instant catastrophe by allying with the source of threat. However, such policies are often followed by a quick reversal of strategy as soon as the balance of power begins to shift. See Rothstein 19xx, pp. 25-26, Schroeder 1976, and Morgenthau 1985, pp. 43-44.

power, and which would remain unchanging in the face of future changes to the underlying distribution of resources. In this case, a preventive war would be redundant.

To see why, consider figure 1 above. This figure illustrates that, while it finds itself in a vulnerable position, the rising hegemon has an interest in proposing to limit its future demands in order to prevent an attack against it. Assuming that the coalition will only fight if its utility for war is greater than for bargaining, it follows that C would refrain from going to war if it was forever guaranteed its first-period reservation pay-off (X_1). In Period 1, the rising hegemon's expected utility for war is less than from a negotiated settlement (X_1). Thus, H has an incentive to promise in Period 1 not to make demands beyond X_1 in Period 2 if it can thereby persuade the coalition not to wage war or otherwise take action to halt its growth. The problem is, of course, that the rising hegemon has no interest in fulfilling this promise once it becomes dominant. If the coalition allows the game to proceed peacefully to Period 2, H will claim X_2 regardless of its prior incentive not to do so. The coalition fights a preventive war to avoid this outcome. It is easy to see, however, that if an institution could be created that enables the rising hegemon to commit not to take advantage of its future strength to demand excessive revisions, then it may thereby succeed in making its growing power more acceptable to other states. In turn, this may allow it to escape the wrath of a preventive attack.¹¹²

This simple insight expresses the fundamental logic of institutional binding: Since fluctuations in power continue to occur, the only way states can avoid preventive wars is by finding ways to make power-fluctuations less consequential. An institution enabling credible commitment is an institution that *reduces* the returns to power—either by establishing constraints on the accumulation of resources, or by setting clear limits to what states who gain a preponderance in resources will be able to achieve with those

¹¹² This is consistent with the findings of Fearon 1995 and Wagner 1986.

resources.¹¹³ This solves the dilemma of preventive motivation. As John Ikenberry has argued, if power can be 'tamed' by making it less consequential, then this reduces the stakes of distributive conflict: "Losers realize that their losses are limited and temporary—to accept those losses is not to risk everything, nor will it give the winner a permanent advantage".¹¹⁴ In this case, preventive motivation recedes.

The following section (section V) explains how international institutions may be engineered to constrain and reduce the returns to power. Before I turn to this question, I consider the precise circumstances in which institutional binding is likely to be a preferred response to preventive conflict. When considering the likelihood of binding, two important points must be kept in mind. First, for institutional binding to be a viable option, both sides in a conflict must prefer a negotiated solution to war. Second, binding entails certain costs. As we will see, in order to enable credible commitment, states must pool or delegate control over key national policy instruments to a common institution. Whereas successful balancing promises to uphold the full sovereignty of states, institutional binding—from the viewpoint of national sovereignty—implies a second best solution in which states surrender a limited amount of sovereignty in order to remove the risk of an all or nothing conflict.¹¹⁵

The Likelihood of Institutional Binding

The above analysis shows that, given the possibility of credible commitment, states may be able to find a negotiated solution to the preventive war dilemma. But when are they likely to do so? In theory, as long as states incur a real cost for fighting, a negotiated solution always presents a possible improvement over settling disputes through war. However, since the crafting of a binding institution is costly (states must agree to a partial

¹¹³ Ikenberry 2001, p. 29, 32.

¹¹⁴ Ikenberry 2001, p. 32. See also Przeworski 1991.

¹¹⁵ Følland 1997, pp. 243-244.

surrender of sovereignty) we can assume that institutional binding will only be preferred by states when the cost of balancing is high. If the one-time cost of war is low and the chance of victory high, the voluntary surrender of sovereignty to a supranational institution in order to avoid a war will seem less attractive. As the perceived costs of balancing rise, however, so does the appeal of a negotiated agreement.

What determines the perceived cost of balancing? Three factors may influence the expected cost of preventive action against a rising threat. First, the extent to which states are averse to risk. Second, the existence of competing security goals to which scarce resources must be devoted. Third, the degree of collective action problems among allies which must be solved in order to make balancing effective.

1. risk-aversion

One factor that may influence the incentive to bind rather than balance is the extent to which states are averse to risk. If states are *risk-acceptant*, they may prefer the risky lottery of war over institutional binding. By contrast, the more states are averse to risk, the more likely they will prefer an institutionalized solution which safeguards the status quo (at the cost of a one-time reduction in sovereignty) while removing the risk of an 'all or nothing' confrontation.¹¹⁶ This logic is similar to Charles Glaser's observation that if states are uncertain about the outcome of an arms race which they would like to win, "risk-averse states would prefer an arms control agreement that accepted the current military status quo to gambling on prevailing in the arms race".¹¹⁷

States' acceptance of risk may vary as a function of several factors. One factor that may be of importance is historical memory. The memory of past failures of balancing may

¹¹⁶ Risk aversion implies that states are hostile to gambling. It means that states will prefer a 50:50 split of whatever is at stake in a conflict to a 50:50 chance at all or nothing (i.e. at winning or losing the war). See Fearon 1995. In addition to risk-aversion it must be true that states must value the future. If states place very little value on future outcomes the commitment problem disappears.

¹¹⁷ Glaser 1994/1995, p. 59.

strengthen the incentive for declining states to respond to present threats with binding rather than balancing.¹¹⁸ The same may be true for the experience of costly wars. It is often argued that great wars make states more sensitive to the costs of fighting.¹¹⁹ In a similar vein, Robert Jervis has argued that hegemonic wars tend to undermine the belief in a functioning balance of power. The often long and destructive struggle against a potential hegemon may weaken the assumption of balancing as a cheap or effective tool for managing threat, he argues.¹²⁰ After such wars states will therefore be more apt to create institutional frameworks for cooperation to help prevent a reemergence of the threat.¹²¹ As we will see in chapter VI, this was evident in postwar Europe where the experience of two costly and largely ineffective wars fought to prevent German hegemony led to a U-turn in the strategies employed by Germany's neighbors to deal with new perceptions of hegemonic threat. Historical memory may also impact the risk-aversion of a rising state. The memory of previous failures to improve its position through war may persuade a revisionist state to choose modest but sure gains through negotiation over the lottery of war. This has clear implications for institutional binding: The recent experience of costly and indecisive wars serves to increase the risk-aversion of states and thereby enhances the appeal of institutional binding as a 'safe' way to solve a preventive dilemma. The greater the risk-aversion of both rising and declining states, the greater the room for a negotiated solution.

2. high opportunity costs

A second factor that may affect states' preference for binding is the presence of an extra-regional threat. Military confrontations among states in a region divert resources

¹¹⁸ Other factors which may impinge on risk-aversion (but which are not easily generalizable) derive from the domestic environments of states. Shifting domestic circumstances may increase or decrease the opportunity costs to governments of international conflict.

¹¹⁹ The more costly the previous wars the less likely are decision makers to press for new confrontations. Jervis 1985, Gochman 19xx, p. 101.

¹²⁰ Jervis 1985.

¹²¹ According to Jervis (1995) this explains why great power 'concerts' tend to emerge in the wake of major wars.

from other vital functions such as balancing against threats external to the region. Since states will usually attempt to not weaken themselves on two fronts at once, the presence of an outside threat may increase the attraction of binding as a means to solve a regional conflict. This is similar to the conventional realist claim that regional integration is motivated by external threat. However, it is important to note that the incentive to bind arises in response to a preventive security dilemma *among* regional states. The presence of an external threat may heighten the appeal of institutional binding because it increases the opportunity cost of a war between rising and declining states within a region, but external threat is not in itself a sufficient condition for binding to occur.

3. collective Action Problems in Alliances: The Limits of Balancing

A third factor which makes binding more likely as a strategy for dealing with geopolitical threat is collective action problems within alliances. In traditional balance of power theory, balancing against rising states is supposed to be virtually automatic. Especially, balancing of power is expected to be smooth when a group of states face a direct threat of domination. In the words of George Liska, "the question of with whom to ally and how much are never simpler than in the case when the precept of the balance of power is clearest—in the event of a bid for hegemony".¹²² However, looking at the historical record, we find that preventive coalitions have often been slow to form. Classic examples include the Napoleonic wars where an effective counter-alliance against France was almost twenty years in the making, Prussia's forceful unification of Germany in 1870 virtually unopposed by her competitors, and the slow mobilization of a coalition to halt the advances of Hitler's Germany.¹²³

¹²² George Liska 1962. See also Levy 2001.

¹²³ On these cases, see Aron 1966, pp. 27-28, Posen 1984.

Preventive coalitions are slow to form because they supply a public good. If a rising challenger is defeated by one state, all benefit equally. Therefore, individual states may choose to stay aloof from a preventive coalition and let others bear the costs of defending the status quo.¹²⁴ The quandary of 'free riding' or 'buck passing' can be especially troubling in cases of regional power transition where a number of states are threatened by a rising challenger, but where only some of them are required to take action in order to defeat the challenger. In such cases, individual states may be tempted to remain passive in the hope that others will act instead.¹²⁵ Historical examples of free-riding are numerous. Britain and France each sought to 'pass the buck' prior to the outbreak of World War II by adopting overly defensive stands.¹²⁶ Similarly, balancing

124 The public nature of military alliance goods is addressed at length by the so-called 'economic theory of alliance' pioneered by Mancur Olson and Richard Zeckhauser (1966). The kernel of their argument is that alliances produce benefits that are both indivisible and non-excludable which makes them prone to collective action problems. The economic alliance theory is commonly accepted as offering an explanation for two characteristics of military alliances: 1. the tendency for larger, wealthier states to supply a disproportionate share of the benefits enjoyed by all members; 2. the tendency for alliance members to fail to meet the goals that they set themselves for forces-in-being and defense spending. (Thies 1987). As demonstrated by Snyder (1984, 1997) the public nature of alliance benefits may also explain the fact that effective alliances are often slow to form in the first place. For a discussion of the public nature of alliance goods see Blanning 1986, p. 186, Christensen & Snyder 1990, de Mesquita & Singer 1973, Jervis 1995, Levy 1981, Morrow 1993, Posen 1984, Schroeder 1994, p.132, Taylor 1987, p. 8. For a critique of the public goods approach to military alliance, see Boyer 1993, Sandler & Cauley 1975, Sandler 1977 and Wallace 1987. Critics of the economic alliance theory charge that military alliances render multiple services of both private, impurely public and purely public nature. While this is true for defensive alliances, there is reason to believe that alliances aimed at *prevention* closely approximate the qualities of a purely public good: The main benefit of prevention—the removal threat—can be enjoyed by states whether or not they have helped to affect it and from which individual states cannot be excluded.

125 To illustrate, we may conceive of alliance formation as an n -player game of public goods provision in which a threshold level of contribution must be met before any of the good is provided. Contributions above the threshold do not provide more of the good but only lower the cost for each participant. In this game, if others contribute sufficiently, an individual state X maximizes its payoff by free-riding on the balancing efforts of others. Conversely, if others contribute insufficiently, X maximizes its payoff by contributing to the alliance *provided* that its contribution is pivotal (See Taylor 1987). The game has no dominant strategies. However, it is not difficult to see that individual states will be tempted to withhold their contribution, hoping that others will deal with the problem.

126 Aron 1966, pp. 27-28, Posen 1984. Posen argues that France during World War II sought to pass the costs of balancing against Germany to Britain by adopting a strictly defensive policy and by signaling that lest Britain intervene, France would not be able to defend its own borders. Given its own defensive advantage Britain ignored these signals and did not intervene until the last moment.

against Napoleonic France was characterized by widespread attempts at free riding, either by refusing to subsidize allies' war-efforts or by declaring neutrality.¹²⁷

The problem of free riding is compounded by 'relative gain concerns' among defending states and by fear of defection. Members of ad hoc preventive coalitions will often regard each other as temporary allies but as long-term competitors. As a result, relative gain concerns may arise among allies who worry about the benefits accruing to their partners and about what effect those benefits may have on the balance of power once the contest is over.¹²⁸ This increases the temptation to 'pass the buck' in the hope of improving one's own position by letting ones' rivals 'bleed each other dry'.¹²⁹ Concern over relative gain may also lead states to defect from an alliance if they believe that their partners are being strengthened disproportionately.¹³⁰ To illustrate, a common justification for betraying an ally in the 18th century European balance of power system was the claim that the ally now presented the real danger to the balance of power.¹³¹

¹²⁷ For a discussion of allied policies during the Napoleonic wars, see Blanning 1996, pp. 187-191 and Kissinger 1957.

¹²⁸ Relative gains concerns are often salient in *ad hoc* alliances in which a number of states pool their force for the specific purpose of preventing a dangerous shift in the balance of power. In contrast to permanent alliances, such coalition are temporary, composed of states that have little or no shared interests other than a common hostility towards the enemy. The reinforcement of an *ad hoc* ally may therefore be seen as a long-term threat. Aron 1966, pp. 27-28, Waltz 1979, p. 167, Snyder 1984, p.11, 1997, p. 56, Christensen 1997.

¹²⁹ Christensen & Snyder 1990, pp. 141,159. A prominent example of free-riding motivated by 'intra-alliance relative gains concern' is Stalin's diplomacy during World War II, which was premised on the belief that even if Germany should succeed in defeating France a victory would leave the Soviet Union in a strengthened position. (see also footnote no. 32). Another example is the failure of an effective balance against Prussia in 1870-71. According to James Morrow, the main reason that Prussia was allowed to unify Germany was that France and Austria had conflicting territorial claims in Italy which made France reluctant to reinforce Austria and tempted it to try to enhance its own political by standing aloof from the mutual bloodletting of the two German powers. For a good account of this problem see Morrow 1996, pp. 208-209

¹³⁰ Most analysts of public goods provision treat defection and free riding as coeval. However, the two problems are separate: Free riding denotes a strategy of *ex ante* non-contribution (often chosen in an attempt to compel others to act) whereas defection involves reneging on an agreement *ex post*. In the standard public goods literature problems of defection are often assumed away. Once production of a public good is secured, unilateral incentives to defect are held to disappear. Yet, this may not be true for preventive alliances. Because a state is always more certain of its own intentions than those of its allies, the costs of alliance are inherently more certain than the benefits. Fear of getting a 'sucker's payoff' may induce states to play risk-averse strategies and defect from an alliance *preemptively* if they fear defection by others. E.g. Lisa Martin (1993) has shown that cooperation may fail even in games with an 'assurance' structure if one or more players fear that other participants have preferences orderings that resemble a PD rather than an assurance game. On defection from alliances see Snyder 1997, p.10, and Morrow 1996. Sabrosky (1980) reports that, historically only about 30% of formal alliances have been honored in conflict.

¹³¹ Schroeder 1994, p. 7.

Collective action problems among allies imply that, although alliances of defending states do fight preventive wars, they tend to do so belatedly and inefficiently.¹³² Delays in balancing give challenging states a head start, both in building up their internal power and in expanding externally by piecemeal conquest.¹³³ Moreover, collective action problems often reduce the effectiveness of allied campaigns, resulting frequently in indecisive victories that leave much of an enemy's potential for growth intact.¹³⁴ This has ramifications for the possibility of institutional binding. To the extent collective action problems weaken the war-making capability of a coalition this will tend to heighten the appeal of binding as an alternative to war.¹³⁵ After all, institutional binding (as opposed to balancing) holds the advantage of not only constraining a rising state, but of also constraining the policies of declining states by raising the cost to all participants of renegeing on an agreement. This form

¹³² The problem of delay in balancing is discussed by Glenn Snyder. He shows that, although delays occur, balancing likely triumphs in the end. The reason is that, as a challenger gains in power, the cost of non-agreement among defending states increases, thereby diminishing the incentives to free-ride. Assuming that the costs of non-agreement rise faster than the perceived costs of joining an alliance, balancing likely triumphs in the end (Snyder 1997, p. 51). In addition we may assume that as the threat from a challenger grows, the chief purpose of an alliance shifts from prevention to the provision of defense against a possible attack from the challenger. This implies that there are now private benefits to allying. This may explain the apparent paradox that states often pass up the opportunity of an effective preventive strike deciding to go to war only later, when the expected costs of confrontation are relatively higher.

¹³³ Posen 1984. For example, it is a common argument of historians that the weak and sporadic balancing by Britain, France and the Soviet Union before World War II contributed to Hitler's policy of incremental expansion in Central and Eastern Europe which made it ultimately more costly to restore the balance of power. See Levy 2001, p. 9.

¹³⁴ As an example, France emerged from the Napoleonic Wars with augmented borders, and Germany after World War I quickly regained its strength. According to Geoffrey Blainey, indecisive victories greatly enhance the risk that war will break out again. (Blainey 1986, p. 111). In addition to indecisive victories and the tendency for defensive coalitions to fall apart as soon as a war is over, the frequent failure to fully subdue challengers may also be due to the fact that losing states accelerate their recovery after a defeat. A.F.K. Organski and Jacek Kugler find that, in the wake of war, winners show a lower rate of recovery in capabilities depleted by war than losers. (Organski & Kugler 1980, p.106). A possible explanation is that losing states incur the destruction of obsolescent plants and industrial equipment. Another explanation is psychological; a defeated population living in the midst of destruction will recall the status quo antebellum and be very motivated to recover.

¹³⁵ Taking formal account of this factor would require modeling the preventive dilemma as a 'nested' or 'two-level' game: on one level a coalition of status quo states would play amongst themselves to coordinate their strategy vis-à-vis a rising challenger (the 'alliance game'); on another level they would play as a group against the challenger (the 'balancing game'). The greater the problems of collective action in the alliance game, presumably, the greater the appeal of striking a bargain in the balancing game. (the extent to which collective action problems would impede agreement in the alliance game would be a function of threat in the balancing game).

of credible commitment becomes particularly attractive in situations where defending states have difficulty in coordinating their strategies.

Whereas collective action problems may strengthen the incentive for declining states to choose institutional binding over balancing, such problems do not increase the incentive for a rising state to accept binding. For the rising hegemon, the incentive structure remains unaltered: If declining states are sufficiently foresighted to table their demand for binding at an early point in the rising state's career, the rising state will consent.¹³⁶ Of course, given that time is working in its favor, a rising state will not accept permanent constraints on its power unless it is convinced that failure to do so will result in an injurious preventive attack. In other words, the threat of prevention must be believable even in the presence of collective action problems among declining states. This is in fact the case. Collective action problems may increase the cost of balancing and therefore lead defending states to prefer negotiation over war. However, since the ultimate cost of remaining passive is 'elimination', even a costly war is preferred to passivity. If the rising state rejects negotiation, the coalition will therefore still have a dominant incentive to strike preventively. Collective action problems therefore do not eliminate a rising state's incentive to accept binding. However, insofar as the rising state knows of the coalition's difficulties, this may lower the value to declining states of a binding agreement, because the rising hegemon will only agree to a binding mechanism that freezes future power at a level that takes into account the coalition's low expected utility for war.

¹³⁶ The notion that declining states can anticipate the adverse implications of collective action problems and act rationally to minimize these implications assumes a high degree of strategic foresight. To get a rising potential hegemon to accept institutional binding, declining states must initiate negotiations at a point when the rising state is still militarily inferior and therefore has an incentive to acquiesce. This raises a question about state rationality: If declining states foresee that collective action problems will prevent effective balancing and compel them to seek accommodation with a rising challenger, is it not reasonable to expect that they will abandon a self-defeating policy of free riding and defection to strengthen balancing? Yet, this misinterprets the nature of a collective action problem. Collective action problems are characterized by the fact that what is individually rational leads to a collectively sub-rational outcome. Although states realize that individually dominant strategies can result in ruin for all, the structure of private incentives is such that they are unable to coordinate on a better outcome.

V. CREDIBLE COMMITMENTS QUA INTEGRATION

In the preceding section I have shown that—given the possibility of creating institutions that enable credible commitment—states may succeed in solving preventive dilemmas peacefully rather than through war. I have argued that this outcome is most likely to be preferred by both rising and declining states when the costs of balancing are thought to be high. The question now arises: How does institutional binding become possible? How can states negotiate an agreement that both sides prefer to war and how, in the absence of third party enforcement, can this agreement be made credible? To solve the preventive war dilemma, a regional institution must perform two tasks: (1) it must resolve future issues in conformity with the *ex ante* power distribution thereby curtailing the opportunity for future leading state(s) to dominance (“freeze the balance of influence”); (2) it must be *binding*—that is, something must prevent states from declaring it null and void if they no longer wish to abide by its rules. This section explains how these two conditions may be fulfilled.

(1) Institutional Binding: ‘Freezing the Balance of Influence’

The key to solving the preventive war problem is to sever the relation between physical capabilities and political power. To make preventive war redundant, an institution must effectively reduce the returns to power so a stronger state cannot use its preponderant resources to dominate weaker states.¹³⁷ Strictly speaking, what is required is the creation of a decision-making mechanism that institutionalizes a new power distribution (counted in political influence) which reflects the present military balance among its members, but which remains separate and unchanging in the face of subsequent fluctuations in the distribution of military resources. A simple way of achieving this is to institute a joint assembly where state representatives vote on behalf of their countries and

¹³⁷ On institutional constraints on power, see Lister 1996, p. 34, and Ikenberry 1998, p. 45 and 2001, p. 29.

where decisions are binding on members. The political balance of power in the assembly (defined by a set of voting rules) is set to reflect the military balance at the time the institution becomes effective. Thereafter, all decisions which impact the future decision-power of states within the institution are subjected to unanimous rule, such that each state has the option to veto changes. In practice this means that decisions on all issues which may single-handedly affect the resolution of other issues—such as institutional reform, acceptance of new members, etc.—will be subject to unanimity. By contrast, day-to-day decisions which do not influence decision-making power in the future can be subjected to qualified majority voting with each state disposing of a vote weighted to reflect its power at the time of binding.¹³⁸

The joint assembly governs a set of competences that have been delegated by its constituents members. However, an equally important task of a binding agreement is to safeguard national control of the competences that have not been delegated. After all, the aim of institutional binding is to protect state sovereignty, not to eliminate it; states agree to transfer limited sovereign rights to a central institution in order to prevent absolute centralization through hegemony, not to replace hegemony with a framework of central government. For this reason, we expect *non-centralization* to be the rule, meaning that most issues which are not related to the task of binding and constraining power will be left to be determined by member states individually.¹³⁹ This also implies that whereas states may delegate authority over a limited and specified set of issues for the purpose of enhancing mutual control, they will never surrender the power to delegate.

¹³⁸ Rasmussen & Verdier, 2001.

¹³⁹ Elazar 1979, pp. 14-15. It is important to note that non-centralization is not the same as decentralization. Decentralization implies the existence of a central authority that can decentralize or re-centralize as it desires. In a non-centralized system, however, power is so diffused that it cannot be legitimately centralized or concentrated without unanimous consent.

(2) Making Binding Commitments – The Institutional Set-up

An institution can draw up voting rules that reduce the returns to power in principle by formally equalizing political influence. However, to solve the preventive war problem the institution must be binding upon members—that is, something must prevent states from declaring it invalid when it rules against their interests. To analyze the role of international institutions in enabling credible commitment, it is necessary first to define what we mean by the term 'commitment'. In ordinary language, a commitment is a pledge or guarantee whereby a state or other actor agrees to behave in a given, pre-specified manner. 'Credibility' can be defined simply as the likelihood that a policy commitment will be carried out. According to Kenneth Shepsle, credibility comes in two forms: 'motivational' and 'imperative'.¹⁴⁰ Motivational credibility relies on compatibility between commitments and future incentives. Commitment problems arise from the fact that while states may wish to commit to a given conduct *ex ante*, their incentives *ex post* are not always compatible with honoring such promises.¹⁴¹ Motivational credibility is achieved whenever this divergence between *ex ante* and *ex post* incentives does not develop—i.e., when honoring a commitment continues to be compatible with a state's self-interest. A more exacting definition equates credibility with the ability of states to pre-commit to actions which may be time-inconsistent by disabling their discretion to act otherwise. On this view, a credible commitment can be defined as "a physical act or move that forecloses all options but one".¹⁴²

The conception of credibility that underlies most liberal institutionalist theory is a loosely motivational one. In the new institutionalism, international institutions are generally understood as arrangements of rules and values that dispose states to act in certain ways,

¹⁴⁰ Shepsle 1991.

¹⁴¹ North and Weingast 1989, p. 4, Shepsle 1991.

¹⁴² Shepsle 1991, see also Maoz and Felsenthal 19xx, p. 1987.

either through a sense of moral obligation or through sanctioning and reputation mechanisms.¹⁴³ Institutionalized commitments may also acquire force through various forms of path dependency. Since institution-building is costly, exiting institutions are associated with increasing returns. This implies that even when alternative arrangements seem more efficient or accord more closely with the interests of powerful states, states may continue to adhere to existing agreements in order to avoid the cost of re-negotiation.¹⁴⁴

The notion of credibility implicit in most institutionalist theory is too weak to enable cooperation on important issues of national security. Standard motivational mechanisms designed to lock-in particular agreements—such as reputation records, socialization and sunk costs—do not serve to make agreements *binding*. First, these mechanisms are usually weaker at the international level than in domestic politics. Second, while these mechanisms may increase the cost to states of renegeing on an agreement, they do not foreclose this option. The fact that it is costly to re-negotiate an agreement will not persuade a potentially dominant state to abide by established rules if it prefers no rules at all. Therefore, to achieve binding, institutions cannot rely on motivational factors alone. Instead, they must institute physical constraints on state power which disable the discretion to violate an agreement. This may sound like an impossible claim. However, there are several ways in which institutions can achieve binding. Three general paths can be identified: (1) transfers of resources among states; (2) exit costs; (3) efficiency gains.

Path 1: Transfers of Strategic Resources (power adjustment)

One way of preventing a rising state from taking advantage of its future military superiority is to make sure that it never acquires military superiority. To ensure this, states could delegate to an institution the task of maintaining the *ex ante* balance of power by means of control over the allocation of strategic resources. If we assume that military power is a

¹⁴³ Snyder 1997, p. 169.

¹⁴⁴ See e.g. Ikenberry 2001, p. 70.

function of economic resources, an institution could keep military power in check simply by transferring economic resources from a potential hegemon to declining states. To enhance the efficiency of this practice, the institution might be empowered to target certain strategic resources. Crude military capacity depends on the supply of raw-materials and on the output of certain war-related industries such as coal and steel production or, more recently, nuclear energy production and certain high technology factors. Through deciding the allocation of such resources, an institution could equalize the military potentials of its members.

Of course, to the extent that military potential is not a direct function of a set of easily identifiable strategic resources this allocation mechanism may not be a fully dependable means for preventing power inequalities. A more reliable way of keeping a hegemon from abusing its power advantage, therefore, would be to pool the means of violence and place them under joint control. A single army in which national forces would serve under supranational command would severely limit the ends to which individual states could apply force without consent from their partners. Yet, to be effective, military binding does not have to fully eliminate the independent military resources of states. What is required is merely that the use of military force within a community is rendered infeasible or forbiddingly costly. A less controversial way of achieving binding would therefore be to increase military interdependence. Geographical dispersion of the armament industry (with one country manufacturing steel, another building tanks, still another planes) and other forms of specialization of military tasks would serve to make national militaries dependent on each other for their proper functioning.¹⁴⁵ Similarly, sharing of equipment, joint exercises, coordination of command and control systems, and exchanges of military personnel would serve to increase military interdependence and reduce the risk of war. Finally, constraints on ready military capacity could be achieved through integrating certain

¹⁴⁵ Division of labor may also be established for certain 'strategic' industries which lend themselves easily to war-making such as civilian aviation and car-manufacturing, or high technology.

administrative functions. Troops must be fed and transported. Consequently, joint control over major routes and means of transportation (airfields, railroads, and communication infrastructure) which can be used to move troops and supplies along the front are important means for achieving military 'binding'.

Path 2: Exit Costs

The practice of transferring or pooling strategic resources among states aims at disempowering powerful states so they will not be able to challenge the status quo. Another, complementary, way to achieve binding is through *exit costs*.¹⁴⁶ Exit costs may be accomplished through an exchange of 'hostages' (defined as 'reciprocal acts designed to safeguard a relationship') or through 'irreversible investments' which raise the costs to states of leaving an institution.¹⁴⁷ For example, a 'hostage' could be created through an exchange of military forces which would be trapped behind enemy lines if an agreement was terminated. A less radical method would be to pool national currencies and thereby increase the cost of exit from an institutional arrangement by the amount it would cost to print and circulate a new currency.

Another means for creating 'hostages' is foreign direct investment (FDI). For example, Joshua Aizenman has shown that FDI may function as a commitment mechanism that reduces the chances of nationalistic commercial policies.¹⁴⁸ This happens because FDI increases capital mobility and diversifies production thereby creating special interests abroad which reduce the gains associated with nationalistic market policies. Market deregulation also facilitates international mergers and joint-ventures which serve to increase exit costs. In particular, joint ventures carry weight in sectors of strategic

¹⁴⁶ On 'exit costs' see Hirshman 1970 and Ikenberry 2001, p. 41.

¹⁴⁷ Oliver Williamson has defined 'hostages' as 'reciprocal acts designed to safeguard a relationship and support a contemporary exchange'. (Williamson 1985, p. 168).

¹⁴⁸ Aizenman 1992.

importance to the state such as research and development and high-technology production. Finally, institutionalized cooperation in and of itself may serve to constrain states over time because actors adopt to the new rules of the game by making extensive commitments based on the expectation that these rules will continue. Such adaptations may help to lock in given arrangements by drastically increasing the cost of a policy reversal.¹⁴⁹ In more general terms, any form of cost associated with violating an international treaty—reputation, audience cost, and so forth—will tend to reinforce existing arrangements for binding by heightening the cost of exit.

Path 3: Efficiency Gains

A third and final way to achieve binding is through efficiency gains. In the previous section we saw that, for institutional binding to be a viable option, both sides in a conflict must find that they can gain more through institutionalized cooperation than through war. This can be secured in one of two ways; either by raising the expected cost of war, or by increasing the benefits from institutionalized cooperation. The third path for binding fulfills the second condition. Logically, a rising state would accept to be bound by an institution if the institution generated efficiency gains of the same order that the state could hope to gain through war, and if these gains were strictly contingent on the continuation of the institution.¹⁵⁰ Such gains may result from increased factor productivity. The creation of integrated markets which facilitate free movement of goods, services and other factors of production may raise productivity and thereby.....Such efficiency gains strengthens binding because they are contingent on the continuation of the institution insofar as they presuppose a diminution in the risk of war It is commonly accepted that a reduction in the risk of war favors commerce and foreign investment. The

¹⁴⁹ This idea that institutionalization creates sunk costs which make for some form of 'path dependence' is consistent with the HI approach. See e.g. Pierson 1996, pp. 144-146.

¹⁵⁰ Rasmussen & Verdier 2001.

creation of integrated markets which facilitate free movement of goods, services and other factors of production *along* with the pooling of military resources (which preclude a return to hostilities and increase the confidence of investors) would raise productivity. Such efficiency gains would be contingent on the continuation of the institution insofar as they presuppose a diminution in the risk of war. In this way efficiency gains operate as an *auxiliary* binding mechanism which raise the opportunity costs of renegeing on an agreement.¹⁵¹

The Relationship Between Military and Economic Binding

This section has described three general paths through which institutional binding can be achieved. These paths rely both on military and economic means for enhancing credibility of international commitments. Initially, it seems that military means for binding (such as the pooling of armed forces) present the most tangible commitment to peaceful cooperation. To the extent states give up control over their independent militaries, the use of force to settle disputes becomes impracticable. However, effective binding depends on constraining economic potential as well. Whereas great powers are generally identified by their military might, in the long run, power depends on economic wealth as well as military resources.¹⁵² To achieve effective binding, a regional institution must therefore place constraints on both the economic and military capacities of states.

On one hand, economic binding may appear easier to achieve than military binding. While some forms of economic binding (such as the creation of currency unions) go to the core of national sovereignty, most means for achieving economic binding (such as market integration and foreign investment) present a less demanding institutional commitment. For this reason, economic binding may be more easily available to states than military binding. At the same time, however, economic binding may be harder to

¹⁵¹ *opcit.*

¹⁵² See Gilpin 1981, pp. 19, 24 and Nye 1975, pp. 325-329.

achieve than military binding because economic 'hostages' require greater volume before they restrain states as effectively as military commitments, and because economic binding is more difficult to oversee. Production and trade, unlike armaments production and armed forces, are not the monopoly of any democratic government. They are in the hands of tens of millions of individuals, operating alone or through corporations. The multiplicity of conflicting interests at stake in regulating economic activity greatly complicates the effective implementation of economic binding.

Economic and military binding are designed to support and reinforce each other. The purpose of economic binding is to secure balanced growth among a group of states and to reinforce military binding by increasing exit costs. However, economic and military binding may also to some extent substitute for one another. The failure to achieve firm military binding through a pooling of armed forces will heighten the strategic importance of economic binding since the potential for fungibility between economic resources and military power will appear more precarious. Likewise, the failure to constrain economic power will make military integration more important from the standpoint of binding. Nonetheless, to work with optimal efficiency—that is, to be truly credible—binding agreements should place constraints on both military and economic capabilities.

Variation in Institutional Design

This section has described three general paths through which binding can be achieved. Obviously, these paths represent ideal-types. What specific combination of strategies states will rely on in order to bind one another will tend to differ from case to case. First, the precise configuration of a binding institution will differ depending on historical context. Practicable arrangements for constraining military force vary according to technological development and geographical conditions. In one environment, the integration of land armies may be key to achieving military binding, whereas in another, pooling of the

means of high-technology weapons production will be of primary importance. The concrete configuration of binding institutions may also vary depending on the character of the state(s) they are designed to bind. What constitutes an effective hostage or irreversible investment may differ from one state to another depending on opportunity costs.¹⁵³ The general point is that for any given case of binding, we expect the institutional basis to be engineered in such a way as to limit discretion in those areas where states pose the greatest potential threat to one another. And we expect the nature of 'hostages' and 'irreversible investments' to reflect states' opportunity costs in a way that increases the cost of exit.

Institutional Binding & the Bargaining Problem

A last question which must be addressed in order to establish the possibility of institutional binding is how states manage to reach agreement on institutional outcomes in the face of distributive conflict. In most cases of binding there will exist a number of different institutional solutions which states can implement with different distributive consequences. This gives rise to a coordination problem known as the 'bargaining problem'. Bargaining problems are often salient in international affairs where privileged states may engage in 'strategic bargaining', meaning that they withhold their consent in order to obtain their most preferred outcome.¹⁵⁴ Yet, in order for bargaining problems to impede cooperation states must perceive that they can benefit from delaying agreement. This implies that the opportunity cost of non-agreement must be low and that time must not be a pressing factor. Neither condition holds in the context of a preventive war dilemma. In situations where the power of a challenger is rising, declining states have little incentive to 'hold out' to obtain a better deal; their bargaining position will only deteriorate over time. Similarly, a rising state cannot benefit from delaying agreement since if it resists

¹⁵³ To be effective, a hostage must assume a certain prominence. There is a tipping point before which the quantity of hostage being traded fails to deliver binding and beyond which it does. What determines the level of that point varies with each country's opportunity cost. See Rasmussen & Verdier 2001.

¹⁵⁴ Fearon 1995, Krasner 1991.

negotiation, the dominant strategy for declining states is to launch a preventive attack. Bargaining problems are therefore not likely to impede agreement in preventive conflicts. Nonetheless, distributive conflict may matter on the margin. Once binding is achieved individual states may seek—within the broad outlines of the agreement—to improve on the terms of the deal. In this case, states' bargaining power will be a direct function of their sensitivity to non-agreement. By this logic, negotiations over matters of institutional design or re-design will be subject to structural biases that favor those participants who are least hurt by the non-agreement outcome.¹⁵⁵

VI SOME POSSIBLE OBJECTIONS

In this section I seek to address some fundamental questions (and potential criticisms) regarding the nature of institutional binding. These questions will help me to distinguish the binding thesis from other competing and complementary theories. A key issue which merits discussion is the role of democracy for binding. Two separate questions arise: First, to what extent does binding depend on democratic regimes? Second, does democracy in fact render binding superfluous? Another issue regards the long-term effects of binding: Once a region has been 'bound' and power has become less consequential, may we assume that forces of socialization will come into play which propel states towards ever closer union? In other words, will binding ultimately give rise to more centralized polities? A third issue concerns the relationship between the institutional binding thesis and theories of hegemonic stability. A fourth and final question asks whether the binding thesis is able to account for enlargement.

¹⁵⁵ Moravcsik 1998.

Does Binding depend on Democratic Regimes?

An important question in the context of institutional binding is whether all states are equally able to make credible commitments? In the new institutionalist literature one often encounters the argument that democracies are better able to create binding institutions and to establish credible commitments than non-democracies.¹⁵⁶ One reason is that democratic states tend to have decentralized, transparent and permeable institutions. These institutions provide other states with information, access (i.e. the ability to influence policy), and, ultimately, reassurance.¹⁵⁷ Another reason that democratic states may be better able to establish credible commitments is that they encounter audience costs.¹⁵⁸ By making their commitment to a given conduct known to their domestic constituents, democratic governments impose high potential costs on themselves for deviating from this conduct.

These points notwithstanding, I see no reason to conclude that democratic states are fundamentally better able to establish credible restraints on their policy. Clearly, democratic decision-processes are more open and transparent and hence may induce greater trust abroad. On the other hand, responsiveness to pressure from domestic constituents may be seen to undermine confidence in a government's ability to stick to a given policy. Indeed, according to many scholars, a main reason for democratic states to make binding agreements at the international level is that such agreements enable them to withstand internal pressure for a change in policy (the 'strengthening the state thesis'). Moreover, 'openness' with respect to foreign policy is not a prerogative of democratic states. Non-democracies can induce trust via public diplomacy which renders them

¹⁵⁶ Ikenberry 2001, p. 35, 75, Fearon 1994, Deudney & Ikenberry 1999. The fact that democracies are more transparent and accessible and have greater institutional checks on abrupt policy shifts than non-democratic states makes them better capable to inducing trust abroad the authors argue.

¹⁵⁷ Ikenberry 2001, p. 62.

¹⁵⁸ Fearon 1995.

diplomatically 'accountable' to third parties in much the same way as executives in democratic states (substituting audience costs for reputation costs).¹⁵⁹ Finally, the practical mechanisms which I have outlined for achieving binding (pooling of strategic military resources, exchanges of hostages, etc.) will constrain democracies and non-democracies alike. If democracies are more frequent participants in international institutional orders it is therefore not because they are better able to make credible commitments. However, it may be the case that democratic states in which individual rights are dominant are more sensitive to the expected costs of war than other types of states and therefore more likely to prefer negotiated outcomes over war outcomes.¹⁶⁰

Does Democracy make Binding Superfluous?

Binding does not depend on democratic polities. A more critical question, however, is whether democratic polities in fact render binding superfluous. After all, democracies do not fight. Avoiding a lengthy discussion of the validity of the democratic peace thesis, let us assume that democracies really do not fight one another. Does this imply that binding is redundant among democratic states? It does in theory. However, states who worry about their national security may not rest secure in the faith that democracies will never wage war on one another. Moreover, they may not take for granted that democracy is irreversible. Did other West European countries in the years after 1945 trust fully that Germany would develop into a stable democracy? While they had taken several measures to improve the conditions for democracy in the new West Germany, it would seem daring to assume beyond a doubt that these measures would work. Democratic polities do therefore not substitute for binding international commitments.

¹⁵⁹ On public diplomacy as a means for inducing trust see Maoz & Felsenthal 19xx, p. 188.

¹⁶⁰ Stam 1999, p. 29.

Will Binding lead to Ever Closer Union?

In section V, I argued that institutional binding adheres to a principle of non-centralization. The aim of binding is to safeguard sovereignty by avoiding absolute centralization through hegemony—not to give up sovereignty to a new polity. As such one might say that complete integration into a centralized state would defy the purpose of binding. Yet, this does not mean that forces of centralization will always be absent, or that a binding agreement will always stay within its original functional limits. Once the scales of the balance of power in a region have been ‘frozen’ via binding, thereby removing regional threats to national security, states may move on to focus mainly on satisfying demands for increased economic welfare. As time passes, we may therefore expect to see an extension of cooperation into increasingly ‘low political’ areas of activity where economies of scale and other efficiency gains can be obtained. However, this extension of cooperation is not likely to proceed very far without running into difficult problems of re-negotiation of the existing framework for cooperation. Insofar as states usually have conflicting preferences over distributive outcomes, and insofar as national executives may differ in their willingness to delegate further sovereignty, we expect re-negotiation of original bargains to occur only in small steps and with great difficulty. Substantial transfers of additional sovereignty to regional institutions we expect to occur only in response to some form of exogenous shock which makes it necessary to deepen an existing binding arrangement in order to withstand a renewed possibility of threat.

Is the Binding Thesis Another ‘Hegemonic Stability Theory’?

At first sight it may seem that the institutional binding thesis is roughly equivalent to a hegemonic stability argument. In fact, the binding thesis may appear observationally equivalent to the argument—made by Walter Mattli among others—that successful integration depends on the presence of a dominant state who creates a focal point for the

integration process and sanctions cooperation. Theoretically, the institutional binding thesis stands in almost direct contrast to arguments based on hegemonic stability theory. Whereas such arguments assume that integration depends on a dominant regional power who acts as a 'benign hegemon', I argue that states integrate in order to *prevent* the emergence of a regional hegemony—whether benign or coercive. Observationally, the key to distinguishing the two arguments is timing. If integration presents a way to constrain a would-be hegemon, then we would expect integration to take place while a potentially dominant state is on the rise, but before it becomes powerful enough to dominate others. According to a hegemonic stability argument, however, we would expect integration to take place *after* a leading state has already established a preponderant position which allows it to dictate the terms of cooperation to others and gives it the choice of either supplying a public good free of charge or coercing others into supplying it.¹⁶¹

Can the Binding Thesis Account for Enlargement?

A weakness of the institutional binding thesis is that it has little to say about enlargement. If integration takes place in order to solve a preventive war dilemma among a group of states, then there is no expectation *per se* that the arrangement should be extended to more members. The only case in which a binding logic may explain enlargement is if enlargement provides a desired strengthening of binding by helping to readjust the political balance of power in a union. This possibility is conceivable, but not very likely. Instead, it may be more plausible to assume that enlargement of existing regional unions is driven by a somewhat different logic than the logic which leads to integration in the first place.¹⁶² Once states have satisfied their external security, they begin to focus on the goal of enhancing

¹⁶¹ The binding thesis is also distinct from recent arguments—by John Ikenberry, Daniel Deudney and Charles Kupchan among others—which stress the incentives for hegemonic states to engage in *voluntary restraint* in order to make their leadership acceptable to secondary powers and prevent future challenges to their preferred order. (more on this later).

¹⁶² For a good discussion of enlargement see Walter Mattli 1999. In explaining enlargement Mattli stresses both economies of scale and the dynamic of negative externalities on outsiders.

economic welfare. This may dispose them in favor of enlargement as a way to increase economies of scale. New candidates for membership, on the other hand, may be motivated to seek entry because they suffer under the negative impact of externalities created by the union (this is Mattli's 'second integrative response'). While the binding thesis itself has little to say on this issue, it assumes that new members will be accepted only insofar as they do not upset the carefully crafted balance between bound and binding states in an existing union.

VII CONCLUSION: THE LOGIC OF BINDING

In this chapter I have sought to identify the conditions in which states will chose regional integration as a way to construct a new strategic balance in a region that can allow them to escape the collectively harmful routine of power balancing and preventive warfare. The institutional binding thesis explains how states can solve preventive conflict peacefully by creating institutions that enable credible commitment. I have argued that, by pooling and delegating sovereignty to international institutions, states can either 'freeze the balance of power' or sufficiently reduce the returns to power to make preventive war superfluous. Essentially, the institutional binding thesis therefore maintains that strategic balances can be *willfully* constructed rather than being a perpetual product of the distribution of capabilities among states. At first sight, this may appear to be a radical claim. Yet, as Charles Kupchan observes, "history provides many examples of willful processes of integration and amalgamation that transformed structure". A prominent example is the United States of America which once consisted of separate and competitive state units but which became a single pole through federation.¹⁶³

The institutional binding explanation for integration gives rise to two basic hypotheses and sets of observable implications which are distinct from existing theories of

¹⁶³ Kupchan 1998, pp. 49-50.

integration. The first hypothesis regards the emergence of preferences for integration. This hypothesis maintains that regional integration emerges, not in response to economic pressure to reduce transaction costs or as a means to address external an threat, but rather as a solution to a regional preventive conflict. The second hypothesis regards the success of institutional binding. Here I take integration as a response to a preventive war dilemma as given and ask what types of arrangements render commitments credible and hence secure peaceful cooperation over time.

Hypotheses and Observable Implications of the Institutional Binding Thesis

The central hypothesis of the binding thesis is that integration presents a solution to a preventive war dilemma that arises from a shift in the distribution of power among a regional group of states. While institutional binding is always a possibility in theory, I have argued that binding is most likely when the costs of war are perceived to be high by both rising and declining states. I have argued that this will be the case when states are risk-averse, when there are high opportunity costs to balancing because a region is subjected simultaneously to internal and external military threat, or when there are collective action problems associated with forming a preventive alliance. This gives rise to the following hypothesis:

Hypothesis 1: If faced with a preventive dilemma and if confronted with high expected costs of war, then risk-averse states may prefer institutional binding over balancing.

This hypothesis yields several observable implications: (1) If the binding thesis is correct, we expect integration to be preceded by a period of uneven growth rates among states, which gives rise to a threat of hegemony and hence to a preventive dilemma. We expect this dilemma to result in increasing tension among regional states. In particular, we expect to observe a conflict pattern which pits one larger, rising state against a group of

declining states. (2) We expect to see evidence that declining states perceive a clear threat from a rising challenger, and that they see integration as means to avert this threat. An indication of this could be an oscillation from a policy of balancing against a rising state to a strategy of integration, once it becomes clear that balancing entails high costs. (3) If the binding thesis is correct, we expect integration to take place swiftly (rather than incrementally) and to replace a relationship of conflict with one of peaceful cooperation. This stands in sharp contrast to both functionalist and political economy explanations for integration, where integration is seen to depend on a prior resolution of potential security conflicts, thereby allowing states to devote their attention to cooperation on economic and functional tasks.

A second hypothesis which arises from the institutional binding thesis concerns the concrete form of regional integration. I have argued that the aim of institutional binding is to institute a new political balance among a group of states which is robust to fluctuations in the underlying distribution of material power. This gives rise to the following two hypotheses with respect to the form of integration:

Hypothesis 2a. Integration will aim at 'freezing' the political balance of power among member-states by adopting unanimous decision-making for all issues which may influence the future decision power of states.

Hypothesis 2b: Once a new balance of political influence has been instituted, we expect the agreement to be reinforced by a pooling of strategic assets (including both military and economic resources) which obstruct the use of force and raise exit costs.

These hypotheses give rise to a second set of observable implications. (1) First, if the binding thesis is correct, we expect an integrated region's central institutions to establish a new political balance of influence which roughly reflects the military balance of power at the time of binding. Due to the principle of unanimity, we expect this political balance to remain

immutable in the face of underlying fluctuations in the distribution of material resources. Small re-adjustments to the institutional set-up may take place in order to accommodate possibilities for efficiency gains. However, substantial moves towards closer integration (that is, moves which imply a further reduction in sovereignty) are expected to take place only in response to shifts in the underlying balance of power which lead states to fear that the current level of binding is not sufficient. Hence deepening of integration is expected to take place in response to changes in the underlying power distribution within a region, rather than in reaction to any economic or functional logic or in response to an external military or economic threat. (2) We expect the credibility of the institutionalized balance of influence to be reinforced by a pooling of strategic resources (of both a military and economic nature) which serve to either equalize power potentials or to render arbitration by force impracticable through heightened exit costs and increased efficiency gains from cooperation.

The following three chapters set out to test the institutional binding argument against empirical evidence from three historical integration schemes in Europe. The first is the United Provinces of the Netherlands (1579-1795), the second is the German Zollverein (1834-1866), and the third is the European Communities (1952).

IV. THE UNITED PROVINCES OF THE NETHERLANDS (1579-1795)

I. INTRODUCTION

The United Provinces of the Netherlands was established on 23 January 1579 among seven of the seventeen provinces which then constituted the Low Countries.¹⁶⁴ The original signatories were the northern provinces of Holland, Zeeland, Utrecht, Friesland, Gelderland, Overijssel and Gronningen which pledged to "allie, confederate and unite themselves together...for ever remaining joined together in every regard and manner, as if they were all of them but one province".¹⁶⁵

Two remarkable features characterized the Dutch Union. First, the striking disparity in size and wealth between its members. Holland accounted for over half of the population and wealth of the union, and its easy access to the sea provided a flourishing economic base which stood in sharp contrast to the poorer inland provinces of Gronningen, Overijssel, Gelderland, and Utrecht.¹⁶⁶ Second, there was a marked lack of political cohesion among the union's members. On the eve of unification, the Dutch provinces were divided into two rival groups. On one side stood the 'rebellious' Protestant provinces, Holland and Zeeland, which denounced Spanish rule. On the other side stood the 'loyal' provinces, which remained allegiant to the king of Spain and to Roman Catholicism.

How can we explain the union of a group of polities that were not only at odds politically and religiously, but that also differed greatly in size and wealth? The most frequent

¹⁶⁴ The 'Low Countries' refers to the territory which today includes the Netherlands, Belgium and Luxembourg as well as parts of northern France. This region consisted originally of seventeen independent provinces. The northern part of the region included the provinces of Holland, Zeeland, Friesland, Utrecht, Overijssel, Gronningen and Gelderland. These were the provinces which united in 1579. The center and southern region included the provinces of Brabant, Flanders, Mechelen, Artois, Tournai, Hainault, Namur, Limburg and Luxembourg.

¹⁶⁵ Treaty of the Union of Utrecht.

¹⁶⁶ Forsyth 1981, p. 31.

explanation for the creation of the United Provinces stresses the Dutch revolt against Spain. The Dutch union was formed only a decade after the outbreak of the 'Eighty Years War' (1568-1648) between the Low Countries and Spain, and the two events have been incontrovertibly linked in the minds of most observers so that it has become customary to argue that the Dutch union emerged essentially as a defensive alliance against Spain.¹⁶⁷ On one hand, it is tempting to dismiss this 'external balancing' argument simply by pointing to the fact that the union of the Dutch provinces lasted for more than two hundred years (until 1795), whereas hostilities with Spain ended in 1606 and the war was formally terminated in 1648. Yet, this would be too rash. After all, new threats and conflicts continued to emerge on the horizon of the Netherlands—conflicts which may be interpreted, on an external balancing view, as helping to sustain the union. At first sight, the notion that the United Provinces was created to strengthen the Dutch defenses against Spain and was upheld by the persistence of external threat is therefore a compelling one. What really happened, however, was not only different but also more complicated.

In this chapter, I argue that the events of Eighty Years War and the creation of the United Provinces were indeed closely linked. However, it was not the struggle against Spain itself that prompted the unification of the Dutch states, but rather the effect this struggle had on the power-relations among the Dutch provinces—in particular the way it exacerbated an already growing power disparity between Holland and the other states. During the first decade of the war against Spain, Holland's maritime strength greatly increased and led to a vast expansion in its trade and production, serving to divert resources away from the smaller inland provinces. As we will see, it was this growing regional power inequality—coupled with

¹⁶⁷ According to Boogman and van der Plaats "it has repeatedly been concluded that it [the Union of Utrecht] must first of all be considered as a close and permanent defensive alliance. (Boogman & Plaats 1980, p. 14). Similarly, Edward Haley characterizes the Union of Utrecht as "a defensive reaction against Spanish oppression. (Haley 1972, p. 12).

the simultaneous weakening of Spanish forces in the region—that led other provinces to seek to bind Holland thereby hoping to prevent it from establishing a regional hegemony.

To convincingly argue that the United Provinces arose from a need to bind Holland, two additional explanations (in addition to the defense alliance argument already mentioned) must be addressed and either rejected or modified. The first stresses an incipient cultural unity among the Dutch states. A well-known advocate of this view is the historian Pieter Geyl who explains the union among the Dutch provinces in terms of a nation-building process which he portrays as “a natural extension of an already existing community”.¹⁶⁸ As a third competing hypothesis we can imagine that the Dutch union was formed in order to secure the commercial interests of its members. This view is generally not well articulated in the literature since the Dutch union arose before the emergence of a doctrine of free trade. Nonetheless, the explanation deserves consideration. After all, the Dutch union led to the establishing of a world-wide ‘trading empire’ based on mercantilist practices which greatly enhanced the wealth of its members.¹⁶⁹

To show that the United Provinces was indeed a case of institutional binding, it is necessary to describe the complex developments in the Netherlands prior to the union. At the risk of trying the readers’ patience, I have thus been obliged to account in some detail for the events that preceded unification. The chapter opens with a brief description of the Low Countries prior to the Revolt against Spain. Section III summarizes the main events of the revolt and illustrates how Holland’s prominent role in the unfolding struggle brought it close

¹⁶⁸ Pieter Geyl (1932, 1964) argues for the existence of an ‘undivided Dutch nation’ prior to confederation which he argues embraced the Low Countries as a whole. The separation of the north and south Netherlands was the tragic outcome of warfare, not the result of cultural or political divisions within the region. This view is partly supported by Geoffrey Parker who also points to the existence of a distinct nationalism in the 16th century Netherlands which favored integration. (Parker 1977). A closely related explanation emphasizes the emergence in the 16th and 17th century Netherlands of a distinctly a republican theory of the state. On this view, the Dutch Revolt against Spain is seen a revolutionary struggle fueled by the vision of creating an sovereign, modern republic. See Zagonin 1982, pp. 87-89. For a critique of this view see Tuck 1993.

¹⁶⁹ The bulk of literature on the commercial relations of the Dutch Union emerged only in the 17th century—after the union had already given rise to a ‘trading empire’.

to dominance in the north Netherlands. Section IV discusses two attempts at institutional binding among the Dutch: First, the abortive Pacification of Ghent (1576) which united all the Dutch provinces in an effort to bring peace to the region; second, the Union of Utrecht (1579) which united the seven northern provinces in a lasting confederation. Section V concludes.

II. A BRIEF HISTORY OF THE DUTCH PROVINCES PRIOR TO THE REVOLT AGAINST SPAIN

The region which we today refer to as the Benelux countries consisted originally of seventeen provinces of various size and political organization. The provinces of Flanders, Artois, Hainaut, Zeeland, Holland, Namur and Zutphen were governed by Earls; Brabant, Limburg, Luxembourg and Gueldern were led by dukes; Friesland, Utrecht, Overijssel, Malinés and Gronningen were led by bishops; and Antwerp was a Marquis-ship of the Holy Roman Empire.¹⁷⁰ These several provinces were not for the most part united by common history or tradition. While some had been under the suzerainty of the region's Burgundian and Habsburg rulers for centuries prior to the Union of Utrecht others were recent conquests. Friesland, Utrecht and Overijssel, for example, were acquired by Spain in the early 1520s, and Gronningen and Gueldern were both added to the empire after 1530.¹⁷¹

Prior to unification there were significant contrasts among the provinces in terms of culture, geography, religion and politics—many of which persisted after unity was achieved. At the most basic level, the region lacked a coherent geography. In the northern part where the United Provinces was eventually formed, Holland, Zeeland and Utrecht were surrounded by the sea and cut off from the inland provinces by numerous rivers, lakes and bogs which made travel and by extension communication between east and west difficult.¹⁷² The entire

¹⁷⁰ Aglionby 1669, p. 179.

¹⁷¹ Smit 1970, p. 28.

¹⁷² Geoffrey Parker reports of a chronicler who-writing in the mid-18th century-describes his native city Breda in northern Brabant as situated 8 hours west of Hertogenbosch (25 miles away), 10 hours northeast of

northern region was severed from the south by four great rivers—the Lek, Linge, Maas and Waal—which cut across the narrow center of the Netherlands dividing it into two halves. These rivers made the north-western part of the region virtually inaccessible from the south.¹⁷³

Geographical divisions were bolstered by differences in political organization. In most provinces, the governing system consisted of a representative assembly called the 'States', which embraced delegates from the clergy, nobility and the leading towns. Yet, there were substantial differences among the provinces with respect to the relative power of the three estates. In Holland, power was concentrated chiefly among the burghers.¹⁷⁴ Power was also vested in the cities in central provinces of Flanders and Brabant, but in the majority of other provinces, the nobility was still dominant and the clergy retained a strong position in the inland states where the rural sector was far stronger than in Holland.

To the extent that one can speak of the Netherlands as a cohesive region prior to the Dutch Union, this was the result of outside centralizing forces rather than of internal unity. The Burgundians who penetrated the Low Countries the second half of the 15th century set up a handful of central organizations designed to bridge the differences among the principalities and make their foreign rule more effective. The most important of these organizations was the 'States General'—a large assembly which would periodically convene joint meetings of delegates from all the provinces for the purpose of simplifying tax collection. However, the States General was closer to a convention of provincial embassies than an actual central governing forum.¹⁷⁵ When money was needed, the provincial States

Antwerp (30 miles) and 3 hours south of Geertuidentberg (9 miles)—an average speed of 3 miles per hour in every direction. (Parker 1977, p. 22). For a discussion of the geography of 15th and 16th century Netherlands see also Limm 1989, p. 8 and Geyl 1964, p. 9.

¹⁷³ Anglionby 1669, pp. 116-117.

¹⁷⁴ Beginning in the 14th century, the provincial governing structure in Holland consisted of two main offices; the 'States of Holland'—an assembly of representatives from each of the major towns—and a 'Council of State', which served as executive. The 'States of Holland' included no clergy and had only one representative of the nobility.

¹⁷⁵ Rowen *RQ*, p. 571, Smit 1970, p. 26.

were convoked solely to hear a general proposition in which the reasons were set forth for why additional funds were needed. Deputies from each province would then meet separately with the Burgundian representative to negotiate their provincial quota.¹⁷⁶ Subsequent efforts at centralization by the regions' Spanish rulers did not produce further results. Attempts at political reorganization were fiercely resisted by the Dutch provinces and often resulted in local uprisings which enabled the provincial States to wrench additional 'privileges' from their foreign rulers, thereby diminishing centralization rather than advancing it.¹⁷⁷ In short, provincial autonomy remained the hallmark of political life.¹⁷⁸

The religious unity of the Dutch provinces was equally unimpressive. Despite the significance often attributed to religious sentiment, in particular Calvinist ideology, as an instigator of the Dutch revolt against Spain, a closer look at the religious composition of the provinces reveals a rather fragmented picture. Chiefly, the provinces can be divided into two groups—one predominantly Catholic (the southern provinces); the other mostly protestant (the north-west). However, religion was hardly a unifying factor within either group. In the north, roughly one third of the population which came to constitute the Dutch Union were Calvinists, Lutherans or of other protestant faith; another third was Catholic, and the last third was undeclared.¹⁷⁹

¹⁷⁶ Smit 1970, p. 26.

¹⁷⁷ 'Privileges' refers to charters in which sovereigns granted some persons or groups certain liberties. Particularly famous charters are the so-called Grand Privilege (1477) in which the Burgundian ruler conceded to a number of institutional reforms enhancing the power of local government and the 'Joyous Entries' (1356, 1549) which obliged every duke or prince to solemnly swear to respect ancient provincial rights. See van Gelderen 1992, p. 27. It is important to note that provincial uprisings generally remained local and isolated events. Provincial rivalry was of such magnitude that the States resented cooperating with each other even more than they resented cooperating with the foreign rulers. In 1452, for example, Philip the Fair was able to count support from most of his Dutch subjects when he marched on Ghent to subdue an uprising there.

¹⁷⁸ Zagorin 1982, p. 89.

¹⁷⁹ This estimate is based on Antwerp, the largest city of the Low Countries with some 100,000 inhabitants around 1565, but similar proportions are assumed to have existed in the other main cities. In some rural areas the composition was slightly different. For example, Anabaptists constituted more than half the population in some areas in Friesland and some rural textile areas in southwest Flanders. See Parker 1977, p. 241, and Burnish 1742, pp. 146-149.

A final realm in which the lack of unity among the Dutch provinces is evident is in their foreign policy and trade relations. All through the 16th century, trade within the Low Countries was limited by comprehensive customs barriers between the provinces, and the principalities were frequently at war amongst themselves.¹⁸⁰ Indeed, the history of the Low Countries prior to unification is one of recurrent armed hostilities among the provinces. Provincial strife was particularly widespread in the northern parts (the birthplace of the union) where Friesland and Gelderland spent most of the 15th and 16th centuries fighting Holland and Zeeland with Overijssel and Utrecht as both prize and battleground.¹⁸¹

The Rise of Holland

Before we can consider the Dutch revolts against Spain and the impact these revolts had on power-relations within the Dutch region, it will be necessary to briefly consider the unique position of Holland, which slowly propelled it towards regional hegemony and which allowed it to strengthen itself from the revolts. By the time the Dutch revolts broke out Holland was already a 'great power' among the Dutch provinces. In particular, its economic power was considerable. Thus, Jonathan Israel describes Holland's political and economic importance in the 1550s as ranking third among the Dutch states—and rapidly growing.¹⁸²

The basis for Holland's economic growth was laid at the turn of the 15th century, as a sharp increase in the demand for international trade caused old modes of transportation along rivers and roads to give way to cheaper and faster transportation by sea.¹⁸³ As a result, the inland provinces and cities along the IJssel lost their commercial advantage to settlements closer to the coast. This geographic advantage was complemented by a somewhat paradoxical blessing; namely a decline in arable land in Holland which caused a wave of

180 Parker 1977, p. 34.

181 Ibid. p. 240.

182 Israel 1995, p. 115.

183 Through the 14th century demand for trade rose sharply. Blockmans 1999, p. 72.

migration from the country-side to the cities.¹⁸⁴ This migration led to increased commercial activity. New export goods, such as salted fish, beer and cloth were produced to support the growing urban population. Moreover, the decline in agricultural production meant that grain now had to be imported, which led the Hollanders for the first time to develop the full-rigged seagoing ships that would become the basis of a subsequent burgeoning bulk-carrying traffic.¹⁸⁵ Soon new trading routes were established to the Baltic, England, and along the Atlantic coast. These routes were used not only to import grain but increasingly also for freight since the Dutch could offer transportation at a lower cost than the Hansa fleets.¹⁸⁶ What began as a serious handicap—a long-standing grain shortage—was thus turned into a vehicle for economic growth.¹⁸⁷

To begin with Holland's growth was fairly slow. All through the 15th century, the center of political, economic and cultural gravity continued to lie in the south. In terms of population, Ghent, Brussels and Bruges were many times greater than Amsterdam and the bulk of commerce and industry was concentrated south of the rivers in the provinces of Flanders and Brabant.¹⁸⁸ Yet, the seeds to Holland's rise had been laid by a growing urban population. Whereas the number of inhabitants in most northern cities declined during the 14th and 15th centuries, urbanization in Holland continued to increase and, by 1470, forty-five

¹⁸⁴ The decline in arable land (due to drainage problems) meant that grain now had to be imported, largely from Artois and, increasingly from the 15th century, the Baltic region. See *Encyclopedia Britannica*, Low Countries, history of, "Economic structure."

¹⁸⁵ Israel 1995, p. 16.

¹⁸⁶ From *Encyclopedia Britannica*, Low Countries, history of, "Economic structure".

¹⁸⁷ Blockmans 1999, p. 76.

¹⁸⁸ In the late 15th century Flanders was still by far the most populated province with about 750,000 people and a density of 30 persons per square mile while Holland had 268,000 people and 25 persons per square mile. The other principalities (except Brabant) counted far fewer inhabitants. In the 14th century, Ghent and Bruges had populations of 64,000 and 46,000, respectively, while the largest city in Holland—Leiden—had a population of only 14,000. From *Encyclopedia Britannica*, "History of the Low Countries" and Israel 1995, pp. 6-12.

percent of Holland's population were city dwellers—a higher percentage than anywhere else in the Low Countries.¹⁸⁹

Initially, the other main powers in the region—Flanders and Brabant—were relatively unconcerned with Holland's growing strength. With the great rivers forming an effective barrier between north and south, they saw little reason to fear Holland. The small northern principalities bordering directly on Holland, by contrast, fought sternly to resist its encroachment.¹⁹⁰ But while there was no lack of antagonism towards Holland, these states were not well placed to oppose it.¹⁹¹ In the face of Holland's expanding power and the seeming indifference of their southern neighbors, the smaller states in the north had only one recourse: to form alliances directed against Holland in northern Germany and the Baltic. In 1441 Kampen joined the Hanseatic League while Deventer and Zwolle—already members of the League—tightened their links with Lübeck and other Hansa cities.¹⁹² Yet none of these alliances succeeded in halting Holland's economic expansion.

Entering the 16th century, Holland began to take advantage of its growing economic strength to expand territorially. In 1506-08 it waged war on Gelderland, and in 1523 it invaded and subdued Friesland, bringing these provinces formally under the suzerainty of the Spanish empire. Meanwhile, capital and labor continued to flow into Holland's towns.¹⁹³ While Flanders and Brabant were still the most economically developed provinces, by the mid-16th century, Holland was not far behind.¹⁹⁴ North of the rivers, Holland was unquestionably dominant. More than half the population and wealth of the north Netherlands was now concentrated in Holland, which was four times more populous than

¹⁸⁹ The number of people living in cities was 36% in Flanders and 31% in Brabant. It should be noted, however, that the cities of Holland were still relatively small compared to southern cities. The leading towns were still Ghent, Brussels and Bruges. See Israel 1995, pp. 11-12.

¹⁹⁰ Israel 1995, pp. 12-3.

¹⁹¹ De Vries.

¹⁹² Israel 1995, pp. 18-19.

¹⁹³ Geyl 1964, pp. 43-44.

¹⁹⁴ Israel 1995, p. 115.

the second largest northern province, Gelderland.¹⁹⁵ Holland, it seemed, was on the way to becoming a local hegemon.

III THE DUTCH REVOLTS AGAINST SPAIN (1568-1577).

It is against the backdrop of Holland's growing power that the impact of the Dutch Revolts must be understood. The Dutch Revolts refer to a series of uprisings which took place in the Netherlands between 1568 and 1577 in opposition to Spanish rule. The causes of these revolts were many and varied. Historians have portrayed the revolts, with varying degrees of emphasis, as a struggle between the forces of Protestantism and Catholicism; between nationalism and foreign (mis)rule; between the forces of bourgeois progressivism and reactionary absolutism. Social and economic factors also played a role in the uprising—especially among the lower classes. The Spanish wars with France (which increased the tax burden in the Low Countries), the epidemics, the poor harvests and the hard winters—all this combined to produce despair among the masses and ripen them for protest.

This chapter takes no particular position on what caused the Dutch Revolt. It appears that the causes of the revolt differed across the region, even from town to town. As noted by one observer, "not the whole of the Netherlands rose in revolt; some men, some groups, some towns, some areas did, at different times and for different reasons".¹⁹⁶ Indeed, in order to understand the impact of the Dutch Revolts on the prospects for institutional binding, it is crucial to realize that the revolts did not engulf the whole of the Low Countries. During the revolts, rebellious forces were mainly concentrated in Holland and Zeeland where the escalating struggle was as much a "contest between Holland and her troublesome neighbors over whom it felt every right to preside" as it was a struggle against Spanish

¹⁹⁵ Forsyth 1981, p. 31.

¹⁹⁶ Kossman & Mellink 1975, p. 1.

imperialism.¹⁹⁷ In fact, as we will see, on many occasions, other provinces collaborated with Spain to contravene Holland's hegemonic aspirations. The revolts were therefore "a long drawn out process of estrangement not only between the Low Countries and the sovereign residing in Spain...but also between the various parts of the Netherlands".¹⁹⁸

The effect of this struggle was dual: The Dutch Revolts served to weaken Spanish power in the Low Countries and at the same time strengthen Holland's position vis-à-vis its neighbors. As I will illustrate below, it was this growing threat of hegemony by Holland, combined with the weakening of their main ally in the fight against Holland's hegemony, namely Spain, which lead the smaller Dutch provinces to abandon a strategy of balancing against Holland and seek to bind it instead.

The First Revolt

The seeds of the First Dutch Revolt were sown in 1531 when Charles V—the second Habsburg ruler of the Netherlands¹⁹⁹—returned to the Netherlands to initiate a process of further centralization. To make his in-absentia rule more effective Charles appointed a new Governor-General to rule over the assembled provinces and established in each province a governor (Stadholder) which functioned as the chief representative of the King.²⁰⁰ As before, this process of centralization was met with fierce resistance from the provincial States who regarded Charles' actions as a direct attack on their ancient privileges.

¹⁹⁷ Israel 1995.

¹⁹⁸ Kossman & Mellink 1974, p. 1.

¹⁹⁹ Burgundian rule in the Netherlands ended in 1482 when the succession of Mary of Burgundy by her son, Philip I, placed the Netherlands under the Habsburg dynasty. In 1506, Philip I was succeeded by Charles V. Charles began his career as sovereign of the Low Countries by leaving the Netherlands in favor of Spain where he was crowned King and later Emperor of the Holy Roman Empire. Before leaving the Netherlands he appointed his Aunt, Margaret of Austria, as governess. He returned temporarily to the Netherlands in 1531 to reorganize his in-absentia rule.

²⁰⁰ Charles V also instituted three collateral councils which were separate from the States General. These were the Council of State (Raad van Staate) in which members of the high nobility could advise the Governor, the Secret Council in which permanent officials dealt with everyday administration, and a Council of Finance and enacted new legislation which ordained mandatory guidelines for dealing with legal problems, thus limiting the prerogatives of local magistrates. On the process of centralization under Charles V, see Blockmans 1999, p. 120, Israel 1995, p. 37 and Trevelyan 1930.

Discontent was especially outspoken in Holland and Zeeland where Protestant beliefs were gaining ground in contrast to Catholicism and served as a rallying point for opposition. As Charles continued to press his centralization effort, political unrest in these provinces increased.

Meanwhile, the power of the Spanish Empire was steadily deteriorating. The prolonged conflict with France (which flared up after 1540), and the war with the Ottomans (which began in 1551) both placed considerable fiscal demands on Spain and made it increasingly difficult to devote men and resources to subdue the uprising in the Netherlands.²⁰¹ The debt of the Spanish crown increased from two million guilders in 1544 to seven million in 1556, and in 1557, Charles' successor, Philip II, was forced to declare a moratorium on state interests payments to service debts.²⁰² This was the first of a series of bankruptcies to be declared by Spain.

The Dutch were quick to draw the conclusion from Spain's strategic dilemma: as long as the Turks threatened, Philip could do little in the Netherlands.²⁰³ Encouraged by Spain's financial trouble rebel activity intensified and resulted in several violent clashes between provincial rebellious groups and the Spanish military. The first general uprising took place on April 5, 1566 when a thousand armed nobles—led by William of Orange²⁰⁴ and Count van Egmont of Holland—marched through the streets of Brussels and forced their way into the Court of Margaret of Parma, Philip II's sister, who he had recently

²⁰¹ Parker 1977, p. 53.

²⁰² Blockmans 1999, p. 151.

²⁰³ Throughout the Revolt there was a close connection between Philip's Mediterranean problem and his policy in the Netherlands. The war with the Ottomans was a great burden on Spain's finances and the Dutch took advantage of this. They knew from letters exchanged between Spain and the central government in Brussels that Philip's principal concern after 1559 was the Turkish maritime threat. It even seems that the Sultan took initiative, in 1566, to establish a direct contact with the Dutch opposition. Parker also suggests that the Dutch opposition exchanged envoys with the Sultan on one occasion in 1574 in order to coordinate their attacks on Spain. See Parker 1979.

²⁰⁴ In 1559 Philip II tried to tighten his political grip on Holland and Zeeland by appointing William of Orange—a favorite advisor—as Stadholder of Holland Zeeland and Utrecht. William functioned as Stadholder until 1566 when his personal ambition for political leadership in Holland and his dismay for the policies of Spain led him desert the royal cause and toffer his services to the rebels instead. See Rowen 1988 and Trevelyan 1930.

appointed Governess of the Netherlands.²⁰⁵ Here they submitted a *Petition* requesting the relaxation of edicts and ordinances against Calvinists and other protestants and demanded that the King respect provincial rights, in particular the *jus de non evocando* which required that citizens be put on trial in their own town or region rather than in Brussels.²⁰⁶ It was on this occasion that the Dutch rebels got the byname 'Guex' or 'Gueuzen' (beggars) as Count Barlaymont—a confidant of Margaret—caustically said of the assembled nobles; "Ce ne fout que des Geux!"

The 'march of the nobles' was followed in August 1566 by the 'breaking of the images' (beeldenstorm) in which statues and paintings were pulled down from the Catholic churches.²⁰⁷ Together these events convinced Philip that stern measures were needed to restore order. In April 1567, he send 10,000 troops to the Netherlands led by his trusted general the Duke of Alva.²⁰⁸ Upon arriving in Brussels, Alva immediately began to capture the nobles who had participated in the uprising. A special Council of Troubles was erected, soon re-dubbed the 'Council of Blood', which put an estimated 12,000 people on trial. More than a thousand people were executed, and tens of thousands were sent fleeing into in

²⁰⁵ The 'march of the nobles' has its origin in the so-called "Compromise"—a union among the Nobles made in January 1566 for the purpose of resisting the inquisition. It is known that more nobles had signed the 'compromise' in Holland than in any other province. However, estimates of how many nobles participated in the march vary greatly. William Aglionby puts the number at 500 while other sources speak of as many as 3,000. (Aglionby 1669, p. 40 and Israel 1995, pp. 57, 151). The text of the *Petition* is reprinted in Rowen 1972, p. 30. The 'Compromise of the Nobles' is reprinted in Kossman & Mellink 1974 p. 59.

²⁰⁶ The *Petition* protested the Inquisition not on basis of religious belief per se, but on the ground that it violated ancient provincial rights, in particular the *jus de non evocando*. See van Gelderen 1992, pp. 111-117.

²⁰⁷ The beeldenstorm began in Antwerp and spread to a number of other towns in the south. However, the beeldenstorm in the south was brief (it ended within a month) and was carried out in a remarkably orderly way. In contrast to the violent casting down of Catholic churches in Scotland and France, the destruction in the south NL appeared to be the work of a small band of determined men—perhaps as few as fifty to a hundred many of whom appears to have been paid off by Calvinist leaders. (Israel 1995, p. 151 and Parker 1977, p. 78-9; see also Philip van Marnix (1567) "Godsdienstige en kerkelijke geschriften" or "A true narrative and apology of what has happened in the Netherlands in the matter of religion in the year 1566. By those who profess the reformed religion in that country." Edited and translated in 1871 by J.J.van Toorenenbergen and reprinted in Kossman & Mellink 1974, p. 78). By contrast, the iconoclasm in the north involved massive popular participation. It continued from August into the late autumn, engulfing still larger segments of the population. In the end, the destruction reached such proportions that Margaret was compelled to concede freedom of Protestant worship in all places where it was already practiced.

²⁰⁸ Rowen 1988, p. 574.

neighboring countries.²⁰⁹ In response to these cruelties a general revolt arose in towns in Holland, Zeeland and West-Friesland which threw out the Spanish garrisons and renounced their obedience to the Spanish king.²¹⁰ These provinces were now in open revolt.

In the fall of 1567 the first stroke of war occurred between the forces of the Spanish Governess and the rebels (or 'Geuxen') led by the Prince of Orange. The clash resulted in a severe defeat for the rebels and Orange hastily retired into Germany. During the following winter (1567-68) he distributed various pamphlets in the Netherlands trying to persuade the people to rebel by reminding them that they owed no obedience to the foreign rulers.²¹¹ From his birthplace in Nassau-Dillenburg he organized several attempts to invade the Low Countries to gain a base against the Spanish forces.²¹² A small army led by his brother, Louis of Nassau, enjoyed a modest victory over the Spaniards in the province of Gronningen in 1568 [this battle is considered the beginning of the Eighty Years War] but this modest success was far out-weighted by the complete failure of a campaign led by William himself in Brabant. In the end, the rebel course found few sympathizers outside the provinces of Holland and Zeeland. Left without broad support and with no military successes, the prince's armies soon disintegrated.²¹³

²⁰⁹ Martin van Gelderen reports that during Alva's regime approximately 50,000 people sought exile, mainly in Germany and England. van Gelderen 1992, p. 40.

²¹⁰ Temple 1687.

²¹¹ William Orange, "Varantwoordinge, verklaringhe ende waerschowinghe des Princen van Oraengien" (Sept. 1858) reprinted in Kossman & Mellink 1974, p. 84. In this letter, written in 1568 after he was exiled to Germany, Orange reminds the Dutch people that "princes as well as the subjects of the country have always had to commit themselves by a formal contract and to swear a solemn oath that they would maintain the rights and realize them" and that if this oath is broken there is a natural right to resist princely rule. Another similar pamphlet was written and distributed in November 1568, in which Orange seeks to persuade the loyal Dutch provinces that the Duke of Alva is not acting on the Spanish King's command.

²¹² Orange attempted as many as four invasions during the winter. In 1568 an army of French Huguenots with whom Orange had hastily concluded an alliance attacked into the southern Netherlands. At the same time a smaller army from England attempted an invasion of Flanders and troops of German mercenaries pushed westwards into Limburg and Friesland. To complete the four-fold invasion Orange himself led a large army into Brabant from his castle in Dillenburg. Each invasion failed, however, due to lack of support from the Dutch population outside Holland and Zeeland. See Parker 1977, p. 109.

²¹³ Zagorin 1982, p. 100.

The Second Revolt

While the first Revolt brought no major victories for the Dutch rebels, it served to give the rebellion a territorial base—the maritime provinces of Holland and Zeeland—and a political leader; William of Orange.²¹⁴ Between 1569 and 1572 Holland and Zeeland became the stronghold of a renewed insurgent effort. While most other provinces abandoned their opposition to Philip II, rebel activity continued in these two provinces whose Calvinist forces carried out frequent attacks on Brabant and Flanders attempting to stir up rebel forces in these provinces.

At the same time, the position of Spain worsened. The revolt of the *Moriscos* of Granada which has broken out in 1568 continued into 1571, and just as it seemed this revolt would finally be crushed, war broke out again in the Mediterranean.²¹⁵ As before, the Dutch rebels were quick to exploit Spain's weakness. In April 1572 a group of 'Guex' surprised the town Brill in southern Holland. This move was of considerable strategic importance because the port controlled the mouth of both the Meuse and the Waal. The Geux then took Dort, Flushing, Veere and Enkhuizen in Holland and Zeeland. Upon hearing this news most towns in Holland joined the rebellion.²¹⁶

The successful insurrection by the beggars encouraged Orange to renew his war effort. He now asked the States of Holland and Zeeland to recognize him as governor and raise money for his armies. On 19 July 1572 the said States gathered for the first time by their own authority and accepted Orange as their Stadtholder.²¹⁷ Thus empowered, Orange now

²¹⁴ van Gelderen 1992, p. 164.

²¹⁵ Parker 1977, pp. 129-130.

²¹⁶ Some authors contribute the outbreak of the second revolt not to the invasion of the sea-beggars but to the imposition in 1571 of a new tax—the tenth penny—which was highly unpopular. See e.g. Kossman & Mellink 1974, p.14 and Aglionby 1669, pp. 45-50.

²¹⁷ Orange send a deputy to this meeting of the States to ask them to accept him as their governor. The deputy was instructed to "inform the assembly that...without the States His Highness shall not endeavor to do or command anything that concerns the provinces or that may be harmful to them...On the other hand His Highness hopes that the States assembled there shall bind themselves not to enter into any accord, compact or agreement, wether with the king himself or with any one who might or could pretend to have received an order or commission from His Majesty". The instructions, written in July 1572 are edited by R.C.

negotiated for help from Germany, England, and from the French Huguenots.²¹⁸ In the summer of 1572 a Huguenot force occupied Mons in Hainault and an army from Germany invaded and occupied the important city of Zutphen. Fearing that the French would use the opportunity to invade the Netherlands, Alva immediately sent most of his troops south thereby giving time to the Hollanders to strengthen their positions in the north. Within six weeks almost all of Overijssel, Drenthe and Friesland were in the hands of the rebels and by the end of the summer only a handful of towns in the north were still under control of the central government in Brussels.²¹⁹

Despite the initial success the rebels failed again to gain a decisive advantage. In July, a Huguenot force of 6,000 left Paris and marched straight into a Spanish ambush at Mons. Almost the entire force was destroyed—many by the Dutch peasants who still saw France as the traditional enemy and would rather side with Spain.²²⁰ After this setback the rebels rapidly lost their grip on the conquered territories. In the south, only a few towns had joined the rebellion and they now hastened to come to terms with Spain. Likewise, many of the territories in the northeast welcomed the Spanish soldiers back as liberators. Only a few towns in Gelderland sided with the rebels, but after the defeat of one of them, Zutphen, also they rushed to realign themselves with Spain.²²¹

The Third Revolt

The Second Revolt drew a sharp division between rebels and pro-Spanish forces. The realignment of the majority of the Dutch provinces with Spain left Holland and Zeeland isolated, and from 1573 to 1576 these provinces fought a solitary war of attrition against the

Bakhuizen van den Brink, "Cartons voor de geschiedenis van den Nederlandschen Vrijheidsoorlog, II (the Hague, 1898) and translated into English in Kossman and Mellink 1974, pp. 98-101.

²¹⁸ 'Huguenots' was a term of abuse used by Roman Catholics to designate French Calvinists in the 16th century.

²¹⁹ Parker 1977, p. 136 and Anglionby 1669, pp. 49-50.

²²⁰ Parker 1977, p. 137.

²²¹ Parker 1977, p. 141.

Spanish military.²²² During these years, the war—which was initially fought by Holland against the Spanish generals—often took the form of a struggle between Holland and Zeeland on one side, and the rest of the Dutch provinces on the other. The term ‘domestic war’ appears frequently in documents of the time, and it is clear that political divisions within the region were in many respects sharper than the division between the Netherlands and Spain.²²³ Many Dutch provinces simply concluded that the Spanish yoke was preferable to the supremacy of Holland and refused to give the rebels assistance. Holland, by contrast, sought to coerce other provinces into supporting its rebellion (or at least to refrain from aiding Spain) by pointing out that soon it would be dominant and those provinces who had sided with Spain would suffer. The growing conflict between Holland and its neighbors is particularly well illustrated by a memorandum from the States of Holland sent to the States of each of the loyal provinces in 1573. In this memo Holland calls on its neighbors to join the revolt by underscoring the weakness of Spain and by threatening the consequences of a continued war with Holland:²²⁴

Why do you not gird yourself up with manly courage and join us at last in shaking off this unjust and unbearable yoke from our necks in concerted action? For if the Duke has been able to accomplish so little up till now, although we were set against each other and the greater part of the country helped him, what will he be able to accomplish if in perfect harmony we cooperate in chasing these foreign tyrants and rulers out of the country? ...if you would only withdraw your help from him and even if you would never draw your swords against him yourselves, what would he be able to do?...

Later in the missive, the tone becomes more threatening:

If you continue to conspire with the Spanish tyrant...and to help him with money and other means, one of three things is sure to happen; either this war will remain undecided for a time, or God will give us total victory over our enemies, or finally they will gain the victory over us. But in all three cases the war will necessarily ruin and destroy the country...In the second case, if God gives us victory over our enemies, this will be accompanied by frightful massacres of innumerable good inhabitants used by the duke of Alva for his purposes, for as long as he can get money and men, he will certainly not stop trying to extirpate and ruin us completely. So that it will not be possible to overthrow him without horrible bloodshed.

²²² Ibid. p. 138.

²²³ The problem of civil war was discussed in letters exchanged between William of Orange and Marnix in 1573. Orange and his supporters tried to argue that they were not fighting a civil war against the provinces loyal to the legitimate and conciliatory government but rather were defending a constitution common to the whole of the Netherlands. For an English translation of this exchange see Kossman & Mellink 1974, p. 23.

²²⁴ “Sendtbrief der ridderschap, edelen ende steden van Hollandt aen die Staten van den lande van herwaerts overe”, September 1573 (Knuttel). Reprinted in Kossman & Mellink 1974, p. 102.

What had emerged is best described as a precarious preventive war dilemma. On one hand, the loyal provinces wished to prevent Holland from rising to dominance. Gelderland and Friesland had already received a taste of Holland's growing might. They, and other provinces, were now determined to prevent Holland from further expanding its power. Preventive action, however, was complicated by two factors. First, the position of their main ally in the fight against Holland, namely Spain, was weakening. Second, while an alliance with Spain was preferable to letting Holland achieve regional dominance, this was by no means an ideal choice. Surely, Spain could be expected to use an alliance to further tighten its political hold on the provinces that accepted its help.

Holland, on the other hand, sought to stave off an alliance between the loyal provinces and Spain by appealing to a 'common interest' among the Dutch provinces, and by assuring its neighbors of its benign intention. Both sides were in a vulnerable position. Although it may seem that the rebellious provinces were worse off due to their minority, in reality they had several advantages. First, the geography of Holland and Zeeland provided a strong natural defense. The rivers that cut across the center of the Netherlands made it difficult for an army to cross to the north without travelling far inland.²²⁵ Moreover, their organization was superior. To strengthen the war effort, Holland and Zeeland had tightened both their financial and political organization.²²⁶ A new Financial Council was set up in Holland, and the system of representation in the States was changed to involve every part of the province in the war planning.²²⁷ Finally, in June 1575, the two provinces signed a treaty which established a single military command, placing Orange unequivocally at the head of

²²⁵ Zagorin 1982, p. 103.

²²⁶ The war effort was mainly financed by Holland which, in contrast to the much poorer Zeeland, enjoyed outstanding public credit. Rowen 1972, pp. 161-163.

²²⁷ Originally only six cities in Holland held the right to vote in the States. (Dordrecht, Harlem, Leiden, Delft, Amsterdam and Gouda). The States now added twelve others. The pretence of this reform was to facilitate communication among the cities in order to secure the proper maintenance of arms, but according to Guido Bentivoglio, an Italian diplomat writing in the late 16th century, "the true and more hidden end was...that every part of the province might by its own proper engagement make the insurrection the more universal. (Bentivoglio 1598, p. 5.) See also Auberg du Maurier 1682, p. 39.

affairs.²²⁸ At the same time, tolls between the two provinces were abolished, a common duty was levied on imports, and a trade blockade was invoked vis-à-vis Antwerp and other Spanish controlled cities.²²⁹

The strength of Holland's financial system and its geographic favor allowed the rebels to hold out against the Spanish forces. In the spring of 1574, Holland defeated a Royal fleet in the Zuiderzee and soon thereafter rebel forces launched another large-scale invasion of the East Netherlands. Meanwhile, Spain was hit once again by financial crisis. The defensive advantage of the Dutch rebels made the conflict costly for Spain. The total expense of the Spanish army in the Netherlands is estimated at 1.2 million florins per month between 1572 and 1576—a huge sum by that time's standards.²³⁰ But Spain was not alone in feeling the burden of the rebellion. The war with Holland led to a heavy increase in taxes in the provinces that remained aligned with Spain. Moreover, the rebel's strong defenses meant that the bulk of the fighting between rebels and pro-Spanish forces was diverted to neighboring provinces where the war led to economic stagnation and declining populations. Thus, in Overijssel between 1572-79 many farms were laid waste and up to twenty percent of the agricultural land was abandoned as a result of the war. Similarly, Gelderland and Overijssel saw their trade greatly damaged by the obstruction of the shipping traffic on the IJssel.²³¹ The situation was equally dire south of the rivers, where the ports of Flanders were continually besieged by rebel forces, meaning that all foreign merchandise had to be unloaded in Holland and Zeeland.²³² Hence, while the war caused economic ruin in most provinces, Holland and Zeeland profited.

²²⁸ van Gelderen 1992, p. 166.

²²⁹ Bentivoglio 1598, p. 15. To interrupt supplies to the Spanish forces, heavy taxes were levied on merchants in Holland and Zeeland to pass from there to Antwerp—a practice which greatly lessened the traffic to that city, while increasing Holland and Zeeland's revenues. Israel 1995 and Kossman & Mellink 1974, p. 23.

²³⁰ See Parker 1979, pp. 48-49.

²³¹ *Ibid.*, p. 193.

²³² Bentivoglio 1598, p. 15.

By the end of 1574, the combined burden of financing the war both against the Dutch rebels and the Ottomans had stretched Philip's finances to the point that he could no longer service his mounting debts. Starved of funds the Spanish troops began to mutiny and plunder the Dutch provinces they were supposed to protect.²³³ Soon many Spanish soldiers were leaving, their positions swiftly being occupied by Holland's rebels.²³⁴ Contemplating his deteriorating financial situation Philip now began to consider peace with the rebels. He was not overtly optimistic about what a peace overture could bring him; "We are in great need and our enemies know it well, so that they will not wish to make a settlement", he told his advisers.²³⁵ But when the Turkish fleet—possibly prompted by Orange's diplomacy—captured Tunis, Philip authorized his new governor, Don Louis de Requesens, to negotiate with the rebels.²³⁶ Formal talks began at Breda in March 1575 but were broken off as the parties failed to agree on the fate of the Spanish forces in the Netherlands. A renewed Spanish offensive was undermined by another wave of mutinies, and in September 1575, Philip once again declared bankruptcy. The flow of money from Spain to support the war in the Netherlands now completely stopped.

IV. TWO ATTEMPTS AT INSTITUTIONAL BINDING: THE PACIFICATION OF GHENT (1576) AND THE UNION OF UTRECHT (1579).

In the previous chapter I argued that an impending hegemony can facilitate regional integration if declining powers decide to 'bind' a rising state instead of balancing against it. In the remainder of this chapter, I show how the looming hegemony of Holland—helped along by the Dutch Revolt against Spain—led to two attempts at binding Holland institutionally. The first was the Pacification of Ghent—a loose union instituted in 1576 in a

²³³ Israel 1995, p. 185.

²³⁴ Parker 1977, p. 164.

²³⁵ Limm, 1989, p. 43.

²³⁶ See Israel 1995, p. 183.

failed attempt to institute a general peace among the Dutch provinces. The second was the far more successful Union of Utrecht (1579).

The Pacification of Ghent, 1576

The third Dutch revolt which ended in 1576 expelled almost the entire Spanish force from the northern Dutch provinces. By doing so, it added to the desolation of Holland's neighbors which were not only ravaged by Holland's troops but also plundered by the fleeing Spanish soldiers originally supposed to protect them. The mutinous troops naturally discredited Spain's authority in the Netherlands. According to Geoffrey Parker, "the Netherlands were bound to question the governments' chances of ever winning the war by military means".²³⁷ In fact, the Spanish themselves questioned their chances of prevailing over the Dutch rebels. The governor Requesens wrote to his brother in the autumn 1575;

I cannot find a single penny, nor can I see how the king could send money here, even if he had it in abundance. Short of a miracle, the whole military machine will fall in ruins so rapidly that it is highly probable that I shall not have time to tell you about it.²³⁸

Spanish authority in the Low Countries was dwindling. If there had ever been a wish among the Dutch provinces for a general alliance against Spanish supremacy, it seems that the need for such an alliance was now greatly diminished. Indeed, for many provinces, the immediate dilemma was the power vacuum created by the collapse of Spanish power and the room for maneuver this left for Holland. Conscious of Spain's deteriorating position and the growing strength of Holland, the loyal provinces now decided to make their own peace with the rebels. In September 1576, the States General took the decisive step of assembling on its own initiative at Brussels where they appointed a delegation to negotiate an armistice with Holland and Zeeland on behalf of the fifteen loyal provinces. Negotiations were initiated at

²³⁷ Parker 1977, p. 173. In March 1576, the sudden death of Requesens further added to the Spanish desolation. According to Herbert Rowen, "When Requesens died, Spanish authority in the Low Countries fell apart." Rowen, "What kind of Revolution", p. 578.

²³⁸ Parker 1977, p. 169.

Ghent, and on 8 November the so-called 'Pacification' was signed, instituting a general peace among the Dutch provinces. This happened only a few weeks after Requesens' successor as Governor, Don Juan, had been authorized by the Spanish king to withdraw the remaining Spanish troops from the Low Countries and recognize the States General as an independent authority.²³⁹

The Pacification of Ghent constituted a first, vague attempt at binding Holland. Of course, one might ask whether the Pacification was not merely an attempt at forming an alliance to drive out the Spanish at a time when they seemed vulnerable—an interpretation which would support the standard realist claim that regional integration is undertaken in order to balance more effectively against external threat. The evidence does not support this interpretation. The negotiations between Holland, Zeeland and the remaining provinces were couched in a language which strongly suggests that the future peace among these parties was of primary concern—not cooperation against Spain. There were no specific clauses in the treaty aiming at strengthening the Dutch defenses against Spain. Instead, the treaty stipulated how peaceful coexistence between the rebellious and loyal provinces could be secured after the Spaniards left. The two sides agreed to cease fighting, to maintain the religious status quo in all provinces, and to refer disputes to the States General which from now on was to function as an independent governing assembly.²⁴⁰ The treaty obliged Holland and Zeeland to halt their expansion and to refrain from attempts to impose their religion or political idiosyncrasies on other territories. In return, the loyal provinces would assist Holland and Zeeland in overseeing the swift departure of the remaining Spanish troops as agreed with the Spanish king.²⁴¹ In essence, the Pacification obliged the pro-Spanish provinces to keep from allying with Spain *against* Holland and Zeeland. However, the treaty did not oblige them to

²³⁹ Ibid. p. 177.

²⁴⁰ By the terms of the Pacification Catholicism remained the official and the sole permitted religion in the loyal provinces, whereas Calvinism continued to be permitted by Holland and Zeeland.

²⁴¹ Kossman & Mellink 1974, p. 32.

actively balance against Spain or to denounce Spanish rule at large. The loyal provinces were free to continue their allegiance to the king of Spain and to Roman Catholicism while Holland and Zeeland remained defiant of both. The following are excerpts from the treaty:

It has been agreed that immediately after the departure of the Spaniards and their adherents and after law and order has been restored, the two parties will be bound to do their utmost to convoke an assembly of the States General...The Assembly must settle the affairs of the provinces in general and in detail, not only the matter and exercise of religion in Holland and Zeeland...[also] the restitution of the strongholds, artillery, ships and other things belonging to the king which during the said disturbances were taken by Hollanders and Zeelanders.

...henceforth the inhabitants and subjects on both sides, no matter which province they come from...will be allowed to move freely, to come and go, to live and to travel everywhere for commercial and other purposes, in all freedom and security. However those of Holland, Zeeland or others whatsoever provinces they may be, shall not be allowed to disturb the common peace and quiet outside the provinces of Holland, Zeeland and associated places, or in particular to attack the Roman Catholic religion and practice..."²⁴²

The Pacification of Ghent was the first attempt at institutional binding in the Low Countries. The Ghent treaty instituted a peace between Holland and Zeeland on one hand and the fifteen loyal provinces on the other, which put an end to an internal war that had ravaged the Netherlands since 1572. However, the Pacification failed to resolve the fundamental conflict among its members. Politically, the compromise reached at Ghent resulted from a highly unstable combination of forces: Holland and Zeeland were essentially revolutionary, bent on opposing Spanish authority. They were not prepared to let themselves be restrained by the common States General.²⁴³ The authorities of the southern and north-eastern provinces, by contrast, were moderate and conservative. Predominantly Catholic their sympathy continued to lie with Spain rather than with the rebels: "They were unhappy at finding themselves at odds with the monarchy and certainly indisposed to withstand it to extremes".²⁴⁴ The institutional framework of the Pacification was too weak to hold these improbable partners together. Apart from establishing an independent governing assembly and adopting a common standard for deciding the value of money, the Pacification did little

²⁴² From articles III and IV of the Pacification of Ghent.

²⁴³ Geyl 1932, p. 152.

²⁴⁴ Zagonin 1982, p. 112.

to secure cohesion among its members. It did not provide for any degree of economic integration to reinforce the fragile political association. But most importantly, it failed to place a real check on the military power of Holland. There were no provisions for pooling military forces or for exchanging 'strategic hostages' which would raise the costs of settling disputes by force. In terms of the logic of institutional binding outlined in chapter III, the Pacification instituted a new balance of political influence but failed to secure a credible commitment to abide by this balance through a pooling of resources and basic interests. Given this weakness, it was only a matter of time before the agreement would break apart.

The first major conflict erupted over the choice of a new Governor to head the States General. Holland and Zeeland pointed to William of Orange, whereas the loyal provinces wished to appoint the former Spanish governor Don Juan. After a failed coup at Antwerp in which Don Juan sought to seize power, a compromise was found by appointing the Archduke Matthias, a nephew of Philip II.²⁴⁵ But Holland was not satisfied. Angered by the failure to elect Orange, the States of Holland used all their political clout to subvert the authority of the Archduke. Matthias was forced to govern in cooperation with a special 'Council of State' nominated by the States General and he was barred from submitting any policies to the States General without first seeking the advice of the Council. He was also kept from appointing generals of his own choice or raising soldiers.²⁴⁶ So severe were the constraints on the Archduke's powers that he soon became known as the 'Puppet

²⁴⁵ In 1577, the loyal provinces made Don Juan sign the so-called 'Perpetual Edict' whereby he endorsed the Pacification of Ghent and pledged to withdraw the remaining Spanish forces. In return, the States General (except Holland and Zeeland) accepted him as Governor and avowed their loyalty to the Spanish Crown. Embittered, Holland and Zeeland withdrew their deputies from the States General, thereby causing all decision-making to ground to a halt. Frustrated with the gridlock Don Juan attempted to solidify his power by a coup. His plot failed, however, and, somewhat ironically, served to resolve the situation by making his leadership unacceptable even to the southern provinces. Parker 1977, pp. 183-187. On Holland's reaction to the Edict see "Advice and Answer of the Prince of Orange and the States of Holland and Zeeland to some articles concluded in the form of a Perpetual Edict, 19 February, 1577" reprinted in Kossman & Mellink 1974, p. 135.

²⁴⁶ Limm 1989, p. 49. For the text of the articles by which the Archduke Matthias was accepted as Governor see Kossman & Mellink 1974, p. 144.

Governor'.²⁴⁷ In this way the powers of the central authority were from the beginning heavily circumscribed.

The conflict over appointing a governor brought to the surface a more fundamental rift among the members of the Pacification. At root, most of the southern provinces remained loyal to Spain. This was signified by their frequent siding with the new governor against Holland and Zeeland. On the other hand, Holland and Zeeland kept up their practice of spreading Calvinism in opposition to Spain.²⁴⁸ Despite the formal cease-fire, armed groups from Holland continued to attack towns in Flanders, Brabant and Gelderland where they arrested and dispelled Catholic magistrates and clergy. These violent practices led to the outbreak of renewed warfare, causing a growing polarization among the union's members.

The Walloon provinces were the first to leave the union, which they claimed had ignored its founding treaty, the Pacification of Ghent.²⁴⁹ In the autumn 1578, Hainault send deputies to Artois proposing a defensive union among the two provinces, and in January 1579 they opened collective peace talks with Spain.²⁵⁰ Soon they were joined by Walloon Flanders who also invited Spanish troops to re-enter its territory.²⁵¹ The treachery of the Walloon states signaled the end of the Pacification. Before long, the rest of the southern provinces withdrew from the union. A few of them were forcefully retaken by Spain, but given the renewed hostilities with Holland most States accepted Spanish protection voluntarily.²⁵² As Geoffrey Parker notes, royalist gains of that time were the fruit not so much of Spanish treasure as of deep divisions within the Netherlands.²⁵³

²⁴⁷ van Gelderen 1992, p. 139, Limm 1989.

²⁴⁸ Geyl 1932, p. 152.

²⁴⁹ Boogman 1980, p. 11.

²⁵⁰ For the text of the Treaty of Arras see Rowen 1972, p. 71.

²⁵¹ Parker 1977, pp. 190-195.

²⁵² By 1578 Don Juan had been replaced by his deputy, Alexander of Parma, as the king's representative. Parma's political purpose in the Netherlands was appeasement—at least of the Catholic population. He was authorized to grant advantageous terms to the provinces that returned to obedience. See Rowen 19xx, p. 581 and Zagonin 1982, p. 121. Knowing that Philip needed their support the Walloon leaders exploited the situation to wrench important concessions from the Spain. Philip consented to lowering taxes and withdrawing

After the breakdown of the Pacification, the Dutch provinces once again stood divided. The south had returned to Spanish control. However, the northern provinces now remained under firm control of the rebels. The Spanish troops were unable to advance north of the rivers and Philip soon gave up re-invading those parts of the Low Countries. Thus, a seemingly permanent division had been created, severing the region in two and leaving the small northern provinces to be forcefully drawn into the power system of Holland.²⁵⁴

The Union of Utrecht

The 'armistice' effected by Pacification of Ghent gave the rebels in Holland a respite and the opportunity to consolidate their position. From 1578 onwards no hostile armies were able to penetrate Holland's defenses. In stark contrast, Gueldern, Overijssel and Gronningen were for years on end the places where the war between Spain and the Dutch rebels was actually fought: "Armies marched and counter-marched over their countryside, and their towns were fortresses possessed by one side and besieged by the other".²⁵⁵ Holland's position was also strengthened by a massive inflow of both capital and skilled labor from the south. It is estimated that at least 100,000 people migrated from the southern to the northern Netherlands after 1567. Most of them took refuge in Holland.²⁵⁶

The growing split between north and south left Holland's small neighbors facing a growing threat. Realizing the futility of forging new alliances with Spain, the small inland provinces decided instead to seek a negotiated settlement with Holland. In July, Gueldern restated a proposal made earlier by Holland for creating a union among the northern

all foreign troops. Nonetheless, the troops were soon called back by the provincial States to strengthen their defense against rebel insurrections from the North.

²⁵³ Parker 1977, pp. 189.

²⁵⁴ Smit 1970, p. 51.

²⁵⁵ Price 1994, p. 229.

²⁵⁶ Parker talks of 100,000 people while others put the number higher. (Parker 1977, p. 254). See also Smit 1970, p. 51 and van Gelderen 1992, p. 57.

provinces.²⁵⁷ The proposal was immediately welcomed by Holland. Although it was increasingly powerful in the North, Holland's position was far from secure. With most of its forces still tied up in the struggle against Spain which presented a serious strain on its resources, Holland's interest was in finding a quick, low-cost solution to the conflict with its neighbors.²⁵⁸ Holland also had an economic interest in forming a union. Strong in manufacturing but far from self-sufficient in agricultural produce and raw-materials, Holland's growth depended on trade. A union among the Northern provinces was attractive since it promised both to meet Holland's defensive needs and to provide an agricultural backland to fuel its growing manufacturing businesses. All this would come without having to conquer neighboring territories—an option which, at the moment, seemed too costly to contemplate.

On 23 January 1579, after elaborate negotiations, a treaty of union was drafted among the seven northern provinces. On the day of ratification only a small handful of the provinces (Holland, Zeeland, Utrecht, and Gelderland) actually signed the treaty. Utrecht did so only after the States of Utrecht had forcefully subdued several parts of the province which remained opposed to joining with 'the enemy'.²⁵⁹ And the States of Gelderland signed only after a failed attempt to obtain a renewed alliance with Spain.²⁶⁰ Yet, after this somewhat hesitant founding, the remaining provinces soon returned to the

²⁵⁷ Israel 1995, p. 199. A proposal for a northern alliance had been made by Holland in 1576. At that time, though, other provinces showed little enthusiasm for uniting and operating as military bulwark for their more powerful neighbor. Instead they continued to balance against Holland. Boogman & van der Plaat 1980, pp. 11-12.

²⁵⁸ In particular, a coalition with Gueldern with its four large rivers was deemed of strategic importance for Holland's defense. See e.g. Boogman 1980, p. 11. While it was clearly not beyond Holland's means to seize Gueldern by force, doing so would have been costly and risky given the defensive advantage on both sides and the continued conflict with Spain.

²⁵⁹ E.g., the city of Amersfoort (Utrecht) had to be taken by force several weeks after the general ratification. Gronningen signed the union only after a failed attempt at renewing its alliance with Spain. See Parker 1977, p. 200 and Boogman 1993, p. 6.

²⁶⁰ Boogman & van der Plaat 1980, p. 13

bargaining table. Friesland joined the union in June, and Overijssel and Gronningen joined later that same year, bringing the number of members to seven.²⁶¹

The Union of Utrecht constituted an attempt at binding an increasingly powerful Holland. The union cannot easily be explained in terms of an effort to enhance the efficiency of military balancing against Spain. Indeed, many of the union's smaller members were not engaged in balancing externally. One might ask whether the timing of the union is not consistent with an explanation stressing bandwagoning by the smaller Dutch states to Holland at a time when it seemed increasingly likely that Spain would be beat out of the region. However, as we will see below, the concrete institutional structure of the Dutch Union belies this logic. The Union of Utrecht represented a favorable bargain for both rising and declining states in the Dutch region. By integrating Holland at a time when it was still relatively weak, the smaller Dutch provinces won significant advantages. As partners in a union they all received political rights that were formally equal to those of Holland. This was very different from the fate of the provinces of Brabant and Flanders who continued to rely on a strategy of balancing. In December 1579, Holland sent its troops into northern Brabant who immediately countered by signing a treaty of reconciliation with Spain.²⁶² Spanish help failed to arrive, however, and Holland managed to conquer a good part of Brabant's territory together with several areas in Flanders and Limburg. These areas became part of the Dutch union as so-called "Generality lands". They received no representation in the union's central institutions but were ruled effectively as conquered territories.²⁶³

²⁶¹ Aitzema 1653 and Aglionby 1669, p. 61.

²⁶² Parker 1977, p. 196.

²⁶³ This was unlike Drente which was also not represented in the central institutions because it was so poor and small that others were not willing to give it equal representation, but which had an autonomous provincial government. On the status of Generality lands see Blockmans 1999, p. 148, Parker 1977, p. 249, Price 1994, p. 211.

The Institutional Structure of the Union of Utrecht

The Treaty of Utrecht was far more comprehensive than the Pacification of Ghent. The provinces pledged to unite 'as if they were but one province'. The union bound its members to adopt a common foreign policy, to establish a joint military force, to harmonize monetary policies and to abolish all internal custom-barriers.²⁶⁴ There was no right to secede from the union, and individual provinces were forbidden from making any agreement for peace, war, or alliance with foreign states without the consent of the union.²⁶⁵

Institutionally the Dutch Union was quite unique. The center of the union—or, to use the Dutch term, the 'Generality'—consisted of two institutions: the States General and a Council of State. The sovereign power of the union was vested in the States General where decision-making was based on a principle of formal equality. Individual provinces could appoint as many deputies as they wished to the States General but each province had only one vote. Thus, in principle, a small province like Overijssel had the same representation as Holland.²⁶⁶ Important decisions of war, peace, alliance and treaty revisions were all made by the States General and were subject to unanimity. Other decisions were frequently subject to majority rule. However, each province retained a veto in the States General with respect to issues that were judged to be of importance to its internal affairs.²⁶⁷

The States General was the main governing body of the Dutch union but since this large assembly was not always in capacity to meet at short notice (gathering deputies from

²⁶⁴ For the articles of the Union of Utrecht see the appendix to this chapter.

²⁶⁵ Articles III and X of the Treaty of Utrecht.

²⁶⁶ Since the provinces could send as many deputies as they wanted the numbers gathered in the general assembly were often great. For example, the assembly held to ratify the truce made with Spain in 1609 is reported to have consisted of some 800 people. Usually, however, each province sent but a few deputies. Temple 1687, p. 68; Burnish 1742, p. 124.

²⁶⁷ Aglionby 1669, p. 80-8. According to Price (1994) the central question of whether the provincial States remained sovereign in the sense that they could resist ordinances from the States General was never completely resolved because it was in the provinces interests to assert both the indissolubility of the Union and the autonomy of its members at the same time. However, in practice the States General was seen in most matters as superior to the States.

all the provinces was time-consuming and costly), a Council of State was established in 1584 to function as executive.²⁶⁸ In contrast to the States General, the composition of the Council was based on proportional representation. As the largest province, Holland sent three deputies, Zeeland, Friesland and Gelderland each two, and Utrecht, Overijssel and Gronningen each one.²⁶⁹ Deputies voted by personal vote and were bound by oath not to put the interests of their own province above the good of the union.²⁷⁰ The primary role of the Council was to execute the resolutions of the States General and to prepare the union's budget. Each year, the Council would make an estimate of necessary funds and present it to the States General for approval. The States General would then demand contributions from each of the States based on their proportionate size. As the wealthiest of the provinces, Holland contributed fifty-eight percent of the total budget, Friesland paid twelve percent, Zeeland nine, Utrecht and Gronningen each six, Gelderland five, and Overijssel four percent.²⁷¹

The Union of Utrecht instituted a careful balance of political influence between its members. This balance was based first and foremost on under-representing the power of Holland. Whereas Holland bore more than half of the financial burden of maintaining the union, it had the same formal representation in the States General as other provinces and enjoyed only slightly greater representation in the Council of States. Thus, whereas Holland

²⁶⁸ The Council of States was added as a subordinate executive council after William's assassination in 1584. The Council derived ultimately from the body of the same name in the Habsburg system after the reorganization of 1531. The Council had a President, twelve provincial deputies, a treasurer, and three secretaries. The presidency changed every week, being held by a representative of each province in turn. The president would propose subjects to be debated and collect the votes, but had no special rights of decision.

²⁶⁹ Temple 1687 and Price 1994, p. 216.

²⁷⁰ Temple 1687, p. 68. The Council usually met separately—only in matters of particularly importance would it convene with the States General. On such occasions the General Commander of the army, the superintendent of the treasury, and the Treasurer General would also be present. The superintendent of the treasury was the person who controlled and kept account of all public expenses. The Treasurer General was the person who actually held the keys to the public treasure.

²⁷¹ Drenthe, a small associated member of the union, contributed 1%. See Temple 1687, p. 73. In addition to these contributions, the States General had several other sources of revenue—the most important being the taxes imposed on the 'Generality lands' and convoy and licensing fees levied on merchant ships. See Forsyth 1981, p. 34. Every three months, the Council would send to the States of each province a compendium of all the Generality's consultations. The Council also administered the Generality lands.

represented more than fifty percent of population in the Dutch Union it controlled only twenty-five percent of votes in the Council.

The political balance instituted by the Treaty of Utrecht did not exist only on paper. To make their commitment binding, member-states agreed to pool their military forces in a joint supranational army, thereby creating a powerful enforcement tool. The joint army served both the Generality and the individual States, each of the latter undertaking to maintain a given corps of troops. Every regiment swore a dual oath of allegiance—first to the States General, next to their individual province. Troops were paid by the States General who decided on their garrisoning and nominated all high officers. It was the States General that held the command over the union's land forces, and in time of war a deputation of the States General would accompany the chief commander into the field without whose advice he could not lawfully begin any military enterprise.²⁷² Whereas military operations on land (where the provinces could potentially constitute a threat to one another) were tightly controlled by the union, military defense at sea was naturally dominated by Holland. Naval defense was organized by five admiralties, whereof three were in Holland, one in Zeeland and one in Friesland. Each admiralty consisted of seven councilors chosen by each province and the navy was commanded by the union's general governor in his title of Admiral General.²⁷³

The tight pooling of military force was a main strength of the Union of Utrecht. The fact that military forces were fully integrated made it virtually impossible for states to envisage the use of force to adjudge regional disputes. The pooling of military force also provided the Generality with an important means of enforcement. That the union did indeed possess powers of enforcement is evidenced in the collection of the union's budget. If a

²⁷² Rowen 1972, p. 41. The only military powers to be retained by the individual provinces were the command of forts and other (defensive) military establishments within their own territories.

²⁷³ Price 1994, p. 218 and Bunnish 1742, p. 139.

province failed to provide the sums agreed to by the Generality, the Council of State had a right to 'execute' which meant that it could either billet soldiers or take hostages among the representatives from the province.²⁷⁴ While this practice was seldom used, the threat was not empty. In 1599, for example, Generality troops were sent into Gronningen to force it to pay its share of the budget.²⁷⁵

Pooling of military force was a crucial aspect of binding in the Dutch union but it was not the only aspect. The commitment to sustained peaceful cooperation was also rendered credible through increasing costs of exit effected through the establishing of a common currency, a common foreign service, and common standards for weights and measurements, etc. Finally, over time, the binding nature of the union came to rely on efficiency gains, primarily of an economic nature. Once peace and tranquility had been secured in the Dutch region, the provinces were free to concentrate their energy and resources on commercial activity. The result was the creation of a maritime trading empire which greatly enhanced the wealth of the region. However, it should be noted that the advantages from the union's increased external commercial activity mainly accrued to Holland, thereby giving this state an additional incentive to maintain the strong ties to its smaller neighbors.

The Union of Utrecht presented a strong binding force on all its members to the benefit of its smaller and weaker members. However Holland, as the largest state, naturally enjoyed certain privileges. For instance, Holland had a large influence on foreign policy. It was the Grand Pensionary of Holland, rather than the Union's Griffer²⁷⁶ who served as

²⁷⁴ Hart 1993, p. 82. In addition to the quota contributions the States General had several sources of 'independent' revenue, the most important being the taxes imposed on the 'Generality lands' and convoy and licensing fees levied on merchant ships.

²⁷⁵ Israel 1995, p. 291.

²⁷⁶ The Griffer was a 'head secretary' that attended all meetings of the States General and handled its correspondence which gave him a potentially important role in foreign policy.

Minister for Foreign Affairs.²⁷⁷ This meant that although the appointment of diplomats fell formally within the competence of the States General, in practice Holland appointed all ambassadors save a few.²⁷⁸ Holland also contracted most foreign loans which served to enhance its bargaining power vis-a-vis other states. Still, one would be mistaken to conclude that Holland's influence was unrestrained. Perhaps the most spectacular display of the union's ability to directly restrain Holland took place with the arrest in 1618 of two leading officials of the States of Holland, Oldenbarnevelt and Grotius. This crisis grew out of a doctrinal dispute between liberal and orthodox tendencies within the Reformed Church in Holland, which led to widespread popular violence. In response to the unrest, the States of Holland passed the so-called "Sharp Revolution" (Scherpe Resolutie) empowering reformed churchmen to protect themselves by hiring their own troops (waardgelders). This was in direct violation of the Treaty of Utrecht, and the States General authorized the Governor-General, Maurits of Nassau, to intervene.²⁷⁹ Maurits ordered the immediate arrest of Oldenbarnevelt and Grotius. Both men were tried and condemned by a special court set up by the States General. One was beheaded, the other exiled.²⁸⁰ Thus, while Holland was strongest of the provinces it was not free to act as it pleased. In the words J.L. Price, the Generality system "forced Holland to take the views, needs and interests of its fellow members of the union extremely seriously".²⁸¹

²⁷⁷ Forsyth 1981 and Boogman & van der Plaat 1980, p. 25.

²⁷⁸ Ibid. p. 25.

²⁷⁹ Rowen 19xx, p. 125 and Price 1994, p. 272, Price 1994, pp. 266-267.

²⁸⁰ Tuck 1993, pp. 180-193. This trial was not the only example of the States General exercising jurisdiction in cases where the Union felt to be affected. In 1621, Jacob Mom and four other nobles from Gelderland were tried by a special Generality court, charged with conspiring to betray the town of Tiel to the Spanish. The trials and executions went ahead despite passionate protests from Gelderland at what it regarded as a serious infringement of its autonomy. (Price 1994, p. 285). An even more spectacular case occurred in 1650, when Generality forces were sent to occupy Amsterdam after it refused to furnish the Generality with troops and military equipment. See "Historical Remarques" 1675, p. 7. See also Rowen 1972, pp. 17-41, Aitzema 1653, p. 92.

²⁸¹ Price 1994, p. 280.

V CONCLUSION

The Union of Utrecht did not end the struggle for influence in the Netherlands. According to Jonathan Israel, even after unification, “politics frequently revolved around tension between the dominant province of Holland and the rest of the provinces, which continually strove to protect their local interests”.²⁸² However, the Union of Utrecht embedded this struggle within an institutional structure which set clear limits on what winners of distributive conflicts could do with their gains, thereby lowering the overall stakes of such conflicts.

The Union of Utrecht presented a favorable bargain to both rising and declining states in the region. On one hand, the union permitted the declining inland provinces to stop worrying about oppression by a growing Holland. On the other hand, the union enabled Holland to concentrate its resources on expanding its international trade instead of fighting off its regional competitors. Quoting J.L. Price, “provincial independence gave the lesser provinces protection from their powerful ally, and at the same time allowed Holland to mould the policies of the new state in accordance with its own wishes and needs”.²⁸³

By entering into a binding union with Holland, declining states obtained a lasting guarantee against future exploitation—something which a preventive war held only a low prospect of securing given the unavailability of strong, reliable allies. Moreover, by ‘binding’ Holland at a time when Spanish forces were still on Dutch ground, the declining provinces achieved highly favorable terms of institutionalization. The formal political equality of these provinces—expressed by their veto in the union’s governing assemblies—gave them a significant voice in regional politics. This stands in stark contrast to the so-called ‘generality lands’ which were forcefully conquered by Holland at a later time.

²⁸² Israel 1995, p. 6.

²⁸³ Price 1994, pp. 239, 280.

Given the equal status accorded to the members of the Dutch Union is not hard to see why the declining states felt that they gained from the arrangement. What may be less obvious is why Holland accepted the deal. At first sight it may seem that Holland could have won more by simply conquering its smaller neighboring states. However, as we have seen, Holland's position was not one of absolute strength. Caught in a drawn-out war and facing a combination of its enemies, Holland could by no means be certain to prevail. Indeed, had Spain managed to bring order to its finances, the war in the Low countries might have quickly taken a different turn. Moreover, by agreeing to an arrangement of institutional binding, Holland obtained several benefits which it might not have been able to secure through conquest. Apart from safeguarding its external security, a stable peace in the Dutch region allowed Holland to focus on fulfilling its economic potential. Indeed, Holland was the locus of the Dutch economic miracle. By the beginning of the 17th century Amsterdam alone accounted for more than three quarters of all Dutch trade to the Baltic and also dominated trade to other destinations.²⁸⁴ Other provinces largely failed to emulate this economic expansion.²⁸⁵

Both the timing and institutional structure of the Dutch Union fit the binding thesis. I will now consider the merit of competing explanations. The argument in favor of an emerging 'Dutch nationalism' can be relatively easily dismissed. As we have seen, neither religion, nor political structure or common history seem to have provided a basis for a lasting union among the Dutch provinces.²⁸⁶ To the extent that the provinces that united at Utrecht shared a common history, this was a history of mutual conflict rather than cooperation. The 'nationalism' argument is further belied by the fact that the union failed to foster a community in the sociological sense. As Jonathan Israel observes, "during most of the

284 Huggett 1971.

285 Price 1994, pp. 222, 228.

286 Parker 1977, p. 241.

history of the United Provinces, allegiance and identity were based on provincial, civic, and sometimes local rural sentiment rather than attachment to the Republic as a whole”.²⁸⁷

What about the external balancing explanation? As I said previously, it is tempting to reject this argument off hand. As we have seen, the Dutch did not stand united against a common enemy. Rather than act as a unifying force, the struggle against Spain pitted the Dutch against one another, province against province, town against town. There is also the factor of timing: the Dutch union came about at a time when Spain appeared to be already losing its grip on the northern Low Countries, seemingly reducing the need for such an alliance. One might point to the fact that the war between the United Provinces and Spain continued formally for another five decades as critical evidence that external threat was indeed the *raison d'être* of the Dutch Union—or at least the glue that held it together. However, an important objection to this argument is that, after 1588, the war between Spain and Holland was mainly fought outside Europe, where it took the form of a conflict over colonial trade. As Geoffrey Parker observes, “after that time, there can be no doubt that Spain no longer aspired to conquer the United Provinces by force” but rather was “striving to improve its overseas trade”.²⁸⁸ I conclude, therefore, that although the Eighty Years War was an important factor for the founding of the Dutch Union, this factor alone cannot explain the timing and form of integration.

Still, the most important evidence against the notion that the Dutch Union constituted a means for balancing against Spain (or an attempt to ‘bandwagon’ with Holland if we turn this logic around) lies in the actual form of the Dutch Union. The treaty of Utrecht did not aim to explicitly bolster the strength of the Dutch defenses against Spain or

²⁸⁷ Israel 1995, p. 6.

²⁸⁸ Parker 1977, pp. 264-265. Of course, one might suspect that this outcome was obtained precisely *because* of the existence of a successful defensive union among the Dutch provinces which turned the threat away from Dutch territory. The strongest evidence against this argument is the form of military cooperation instituted by the Dutch union. The pooling of military force was focused mainly on integrating land-forces which might to used by one province against others. Defense at sea, however, continued to be provided chiefly by Holland alone. See Huggett 1971, p.45, and Price 1994, p. 230.

to enhance the Dutch capacity to employ force against third parties in general. Indeed, the fact that land-forces were fully integrated and relied on unanimous consent for their deployment, whereas defense at sea was left almost exclusively to Holland seems to defy this proposition. Moreover, if the Dutch union was intended as a means for effective balancing how do we explain that it involved far-reaching political and even economic integration? And why did the union provide an equal voice for smaller states whereas Holland's powers were vastly underrepresented? These unanswered questions cast doubt on the balancing explanation.

A final possible explanation is that the Dutch Union emerged to secure commercial advantages for its members. At first sight, this is a plausible explanation given the later economic success of the union. However, at closer inspection, it is difficult to argue that pressure for commercial cooperation should have led to the formation of a confederate union among the Dutch. Although there were strong 'artificial' barriers to trade within the Dutch region (i.e. high tariffs) which may be seen to have created pressure for integration, it is important to note that trade among the provinces was first and foremost limited by geographic barriers (an obstacle which integration would do nothing to overcome). In fact, most forms of exchange between the provinces were quite restricted until the end of the 16th century.²⁸⁹ The lack of economic interdependence casts doubt on the alleged pressure to break down barriers to trade. Moreover, the union did not in fact entail significant economic advantages for all of its members. In economic terms, the land provinces (Gelderland, Overijssel and Utrecht, even Gronningen) provided a sharp contrast to the dynamism, innovation and wealth of Holland. In the words of J.L. Price, "Holland was the locus of the

²⁸⁹ Parker 1977, p. 34.

Dutch economic miracle: Zeeland and Friesland were far behind, and the rest not even placed".²⁹⁰

The economic importance of the Dutch Union in 17th century Europe is well known and has been the focus of much scholarship. However, many scholars have found fault with the extremely decentralized and rigid political system of the Dutch union. The lack of central administration in many areas in the Dutch union was an anomaly in the 17th century Europe when centralizing, absolutist governments were the norm. However, if we accept the notion that the fundamental purpose of the Dutch Union was to prevent hegemony by Holland, then its institutional structure becomes more intelligible. In light of its purpose, namely to solve a preventive war dilemma while safeguarding provincial independence, those aspects of the Dutch political system which many historians have seen as its chief weaknesses (decentralization and fragmentation) can be interpreted in part as its strength.

²⁹⁰ Price 1994, pp. 222. Price suggests that the weaker economies of the inland provinces might have benefited from a different—less liberal—economic policy than the one pursued by Holland. (Price 1994, p. 228).

V. THE GERMAN ZOLLVEREIN (1834-1866)

I. INTRODUCTION

The German Zollverein was a wide-going economic union which was created in 1834 alongside the existing German Confederation ('Bund'), and which lasted until 1866 when the German Confederation was dissolved. At its inception, the Zollverein combined eighteen states within a single customs and administrative barrier. During the more than three decades of its existence, the union expanded its membership to include most of the larger German states with the exception of Baden, Mecklenburg-Schwerin, Oldenburg, Nassau and Brunswick.

Historians have sometimes described the Zollverein as the first non-political union among independent states.²⁹¹ However, the Zollverein did not emerge in a political vacuum. In reality, the Zollverein was a parallel—an 'economic complement' so to speak—to the German Bund which provided for both internal and external military security for the German states.²⁹² Thus, according to Murray Forsyth, economic union among the German states was "a means of strengthening and cementing an already existing defensive confederation, of providing it with down-to-earth material foundations".²⁹³

When looking at the political-economic context in which the German Zollverein emerged, the formation of a far-reaching economic union seems puzzling at first. After the collapse of the Continental System in 1815 most European states reverted to a narrow economic nationalism. Protectionist and isolationist forces also prevailed in Germany

²⁹¹ See e.g. Price 1912/1973, p. 1. Jacob Viner in his famous study of custom unions described the German Zollverein as 'an interesting exception to the more general historical rule that political unions precede economic unions'. Viner 19xx.

²⁹² Forsyth 1981, pp. 174-75

²⁹³ Forsyth 1981, pp. 160-61. Similarly, according to Huber, the Zollverein constituted "a confederation within a confederation, a Bund within a Bund". Huber 1957, p. 289.

where economic and political '*kleinstaaterei*' characterized relations among the various states, and where economic interests remained highly divergent.²⁹⁴ Thus, whereas the agrarian states and the free cities in northern Germany generally favored free trade, states in the south and south-west of Germany generally preferred strong protectionism.²⁹⁵ How can we explain the coalescing of these divergent economic interests into a single economic union?

Two main explanations exist for the economic unification of Germany. The first maintains that the demand for integration arose from a desire to reduce economic transaction costs. Germany in the late 1820s was in need of drastic economic reconstruction. Interstate commerce was thwarted by antiquated restrictions, poor communications, and high postwar tariffs, all of which placed the German states at an absolute disadvantage vis-à-vis their European neighbors.²⁹⁶ Thus, from an economic efficiency perspective, there were good reasons to undertake market reform. At the same time, argues Walter Mattli, improvements in the means of transportation—such as the innovation of steamboats and railroads—served to lower the physical costs of transacting in the German market. Together these factors put pressure on political leaders to adjust the scale of political and economic organization.²⁹⁷ The second explanation for the creation of the Zollverein maintains that economic integration was driven by increasing nationalist

²⁹⁴ See Benaerts, pp. 63-72. See also Price 1949, p. 253; and Kiesewetter 1987.

²⁹⁵ Kiesewetter 1987, p. 94. Baenarts 1933.

²⁹⁶ While the continental system had favored the rise of new industries to produce for the home market maybe of these were shut down again with the end of the Continental system and the re-introduced of more competitive British goods.

²⁹⁷ Mattli 1999, pp. 114-115. According to Mattli, "the railway served not only to reduce transaction costs and widen markets, but also provided the single most powerful stimulus to Germany's industrial development and growth...In short, the integrating effect of the railway is beyond doubt". Mattli also stresses the introduction of the steamboat in the first half of the 19th century. Yet, it is doubtful whether the impacts of either means of transportation—especially the railway which was constructed after 1835—could have made themselves felt in 1834 at the time of the founding of the Zollverein. See Roussakis 1968, p. 81.

sentiment throughout Germany. Thus, Arnold Price depicts economic integration essentially as a means employed by German nationalists to achieve national unification.²⁹⁸

I argue that neither of these explanations fully grasp the logic behind the German Zollverein. While there were certainly liberal forces pushing for the abolishing of trade barriers within Germany, economic integration cannot be explained purely from a desire to reduce transaction costs. Instead, I suggest, the German Zollverein—like the United Provinces before it—was essentially driven by a hegemonic conflict in which a great power, Prussia, threatened the economic and political independence of a group of declining states. The hegemonial potential of Prussia had been acknowledged by the great powers at the Congress of Vienna (1815) where a Confederate structure had been imposed on Germany with the dual aim of strengthening Germany against future French revanchism and preventing the emergence of a Prussian hegemony within Germany. The German Bund, however, remained a rather weak association in which most of the rights of sovereignty remained in the hands of the member states. Designed essentially to defend the interests of the secondary German states as well as the Habsburgs, the powers of the Bund related mainly to security and defense, whereas provisions for economic cooperation were left out.²⁹⁹

Nonetheless, it soon became clear that the main threat posed by Prussia was its economic power and its willingness to use this power to pressure other states into compliance. The first blow to Prussia's neighbors came with the Prussian Tax Law of 1818 which abolished duties within Prussia and introduced a new external tariff barrier. Combined with a set of new transit dues, this tariff put great economic pressure on neighboring states by suppressing their trade to the large Prussian market and by raising the

²⁹⁸ See e.g. Price 1949, p. 253, and Roussakis 1968, p. 16.

²⁹⁹ Price 1949, p. 18, and Forsyth 1981, p. 48.

prices of manufactured goods on which they heavily depended.³⁰⁰ In turn, this had the effect of robbing these states of necessary income. In the first half of the 19th century customs policy was still largely synonymous with fiscal policy.³⁰¹ Tariffs and duties were indispensable means for collecting state revenue and in many places accounted for up to seventy per cent of a government's income. The importance of effective customs collection can therefore hardly be overemphasized and the loss of receipts from tolls and customs was potentially detrimental to a state. In practice this meant that Prussia's aggressive commercial policy could not help but appear threatening to other states.

Initially, other German states sought to counter Prussia's aggressive economic policies by balancing against it. In 1828, Bavaria and Württemberg set up a rival customs union in southern Germany, and the same year, the Middle German states established a similar association—the Middle German Commercial Union. By 1834, no less than four separate and competing tariff unions were in existence in Germany.³⁰² These unions emerged in direct opposition to Prussia's policies. Yet, none of the competing schemes could match the efficiency of the Prussian system. First, the smaller states lacked economies of scale in their customs collection.³⁰³ Second, their resistance was rendered ineffective by collective action problems, which lead to the piecemeal defection of many smaller states to the side of Prussia. Eventually the negative effects of Prussia's commercial policy led declining states to seek accommodation with Prussia. In 1834, the members of the South-German customs unions took the decisive step of joining Prussia in

³⁰⁰ Mattli 1999, p. 116.

³⁰¹ Hahn 1984, p. 34.

³⁰² These counted the Prusso-Hessian customs union (1828), the South German Zollverein (1828), the Middle German Commercial Union (1828) and the Steuerverein or "Tax Union" (1834).

³⁰³ An estimate by the Prussian Zollvereins-pioneer Ludwig Kuhne based on the divergent experience of the Prussian and Bavarian unions maintains that the less the relation between the size of a state and the length of its borders, the more revenue accrues from customs-barriers. In Prussia the ratio of area to border length was 21% which according to Kuhne roughly equaled the size of the administrative costs to revenue (other authors estimate Prussia's administrative costs as low as 14%). For smaller states like Württemberg, Bavaria and Hesse-Cassel the greater ratio of border-length to territorial size meant that administrative costs as a percentage of total revenue was closer to 50% , sometimes even higher.

the German Zollverein and within a few years, the majority of the German states followed suit. In this way, argues Murray Forsyth, "Prussia's modernizing, expansionist and hegemonial policy provided the impetus towards the...creation of the Zollverein".³⁰⁴

The states that merged into Prussia's customs system generally gained from doing so. After the formation of the German Zollverein, revenues everywhere increased dramatically, saving the smaller states from ultimate economic ruin.³⁰⁵ The Zollverein placed other states at relative economic parity with Prussia and also allowed them to exercise influence on Prussia's economic policies. Thus, for a while, the Zollverein improved their relative standing. Prussia also gained from the merger both through increasing customs revenues and, more importantly, through a marked improvement in its international bargaining position.³⁰⁶

In the end, however, the German Zollverein was a failure. Ultimately, the economic and military constraints provided by the Zollverein and the German Bund proved too weak to prevent Prussia from effecting the desired unification of Germany.³⁰⁷ Yet, whereas Prussia did eventually manage to unify Germany against the wish of most secondary states, Prussia never succeeded in turning Germany into a fully centralized state. Despite the use of force—which was at any rate limited—the unification of Germany essentially took the form of a political compromise in which the major secondary states retained substantial political autonomy. Thus, Germany remained a highly decentralized state in which each of the 'Länder' was able to maintain a high level of autonomy, privilege and status.

³⁰⁴ Forsyth 1981, p. 166.

³⁰⁵ Henderson 1983, p. 141; Mattli 1999, p. 121.

³⁰⁶ Mattli 1999.

³⁰⁷ Paradoxically, the political and military confinements entailed in the German Bund may be said to have been weakened by the success of the Zollverein which effected the practical expulsion of Austria from the German sphere.

Outline of Chapter

The chapter is organized as follows. Section II provides a brief description of the creation and form of the German Bund. Section III discusses the effects of the Prussian Tax Law of 1818 and describes the reactive formation of two rival customs unions in southern and central Germany. Section IV discusses the formation of the German Zollverein in 1834. Section V concludes by reflecting on the relative importance of economic versus political motivations for the creation of the Zollverein.³⁰⁸

II. THE CREATION OF THE GERMAN BUND (1815-1866).

The Germany that emerged in 1815 after the Congress of Vienna included thirty eight states ranging in size from the 'great power', Prussia, through the smaller kingdoms of Bavaria, Württemberg, Saxony, and Hanover; through duchies such as Baden, Nassau, Oldenburg and Hesse-Darmstadt; to the free cities of Hamburg, Bremen and Frankfurt-am-Main. Although many of these states had been strengthened territorially by the revisions made under Napoleon, the ultimate champion of the new German order was the kingdom of Prussia.³⁰⁹ Of 208,780 square miles of German territory 134,616—more than half—was under Prussian control. The second largest German power was Bavaria, whose territories comprised a large chunk of the southeast portion of Germany. Next in line by order of size and population was Württemberg, Saxony and Baden.³¹⁰ (See Table).

³⁰⁸ Before I proceed to section I, a caveat is in order. This chapter has been based mainly on secondary sources. As such my interpretation relies on evidence regarding the timing of events rather than on motivation. This is a weakness in the chapter which I hope to correct in the future.

³⁰⁹ At the turn of the century, Germany was fragmented into about 350 sovereign dominions (imperial towns, ecclesiastical territories, principalities and counties) of varying size and strength. All of them owed formal allegiance to the Emperor, but in practice these territories enjoyed almost perfect independence. Each state, even the tiniest, exercised the right to form alliances, to maintain its independent army, to coin its own money and to erect external customs barriers. In 1803, most of the German states were dissolved by Napoleon's *Reichdeputations-hauptschluss* and merged into larger political entities. This arrangement was followed in 1806 by the establishment of the Confederation of the Rhine (1806-13). The Rheinbund was dissolved after Napoleon's defeat. Roussakis 1968, p. 15, Henderson 1983, p. 1, Mattli 1999, p. 108, Kiesewetter 1987, p. 82.

³¹⁰ Bavaria was among the middle-sized states which had been greatly strengthened territorially by the geographical revisions provided for by Napoleon and later the Treaty of Vienna. Other 'winners' were

Members of the German Bund and the Relative Size

<i>Empire & Kingdoms</i>	INHABITANTS	AREA KM/2	% TOTAL AREA
Austria	9,482,227	195,228	31.15 <i>Outside Zollverein</i>
Prussia	8,042,562	185,460	29.59
Bavaria	3,560,000	76,395	12.19
Württemberg	1,328,351	38,568	3.11
Saxony	1,192,789	14,958	2.39
<i>Grand Duchies & Duchies</i>			
Baden	1,005,899	15,307	2.44 <i>Outside Zollverein</i>
Mecklenburg-Schwerin	308,166	13,260	2.12 <i>Outside Zollverein</i>
Holstein-Lauenburg	360,000	9,580	1.53
Hesse-Cassel	567,868	9,567	1.53
Hesse-Darmstadt	587,995	8,414	1.34
Oldenburg	221,399	6,339	1.01 <i>Outside Zollverein</i>
Nassau	301,907	4,765	0.76 <i>Outside Zollverein</i>
Brunswick	225,273	3,729	0.60 <i>Outside Zollverein</i>
Saxe-Weimar	193,869	3,640	0.58
Mecklenburg-Strelitz	71,764	2,724	0.43
Luxemburg	154,000	2,587	0.41
Saxe-Meiningen	115,000	2,549	0.41
Saxe-Gotha (to Coburg in 1826)		1,422	
Saxe-Coburg	111,989	586	0.32
Saxe-Altenburg	95,855	1,330	0.21
Anhalt-Dessau	52,947	894	0.14
Anhalt-Bernburg	37,046	827	0.13
Anhalt-Kothen	32,454	622	0.11
<i>Principalities</i>			
Waldeck-Pyrmont	52,557	1,202	0.19
Lippe-Deimold	78,900	1,129	0.18
Hohenzollern-Sigmaringen	50,060	1,148	0.18
Schwarzburg-Rudolstadt	53,937	958	0.15
Schwarzburg-Sonderhausen	45,125	852	0.14
Reuss-Gera	69,333	834	0.13
Schamberg-Lippe	24,000	443	0.07
Reuss-Greiz	30,293	345	0.06
Hesse-Homburg	23,000	262	0.04
Liechtenstein	7,000	159	0.03
<i>Free Cities</i>			
Lubeck	136,600	364	0.06
Hamburg	146,109	351	0.06
Bremen	50,139	263	0.04
Frankfurt on Main	47,850	100	0.02

(Source: Hubert Kieseewetter).

Baden, Bavaria, Prussia and Württemberg who were awarded territories taken from the secondary German states. See Kieseewetter 1987, p. 82.

Prussia's pivotal position in the new Germany was largely a result of British and Austrian desires to create a stable balance of power in central Europe. At the Congress of Vienna the victorious powers, on guard against a revival of French aggression, had decided to strengthen Berlin to make it the defender of the Western boundary of central Europe. As a result, the Rhineland and Westphalia—a region destined to develop into the greatest industrial center on the Continent—became Prussian provinces.³¹¹ Prussia was also allowed to trade much of its Polish lands to Russia in return for a large part of Saxony thereby giving Prussia a strategic position on both frontiers of Germany. However, the negotiators at Vienna were not blind to the dangers of strengthening Prussian power. To prevent Prussia from assuming a position of dominance within Germany, it was decided to combine the thirty-eight German states into a loose Confederation under Austrian presidency.³¹²

One of the first decisions of the Congress of Vienna was to leave the drafting of a new German constitution to the German states themselves. In the fall of 1814, a committee composed of delegates from Austria, Prussia, Bavaria, Württemberg and Hanover met to draft a constitution for the new confederation. Their differences in outlook soon became apparent. Prussia wanted a centralized structure which would allow it, by virtue of its preponderant size, to exercise control over neighboring states. Austria by contrast felt that only a decentralized form of political union would grant it enough freedom of action to pursue its non German objectives.³¹³ The secondary states, who were determined to fight for the independence they had gained during the period of French

³¹¹ Mowat 1973, p. 3.

³¹² Carr 1979, pp. 1-3.

³¹³ See Forsyth 1981, p. 45. As a result of the territorial revisions at Vienna, the center of gravity of Austria shifted eastward. The bulk of Austria's territories lay outside the German Bund. Only a section of the Austrian Empire, namely modern Austria and Bohemia, belonged to the German confederation, while the other main section, the Lombardo-Venetian kingdom, was Italian. The Austrian empire spread well beyond the boundaries of Germany, and it was not in Austria's interest that its German-speaking territories should be bound in a close union with other German states.

hegemony, lined up behind Austria stating their strong opposition to any arrangement that might limit their sovereignty.

When a Confederate Act (Bundesakt) was finally signed on 8 June 1815, the result was a weak constitution.³¹⁴ In accordance with the wishes of the secondary states, the Bundesakt placed emphasis on the defense of the sovereignty of the member states rather than the authority of the confederation as a whole.³¹⁵ There was no central executive, or judiciary, only a Federal Diet (Bundestag) meeting in Frankfurt am Main to consider common legislation. Votes were distributed in a complicated manner such that the eleven larger states, including Austria and Prussia, possessed one vote each, while the other states shared six votes between them. This distribution was designed to neutralize the power of Austria and Prussia by making it impossible for them, even if they acted together with the four large kingdoms, to outvote and dominate the rest.³¹⁶

Initially, the Diet had no executive machinery to secure the execution of its decrees.³¹⁷ However, the Wiener Schlussakte of 1820 established a federal army consisting of ten army corps which were raised and financed on a quota basis of the member states, thereby creating a tool for enforcement.³¹⁸ By a provision of the Schlussakte the union was further empowered to take measures to preserve or restore peace, security and order within a member state, whether this was requested by the government in question or not.³¹⁹ These stipulations greatly strengthened the Bund, and the right to intervene in states'

³¹⁴ Price 1949, pp. 18-9.

³¹⁵ Werner 1977, pp. 7, 25. Roussakis 1968, p. 19. Each government represented in the Diet continued to enjoy full international rights alongside the Bund. They could decide upon war and peace, send and receive ambassadors, and make alliances with other German or foreign states, subject only to the restriction that these were not directed against the confederation or any of its members. Werner 1977, p. 15, and Forsyth 1981, p. 50.

³¹⁶ Forsyth 1981, p. 48, and Carr 1979, p. 4.

³¹⁷ Roussakis 1968, p. 15.

³¹⁸ Austria and Prussia each provided three corps, Bavaria one, and the three remaining corps were mixed units made up of troops from the remaining states. The normal strength of the army was about 300,000 men. See Forsyth 1981, p. 49.

³¹⁹ Werner 1977, p. 7.

internal affairs was used on several occasions. Still, however, the unifying effects of the Bund remained limited.³²⁰ Most importantly, the Bund did not entail any economic integration to substantiate and consolidate the political agreement.³²¹ In the years following the establishment of the German Confederation, a number of conferences were convened to discuss the rationalization of the German economies. However, negotiations wrecked as the interests of the states were simply too divergent. Arnold Price,

it is almost unbelievable that negotiations were kept up for so many years, and it is easily understood why they failed in their purpose. Everybody was thinking first of their own state and hardly anybody ever considered the interest of the Union they were going to establish...All of them refused to give up an iota of their own sovereignty.³²²

This attitude would not change until the economic ascent of Prussia compelled other German states to move toward closer economic cooperation.

III. THE PRUSSIAN TAX LAW OF 1818 AND THE RIVAL GERMAN CUSTOMS UNIONS

The economic struggle that led to the formation of the Zollverein began with the introduction of the Prussian Tax Law of 1818. On 26 May, Prussia abolished no fewer than fifty-seven separate customs territories in favor of a single unified system of taxation. This law served two purposes. First, it aimed to standardize tariffs within Prussia by abolishing internal prohibitions to trade.³²³ Second, it instituted a uniform external tariff barrier. A 10% duty was levied on manufactured goods, 30% on luxury and colonial goods, while the

³²⁰ Roussakis 1968, p. 20.

³²¹ Price 1949, p. 18; and Forsyth 1981 p. 48.

³²² Price 1949, p. 97.

³²³ After the territorial changes decided at the Congress of Vienna the system of taxation in Prussia was more complicated than ever. The number of internal customs barriers had increased as a result of the new territorial compensations and obstacles to trade were greater than ever before. This problem was sought remedied by bureaucratic reform and liberalization of domestic trade. The freedom to engage in trade or industry (*Gewerbefreiheit*) was introduced in Prussia in 1807 and was further specified by the trade reform of 28 November 1810. This move was followed in 1818 by the Prussian Tax Law which abolished many of the existing internal barriers in favor of a single external barrier. See Kohr 1960, p. 442, Hahn 1984, p. 20, and Kieseewetter 1987, p. 92.

import of raw-materials was exempted from taxation. Transit dues were introduced in the eastern and western parts of Prussia which lay on important trade routes.³²⁴

While fairly liberal compared to the tariffs of many other European states, the Prussian tax law was detrimental to the economies of the smaller German states. Both the main east-west route between Leipzig and Frankfurt-am-Main and the roads from Leipzig to Poland and Russia cut across Prussian territory. Prussia also commanded the bulk of the Elbe and Rhine rivers which were the primary trade routes linking South Germany to the North Sea. Transit dues therefore constituted a tremendous source for revenue for Prussia—and a formidable obstacle to the trade of other states.³²⁵ It must also be considered that whereas official duties on imports to Prussia were only 10-30%, in reality they were much higher, since they were calculated by weight, mass, or pieces rather than value. Since Germany experienced a general fall in prices after 1818, this meant that import duties calculated by value were in fact steadily rising. Thus by one estimate the effective duties on a great number of articles were in fact ranging from 60% to 100%.³²⁶

The promulgation of the Prussian Tax Law was immediately met by severe criticism from other German states, who denounced it as a measure selfishly adopted by Prussia to extract revenue from its neighbors.³²⁷ Those most hurt were the small enclaves which had a part or all of their territory enclosed by Prussia. Surrounded by the Prussian border tariff and subjected to high Prussian transit dues, they found themselves effectively shut off from the outside world.³²⁸ But the larger German states also suffered.³²⁹ According to Walter Mattli, “economic deterioration in the various German territories was in most cases a direct

324 Mattli 1999.

325 Roussakis 1968, p. 52.

326 Hahn 1984, p. 21.

327 Roussakis 1968, p. 51.

328 Hahn 1984, p. 25.

329 Roussakis 1968, p. 52. Industries in the middle and southern parts of Germany—in Saxony, Baden, Württemberg and Bavaria—had their chief outlets to the north, where their products reached the North Sea ports after traveling along the Rhine or the Elbe—routes now controlled by Prussia.

consequence of the construction of a single Prussian market".³³⁰ On one hand, these adverse economic effects may be viewed merely as an unintended consequence of Prussia's internal reforms. However, some observers suggest that Prussia's policy was not dictated solely by the need for a cost-effective customs system: "The idea of building up, through economic pressure and economic measures, a bloc of German states aligned to itself was also present", argues Murray Forsyth.³³¹

Whether or not Prussia was consciously using the negative externalities from its commercial policy as a tool to 'subsume' surrounding states, it is clear that Prussia from the outset had ambitions of incorporating the small Prussian enclaves into its system of taxation.³³² At first, Prussia tried to achieve control over the enclaves by unilaterally deciding to treat the twenty two enclaves like its own territory in matters of customs collection. This, however, produced sharp protest both from the enclaves and from surrounding states who claimed a violation of the Bundesakt.³³³ Thus, Berlin decided instead to wait and let the economic pressure on the enclaves persuade them. Initially, the enclaves held stubbornly to their sovereignty. However, they soon had to realize that—given the superiority of Prussia—there was no other way to escape the consequences of the Prussian tariff-policy than to join its customs system.³³⁴ The first bilateral agreement was made in October 1819 between Prussia and the tiny principality of Schwartzburg-Sonderhausen who agreed to let the parts of its territory that was surrounded by Prussia be included in the Prussian customs system. The treaty introduced complete freedom of trade between Prussia and Schwartzburg-Sonderhausen in return for Prussia's right to levy all

³³⁰ Mattli 1999, p. 116.

³³¹ Forsyth 1981, p. 166. See also Zechlin 1967, p. 83.

³³² The extension of the Prussian tariff to the enclaves was expected to contribute large sums to the Prussian treasury from imports duties on goods entering the enclaves and to also yield administrative benefits by eliminating the costs involved in the administering of the Prussian customs frontier around the enclaves. Roussakis 1968, p. 52-3.

³³³ See Kiesewetter 1987, p. 92-4, and Hahn, p. 26.

³³⁴ Hahn 1984.

customs and consumption duties at the principality's external frontier. Schwartzburg-Sonderhausen was to be compensated for the loss in revenue by participating in the proceeds of Prussia's consumption tax. Its right to share in the proceeds, however, was confined to consumption taxes and did not extend to revenues from customs duties.³³⁵

After the absorption of Schwartzburg-Sonderhausen, the remaining enclaves soon gave up their resistance. Before long, Schwarzburg-Rudolstadt, Sachsen-Weimar, Mecklenburg-Schwerin and Lippe-Detmold agreed to place parts of their territories under the Prussia customs administration.³³⁶ More difficult, however, was the integration of the geographically important enclave Hesse-Cassel which separated Prussia's eastern and western provinces. The later raised a complaint before the Wiener Conference claiming that Prussia's tariff policy violated its sovereignty. A bitter customs battle followed, but Hesse-Cassel still refused to submit to the Prussian customs scheme.³³⁷

With most the enclaves integrated into the Prussian customs system, the turn now came to the other German states. Hesse-Darmstadt was first in line. The Prussian Tax Law had severely hurt Hesse-Darmstadt's important linen industry by limiting its access to the large Prussian market and had sent the state's economy into deep recession.³³⁸ The introduction of a new boundary tariff in 1824 failed to relieve the distress and in 1825, after seven years of constant economic decline, the government turned to Berlin to negotiate. In February 1828, after three years of negotiations, a treaty was finally signed between Prussia and Hesse-Darmstadt by which the latter agreed to adopt Prussia's customs and excise taxes. The two states further agreed to establish a joint administration for the collecting and sharing

³³⁵ Roussakis 1968, p. 54.

³³⁶ Like Schwartzburg-Sonderhausen these enclaves obtained freedom of commercial intercourse and a proportionate share of revenue accruing from consumption taxes. See Hahn 1984, p. 26.

³³⁷ Kohr 1960, p. 442. See also Henderson 1983, p. 45, and Roussakis 1968, p. 55.

³³⁸ Henderson 1983, p. 50, and Matli 1999, p.

of revenues.³³⁹ The official treaty stipulated the legal equality of the two contracting parties. However, Prussia's demand for greater influence was accommodated by a set of secret articles enhancing its powers.³⁴⁰ Thus, in effect, argues W.O. Henderson, the agreement amounted to "the absorption of the smaller country into the customs system of the larger".³⁴¹ Nonetheless, the arrangement proves quite beneficial to Hesse-Darmstadt. After the treaty went into effect in July 1828 the small state steadily improved its finances, thereby sending an important signal to others about the benefits of coming to terms with Prussia.³⁴²

1. *The South German Customs Union*

Whereas the small enclaves submitted quickly to Prussian pressure, the Tax Law drew a sharp response from the larger German states. Already in 1819 a deputation of manufacturers from southern Germany had urged the German Diet to take action against what was seen as an aggressive and expansionist Prussian customs-policy. When it became clear to them that the Diet (which was dominated by a highly protectionist Austria) had neither the wish nor the power to intervene, the idea of creating a third force whereby the secondary states would act in concert gained in popularity.³⁴³ In September 1819 Württemberg and Bavaria invited representatives from Baden, Hesse-Darmstadt, Nassau,

³³⁹ The Prusso-Hessian customs unions was the first real 'common market' in Europe. Darmstadt's share of the revenues was to be calculated on the basis of the ratio of its population to that of Prussia's western provinces. See Kohr 1960, p. 442. See also Henderson 1981, p. 45, and Roussakis 1968, p. 55.

³⁴⁰ By the secret articles Hesse-Darmstadt gave her consent beforehand to future legislative changes, except tariff increases and fundamental legislative alternatives and to commercial treaties that Prussia might sign with states not neighboring Hesse-Darmstadt, as well as to reprisal measures taken by Prussia against the economic policy of other states. Moreover, the secret agreement gave the Prussian customs inspectors in Darmstadt much wider powers than those laid down in the principal treaty. See List 1915, p. 60, and Mattli 1999, p. 147. The secret articles are reprinted in Oncken & Saemisch 1934, vol 2, pp. 207-211.

³⁴¹ Henderson 1983, p. 68.

³⁴² Roussakis 1968, p. 60. See also Mattli 1999.

³⁴³ The so-called 'trias policy'—the idea of creating a third force in Germany to balance the preponderant power of Prussia and Austria—originated in the kingdom of Württemberg. Too weak itself to oppose Austria and Prussia, Württemberg proposed to achieve that goal by promoting closer cooperation between itself and other secondary states. Already in July 1819, high officials of Württemberg worked out a memorandum entitled "Ideen zu einem Maut- und Handelsverein der suddeutschen Regierungen." See Oncken & Saemisch 1934. See also Werner 1977, p. 7.

Saxony and the Thuringian states (including Hesse-Cassel)³⁴⁴ to negotiate the region of a South-German customs union that would halt Prussia's economic expansion.³⁴⁵ According to Walter Mattli, their interest in a customs union "stemmed mostly from their mutual opposition to Prussia's tariff reforms...and the desire to express in economic policy their growing political independence".³⁴⁶

Despite their common aversion towards Prussia, the south German states were unable to reach agreement. Negotiations dragged on for three years until the summer of 1823 when it became clear that the interests of the parties were simply too divergent to be bridged. A major obstacle to agreement lay in the fact that Bavaria had in mind a hegemonial trias which it would dominate, whereas other prospective members insisted on full equality with Bavaria.³⁴⁷ Conflicts over territory also poisoned relations between the states. Bavaria had claims on lands held by both Baden and Württemberg—claims that would have to be either abandoned or accommodated to facilitate agreement.³⁴⁸ Finally, the negotiating parties differed in their desired degree of protectionism. Bavaria and Württemberg wanted a common border tariff system with a high protective tariff to shield their infant industries. By contrast Nassau, Hesse-Cassel, Saxony and Baden favored freer trade which would allow them to profit from transit trade.³⁴⁹ With such divergent interests no common ground could be identified.

Negotiations for a South German union were frequently revived between 1822 and 1828 as the pressure from Prussia grew stronger. In October 1824, Bavaria and

³⁴⁴ The Thuringian small states included Sachse-Weimar, the smaller Saxon duchies, the Reuss Principalities, Schlesingen, Zigenreich and Hesse-Cassel.

³⁴⁵ The outcome of the first meeting was the adoption of the so-called *Wiener Punktation*—a tentative agreement whereby the states consented to negotiate mutual freedom of trade and tariffs in the future. This was followed by real negotiations in 1820. See Hahn 1984, p. 26, and List 1915.

³⁴⁶ Mattli 1999, p. 44.

³⁴⁷ Hahn 1984, p. 33.

³⁴⁸ Werner 1977, p. 48.

³⁴⁹ See, *Vorgeschichte*, p. 272.

Württemberg signed a preliminary agreement for the creation of a union. However, the ensuing negotiations came to null. In February 1825 a third attempt was made when Bavaria and Württemberg invited Baden, Nassau and Hesse-Darmstadt (which had not yet joined with Prussia) to reopen negotiations at Stuttgart. These negotiations also failed, mainly due to territorial disputes between Bavaria and Baden. In the end, Bavaria decided to form a union with Württemberg alone to prevent this state from siding with Baden thereby leaving Bavaria isolated.³⁵⁰ In January 1828 a treaty was signed between Bavaria and Württemberg establishing the South German Zollverein.³⁵¹ The South German Zollverein never became a success, however. Its members were too small and too diverse to enjoy any real advantage from establishing a common external tariff.³⁵² During its short lifetime the union collected less than half the revenue per capita of the Prussian customs union while its administrative costs were more than twice those of the Prussian scheme.³⁵³

2. *The Middle German Commercial Union*

Once the Prusso-Hessian Zollverein was established, Prussia lost no time in trying to extend its influence into the center of Germany. Overtures were made to Hesse-Cassel, Sachse-Weimar and Nassau. As a counter-measure, Bavaria also attempted to extend its influence in that region.³⁵⁴ But rather than join the South German union, the states of central Germany sought to maintain their autonomy by tightening cooperation among themselves. On 24 September 1828, the Middle-German Commercial Union was

³⁵⁰ Werner 1977, p. 48.

³⁵¹ The accession of Hesse-Darmstadt to the Prussian union caused great anxiety among the southern states. The British envoy Milbank wrote in 1828 that "the news of this negotiation has created no small alarm among the merchants and others concerned with the trade in this part of Germany who will undoubtedly suffer considerably by it." See Marti 1999, pp. 142-3. Bavaria in fact had sought to keep Hesse-Darmstadt from ratifying the treaty with Prussia.

³⁵² See Hahn 1984, p. 35.

³⁵³ The yearly net-income of the South German Customs Union was only 9,5 silbergroschen per capita compared to 24 silbergroschen in Prussia. The low revenues were mainly due to administrative costs which absorbed 44% of the unions' receipts compared to less than 20% in the Prusso-Hessian union.

³⁵⁴ Roussakis 1968, p. 60.

established uniting the territories lying between the Prusso-Hessian and Bavarian unions. This union included Hanover, Saxony, Hesse-Cassel, Nassau, Brunswick, Oldenburg, Frankfurt-am-Main, Bremen, the Saxon Duchies, Hesse-Homburg, Schwarzburg-Rudolstadt and Schwartzburg-Sonderhausen. It counted six million people.

Like the South German Zollverein the Middle-German Commercial Union was clearly anti-Prussian.³⁵⁵ The union did not provide for a common external tariff, nor did it abolish internal trade barriers. The economic interests of the members differed so greatly that agreement was reached only on two points: to prevent the existing customs unions from expanding into north and central Germany; and to divert transit trade away from Prussia by maintaining as many north-south trade routes as possible.³⁵⁶ To meet these goal, the treaty introduced a series of discriminating transit dues aimed to hamper commerce between the eastern and western parts of Prussia and prohibited its members from concluding trade agreements with members of the other two unions. About this arrangement the historian Heinrich Treischke remarks,

never before had particularism brought forth so monstrous, so unnatural an abortion. In the form of a huge barbed hood the area of the Union extended...across a motley collection of territories which, vis-a-vis Prussia, were only held together by a single common bond—fear and envy.³⁵⁷

Indeed, the Commercial Union seemed closer in spirit to a defensive political alliance than a trade union.

Also the Commercial Union was largely a failure. After its formation, economic conditions among its members continued to deteriorate.³⁵⁸ In 1829, Sachse-Meiningen and Sachse-Coburg reneged their obligations to the union by agreeing to create duty free

³⁵⁵ According to Walter Mattli, the oppositional or anti-Prussian character of this union was unmistakable. See Mattli 1999, p. 118, and Hahn 1984, p. 57.

³⁵⁶ Roussakis 1968, pp. 60-61. It was a declared aim of the union to keep open the north-south main trade routes from Hamburg and Bremen to Frankfurt-am-Main and Leipzig, but to restrict traffic on the west-east routes in so far as they ran through Prussian territory. See also Mattli 1999, p. 118.

³⁵⁷ Quoted in Roussakis 1968, p. 62.

³⁵⁸ Mattli 1999, p. 119.

roads through their territories to Prussia. Soon also the Reuss principalities and Sachsen-Weimar agreed to join Prussia. In the end, even Hesse-Cassel succumbed to the burden of swindling state finances and consented to negotiate with Prussia. For Prussia this meant the opportunity at last to link its eastern and western provinces within a single administrative border. Hesse-Cassel was thus admitted to the Prussian union immediately and on highly favorable terms.³⁵⁹

IV. THE FORMATION OF THE GERMAN ZOLLVEREIN

Having won over Hesse-Cassel, Prussia's customs scheme was now complete. So was the failure of the South German union. Realizing their fiasco, Bavaria and Württemberg decided to approach Prussia for a negotiated solution while they still had a position to bargain from.³⁶⁰ On 22 March, 1833 a treaty was drafted uniting the Prussian and Bavarian customs unions. In effect, this was the founding of the German Zollverein. Simultaneous with the merger of the two customs unions, a number of smaller states negotiated to join the Prussian union. Only a few days after the general ratification, Saxony abandoned its trade war with Prussia and acceded to the Zollverein, and the Thuringian states were formally integrated on May 10th.³⁶¹ Thus, when the Zollverein took effect on 1 January, 1834 it comprised eighteen states with a total area of 162,870 square miles. Its population was 23.5 millions—approximately 15 millions were Prussians.³⁶²

The bilateral treaties which established the German Zollverein in 1834 differed markedly from the treaty which had founded the prior Prusso-Hessian union. The Zollverein created an interstate union based on the principle of formal and legal equality among its members. In the central legislative body—called the Customs Congress—each

³⁵⁹ Roussakis 1968, p. 67-8. See also Mattli (1999) for an account of the economic distress of the enclave.

³⁶⁰ Marriot & Robertson 1915.

³⁶¹ Hesse-Homburg, Nassau, and Frankfurt-am-Main all joined within the next two years.

³⁶² Roussakis 1968, p. 70.

state had one vote.³⁶³ Decisions were subject to unanimity and were directly binding on member states, 'breaking' state law.³⁶⁴ The execution of legislative decisions in the member states was monitored by a system of reciprocal surveillance by which states send delegates to each others' administrative offices. Prussia represented the Zollverein in all commercial negotiations with foreign countries (including prospective member states). However, both Bavaria and Württemberg retained the right to negotiate bilateral commercial treaties with other states outside the union.

The Zollverein put up a common external tariff—equivalent to the Prussian Tariff of 1818—but instituted free trade among its members.³⁶⁵ Revenue from the common tariff system was pooled and distributed equally among the members in strict proportion to their population. This principle was highly favorable to nearly all of the secondary states because their per capita consumption was considerably smaller than the Prussian average.³⁶⁶ Thus, in addition to granting added political influence to its smaller members, the union in effect provided for economic redistribution from Prussia to other states.

The Zollverein was a great economic success. In the period 1834 to 1866 in which the Zollverein operated alongside the German Bund, it continued to expand its revenue. Trade liberalization and the development of an elaborate institutional framework in which the technological improvements of the industrial revolution could flourish sparked unprecedented rates of economic growth. Tax revenues increased by 71% between 1834 and 1843 while population increased by only 22%.³⁶⁷ These revenues provided a welcome solution to the economic constraints faced by the smaller German states a decade earlier and provided a positive incentive for all members to continue cooperation.

³⁶³ Kohr 1960, p. 448.

³⁶⁴ Forsyth 1981, p. 168.

³⁶⁵ Fest 1978. The Zollverein treaty also provided for common administrative regulations among the members and introduced fixed ratios between members weight, measures and coinage standards.

³⁶⁶ Mattli 1999, p. 123.

³⁶⁷ Henderson, p. 141; Mattli 1999, p. 121.

Throughout the Zollverein's existence, the preponderant power of Prussia was at all times evident. As the largest power Prussia used its strength to push other states in the direction it wanted.³⁶⁸ Other states were compelled to adopt the Prussian customs law, tariffs and auditing procedures, and the collection of duties was everywhere carried out according to a Prussian system. Yet this did not mean that Prussia was free to exploit its partners. In fact, many observers agree that the smaller states benefited more from the Zollverein than Prussia did.³⁶⁹ According to W.O. Henderson Bavaria, which had collected about two million florins in revenue per year from its customs union with Württemberg, obtained almost 4 million florins in its first year as a member of the Zollverein.³⁷⁰ "This financial return" he argues, "made an end of any hostility that might [have been] felt towards Prussia. The gains in revenue soothed the pain of losing complete independence".³⁷¹ Thus, when the Zollverein treaties were considered for renewal in 1841 the secondary states were generally satisfied with its performance. It was concluded that "throughout the years of its existence, the Zollverein had at no time violated the sovereignty of its member states, or the principle of equality of rights upon which it rested". Indeed, "from a financial point of view, the Zollverein had been of utmost benefit to the constituent states".³⁷²

The Dissolution of the Zollverein and German Bund

In terms of the framework for institutional binding spelled out in Chapter III, the German Zollverein provided a halfway mechanism for binding Prussian power. On one hand, the new union instituted a balance of political influence which, although dominated

³⁶⁸ Forsyth 1981 p. 167.

³⁶⁹ Roussakis 1968, p. 76, Mattli 1999, pp. 122, 148.

³⁷⁰ Henderson 1983, p. 141.

³⁷¹ Bowden, Karpovich, and Usher, "An economic History of Europe since 1750" (1970) p. 338—quoted in Mattli 1999, p. 122.

³⁷² Roussakis 1968, p. 76.

by Prussia, gave other states a significant say over Prussian policy. In terms of constraining the power of individual states and binding members to abide by its rules, the union relied on a mechanism of financial redistribution from Prussia to other members, on high exit costs (effected by the adoption of a highly centralized system for customs collection and, a bit later, a common currency), and—above all—on efficiency gains resulting from a rationalization of customs collection. Apart from these economic constraints and incentives, however, binding remained weak. The pooling of military resources remained limited to the sphere of German Bund, where the actual pooling of ready military force was moderate and where central command structures were weak.

Ironically, it was the overwhelming success of the Zollverein that contributed indirectly to its downfall. The Zollverein enabled the smaller German states to cooperate with Prussia on equal terms. At the same time, though, it provided Prussia with a powerful new weapon in the struggle against Austria for a dominant position in central Europe.³⁷³ The gradual economic weakening of Austria which resulted from its exclusion from the Zollverein, strengthened Prussia's ambition of unifying Germany under its charge. In the spring of 1866 Prussia concluded a military alliance with Italy directed against Austria.³⁷⁴ Austria immediately responded by securing a promise of French neutrality in the event of war. In May Prussia escalated the crisis by ordering its troops into Schleswig-Holstein to expel the Austrian forces there. Austria now asked the Diet of the German Bund to mobilize the federal army against Prussia. Despite warnings from Prussia that a vote in favor of the Austrian motion would be regarded as a direct declaration of war on Prussia, most members of the German Diet took Austria's side.³⁷⁵ The vote was taken

³⁷³ In the words of Albrecht-Carrie, "the political exclusion of Austria was prepared in the field of economics, effected militarily, and consummated diplomatically". Albrecht-Carrie 1970, p. 53.

³⁷⁴ Carr 1979, p. 103.

³⁷⁵ Braunschweig, the Free Cities, Luxembourg, Mecklenburg, Oldenburg and the grand-ducal Saxon houses voted again the motion

on 14th June. The same day, Prussia announced its withdrawal from the German Bund and on the following day Prussia delivered ultimatums to Saxony, Hanover, and Hesse-Cassel, ordering them to stop mobilization. When they remained silent, Prussian forces invaded them on 16 June 1866. This was followed by a declaration of war on Austria on June 18.³⁷⁶

The war of 1866 was astonishingly brief. Austria had the support of all the larger north German states and was expected to win easily. However, Prussia's military organization proved superior.³⁷⁷ Within the first three days, Saxony, Hanover and Hesse-Cassel were occupied, giving Prussia control over most of north and central Germany. The decisive battle took place on July 3 at Königgratz where the Austrian armies were defeated by the Prussians.³⁷⁸ By the terms of the ensuing peace Austria was forced to acknowledge the dissolution of the German Bund. Prussia annexed Hanover, Hesse-Cassel, Nassau, Schleswig-Holstein and Frankfurt-am-Main and imposed a treaty of union on the seventeen German states north of the Main under Prussian leadership.³⁷⁹ With this, the German Bund and Zollverein were destroyed and the effort to avoid Prussian hegemony had failed.

V. CONCLUSION: THE ZOLLVEREIN AS A CASE OF BINDING—SUCCESS OR FAILURE?

The events that led to the formation of the German Zollverein follow a pattern similar to the United Provinces. A rising state, Prussia, was expanding its power at the expense of a group of lesser, declining states. Like the declining states in the United

³⁷⁶ Hudson 1891.

³⁷⁷ The Prussian victory was due not to great numerical superiority, but rather to the meticulous planning of Moltke and to the superior fire-power of the new needle-gun. See Carr 1979, p. 105.

³⁷⁸ Until 1866 most observers believed that Austria would easily defeat Prussia based on the larger Austrian army (528,000 versus 355,000 men). However, Austria was in the situation that her unwieldy army needed seven to eight weeks to mobilize whereas the Prussian army needed only three weeks. Morrow 1993, p. 215.

³⁷⁹ As a result of the annexations, Prussia after 1866 comprised four-fifths of the population and the greater part of the territory north of the River Main. The four southern States; Bavaria, Baden, Württemberg, and Hesse-Darmstadt remained outside the North German Confederation. See Craig 1978, p. 12.

Provinces, the declining German states were to some extent protected by an external ally, Austria, and by the military and political framework of the German Bund which was designed to prevent Prussian hegemony over Germany. However, Prussia's strength lay as much in its economic strength as in its military efficiency. Prussia used this strength to seek to subsume other states under its economic and administrative system. Initially, other states sought to balance against Prussia's preponderant economic power through the formation of rival customs unions. However, conflicting interests among the large and diverse group of declining states made balancing ineffective. Realizing that they would not indefinitely withstand Prussian pressure they chose to merge with Prussia at a time when it was still constrained within the German Bund. In doing so, they generally gained favorable conditions.³⁸⁰ The Zollverein not only placed other states at relative economic parity with Prussia, it also gave them important influence on Prussia's economy policy.

As in the case of the United Provinces, the motivation for declining states to 'bind' a rising hegemon by merging with it on favorable terms is not difficult to grasp. What is more puzzling is why Prussia granted favorable terms to other states in order to gain their cooperation. Why not just conquer them? Several factors are important. First, although Prussia was economically superior it did not reach military preeminence until decades after the Zollverein was created. Prussia was painfully aware that its ambition of leadership in Germany depended on averting a 'total balance' of German states against it.³⁸¹ For this reason it was prepared to 'appease' declining states with economic concessions. Another motivation for Prussia to extend its customs system to other German states was to exclude Austria economically from the German sphere—a goal which was directly advanced by the Zollverein.³⁸² Finally, there were significant efficiency gains to cooperation—gains which

³⁸⁰ Henderson 1983, p. 141; and Mattli 1999, p. 121.

³⁸¹ Liska 1964, p. 76.

³⁸² Marriot 1915, p. 32, Price 1949, p. 298. According to Price, "The Zollverein united the German states in bonds of mutual economic interests, it united them under the leadership of Prussia, and it accustomed

may have been seen to make Prussia indifferent between conquering other states or cooperating with them on equal terms. For example, the Zollverein improved Prussia's bargaining position and retaliation power on the wider international scene, enabling it to wring important trade concessions from neighboring protectionist countries, such as France and Belgium.³⁸³ Thus in the end, the Zollverein—like United Provinces—appears as a compromise between a rising power and a group of declining states. While this compromise proved highly advantageous to Prussia it is apparent that the declining states were able to gain important concessions by moving to institutionalize cooperation with the rising power while it is still relatively weak.

As we have seen, the German Zollverein failed ultimately in binding Prussia's growing power. As such we may ask whether the case is not in fact disconfirming the binding thesis. However, cases need not be successful in order to reveal information about the motivation behind a policy. The evidence presented in this chapter strongly suggests that economic integration in 19th century Germany was motivated by an incentive to bind a rising Prussia. The actual form of integration also supports this reading. Whereas integration was geared towards enhancing economic efficiency, the Zollverein was also engineered to secure more balanced growth among the German states, and a high degree of centralization effectively prevented exit from the union. The economic binding undertaken in the German Zollverein did not prevent the breakdown of the German Bund. Yet, despite its ultimate failure to prevent German unification under Prussian leadership, the Zollverein can in many ways be seen as a political and economic success. The Zollverein insulated the smaller German states from economic exploitation and prevented Prussia

them to the exclusion of Austria from the Germanic body." To Hamerow the defeat of Austria through the Zollverein was a conscious goal of Prussia: "Prussia's considerations with respect to the formation of the Zollverein were far from exclusively economic". Prussian statesmen recognized that a customs union led by Prussia would have important implications in a future struggle for supremacy in central Europe". Hamerow 1958.

³⁸³ Mattli 1999, pp. 124-25.

from starving them of funds. Through the Zollverein, the secondary powers obtained favorable economic conditions combined with significant influence on Prussian policy. This meant that when German unification was finally forced through by Prussia the process took the form of a compromise as much as an act of coercion. Despite Prussia's aspirations to the opposite, the structure of the North German Bund and the subsequent German Empire fell far short of a centralized state. To obtain the consent of the chief secondary states, Prussia was compelled to grant them important concessions. Bavaria and Württemberg obtained a series of special privileges giving them in effect an equal voice with Prussia. These included the right to a permanent seat on the military committee of the Bundesrat, separate representation at peace negotiations and the chair of a committee on foreign affairs. The two states were also allowed to keep control of their armed forces.³⁸⁴ Also the minor German states retained significant autonomy within the institutional structure of the German Empire. The federal basis of the Empire was enshrined in the executive body of the *Bundesrat* which was endowed with considerable power and prestige. Prussia had seventeen of the fifty-eight votes, Bavaria had six, and the smaller states had each one vote, meaning that, theoretically, Prussia could be outvoted on constitutional and military questions.³⁸⁵ Thus, rather than an overt expression of Prussia's near hegemony, the German Reich was essentially "an uneasy compromise between the forces of conservative federalism...and the military might of Prussia".³⁸⁶

³⁸⁴ See Craigh 1978. Craigh argues that, "As a practical politician, Bismarck knew that the concessions he had made, while offensive to some, were the most effective way of breaking down the resistance of the southern governments". Bismarck brought pressure to bear on the Bavarian monarch, Ludwig II, to accept King William to become German emperor; in return Ludwig received an annual subsidy of 300,000 gulden, a transaction which only became public many years later. See Carr 1991, pp. 121-22.

³⁸⁵ The German Reich had two houses: the *Reichstag*, representing the people, and the *Bundesrat*, consisting of representatives of the member states. The federal basis of the Empire was enshrined in the executive body of the *Bundesrat* which was endowed with considerable power and prestige. Its consent was necessary for all legislation, it could veto constitutional changes, and supervised foreign policy. The *Reichstag* was composed of 397 members elected by universal manhood suffrage. In theory the *Reichstag's* ability to reject any bill seemed to make it an important reservoir of power; in practice, however, the power of the lower house was circumscribed. All legislative proposals were submitted to the *Bundesrat* first and to the *Reichstag* only if they were approved by the upper house. See Carr 1991, p. 126.

³⁸⁶ Carr 1991, p. 125.

VI The European Communities

"The special trait of the Franco-German relationship is that it had been riddled with conflict because it is not primarily an alliance of two friendly powers against outside forces, but rather a way for one power to control the other and for the other power to control itself."

-P. McCarthy, *France-Germany, 1983-93. The Struggle to Cooperate* (1993).

I. INTRODUCTION

On 9 May 1950, less than five years after France's liberation from German occupation, French Foreign Minister, Robert Schuman, announced a proposal to place the entire Franco-German coal and steel production under the control of a supranational institution. The pooling of French and German heavy industry interests, he submitted, would be the first step in the direction of a fully integrated Europe that would make war between the two former antagonists "not merely unthinkable, but *materially* impossible".³⁸⁷ The so-called Schuman Plan led to an epochal reconciliation of France and West Germany which was the starting point for a series of constitutive bargains among the West European states that led, first, to the creation of the European Coal and Steel Community (ECSC) in 1952, and that culminated—some forty years later—in the signing of the Treaty on European Union (TEU) in 1991.

What were the underlying motivations for the series of steps between 1951 and 1992 towards an 'ever closer union' among the West European states? In this chapter I argue that the process of West European integration since 1952 has been conditioned by three concerns: first, the need to prevent German preponderance; second, the necessity of economic development; third, the aspiration to find the unity needed to secure Europe's status in a world dominated by superpowers. Of these concerns, the desire to avoid German hegemony has been the most decisive. The wish to obtain a guarantee against renewed German aggression runs throughout the history of European integration. This desire has

³⁸⁷ Declaration by Robert Schuman, 9 May 1950.

primarily been championed by the countries that suffered most under German occupation during World War II—France, Italy and the Benelux states—whereas countries that were less affected by the war, including Britain and the Scandinavian countries, have proven less willing to surrender autonomy for the sake of cementing peaceful relations.³⁸⁸ Economic concerns and external threat have played a secondary role. The desire to garner commercial advantages has been an important force in shaping European integration and in sustaining popular support for the European project, but economic concerns in and of themselves have not provided a primary impetus for integration. Indeed, had European policy makers been concerned exclusively with economic advantage they would likely have engaged in less extensive cooperation in much weaker, and geographically more inclusive international institutions. Today's Europe would be radically different.

'External pressure'—i.e. military threat from the Soviet Union and the American 'security umbrella'—has also been secondary in driving European integration. While the shadow cast by the superpower conflict has certainly impacted the European integration process, it is not the case, as some realists contend, that it has facilitated integration by removing or suppressing fear of uneven gains in the minds of European leaders.³⁸⁹ To the contrary, fear of uneven gains and the desire to make sure that such gains will not be used in the future, as they have in the past, to achieve a decisive military or economic advantage, have been at the core of European integration.

In this chapter, I examine each major step towards deeper integration in postwar Europe in light of the institutional binding thesis. The picture that emerges bears close

³⁸⁸ According to William Wallace, the British and Scandinavians less conscious of their unavoidable dependence on Germany and of the link between economic relations and central security concerns were ambivalent about the underlying politico-security thrust in 1949-1950 and remain ambivalent today. (Wallace 1991, p. 60). Similarly, Walter Lippens and Wilfred Loth explain the difference in attitudes towards European integration between France and the Benelux on one hand and Britain and the Scandinavian countries on the other hand in terms of these countries' different experiences during the war. See Lippens & Loth 1985, p. 25.

³⁸⁹ See Waltz 1979, p. 70 and 1993, Mearsheimer 1990a and 1990b.

resemblance both to the United Provinces and the German Zollverein. Like these regions, Europe after World War II was subject to a preventive war dilemma. World War II--like World War I—had failed to solve the problem of German power. Although militarily defeated, Germany still had the potential to become the strongest European state economically and demographically and hence the capacity to once again threaten the territorial integrity of its neighbors.³⁹⁰ This problem afforded two possible solutions: either prevent Germany from ever growing military powerful again by destroying its potential for war; or devise an institution that would enable Germany to commit not to bully its neighbors in the future.

During the early postwar years, the second solution slowly gained acceptance among European policy-makers. It found its expression first in the French Schuman Plan of May 1950. Faced with the inevitable rehabilitation of Germany's industrial capacity, France proposed to place the very foundation of Germany's economic system and war-making potential—the production of coal and steel—under joint supranational control. Six months later, when the United States called for German rearmament, France responded with a plan for a European defense community. And in 1955, when Germany gained the right to develop nuclear energy for non-military purposes, France proposed the creation of a European Atomic Energy Community. Between the early 1960s and 1989, security concerns were less outspoken (although not absent), thanks mainly to the firm security guarantee provided by NATO. However, in 1989, the end of the Cold War and German reunification brought security concerns back to the center for the integration debate, prompting France to call for a Treaty on European Union entailing political union and cooperation of foreign and defense policy.

³⁹⁰ Gillingham 1991, p. 2, Kissinger 1996, p. 228.

The question is: why has Germany agreed to this series of binding designs? Why has the strongest power in Europe consented to surrender sovereign prerogatives to a set of regional institutions? One answer that emerges from the unfolding analysis is 'timing'. The rudimentary steps towards integration were launched at a time when Germany, although economically recuperating, was still politically and militarily fragile. Divided and occupied, and subject to a greater threat from East than any other European nation, the principal goal of postwar West Germany was to reclaim political sovereignty and gain the right to rebuild a national defense. Bonn realized, however, that political and military equality could be acquired only at the expense of institutional restraints on Germany's freedom of action. When Germany after 1945 agreed to let the elements of sovereignty that were being restored to it be immediately 'frozen' in the international organizations it joined—as in the case of the ECSC, WEU, EEC, OEEC and NATO—the primary payoff to Germany was in terms of equality rather than of independence.³⁹¹

A second answer to why Germany has agreed to transfer sovereignty to regional institutions lies in changing German preferences. Postwar Germany—like other European states—has drawn lessons from history that have served to change its perception of war as a feasible means to security or wealth. Regional integration has presented a way for Germany to convince its neighbors that its preferences have indeed changed. German Chancellors from Konrad Adenauer to Helmut Kohl have repeatedly portrayed European integration as a way to alleviate fears of German 'Alleingang' by "binding Germany into a structure which practically obliges it to take the interests of its neighbors into consideration".³⁹² This may sound to some like blunt rhetoric. We will see, however, that the prescriptive implications for

³⁹¹ Hanrieder 1980, p. 17.

³⁹² Cited in Jane Perlez, "Blunt Reasoning for Enlarging Nato: Curbs on Germany", New York Times, 7 December 1992, p. 18.

institutional binding are highly congruent with the policies pursued both by German and its neighbors.

In addition to enabling Germany to credibly convey its benign intentions to other states, integration has also presented a way for Germany to obtain much of the security and wealth that it sought earlier through military expansion. Like other 'bound' powers before it, Germany has gained much from integration. As the strongest and most dynamic of the West European economies, and as the country with the greatest export potential, West Germany has benefited greatly from the common European market—its growing trade surpluses far outweighing the cost of its large direct budgetary contribution.³⁹³ European integration has given Germany a home market with sufficient scales to foster industries that are competitive in the world economy. Thus, although Germany has borne a disproportionate part of the costs associated with constructing and maintaining the common market, in purely economic terms it may well be true that Germany has gained more from being immured in the EC than it might have won by attempting to coerce its neighbors under its exclusive leadership.³⁹⁴ EMU is only the most recent example. Germany has voluntarily agreed to bind its economic power by handing over control of its monetary policy to a supranational authority that governs through consensus. Other European states have thereby gained a greater input into monetary issues, and the euro, not the mark, has become Europe's leading currency. At the same time, however, Germany is effectively exporting its own monetary policy to its neighbors. Ultimately, the EU will have a political economy crafted in Germany's image.³⁹⁵

³⁹³ Germany is by far the largest net contributor to the EU budget. In 1996, Germany's financial contribution to the EU amounted to about two-thirds of the net income of the Union, double the relative size of the German GDP in the EU. Mattli 1998, p. 104.

³⁹⁴ Hannieder 1980, p. 11.

³⁹⁵ See Kupchan 19xx.

The timing, avowed motivation and concrete institutional form of integration in postwar West Europe suggests that integration has been motivated by a desire to find a 'constructive solution' to the German problem. The question remains however: to what extent is Germany really bound? To what extent is the remarkable peace and prosperity in postwar Europe the result of changed domestic preferences, the consolidation of democracy and American hegemony rather than a consequence of the creation of the EC? Or put differently, does the EC in fact constrain German power? The creation of the EC is routinely hailed as one of the most extraordinary achievements in modern world politics. Compared to other recent projects for international economic and political cooperation, the European project is indeed impressive. As an endeavor in institutional binding, however, the Community has been a mixed success. In previous chapters I have considered two prior cases of binding: one in which the extensive pooling of both economic and military power led to the firm binding of a would-be hegemon (the United Provinces); another in which the failure to secure adequate military binding led to partial domination by one state over others (the German Zollverein). The EC falls somewhere in between these two cases. While it offers extensive binding in the economic realm, the military aspects are less developed. As was the case in the German Zollverein, efforts to contain different power potentials (economic and military) have taken two separate roads—one which follows the logic of binding; another which rests on traditional diplomatic arrangements. Thus, economic binding has been undertaken within the framework of the EC, while military security has been dealt with outside the framework of the EC, under the auspices of NATO. So far, the two roads have not managed to meet. Despite repeated attempts by some members, especially France, to strengthen military binding, resistance from others, notably Britain, has meant that military integration remains incomplete. Even with the present initiatives for a common European defense effort, the idea that Europe could one day have a security regime of its own that

would tie its members together in a genuine military union is considered remote by most observers. The question therefore remains: Is Germany bound within Europe? The real test, conceivably, will come only with an eventual repeal of the American security guarantee for Europe.

Organization of Chapter

Section II begins with a brief analysis of national preferences for integration as they emerged in the immediate postwar period. Sections II through VII discuss each of the major intergovernmental bargains in order to reveal the extent to which major decisions have been tied to the problem of containing German power. Section IIX compares the findings to evidence from prior cases of institutional binding. Before I proceed to section II, a caveat is in order. I seek in this chapter to show to what degree the 'binding thesis' is corroborated or contradicted by consecutive European integration initiatives. Given the enormous amount of evidence regarding the European integration process, the analysis is necessarily rather general and may do injustice to some nuances and complexities of the policy-making process. I ask the reader to bear in mind that this chapter is not intended to provide a comprehensive history of European integration but to demonstrate—from the basis of theory—how the overall development of the EC can be seen to relate to the desire to control a rising regional power.

II. NATIONAL PREFERENCES FOR INTEGRATION IN THE POSTWAR ERA

World War II was the most destructive Europe and the world had seen. Yet, strikingly, elites in many West European countries emerged from the war advocating some form of European union. During the war, anti-fascist resistance groups in many countries championed projects for a voluntary European federation as a means to secure peace on

the Continent.³⁹⁶ A military confederation was at the heart of most of these projects, but many also stressed the need for economic integration to abate national rivalries. What was specific to many of these projects was that they saw in European union the concrete advantage that it would prevent a recurrence of the military hegemony of Germany.³⁹⁷ While one may be tempted to discount the many war-time plans for European unity as just the utopian propaganda of freedom fighters, there can be no doubt that these ideas influenced postwar European politics. Many leaders of the resistance movement, such as Altiero Spinelli, went on to become prominent political figures in postwar Europe. Due to their efforts, the movement for European unity gained increasing momentum at the end of the war, culminating in May 1948 with the so-called Hague Conference where over 800 influential Europeans from sixteen countries—among them several former Prime Ministers and Ministers of Foreign Affairs—gathered to discuss an economic and political union of Europe.³⁹⁸

The horrors of World War II turned West European elite and public opinion in favor of regional unity. But whereas the restored governments in Western Europe shared in the ideal of fostering some form of European unity, they predictably differed in their visions of how such unity would be achieved or how extensive it would be. Differences in preferences were often directly linked to countries' experience during the war. Below I

³⁹⁶ A great collection and commentary on the many wartime plans for European unity is found in Lippgens and Loth 1985. See also Mowat 1973, Dinan 1994, p. 11, and Stirk 1989.

³⁹⁷ Prominent examples from France include Leon Blum (1939) "Les conditions de la paix", Martin, "De la justice politique. Notes sur la présente guerre" (1940), Francis Gerard. *What is to be done with Germany?* which summarizes the ideas of resistance groups in Algiers, Philippe Viannay, *For a free Civilization* and Maurice Duverger, "Pas d'Europe sans L'Allemagne", *Le Monde*, 9 Sept. 1947. All reprinted in Lippgens & Loth 1985, vol. 3, pp. 275-6, 336. Examples from Italy include the *Ventotene Manifesto* (1941) which advocated a federal Europe with a common European army. The manifesto later became the program of the *Movimento Federalista Europea* founded in 1943. Spinelli, 'European Union in the Resistance' *Government and Opposition*, vol. II., 1966, p. 325 quoted in Burges 1989, p. 29. See also speech by Ugo Mondolfo of the PSLI on 1 December 1948 reprinted in Lippgens & Loth 1985, vol. III, p. 219.

³⁹⁸ The 1948 Hague Conference established a special Five Power 'Committee for the Study of European Union' chaired by the Frenchman Edouard Herriot. The work of this committee led to the establishing of the European Council in 1949. See Dinan 1994, p. 12.

briefly discuss the preferences of the key players in the European integration process as they emerged in the immediate postwar years.

French Preferences

France is the country that has pushed most vigorously for European integration. Virtually all major integration initiatives have been issued from Paris. The French desire for European unity is deeply rooted in the country's experience during World War II. After the war, there was strong opposition to restoring the full sovereignty of Germany—a country blamed for aggression against France in 1870, 1914 and 1939.³⁹⁹ In particular, there was opposition to restoring German sovereignty over the Ruhr. Coal from the Ruhr had provided over 80% of the German Reich's peacetime energy requirements, more during the war, and steel had been the prime material for weapons production.⁴⁰⁰ Thus, prominent French officials quickly returned to the view of 1918 that "the surest guarantee for the maintenance of peace will always consist in the limitation of the German steel potential".⁴⁰¹ However, France found itself in a dilemma. French industry emerged from the war with its productive capacity seriously impaired. To restructure its economy, France depended on supplies of coal and coke from the Ruhr and on German markets for steel.⁴⁰² For this reason, it was widely believed that the French economy would not sustain a punitive policy along the lines of that adopted at Versailles. Instead, the challenge was to find a strategy that would satisfy France's overriding concern with security against Germany, while meeting its industrial demands for adequate supplies of coal.⁴⁰³

³⁹⁹ In the aftermath of the liberation, French leaders remained obsessed by the possible revival of the German danger. Charles de Gaulle, head of the Provisional Government, reminded the French on Feb. 5, 1945 that the main goal of France must be 'to make sure that no German aggression will be possible in the future'. de Gaulle, *Discours*, p. 165. On the French preoccupation with German threat, see also Poidevin 1991, p. 332, and *La Federation*, "Policy statement on Foreign Affairs", Feb. 1947.

⁴⁰⁰ Gillingham 1991, pp. 45-6.

⁴⁰¹ Hervé Alphand, an official at the Quai d'Orsay in 1947, cited in Lynch 1984, p. 239.

⁴⁰² On French dependence on German coal and coke, see Gillingham 1991, p. 95, Willis 1968, p. 90, Pounds & Parker 1957, p. 339, Lynch 1984, p. 235.

⁴⁰³ Pounds & Parker 1957, p. 339, Gillingham 1991, pp. 207-208.

To begin with, France championed a policy of allied restrictions on German production and investment in the Ruhr—so-called ‘organic control’. This strategy implied gearing German recovery down to French speed, but did not involve destruction of plants.⁴⁰⁴ Instead, the vision was to enable France to avail itself of the resources of the Ruhr and to prevent the German steel industry from being reconstructed before that of France.⁴⁰⁵ A special organization—the *Commissariat General au Plan*—was created in January 1946 and charged with drawing up a five-year plan for the French economy which would demonstrate how the resources of the Ruhr could be used in the reconstruction and modernization of the French economy. The result, the so-called “Monnet Plan”, called on the Allies to increase France’s allocations of coal from the Ruhr by one million tones per month and to insert a clause in the peace treaty under which Germany was to deliver 20 million tones of coal to France every year for the next twenty years.⁴⁰⁶

‘Organic control’ was in rough harmony with American and British Ruhr policy as it emerged immediately after the war. However, the onset of the Cold War meant that American policy changed rapidly after 1945 when the harsh occupation policy for Germany was laid down.⁴⁰⁷ Already in 1947, the United States requested that German coal and steel output be increased to the French level.⁴⁰⁸ German productivity was key to the common

⁴⁰⁴ Ibid., pp. 153, 207-8. Between February 1947 and 1949 France put forward several plans calling for Allied ownership of Ruhr coal mines and steel mills. (Dinan 1994, p. 21, Milward 1984, p. 492, and FRUS 1948/II, CFM Files, Lot M-88, File-TRI Documents, “Paper agreed upon by the London Conference on Germany” 27 May 1948). However, plans of this sort were unacceptable to the US and to Britain in whose zones of occupation the Ruhr lay. (See e.g. Secretary of state, Byrnes speech at Stuttgart. US Dept. of State Bulletin, September 15, 1946, p. 501; and Secretary of State, Marshall’s speech at Moscow. US Department of State Bulletin, April 20, 1947, p. 694/695).

⁴⁰⁵ A.N. F60/918 and A.N. F60/902. See also Lynch 1984, p. 236.

⁴⁰⁶ Lynch 1984, pp. 236-239. A.N. F60/902. Note from Ministry of Finance, 10 March 1946.

⁴⁰⁷ Initially it was envisaged that the end of allied occupation would be predicated on merging the Ruhr’s industry into Europe and placing it under supervision of a single international authority. However, a major turning point came in May 1947 when Acheson called for a self-sustaining German economy at the earliest practicable date. The US now challenged France to consider ‘what contribution we can make to the development of a Western European community in which the Germans can assume an appropriate position as a reasonable democracy and peaceful nation’ See Acheson to Schuman 30-10.1949 private collection quoted in Mowat 1973. See also Hoffmann 1995, p. 139, and Gillingham 1991, p. 149.

⁴⁰⁸ See Archer 1990, 54, Gillingham 1991, p. 162.

defense of Europe, the Americans argued.⁴⁰⁹ Furthermore, the United States did not want the economic deadweight of a weakened Germany on their hands.⁴¹⁰ It was clear to France and its allies that precautionary action aimed at crippling German power potential was no more realistic in 1947 than it had been in the wake of World War I. As Foreign Minister, Robert Schuman observed

in 1945 there was still a strong effort to stick to the former policy of force: Germany was without a government due to the total collapse of its cadres and institutions and therefore powerless. Should one, must one not under such circumstances seize the opportunity to create a new Germany, to give it a structure that would afford protection against the re-emergence of such a big and dangerous power? Let us not forget that the imposed constitution and institutions which were introduced in hostile ammunition wagons have no prospects of lasting...I have already referred to the failure the laws of 1871 and 1919. A policy imposed by the victor can only create fragile and deceptive solutions; it is a source for new conflicts. *A peace whose single basis is mutual concessions cannot for long withstand a new shift of power between the opponents.* Only a solution devised in cooperation between victor and vanquished can prevent a future territorial demand...Yet alone, it can never be enough to obtain a lasting peace.⁴¹¹

Schuman distrusted the logic of power balancing. If two victorious wars against Germany could not be used to prevent it from threatening its neighbors again, no war in the future would. War today was no prevention against war tomorrow, nor was punitive peace clauses a means for averting future threat as was clearly shown by the failure of Versailles. He reported that by 1948, many French people believed that "without federal Europe no amount of guarantees as regards Germany will prove sufficient for keeping the peace".⁴¹² French foreign policy officials now began to work on drafting a plan for binding German power through cooperation rather than coercion. Their efforts focused above all on cooperation in the field of heavy industry. Between March 1948 and May 1950, the French press mentioned a dozen or so plans for cooperation in the field of coal and steel.⁴¹³ This resulted finally in

⁴⁰⁹ The French desire to permanently fix Germany's productive capacity was described in the US as 'suffering from a time lag'. See Statement of Douglas, May, 1918. FRUS 1948/II:155; FRUS 1948/II: 230-1, and statement of military Governor for Germany, General Clay. FRUS 1948/II:110.

⁴¹⁰ General Clay wrote to the Department of the Army on 22 Nov. 1948: "If we accept the French view, to considerable degree we are increasing our own financial liability in Germany." (See FRUS/1948/II: 525; FRUS 1948/II, CFM Files, Lot M-88, File-TRI Documents, 27 May 1948; FRUS/1948/II:135-8, 291). See also Poidevin 1991, pp. 333-334, Gillingham 1991, p. 162, and Archer 1990, p. 20.

⁴¹¹ Schuman 1964, pp. 124-25 (my emphasis and translation).

⁴¹² Schuman 1964, pp. 93-94.

⁴¹³ Whereas Schuman's proposal of 9 May 1950 for a European Coal and Steel Community (ECSC) has become famous, many scholars agree that the 'true' origins of the coal and steel pool are to be found in

the Schuman Plan, which brought about the diplomatic breakthrough on which subsequent progress towards integration has rested. This plan was followed by a series of French initiatives for economic and monetary integration as well as cooperation on military defense and foreign policy.

British Preferences

For Britain as for France, the danger of a re-emergence of German militarism has been a main concern in the postwar period. According to Alan Milward, judging from the volume of documentation in the British Foreign Office's archives, no question was considered more important to Britain's future than that of Germany's future.⁴¹⁴ Yet, Britain has taken a very different approach to the German question than France—one based more on balancing German power through traditional diplomatic means than on binding it through integration.⁴¹⁵ Consistent with this preference, Britain in the early postwar years promoted the creation of a system of traditional alliances aimed to suppress German power. The first official testament to British anxiety over the prospect of a resurgent Germany came in March 1947 when Britain and France signed the Treaty of Dunkirk which committed the two countries to 'assist one another in the event of any renewal of

French diplomacy immediately following the London Conference on Germany in 1948. Shortly after the London accords, a number of proposals emerged for economic integration among Germany and France, and by 1950 numerous plans for a Franco-German heavy industry pool were in circulation, among them a background paper from the Quai d'Orsay's Directorate for European Affairs referred to the possibility of creating a "pool" for European steel in which France and Germany would act on equal terms and exercise joint control over the production of steel in Europe. See MAE Z 1944-1949 "Direction d'Europe: Perspectives d'une politique française à l'égard de l'alliance", 30 November 1949, and Monnet 1978, p. 300. See also Spierenburg & Poidevin 1984, pp. 3, 15, Poidevin 1991, pp. 252-53, Gillingham 1991, pp. 149, 169. Upon the announcement on 9 May, a high ranking member of the German Ministry for the Marshall Plan, Karl Albrecht, sent out a circular which noted that the proposition of the French Foreign Minister was 'anything but spontaneous and certainly the product of long-term planning' and that Schuman had expressed similar ideas at their earlier meeting. See Milward 1992, p. 325, and 1984, pp. 158-159, 164-165.

⁴¹⁴ Milward 1992, p. 346, and Gillingham 1991, pp. 207-208. This finding is contested by Andrew Moravcsik who argues that concerns about Germany were not prominent in British documents. Moravcsik 1998, p. 172.

⁴¹⁵ Consistent with a policy of balancing Britain advocated forced demilitarization and industrial dismantlement in Germany following the war. See Ministerial statement of 28 March 1950, Hansard (House of Commons), 5th series, vol. 473, p. 324. See also Fursdon 1980, p. 70, and Gillingham 1991, pp. 207-820.

German aggression.⁴¹⁶ Concerns over a renewed German threat were also central to the Brussels Treaty which was signed in March the following year between Britain, France and the Benelux.⁴¹⁷

Britain's mistrust of binding led it initially to stand aloof from European integration and although Britain reluctantly joined the Community in 1972 it has continued to remain on the side-lines of the European project, often seeking to slow down or limit the extent of integration. As recently as 1990, in reaction to German reunification, British Prime Minister, Margaret Thatcher called for a return to a European balance of power system in lieu of a move to a European union.⁴¹⁸ What explains this British skepticism toward the idea of a united Europe? Many scholars have explained Britain's initial aloofness from European integration by reference to its economic interests within the Commonwealth. When looking closer at the timing of changes in British strategy towards Europe, however, we realize that a full explanation of the British stance cannot be given without attention to geo-political concerns. Britain's initial reluctance to embrace European integration is tied to its war-time experience and geographic position. Britain never suffered the same devastation or the humiliation of defeat as its continental allies. During the war, Britain's hopes were centered on its great allies, the United States and Russia, and away from the chaos of Europe. This caused British opinion to refuse to throw its lot in with an essentially unstable Europe.⁴¹⁹

Britain also feared that cooperation with Europe would weaken its relationship with the United States. According to the British official, Anthony Nutting, there existed among the top echelons of the British government 'an obsessive determination to preserve the Anglo-American Alliance as something exclusive. This school of thought feared that the closer we

⁴¹⁶ Fursdon 1980, p. 30.

⁴¹⁷ The members of the Treaty pledged to 'take such steps as may be held to be necessary in the event of a renewal by Germany of a policy of aggression'. See Preamble of the Treaty of Brussels.

⁴¹⁸ Thatcher 1993, p. 21.

⁴¹⁹ Kolodziej 1974, p. 278. See also Lippgens & Loth 1985, pp. 25-27; Lippgens 1982, pp. 160; Bullen 1989, p. 201; and Fursdon 1980, p. 61.

got to Europe, the more we should have to share America with Europe'.⁴²⁰ Worse than 'sharing' American attention was the possibility that the United States might withdraw from Europe altogether, leaving Britain and France to balance the Soviets and contain a potentially resurgent Germany. In the early postwar years, no one prophesied with any confidence that there would be a single American soldier in Europe within five to ten years. Both Labor and the Conservative party shared the view that without help from the United States it would be impossible to contain Germany and set Europe on its feet economically—given the poor state of the British economy. For this reason, Germany had to be integrated into the larger Atlantic Community.⁴²¹ Standing aside from exclusively European projects such as the EDC and EEC, it was believed, presented a way to strengthen American commitments in Europe whereas engaging in such projects might give Americans an excuse to disengage from Europe.⁴²²

German Preferences

West Germany has been a strong supporter of European integration. While ideas for integration were present in Germany already during the war, West Germany got its first true champion of European unity in Chancellor Konrad Adenauer.⁴²³ Keenly aware of the

⁴²⁰ Charlton 1983, p. 162, Nutting 1966, p. 4.

⁴²¹ See Bullen 1989, p. 203; and 'Documents of British policy Overseas, Series II, vol. 1, 1986. Prior to the 1948 'International Conference on Germany' Britain tried to secure US support for a treaty directed against a future German threat. On 22 January the British Foreign Secretary proposed that Britain and France should invite the Benelux countries to join them in a pact similar to the Treaty of Dunkirk. In parallel, London made a secret approach to Washington suggesting that the two countries should issue a joint commitment to go to war with any European aggressor. (Telegram from the British Amb. in Washington, Inverchapel, to the US under-Secretary of State, 27 Jan. FRUS/1948/III; and FRUS/1948/ II:12, 61).

⁴²² See Trachtenberg 1999, p. 117. British policy-makers again and again stressed the need for an Amr. involvement. "Western Europe cannot yet stand on its own feet without assurances of support", they argued. See "Inverchapel, to the US Under-Secretary of State", 27 Jan. 1948, FRUS/1948/II:12, 61. See also Lippgens & Loth 1985, vol. III, p. 633, 715; Bullen 1989, p. 201, and Fursdon 1980, p. 61.

⁴²³ During the war, the ideas for European union which circulated in France and Italy were taken up by German resistance groups such as the Heidelberg Action Group, which listed international control over the Ruhr and of German war-potential as one of its main policy goals. The program of the Heidelberg group states that, "we realize that the fullest guarantee must be provided against the repetition of a German policy of aggression...In addition to disarmament there must, we believe, be a system of intl. control over German war potential...But we would regard it as fatal economically and psychologically, if such control were in any way to involve the isolation of the Ruhr district from Germany.' They call instead for international control over the Ruhr. See Statement of the Heidelberg Action Group, October 1947 printed in Lippgens & Loth

depth of international fear and mistrust toward the new Federal Republic, Adenauer understood better than anyone that shared sovereignty pointed the only way to German's international rehabilitation.⁴²⁴ His first gesture came in November 1949 when he suggested in an interview to the Baltimore Sun that France should be allowed to invest in German steel-production as a way to relieve French fears of German steel as a war-making potential.⁴²⁵ His next move, in March 1950, was a proposal to unite France, Germany and the Benelux states in a customs union similar to the German Zollverein. A union of France and Germany, he said, 'would be the best way to end their rivalry'.⁴²⁶ Apart from these symbolic gestures intended to signal Germany's willingness to reassure its neighbors, the European integration process has not been defined by German initiative. Germany has been a 'taker' of national strategy, as it were, commonly responding to the initiatives of others. Arguably, the first act of German leadership in the history of the EC was the launching of the European Monetary System (EMS).

Apart from the goal of regaining political equality, West Germany's preference for integration has also been defined by the need to obtain security its territory.⁴²⁷ West Germany was the Cold War frontier. Any Russian thrust would likely be on its territory. Without a defense force of its own, Germany depended for its security either on a European defense or on permission from the Allies to raise its own troops. Only by giving credible assurances against future German aggression could Bonn build enough *Vertrauenskapital* to

1985, p. 498. After the war, these ideas soon found their way into political circles in the new FRG. Thus, the CSU Party Congress of 1946 adopted a 30-point political program which called for a supranational community of European states and for economic union. CSU Party Congress, 14-15 December 1946. See Lipgens & Loth 1985, vol. 3., pp. 374, 406-07, 479-481.

⁴²⁴ Dinan 1994, p. 22.

⁴²⁵ "I am aware that France sees German steel production as a war-making potential", Adenauer said. "My government is therefore prepared to allow French investments in Germany industry as high as 40%." Schmidt 1997, p. 81; Adenauer 1965, pp. 254-260, 311-312.

⁴²⁶ This proposal was communicated through the American journalist, Kingsburry-Smith. See Adenauer 1965, pp. 311-315.

⁴²⁷ Kocs 1995, p. 16.

obtain French approval, first to rebuild the German defenses, and later to pursue détente with the Eastern bloc without inviting political retaliation from its West European neighbors.

Benelux Preferences

As in the case of France, an overriding concern among the Benelux countries in the postwar years has been fear of a resurgent Germany. After its liberation Holland, which was almost completely destroyed by the war, began immediately to search for an international guarantee against a future threat from Germany. Holland's situation was complicated by the fact that, more than any other country, it depended on trade to Germany. Many Dutch politicians therefore saw the solution in political and economic integration with Germany. Integration, they argued, would give Holland and other West European countries an opportunity to influence German economic policy over which they would otherwise have no say and would bind Germany permanently to the West, thereby preventing it from reemerging as a threat in the future.⁴²⁸

These views were mirrored in Belgium and Luxembourg. Reports worked out between 1941 and 1944 by the Belgian government in-exile concluded that, rather than return to a policy of neutrality—a policy which had failed twice in the last twenty-five years—postwar Belgium should base its security on active participation in international organizations and regional unions.⁴²⁹ At the 1948 conference on 'German Problems' held in London, the Benelux countries jointly stressed the need to prevent a future German threat while keeping the German economy strong. This, they argued, could best be secured through a

⁴²⁸ For a detailed account see Verheyen 1993, p. 65, Voorhoeve 19xx, p. 186, and Armin Heinen, "Nethedands Political Parties and Pressure Groups in the Discussion on EU" in Lippgens & Loth 1985, vol. 3, pp. 245-256. See also FRUS 1948/II:92; and FRUS 1948/II:24.

⁴²⁹ The London based "Commissions pour les Etudes d'après-Guerre" led by Foreign Minister, Paul-Henri Spaak was commissioned to study postwar problems. See Fitzmaurice 1993, p. 97, and Lippgens & Loth 1985, pp. 269, 556.

deconcentration of German economic and political power, and by its incorporation into a framework for European integration.⁴³⁰

Throughout the postwar period, the Benelux states have been ardent supporters of integration. Notwithstanding an initial reluctance to embrace the principle of supranationality—a principle which they feared would diminish the influence of smaller states—the overall postwar record of the Benelux governments shows a common passion for strong supranational institutions which they have come over time to perceive as the protectors of small countries.⁴³¹

Italian Preferences

The last of the six 'founding members' of the EC is Italy. Also in Italy the desire for European unity has been defined by a need to prevent a resurgent Germany. As in other countries this need found its expression already during the war. According to Altiero Spinelli, "the Italian anti-fascist resistance movement accepted that it would be preferable to give a federal structure to Europe since this would solve the problem of co-existence in peace and freedom with Germany".⁴³² But unlike France and the Benelux countries, Italy's preference for integration, like that of Germany, has been determined also by a general desire to regain international prestige and influence—a result of Italy's far-reaching loss of sovereignty during the war.⁴³³ Finally, European integration has presented a remedy for the

⁴³⁰ FRUS 1948/II, 26 Feb:155; and FRUS 1948/II, 29. Feb.

⁴³¹ Soetendorp 1999, p. 35.

⁴³² Spinelli, 'European Union in the Resistance' *Government and Opposition*, vol. II, (1966-7) quoted in Burges, 1989, 29. In his speech to the 3rd National Congress of the *Movimento Federalista Europea*, 23 April, 1950, Spinelli talked about the German question 'the most crucial of all European problems'. He warned that intergovernmental solutions would not suffice to constrain Germany or to prevent future conflicts over the resources of the Ruhr. Instead, federalist solutions were called for. Another prominent Italian federalist, Ugo Mondolfo, also pointed to federation as a way to solve the German problem: 'If Germany becomes part of a federal organization and thus gives up her sovereignty, especially in military matters, she can again become a major factor in the economic prosperity of Europe without endangering its security', he argued. See Lippgens, vol. III, pp. 235-239

⁴³³ Lippgens & Loth 1985, p. 457. According to Lippgens, due to the far-reaching loss of sovereignty, many Italians thought that the recovery of full sovereignty was less important than the raising of Italy's status that would follow on her membership of supranational organizations or a European federation.

enormous burden of underdevelopment in the central and southern parts of Italy. Looking beyond the Marshall help, integration offered Italy the means of economic development, an outlet for its population surplus and solidarity with economically and militarily stronger countries. Successive Italian governments have therefore been consistently and strongly pro-European.

This brief overview has meant to give a sense of how security against a potentially resurgent Germany—not just against the Soviet Union—continued to be a pressing concern for European policy-makers throughout the 1940s and early 1950s. The rhetoric of postwar European leaders strongly suggests that they continued to view the ‘German problem’ as real. But to what extent were ideas about European unity as a means to peace just rhetoric that got washed out in the general rush to secure commercial advantage? In the remainder of this chapter I examine to what degree actual policies with respect to European integration have matched the professed intentions of postwar leaders.

III THE EUROPEAN COAL AND STEEL COMMUNITY - 1952.

By 1949 it stood clear that the French desire for ‘organic control’ of the Ruhr was inconsistent with American conceptions of West Germany’s role in an allied defense. Thanks to a lifting of restrictions in the American and Britain occupation zones, German industrial production, which had been at 37% of the pre-war level in 1947, had risen to 80% of that level by 1949 and was increasing by 15% per year as opposed to 9.2% for the Community as a whole.⁴³⁴ Alarmed at this development, French government official, Jean Monnet, wrote in a memorandum to Foreign Minister Robert Schuman in May 1950:

the continuation of France’s recovery will be halted if the question of German industrial production and its competitive capacity is not rapidly solved... Already Germany is asking to increase her production from 11 to 14 million tons. We shall refuse, but the Americans will insist. Finally, we shall state our reservations but we shall give in. At the same time, French production is leveling off or even falling...If France does not speak and act now, what will happen? A group will form around the United States, but in order to wage the Cold War with greater force. The obvious reason is that the countries

⁴³⁴ Gillingham 1991, p. 357, Nutting 1966, p. 19.

of Europe are afraid and are seeking help. Britain will draw closer and closer to the United States; Germany will develop rapidly, and we shall not be able to prevent her being rearmed.

A few days later, on 9 May 1950, Robert Schuman announced the French government's plan for merging French and German coal and steel production under a common institution which would be open to the participation of other European countries. The explicitly stated goal was to "prevent Germany from once again using the Ruhr district's industrial strength to support aggression" but "to employ the areas resources for the benefit of Europe as a whole".⁴³⁵ To this end, Schuman suggested to create a common 'higher authority' in which West European states would together decide the allocation of industrial resources. The pooling of coal and steel production, he argued, "will be the first step in the federation of Europe, and will change the destinies of those regions which have long been devoted to the manufacture of munitions of war, of which they have been the most constant victims".⁴³⁶

Schuman's proposal was neither novel nor unique, but it was presented with unique skill. In the words of John Gillingham, the 9 May message was "couched in language that barred easy exit from the negotiations and established a framework for them".⁴³⁷ The participating governments were asked to agree *in principle* to surrender sovereignty as a condition for entering the negotiations. The fact that the plan was confined to coal and steel coincided in part with a 'functional' line of reasoning. Both Monnet and Schuman believed that greater progress could be made with respect to integration if cooperation was confined to a single sphere.⁴³⁸ However, the choice of coal and steel did not express a mere functionalist logic. Coal and steel were the very basis of the West European industrial

⁴³⁵ Declaration of Mr. Robert Schuman of 9 May 1950. For the full text see Hill 2000.

⁴³⁶ *Opcit.*

⁴³⁷ Gillingham 1991, p. 231, and Mason 1955, p. 9.

⁴³⁸ The approach of Schuman and Monnet is often described as 'functionalist' or 'incremental federalist'. Both men understood that only a gradual approach to the pooling of sovereignty would have a chance of surviving. Yet, both men advocated integration not only in areas that were believed to foster spill-over effects but in areas that were central to national security. However, neither of the men were willing to rely solely on the forces of functional necessity to move the process along. Instead pushed for political agreement transfers of sovereignty. See Diebold 1959, p. 15, Burges 1989, pp. 44-46, Monnet 1978, pp. 384-85, Mowat 1973, p. 87.

economies, and it was widely believed that no country could wage war without an independent coal and steel industry.⁴³⁹ A heavy industry pool would also provide other states a share in German industrial potential, thus serving the double objective of enhancing security and facilitating the recovery of their economies.⁴⁴⁰ Among members of the French Parliament, Schuman's plan was therefore seen not simply as a question of transferring a functional problem to the supranational level but as a question of national security.⁴⁴¹ The majority in the Parliament readily accepted the view of Alfred Coste-Fleuret,

Germany is in full growth, but this is a growth which has never stopped. It is precisely at the moment when we could conceive some fears about this development, that the Schuman Plan intervenes opportunely to stabilize the situation and to take from the German state, as it does from the French, the disposition over their heavy industry for war-purposes. ⁴⁴²

Security concerns were at the heart of the European debate over ECSC. On the same day as he announced the coal and steel plan to the French Assembly Schuman appealed directly to Adenauer in a personal letter to show sympathy for the dilemma of French security. In France, he explained, there was still fear that Germany when it recovered would attack France. 'Any form of (re)armament would show itself first in an increased production of coal, iron and steel'. If one made an arrangement like Schuman had proposed, that would enable both countries to notice the very first signs of armament, 'then this would have a very calming effect in France'.⁴⁴³ The German response to this line of argument was positive. While it may seem that trading the autonomy of the large West German steel industries for the autonomy of the much smaller French industries by subjecting both to a common higher authority would be inimical to Germany, it should be remembered that West Germany did not possess actual autonomy over its industries but only

⁴³⁹ Archer 1990, p. 54, Dell 1995, p. 15, and Baun 1996, p. 12, Milward, 1984, pp. 392-195, and Gillingham 1991, pp. 45-46.

⁴⁴⁰ Poidevin 1991, pp. 333-334.

⁴⁴¹ See Milward 1984, p.14, and Schwabe 1988. See Schuman 19xx, p.178; Adenauer 1965, pp. 327-328.

⁴⁴² Grosser 1957, p. 65.

⁴⁴³ Adenauer 1965, pp. 326-328.

potential autonomy.⁴⁴⁴ The Schuman plan promised to end allied restrictions on coal and steel for industrial use.⁴⁴⁵ Still, Bonn praised the plan for its political rather than economic value.

To Adenauer,

there existed no better opportunity for removing the French doubts about the peace-lovingness of the German people, than to merge production of coal, iron and steel, the basis for rearmament.⁴⁴⁶

He told the German Bundestag that “the political meaning of the ECSC was infinitely larger than its economic purpose”.⁴⁴⁷ These arguments were echoed in the Benelux countries, where the Schuman Plan was greeted as “a breakthrough in French policies towards Germany”.⁴⁴⁸ A Dutch Foreign Ministry memorandum stated that

from the political point of view, [the Schuman Plan] must be acclaimed very vociferously, because it creates the capability for Europe to profit by Germany’s strength without being threatened by it.⁴⁴⁹

The Americans were equally impressed. In the view of the Department of State;

There appears in the Schuman Plan the far-seeing statesmanship which, to build a framework for enduring peace, would sacrifice elements of national sovereignty over people and industries.⁴⁵⁰

Only Britain remained skeptical. On 13 June, Prime Minister Ernst Bevin declared that Britain would not join in the negotiations of a coal and steel pool. It is “neither possible nor desirable under existing circumstances to form a complete union, political or economic”, he argued. “The European peoples do not want a supranational authority to impose agreements”.⁴⁵¹ What explains this British skepticism? First, while French leaders had come to mistrust balancing of power, Britain was suspicious of a strategy of binding. Britain was strongly opposed to surrender control over a vital resource like coal and steel

⁴⁴⁴ Forland 1997, p. 246.

⁴⁴⁵ The Bundesrat’s approval of the ECSC was made conditional on assurances from the occupying powers that when the ECSC became operative, the Ruhr Authority would be eliminated and the restrictions on steel production lifted. See Weigall & Stirk 1992.

⁴⁴⁶ Adenauer 1965, pp. 328, 338.

⁴⁴⁷ Speech by Adenauer to the Bundestag, 12 July 1952. See also Weigall and Stirk 19xx.

⁴⁴⁸ Dutch Foreign Minister Dirk Stikker quoted in Kersten 19xx, pp. 286.

⁴⁴⁹ Kersten 19xx, pp. 286-287. Milward 1992, p. 83 argues that Belgium’s *strongest* reason for accession to the treaty was the desire to secure peace between France and Germany.

⁴⁵⁰ US Dept. of State, July 1951. See also Acheson 1965 p. 383.

⁴⁵¹ See “European Unity. A Statement by the national Executive Committee of the British Labour Party”, 24, May-12 June 1950; and Nutting 1966, p. 29.

which Prime Minister Ernst Bevin insisted was of crucial importance for national defense. In the event of war with the Soviet Union, London assumed that Western Europe would be quickly overrun and that Britain, alone of the European states, would be fighting alongside the United States. No arrangement could be made with other European states which could undermine an independent British defense effort.⁴⁵² The British also saw the proposed ESCE as a threat to the Atlantic alliance. Only cooperation with the United States could stabilize Europe, they felt. Certainly it seemed implausible that France, Italy and the Benelux countries alone could succeed in binding German war-potential simply through cooperation. "I cannot help feeling", said Macmillan, "that there is a great possibility that when the French Parliament and people realize that it means going in *without* Britain, they may shrink from handing over their rather weak and largely obsolescent industry to German control. For, in a few years, that is what it will mean".⁴⁵³

To what extent can Britain's rejection of the coal and steel pool on grounds of 'national sovereignty' be seen merely as a cover for a deeper concern with giving preferentiality to Commonwealth trade?⁴⁵⁴ British trade with the Commonwealth in 1950 was far greater than its trade with the Continent. Yet, neither coal nor steel figured among the principal exports of the Commonwealth.⁴⁵⁵ Moreover, British coal and steel production was highly efficient compared to production on the Continent. Thus British industry—as opposed to industrial groups on the Continent—perceived a great advantage in a single market for coal and steel. What Britain opposed was the establishing of a supranational authority with powers to decide on the allocation of industrial resources and with a clear

⁴⁵² Bullen 1989, p. 202.

⁴⁵³ Macmillan 1969, p. 204.

⁴⁵⁴ According to Desmond Dinan (1994, p. 25), British officials thought that too close an involvement in the process of European integration would jeopardize London's strong political and economic orientation towards the declining empire and the emerging commonwealth and would threaten the 'special relationship' to the US. Similar views are expressed by Griffith & Ward 1955, p. 10.

⁴⁵⁵ Nuring 1966, p.105.

agenda of furthering political integration. It is unlikely that the British government would have opposed the ECSC had it merely been designed to liberalize trade in coal and steel. Indeed, on 8 August 1950, British Conservatives put forward a counter-proposal to the ECSC, involving a loose association of coal and steel producers headed by a body representing the various production sections; a kind of pool, in fact, under the control of the Committee of Ministers of the Council of Europe.⁴⁵⁶ However, the British counter-offensive was brought to a quick halt as the Council of Europe adopted a resolution in favor of the Schuman plan. Political concerns, it seems, were set to triumph over economic ones.

The Negotiations of the Schuman Plan

The public (and private) rhetoric of European statesmen suggests that they saw ECSC as a political project designed to bring peace to the Continent. But what were their real motivations? We can get a good sense of such motivations by looking at the different stands taken during the negotiations of ECSC. In France, the preparation of the Schuman Plan was treated as a matter of 'national security'. Only a small handful of officials knew about the existence of the plan before it was made public on May 9. These officials were all from the Ministry of Foreign Affairs rather than the Ministry of National Economy. In drafting the plan, Schuman also acted with great discretion to sidestep possible objections from French industry which might have led to a weakening of the proposal.⁴⁵⁷ While organized industry groups were normally consulted about a proposal of this nature, in this case they were not even notified of its existence.⁴⁵⁸ This is not surprising, because once the

⁴⁵⁶ See Spierenburg and Poidevin 1994, pp. 18-19. The British countered the Schuman Plan with the so-called 'Macmillan-Ecles Plan'—a proposal for a looser, intergovernmental framework for coordination of coal and steel production. France naturally disliked the plan. Schuman wrote to Macmillan on 8 August, that "Cooperation between nations, while essential, cannot alone meet our problem. What must be sought is a fusion of the interests of the European peoples and not merely another effort to maintain an equilibrium of those interests through additional machinery for negotiation". Macmillan 1969, p. 204.

⁴⁵⁷ Spierenburg & Poidevin 1994, p. 5.

⁴⁵⁸ JM MAG 18/4/2, Aubrun to Monnet, 5 August 1950.

plan was made public, they overwhelmingly opposed it. French industrialists claimed that despite a low ceiling on German production, the competitive disadvantage of French steel would mean that the bulk of investment would flow to the Ruhr. The main driving force in the anti-ECSC campaign was the National Associations of Steel Industries.⁴⁵⁹ Beginning in July 1950, the Steel syndicate and the steel industry's employer organization, the *Conseil National du Patronat Français* (CNPFF), whipped up opposition to the Schuman Plan and "by the end of the year, protests of the ECSC negotiations were registered by nearly every chamber of commerce in France".⁴⁶⁰ The chief demands the industrial associates was to be represented at the conference proceedings—a demand which was firmly rejected by the French government.⁴⁶¹

French negotiation tactics also suggest that the ECSC was perceived as a matter of great political urgency. Schuman did not want bargaining to be bogged down by technical detail. French aims centered first on reaching agreement on a strong supranational High Authority (HA)—all other issues could be worked out later.⁴⁶² This strategy, however, ran into opposition from the Benelux countries who objected to giving excessive powers to a supranational body in which they would not be equally represented. Belgium's negotiator, Suetens, made it clear that while Belgium was not against surrendering some sovereignty it had "no intention of signing a blank cheque for an unlimited period of time" and Holland's Spierenburg insisted that his country would accept a supranational body only if checked by a Council of Ministers in which each country had an equal representation.⁴⁶³ The Benelux

⁴⁵⁹ JM MAG 18/4/2, Auburn to Monnet, 5 August, 1950. Opposition was led by the steel industry's trade association, the *Chambre Syndicale de la Sidérurgie Française* and the *Union des Industries Métallurgiques et Minières*—both industries owned by steel interests—and by the *Fédération des Industries Mécaniques et Transformatrices des Métaux*, which represented the major steel users. See Willis 1968, p. 94.

⁴⁶⁰ Mason 1955, p. 3, Gillingham 1991, p. 237.

⁴⁶¹ Several demands were made for letting the industrial associates be represented at the conference on ECSC. See JM MAG 18/4/2, Auburn to Monnet, 5 August 1950.

⁴⁶² Monnet 1978, p. 379 and Spierenburg and Poidevin 1994, p. 14.

⁴⁶³ Spierenburg & Poidevin 1994, pp. 13, 16.

countries also had reservations about the economic implications of the plan.⁴⁶⁴ Belgian coal was the lowest in productivity and highest in costs of all of Europe. It was estimated that participation in a coal and steel pool would lead to the closing of a least 30% of Belgians mines. Hence, coal mining interests, mine owners, and some labor groups in Belgium were strongly opposed to the plan.⁴⁶⁵ The Belgian government indicated its readiness to sidestep these objections but demanded to know what compensation it would be given by its negotiation partners.

Not surprisingly, Benelux misgivings about the excessive powers of the proposed High Authority resounded in Germany. Critics stated that by acceding to the ECSC Germany would give up control of its economy and that when it finally did regain its sovereignty it would be significantly impaired by the treaty.⁴⁶⁶ This led one observer to comment, "We are strongly pressed to sign something that others are convinced we would never sign without force. And we are pressed to give up things that no responsible German politician can give up without very strong and very pressing reasons".⁴⁶⁷ At the outset, the German negotiators therefore stated a preference for a weak High Authority that would not significantly interfere with the restoration of the Ruhr or its traditional methods of operation.⁴⁶⁸ Over the course of the negotiations, however, the Ruhr's role as the epicenter of West European heavy industry was traded in for restored German political autonomy. This took place specifically through the linking of Bonn's approval of ECSC to the

464 All involved governments stressed that they saw the Schuman Plan as being of political not industrial value. Macmillan 1969, p. 192; Schuman 19xx, p. 178, and Milward 1992, p. 74. That the Schuman Plan was seen to be of political not industrial value is underlined by the fact that the governments conceded 'in principle' to the scheme, including a surrender of sovereignty, before knowing its precise contents or how it would influence their commercial interests.

465 Mason 1955, p. 7. Holland's industrial groups were also ambivalent. See Milward 1992, p. 437, Gillingham 1991, p. 233, Diebold 1959, p. 96-7, 106, Fursdon 1980, p. 65.

466 Diebold 1959, p. 99.

467 Baade 1951, p. 22.

468 BA B146/263, "Grundsatzliches zum Schuman Plan", August 1950, and "unterlagen zum Schuman plan", 8 Aug. 1950. See Gillingham 1991, p. 241.

termination of the occupation statute and abolishment of the existing International Authority for the Ruhr.⁴⁶⁹

The most important controversy arose in September 1950 when the United States, in reaction to the recent outbreak of the Korean war, proposed to let West Germany contribute ten armed divisions to a European defense force. From a French perspective this offer came at a highly inconvenient time. Monnet worried deeply about the effect of the American proposal on the German bargaining position and overall commitment to ECSC. "He feared that the Germans would get what they hoped for from the Schuman Plan by another route, which might lead them to think of the Plan itself as something from the past or as a purely technical matter".⁴⁷⁰ Indeed, several observers claim to have detected a hardening of the German stand after Acheson's announcement in September. The Germans now began dragging their feet in the Paris negotiations and propounded two new demands: a lifting of the ceiling on German steel production; and a rescue of the German selling cartel for the Ruhr.⁴⁷¹ Monnet countered by declaring that French consent to *any* form of German rearmament would be conditional on German approval of the ECSC treaty. At the same time he announced a new French initiative—the establishment of a European army—as a means of solving the problem of German rearmament while enabling the Schuman plan negotiations to reach a successful conclusion.⁴⁷² This broke the

⁴⁶⁹ Spierenburg & Poidevin, p. 21. During the negotiations, the German delegation managed to move France from a promise to liquidate the IAR *after* the ECSC took effect to a promise of abolishing it as soon as the treaty was signed. This was a small concession for France, since in any case, Britain and the United States were prepared to sacrifice the IAR. This way France got something in return.

⁴⁷⁰ After September 1950 Monnet claimed to detect a hardening of attitude on the part of the German delegation which he attributed to claims in Washington that the security of the West depended on rearming Germans. Memo from Monnet to Schuman, draft of 9 Sept. 1951, memo of 16 Sept. in *Correspondence 1947-1953* and Spierenburg & Poidevin 1994, p. 19. See also Schwabe 1988, p. 39, PRO, FO 321/15865 I. Kirkpatrick to FO 4.10.1950, and Macmillan 1969, p. 38.

⁴⁷¹ Acheson 1969, p. 389.

⁴⁷² Telegram from Monnet to Schuman, 14 Sept. 1950, in *Correspondence*, FO. 56, Spierenburg & Poidevin 1994, p. 19.

crisis. On 18 April 1951 the ECSC treaty was signed by the Foreign Ministers and on 1 January, 1952 the treaty went into force. The preamble read:

[The Six governments]...considering that world peace may be safeguarded only by creative efforts equal to the dangers which menace it, desirous of assisting through the expansion of their basic production in raising the standard of living and in furthering the works of peace... resolved to substitute for age-old rivalries the merging of their essential interests; to create, by establishing an economic community, the basis for a broader and deeper community among peoples long divided by bloody conflicts...have decided to create the ECSC.

Institutional Form

The Institutional Binding thesis leads us to believe that when states integrate in order to rule out future security conflict among themselves, they will move to institute a firm political balance of power which is rendered binding through various exchanges designed to hold states to their formal commitments. The ECSC institutionalized three groups of powers—large (France, Germany, Italy), medium (Belgium, the Netherlands), and small (Luxembourg). The treaty established a principle of equal vote allocations for states within each group regardless of variations in actual, underlying power and made changes to this distribution of power subject to unanimous approval—a principle which has been a cornerstone of European institutions ever since. In practice, the Community had a fourfold institutional structure. At the center was the HA, which acted as an executive force. The HA had nine members—eight were selected jointly by the member countries and the ninth was chosen by the other eight. These members would act ‘in complete independence...without instructions from any government’. (Art 9). Beside the HA was a Council of Ministers, created to mediate between the HA and member governments. All states were equally represented in the Council. The third institutional pillar was an Assembly in which member states were proportionally represented. The large states (France, Germany, Italy) each had 18 votes, Holland and Belgium had 10 votes each and Luxembourg had 4 votes. The treaty also founded a European Court with jurisdiction over matters covered by the Community.

Judging from statements by the negotiators at Paris, the perceived inroads on national sovereignty were significant. The Dutch Minister of Economic Affairs publicly described the ECSC as a 'legal body of pre-federal structure', and Belgium's Paul-Henri Spaak called it 'an alternative to anarchy'.⁴⁷³ When asked by the US Congress whether the ECSC was designed to secure free trade among European states, Monnet answered "more than that. You must think of us in terms of the beginning of the United States of Europe".⁴⁷⁴ But what were the real powers of the ECSC and to what extent were they binding? The main role of ECSC was to give non-German countries a say over the allocation of German coal and steel. The HA was also empowered to create a balance between German and non-German sectoral growth. By acceding to ECSC—so it was expected—West Germany would give up the fruits of its natural advantage in raw materials and abandon a form of industrial organization whose efficacy had been amply proven and which had given Germany a marked advantage over other countries.⁴⁷⁵ The HA moved to decartelize the Ruhr and abolish the Deutscher Kohlenverkauf, the single sales outlet for coal.⁴⁷⁶ The HA also designed transfer-mechanisms through which "efficient producers"—i.e. Germany—would compensate less efficient ones.⁴⁷⁷ These particularly benefited France, Italy, and Belgium, who were exempted from many restrictions imposed on Germany.⁴⁷⁸ The so-called Hirsch-Vinck Plan, called upon West Germany to pay 3,000 million Belgian Francs over a five-year period in order to subsidize wages and new investments in Belgium, Italy secured

⁴⁷³ van den Brink, "Handelingen Tweede Kamer, October 31, 1951, p. 203 quoted in Mason 1955, p. 13.

⁴⁷⁴ 83rd Congress. Foreign relations Committee, "Hearing on the European Coal and steel Community, 1953". June 4-5, 1953.

⁴⁷⁵ *The London Economist*, 10 March 1951; Hogan 1991, p. 169.

⁴⁷⁶ Diebold 1959, pp. 96-97 and 'Note', p. 26, Gillingham 1991, pp. 424-425 and Acheson 1965, p. 389.

⁴⁷⁷ The agreement on ECSC of 14 March 1951 called upon the FRG to divide its steel industry into 24 producing companies; to limit each of them to the control of no more than 75 % of its total coal consumption requirements and to eliminate the Deutsche Kohlen Verkauf. Subsidies in the form of fixed transport rates for German steel products which were shipped to German steel consumers outside of a 200 km zone from the Ruhr production center were forbidden as were special prices granted to German shipping, railroad, electric power and gas companies. See Blondeel 1953, pp. 10-11.

⁴⁷⁸ See Bondeel 1952, p. 70, 1953, p. 10, Gillingham 1991, pp. 248, 400-401.

extensive German subsidies for its highly capitalized new steel mills and France was allowed to reduce its output at a slower rate than Germany.⁴⁷⁹

In addition to transfer mechanisms, the ECSC was empowered to prevent future concentrations of industrial power in the Ruhr. The treaty gave the HA a veto (by simple majority) over all industrial mergers (Section 66) as well as over new investment programs in coal and steel. The HA also held powers over the financing of the steel industry.⁴⁸⁰ From its own funds, which it obtained by direct taxation of member-states' coal and steel industries, the HA could grant loans to both existing and new industries as it deemed justified to avoid or correct inequalities of competition.⁴⁸¹ This led one observer to comment: "The common market is a regulated market, not a self-regulating one. Competition is not free but 'loyal'."⁴⁸² René Mayer, President of the High Council, went even further in describing ECSC as a 'balancer of economic conditions'. In a 1956 speech to the ECSC Assembly he said;

We can see how the Common Market tends to bring the benefits of the prevailing general prosperity to every country in the Community. If we compare the period 1953-55 with other industrial upswings, such as 1927-29, 1935-37 and even 1950-52, we find that only in 1953-55 did steel production increase in all the member countries at the same time.⁴⁸³

In short, a mechanism had been created by which one could hope to equalize industrial potential across Europe and ensure that greater prosperity for all did not result in long-term disadvantages for some states.

⁴⁷⁹ Erected for prestige reasons by Mussolini and based on neither iron nor coal, it required substantial state protection. Consequently, Italian heavy industry presented a fairly united front against the treaty. Mason 1955, pp. 5-6, Gillingham 1991, pp. 248, 400-401, and Lutches 1951, p. 70.

⁴⁸⁰ The HA's powers to veto financing gave it strong leverage over German industry since the largely demobilized German mines and mills required considerable outside investment which was subject to approval by the HA. See Mason 1955, p. 56.

⁴⁸¹ Section 66 of the treaty obligates the HA to take into account the size of enterprises existing in the community to the extent it deems justified to avoid or correct inequalities in the conditions of competition. See Bondell 1953, p. 13.

⁴⁸² Mason 1955, p. 71.

⁴⁸³ Speech by Mayer, 8 May, 1956, p. 18.

Interpretation

The Schuman Plan aimed to solve a particular historical problem; to gain command of the resources of the Ruhr which had conveyed supremacy in Western Europe twice during the first half of the 20th century. By pooling their heavy industry the 'Six' sought in their own words to "substitute for historic rivalries a fusion of their essential interests". The ECSC was only one step towards this goal, but it was an important beginning. To Germany's neighbors, the coal and steel pool offered a measure of control over Germany's vast industrial powers and secured that independent German rearmament would be impossible—or at least that other states would be able to detect the very first signs of such armament. The reward to Germany for surrendering control was the recovery of control over the national industrial economy and improved relations with the Western Allies.

The ECSC served to bind power insofar as it froze the scales of political power among its members. This allowed them to decide on the allocation of industrial resources in a way that equalized their heavy industry capacities. In addition to binding the industrial potential of individual member states, the ECSC also tackled a pressing economic problem that confronted postwar Europe. Laboring to rebuild their war-torn economic, West European countries demanded a steady stream of inexpensive coal and steel.⁴⁸⁴ A large internal market for coal and steel would heighten competition and bring about a sought after rationalization of production methods. Nonetheless, it is clear from the negotiations that a principal goal of creating the ECSC was to make sure that a revival of European industrial power would not allow Germany to pose a renewed threat to its neighbors.⁴⁸⁵ The demands for a low ceiling on German production and the decartelization and dismantling of many industries in the Ruhr testifies to the fact that other countries were

⁴⁸⁴ Archer 1990, p. 54.

⁴⁸⁵ Willis 1968, p. 83.

concerned with controlling the nature and magnitude of German productive capacity rather than with increasing output per se.⁴⁸⁶

To what extent was the ECSC a successful first step towards neutralizing German power in Europe? Some have questioned the idea that ECSC reduced the possibility of war in Europe by pointing out that, in 1952, changing technology had already begun to consign Franco-German heavy industry struggles to irrelevance in war. Yet, the reality is, as John Gillingham notes, "that there were too few atomic bombs after 1945 to have transformed the nature of warfare overnight; military planning in both East and West assumed that the next war in Europe, though considerably more destructive than the last one, would be fought essentially like it, with ground forces as the decisive element of battle".⁴⁸⁷ To the extent the ECSC was deficient to bind German power-potential, this was not because coal and steel was irrelevant to national security but rather because of the dilution of the treaty which took place as a result of the disruption caused by the Korean War. Before the ECSC treaty took force, Washington and London had vastly lifted the ceiling on German steel production in their occupation zones. The HA also found it difficult in practice to prevent heavy industry concentrations in these zones. By the time the ECSC became operative in January 1952, German steel production had near tripled.⁴⁸⁸ Thus Derek Bok observed in his assessment of the first three years of the pool's existence;

there is reason to believe that the consequences of the common market may prove to be quite different from those that were widely advertised at the Plan's inception. To those who hoped for "containment" of German steel, the rapid expansion, the mergers and concentrations, and the increasing levels of investment cannot help but be disquieting.⁴⁸⁹

Monnet's grand plan looked like a failure. Yet, rather than abandon the policy of binding France moved quickly to propose integration in a new area, namely that of European defense.

⁴⁸⁶ Gillingham 1991, p. 319.

⁴⁸⁷ Gillingham 1991, p. 360.

⁴⁸⁸ Diebold 1959, p. 96-7.

⁴⁸⁹ Bok 1995, p. 79.

IV THE EUROPEAN DEFENSE COMMUNITY.

The next proposal for closer integration came with the French Pleven Plan for a European Defense Community (EDC). The concept was introduced in October 1950 and led to four years of intense negotiations before it was definitively buried by the French National Assembly's rejection of the treaty in August 1954. Given its failure, the EDC has often been ignored by students of European integration, who see the faltered project mainly as a affirmation that security concerns have not played a major role in the integration process. But this position ignores the fact that intense negotiations over a common army went on for four years before the concept was abandoned, and that four countries—Holland, Belgium, Luxembourg and Germany—ratified the EDC while a fifth country, Italy, seemed bent on doing so as well. How do we explain the readiness of these countries to cede control over their national armies to a supranational institution? And why, in the end, did the project fail?

The concrete occasion for the EDC proposal was the American call in September 1950 for letting West Germany contribute ten divisions to an integrated Allied defense within the North Atlantic Treaty Organization (NATO).⁴⁹⁰ This proposal caused great anxiety in France where NATO—an essentially 'voluntary' organization in which national armies remained intact—was not seen to provide an adequate guarantee against a rearmed Germany.⁴⁹¹ To forestall the reconstruction of an independent German army, French Premier René Pleven proposed the creation of a European Defense Community which would facilitate the "complete merger of men and equipment under a single European political and military authority".⁴⁹² As proposed by France, EDC provided for a sweeping surrender of military sovereignty to a supranational authority; German troops were to be

⁴⁹⁰ The proposal for German rearmament was put forward by Dean Acheson at a meeting of the NATO Council in New York, Sept. 1950. France immediately warned the United States that by pushing the rearmament line it "might reveal serious disagreement among the allies." Acheson 1969, pp. 439-40.

⁴⁹¹ Zurcher 19xx, p. 83.

⁴⁹² Pleven Plan for EDC, 24 October, 1950.

recruited and armed not by the Bonn government but by a supranational European authority. They would be welded into a highly integrated European army that would take its place alongside regular NATO national armies under the direct control of a NATO commander. As the negotiations proceeded, however, British aloofness combined with German and American insistence on 'contractual equality' served to make the scheme useless as a tool for controlling German remilitarization. In the end, EDC failed, not because it entailed a too far-reaching surrender of sovereignty, but rather because it was not far-reaching enough.

The Launching of the Pleven Plan

The conventional view of the EDC project sees its initiation, development and eventual collapse as conditioned by events of the Cold War. In this view, EDC is perceived as an attempt by West European countries to counterbalance the growing threat from the Soviet Union. I argue that this view is not accurate. As Macmillan argued, "it was apparent that this scheme [the EDC] was more calculated to alleviate the fear of the French than to strike terror into the Russians".⁴⁹³ Of the main actors only the United States and Germany fixated on the threat from East, whereas France, Italy and the Benelux countries saw EDC mainly as a way to limit the harmful effects of a growing discrepancy between American and European policy towards Germany—a discrepancy that increased markedly following the onset of the Korean War.

The consensus among the allies until 1950 had been that restitution of German political and military sovereignty should happen gradually. No creation of an independent German military force would be allowed until *after* Germany had become an integrated part of a stable and secure Europe. The Korean War challenged this consensus, leading

⁴⁹³ Macmillan 1969, p. 220. This interpretation is seconded by Adenauer who embittered said that "the Western Allies, especially France, had to find an answer to the question of which was the greater danger, the threat from the Soviet Union or a German contribution to a EDC. Adenauer 1965, p. 345.

Washington to call for immediate West German rearmament.⁴⁹⁴ Dean Acheson recalls in his memoirs

the idea that Germany's place in the defense of Europe would be worked out by a process of evolution was outmoded. Korea had speeded up evolution... The real question was not whether Germany should be brought into a general European defense system but whether this could be done without disrupting everything else we were doing and giving Germany the key position in the balancing of power in Europe.⁴⁹⁵

In September 1950, at the New York foreign minister's conference, Acheson presented the Europeans with a package. If they would accept German rearmament along the lines worked out in Washington, the United States would pledge to increase its level of forces in Europe for the indefinite future.⁴⁹⁶ Impressed by the offer of enhanced American troop levels in Europe the British suppressed their misgivings and consented to Acheson's proposal.⁴⁹⁷ To France, however, the idea of accepting Germany directly into NATO was inadmissible.⁴⁹⁸ Schuman pointed out that the existing NATO system based on national armies did not offer France adequate guarantees against a rearmed Germany.⁴⁹⁹ On 24 October, French Prime Minister, René Pleven, therefore announced an alternative plan for German remilitarization under the aegis of a European defense community which would facilitate the "complete

⁴⁹⁴ In April 1950 the US State Joint Chief of Staff officially pronounced in favor of German rearmament. See House Committee on Foreign Affairs, 81st Congress, 2nd Session, *Hearings on Proposals to Amend the Mutual Defense Assistance Act of 1949*, p. 22, and NSC 71/1 DNSC. Milward 1992, p. 372

⁴⁹⁵ Acheson 1969, p. 437.

⁴⁹⁶ See Trachtenberg 1999, pp. 107-108, Fursdon 1980, p. 78, Acheson 1969, pp. 439-440. While London did not share the American enthusiasm for German rearmament it was feared that a rejection of the proposal would lead the US to retract the offer of increasing their troops in Europe. Britain thus restated its opinion that any move toward rearming Germany should be a gradual one and that priority should be given to the strengthening of other Western military forces, but agreed in to discuss the American proposal 'in principle'. Afterwards, Bevin, wrote to Schuman; "It was with no enthusiasm that I accepted in New York the principle of German participation in the integrated force for the defense of Europe... We do not like the idea of German re-armament any more than the French do". CAB 21/1897, 9 October 1950; Dockrill, pp. 25, 35-41. See also Bevin to Harvey, 9 October, 1950, DBPOII 3: 141.

⁴⁹⁷ Trachtenberg 1999, p. 108 and Bevin to Harvey, 9 October, 1950, DBPOII 3: 141.

⁴⁹⁸ According to George Ball who was with Monnet on the day of the North Korean invasion Monnet realized immediately that the US would now demand German participation in the defense of the West. Although he was initially reluctant to launch a new initiative that might compete with the Schuman Plan, Monnet therefore threw the machinery of the French planning commissariat into gear to devise a solution that would be acceptable to France. Ball 1982, p. 90-91. During the September NATO meeting, the Foreign Minister of Luxembourg, Joseph Bech, informed Acheson that Paris was working on a European military system based on the Schuman Plan. Acheson 1969 p. 444, Monnet 1978, p. 401.

⁴⁹⁹ Zurcher 19xx, p. 83.

merger of men and equipment under a single European political and military authority” with a common defense budget.⁵⁰⁰ The Community would be governed by a central political authority which would direct the common army as well as coordinate foreign, economic and monetary policy.⁵⁰¹ German troops would serve in small contingents and be integrated ‘at the level of the *smallest* possible unit’ (a battalion). Coste-Fleuret in his appeal to the French Assembly to accept the treaty, argued

We know that the two sources of power of modern Germany in recent times are the Ruhr arsenal (to neutralize it we have constructed the CECA) and the national Germany army, which we also want to neutralize by integrating German soldiers into the discipline of a supranational army.⁵⁰²

The Assembly endorsed the plan for a common army, but made its approval conditional on prior German ratification of the ECSC treaty.

Germany was receptive to French proposals. Adenauer wasted no chance to assure the Allies that “the German people was willing to adopt voluntary self-constraints in order to accommodate the security needs of its western neighbors”.⁵⁰³ At the same time, he understood well that more than self-constraint was needed. The German leadership knew that the country’s recovery from the Nazi catastrophe depended on French goodwill. European integration was the price to pay to defuse French opposition to a revival of German economic and military power—a goal which had taken on increasing importance with the Korean War. Adenauer welcomed the Plevin Plan by expressing his hope that

when a European army was created, French anxieties about a future war with Germany would be laid to rest and France would consent to strengthening of the German defense.⁵⁰⁴

Also Italy and the Benelux countries embraced EDC. De Gasperi addressed the Italian Chamber arguing that “the Common Army is the instrument by which peace may be secured between Germany and France.” “I know it is difficult”, he said, “but, turning back to

500 Plevin Plan for EDC, 1950.

501 Fursdon 1980, p. 340-41, Dinan 1994, p. 28.

502 Grosser 1957, p. 66.

503 Adenauer 1965, p. 260.

504 Adenauer 1965, p. 352.

history, I find no other solution: history tells me that any other way tragedy repeats itself".⁵⁰⁵ The reaction from Washington was predictably more tempered. On one hand, the Americans welcomed EDC as a way to gain German strength without creating a menace to other European states.⁵⁰⁶ On the other hand, the US State Department was concerned that the French plan would not allow Germany to make a sufficient defense contribution.⁵⁰⁷ The State Department therefore set up a committee under direction of Charles Spofford, Chairman of the North Atlantic Council Deputies, and charged it with working out a compromise between the American and French proposals. The Spofford committee's recommendations were the basis for negotiations over German rearmament within NATO, which took place concurrently with the EDC negotiations.

Once again Britain was the odd man out. The decision had been taken in June not to participate in the ECSC negotiations because the request that the parties must bind themselves *a priori* to agree on a cession of sovereignty was unacceptable to London, and because ECSC was seen as a threat to the Atlantic Alliance.⁵⁰⁸ To the British, the EDC proposal was yet another step in the wrong direction. "We cannot afford to allow the European federal concept to gain a foothold within NATO and thus weaken instead of strengthening the ties between the countries on the two sides of the Atlantic", said Foreign Minister Ernst Bevin, "we must nip it in the bud".⁵⁰⁹ Macmillan went further calling EDC a 'cancer in the Atlantic body' which would dilute the role of the United States for European security.⁵¹⁰ Britain would not endorse the plan.

⁵⁰⁵ Fursdon 1980, p. 202. According to Fursdon a main reason why the Benelux countries favored EDC was that it was seen to provide added security against German aggression. (Fursdon 1980, pp. 340-341).

⁵⁰⁶ See e.g. General Eisenhower's address to the North Atlantic Council, Rome, 26 Nov. 1951.

⁵⁰⁷ Acheson 1969, p. 459.

⁵⁰⁸ Dinan 1994, p. 25

⁵⁰⁹ Bevin memorandum, November 24, 1950, DBPO II, 3: 294 cited in Trachtenberg 1999, p. 117.

⁵¹⁰ DO(50)100, PREM 8/1429; and speech to the House of Commons, 29 Nov. 1950. See also Dockrill 1991, p. 49, Bullen 1989, p. 316.

The Negotiations

Negotiations over EDC began in Paris on 15 February 1951.⁵¹¹ In parallel, a conference was held in Petersberg (Bonn) on German rearmament within NATO. The 'NATO solution'—which was based on the Spofford proposal—differed from the French scheme in several ways. First, it divorced the issue of a European army from ratification of ECSC. Second, it broke with the French ideal of 'complete fusion', advocating that the unit for incorporation of national troops into a unified command should be the regimental 'combat team'—a unit of approximately 6,000 men—rather than the smaller French *battalion*.⁵¹² In this circumstance, it may seem strange that the French accepted to negotiate the Spofford proposal at all. A liable explanation is that France wanted to buy time in which to secure agreement on ECSC. Moreover, by dragging its feet in the Petersberg negotiations, France hoped to increase support for EDC. In the event, this strategy proved quite successful. In April 1951 the ECSC was ratified. In May it stood clear that the Petersberg Conference was failing due to Paris' rejection of German demands for legal equality.⁵¹³ Realizing that it would take years to get France to accept a NATO solution, if indeed it would accept one at all, the United States therefore decided to endorse the EDC model.

Meanwhile, the negotiations in Paris proceeded with great difficulty. First, there was disagreement over the size of the German contribution. France insisted that the German military contribution should be limited to one-fifth of the whole so it would not exceed that of France. Germany claimed that this was insufficient to defend Berlin.⁵¹⁴ There was also conflict over the level at which the German contingents should be integrated. Germany

⁵¹¹ Participating were Belgium, France, Italy, Luxembourg, and the Federal Republic. Holland initially chose observer status but later, in October 1951, changed their status to participants. The remaining NATO members sent observers. See Fursdon 1980, p.110.

⁵¹² The Pleven Plan proposed the 'battalion' as the unit for integration while the original American proposal had called for 10 German 'divisions'. 'Combat teams' were equivalent roughly to one third of the size of a division and thus closer in spirit to the Pleven Plan.

⁵¹³ FRUS 1950/III: 496-8; Adenauer, 1965, p. 371, Dockrill 1991, pp. 55, 68-70, and Fursdon 1980, p. 114.

⁵¹⁴ Acheson 1969, pp. 608-609.

wanted national units, whereas France insisted on 'complete fusion'.⁵¹⁵ A third difficulty was presented by the reluctance of the Benelux countries to accept a strong supranational authority which would have full command over their military forces but in which they would not be represented on an equal footing.

The main problem, however, was the absence of Britain. The British decision to stay aloof from EDC caused fear among France and its allies that a rearmed Germany would inevitably dominate the community.⁵¹⁶ In Paris, this fear was magnified by the fact that the part of the French armies which were not stationed in Germany or devoted to the protection of the French Colonial Empire were becoming more and more involved in the almost hopeless task of recovering and maintaining French control of Indo-China.⁵¹⁷ In trying to maintain simultaneously a necessary parity with Germany in the EDC and a successful defense against the Viet-Minh in Indo-China it was feared that French resources would be stretched to the breaking point.⁵¹⁸ During the negotiations France, Italy and the Benelux repeatedly pledged to Britain to associate itself with the defense community.⁵¹⁹ They also tried to obtain a guarantee from their Anglo-Saxon allies that they would intervene militarily if Germany ever tried to pull out of EDC.⁵²⁰ However, London answered each pledge by firmly refusing to merge British troops or equipment into the proposed European army. British officials made it clear that they saw the French plan for

⁵¹⁵ Weigall & Stirk 1992.

⁵¹⁶ Fursdon 1980, p. 261, Dockrill 1991, p. 107.

⁵¹⁷ Macmillan 1969, pp. 219-220.

⁵¹⁸ Fursdon 1980, p. 208, 261, Dockrill, p. 154.

⁵¹⁹ In December 1951 and again in February 1952 the French Assembly recommended that the government ask Britain and the United States to intervene in case of a breakdown or of a violation of the Treaty by a member nation. See Fursdon 1980, p.138. The British refused, but declared themselves willing to 'establish the closest possible association with the EDC at all stages in its development. Acheson 1969, p. 641, Dockrill 1991, p. 78.

⁵²⁰ Trachtenberg 1999, p. 118. See Schuman to Acheson, January 29, 1952; Churchill-Acheson meeting, February 14, 1952, Acheson to Truman, February 16 and May 26, 1952, and Tripartite Declaration, May 27, 1952; all in FRUS 1952-1954, 5:10, 12-13, 41-43, 46-47, 78-79, 682, 687. From a US perspective, the French demand for a guarantee against German secession was impossible. Acheson referred to Schuman's concern with obtaining a guarantee as a 'neurotic obsession'. "I could not ask Congress for any further extension of the already great commitments we had undertaken to Europea pledge", he said. See Acheson 1969, p. 615.

letting national forces serve in integrated units as naïve and dangerous. A song which emerged at the British Control Commission in Bonn seems to grasp British attitude:⁵²¹

*Just in case the Bundesmensh
Should turn around and fight the French
We shall keep our units small,
So they will be no use at all.*

In the end, agreement on EDC was realized mostly through American pressure.⁵²² In February 1952 Foster Dulles made it clear that unless there was immediate progress on EDC, Congress might well refuse to vote security appropriations for the 'Six'.⁵²³ France again appealed to London to associate existing British troops in Europe with the EDC but once again received a negative reply.⁵²⁴ Seeing no possibility for further delay, Paris decided to close the deal. When the EDC treaty was signed on 27 May 1952 there was little left in it to comfort France. Many conditions attached to the initial draft of the treaty went unfulfilled, including the formation of a European political authority to direct the common army, and Britain's participation as a counterweight to Germany.⁵²⁵ With regard to the composition of the common army, the treaty stipulated that the basic operational unit was to be national divisions "made available to the Community by its Member States, *with a view to their fusion*".⁵²⁶ The nine member Commissariat would be responsible for recruiting and training soldiers, while the divisions, once trained, would be placed under the command of the Atlantic forces. Members were forbidden from recruiting or maintaining national

⁵²¹ Charlton 1983, p. 163.

⁵²² By 1952, France and the Benelux countries had become increasingly suspicious that an EDC which excluded Britain would not contain West Germany. See Willis 1968, p. 98. It is clear that the French Foreign Office interpreted French fears about German predominance in terms of the imbalance of French military strength vis-à-vis the potential of West Germany. See Fursdon 1980, pp. 150-168.

⁵²³ ECSC members had received \$7.1 billion of a total of \$13.4 billion in mutual security aid in the period from 1948 to 1952. Faced with the American ultimatum, the French Government arranged a four day debate in the Assembly with a view to obtaining approval of the EDC treaty before the Lisbon meeting of foreign ministers in February 1952. The Assembly voted in favor of the draft EDC treaty, but once again stated as a condition that Britain and the United States would provide a guarantee against German secession. Fursdon 1980, p.138-143, Acheson 1969, p. 610.

⁵²⁴ Acheson 1965, p. 641.

⁵²⁵ Kolodziej 1974, p. 259.

⁵²⁶ Treaty on EDC, 27 May 1952

armed forces other than for approved missions outside Europe.⁵²⁷ The treaty would be binding for fifty years.

French Renegotiations and Rejection

In French eyes, the agreement reached at Paris in 1952 did not appear to solve the problem of West Germany rearmament.⁵²⁸ In the absence of that additional glue of reassurance that British participation would have provided, the EDC treaty's safeguards against German remilitarization simply proved insufficient for French policy.⁵²⁹ The Mayer Government which took office in January 1953 therefore attached several conditions to France's ratification of the treaty. First, it restated the demand for British association with EDC.⁵³⁰ Second, the Mayer government sought to ensure that the potential need to withdraw French forces from the common army for military service overseas would not interfere with the 'freezing' of the scales of political power within EDC by demanding that French voting power in the Council would be matched at all times with that of Germany, regardless of what number of units France might contribute to EDC at any given time.⁵³¹

The French demand for freezing relative voting power was agreed to in the spring 1953. During the same time, a draft treaty on a European political community was adopted in accordance with article 38 of the EDC treaty.⁵³² British association, however, proved

⁵²⁷ See Articles 9-18 of the EDC Treaty. Fursdon 1980, p. 150-68.

⁵²⁸ Dockrill 1991, pp. 107, 191.

⁵²⁹ Charlton 1983, p. 162. This interpretation is supported by British official Anthony Nutting who argues, "France could not at this stage put her whole trust in a Europe without Britain. She could build the case for the tiger, but, if anything went wrong and the tiger broke loose, she would need the British to save her from being gobbled up". Nutting 1966, p. 19, 637. See also Fursdon 1980, p. 257.

⁵³⁰ Fursdon 1980, p. 206, Nutting 1966, pp. 47-48.

⁵³¹ The 1952 EDC treaty stipulated that the voting procedure in the Council was related to the strength of EDC national contributions. However, the French wished to freeze the scale so to match their voting power at all times with that of Germany. For a discussion of the French ratification demands see Fursdon 1980, pp. 206-208, Nutting 1966, p. 48, 60, Dockrill 1991, p. 115.

⁵³² Article 38 of the EDC treaty called for the establishment of a supranational political authority to direct the defense community. In September 1952, the foreign ministers drafted a statute for a European Political Community (EPC), and in March 1953 a draft treaty on Political Community was adopted which envisaged the creation of a two-chamber European Parliament (one composed of directly elected deputies representing the 'peoples united in the Community, and the other composed of senators representing the 'people' of each States), an Executive Council—the Council of National Ministers—a Court of Justice, and an Economic

more difficult to obtain.⁵³³ When Joseph Laniel succeeded Mayer as president in May he pledged not to seek ratification of the EDC treaty *until* and *unless* prior satisfactory assurances of British association had been obtained.⁵³⁴ Under pressure from the United States who wanted the EDC ratified so German rearmament could begin, Britain now offered to 'consult with the EDC' before reducing its forces and to send a British minister when 'cooperation between the United Kingdom and the EDC was to be discussed'. The offer got a poor reception in Paris. As Major Fursdon observed, "the real issue which would determine ratification, was whether, in French eyes, the British [offer] marked any advance in political guarantees against German hegemony rather than military guarantees against Soviet aggression".⁵³⁵ In the event, the British gesture fell far short of what France expected. On June 9, 1954, the Foreign Affairs and Defense Committees of the French National Assembly recommended the rejection of the EDC Treaty.

A last attempt was made to save EDC at the Brussels Foreign Minister Conference in August 1954. At the opening of the conference, French Prime Minister Mendés-France informed his colleagues that the EDC in its current form stood no chance of being ratified in France. He proposed several amendments to the treaty. First, while national units could be accepted as a general rule, military forces should still be integrated in the forward zone—i.e. in Germany. Second, if there were to be any change in the declared policy of the United States or Britain, or if Germany were to be reunified, a new situation would be created in which each member state would be free to decide whether to stay in the EDC. These demands were unacceptable to the Germans. As Anthony Nutting remarked, in effect, France was asking for "a European Army for the Germans and a French Army for the

and Social Council. See Hill 2000, p. 35, and Dinan 1992, p. 28. This political structure would encompass both ECSC and EDC.

⁵³³ See Young 1988, p. 90 and CAB 128/26 CC (53) 14, 15, 23.

⁵³⁴ Fursdon 1980, p. 220.

⁵³⁵ Fursdon 1980, pp. 255-257. See also Nutting 1966, p. 637.

French.⁵³⁶ On 22 August, the Brussels meeting broke up in disagreement and the following week the French Assembly rejected the treaty.

Some have speculated that the French demands at Brussels were purposefully made unacceptable so as to 'court a rebuff' and be able to reject the treaty without losing face.⁵³⁷ This oversimplifies the dilemma in which the French found themselves. The truth is that France could not accept the EDC in its present form. In part, the French 'take it or leave it attitude' at the Brussels Conference may be seen to reflect the fact that France was operating with a safety net. The French knew that if the EDC failed Britain would not allow unconstrained German rearmament. During the talks in Brussels Mendés-France was aware that alternative plans were being prepared in London for incorporating Germany into NATO via an intermediary European framework.⁵³⁸ To some extent, therefore, France could afford to gamble to obtain an acceptable deal on the EDC without immediate security risk. The reality is, however, that France could not have settled for much less than what it asked at Brussels.

The final debate in the French Assembly on 29 August confirms the view that EDC was rejected because it was seen as insufficient to bind a rearmed Germany.⁵³⁹ It is instructive that both proponents and opponents of the treaty based their arguments on security against Germany. EDC partisans of course stressed the dangers of independent German rearmament; "EDC or the Wehrmacht" was one of their slogans. However, the argument for containing Germany was easily turned back on itself by EDC opponents as

⁵³⁶ Nutting 1966, p. 67.

⁵³⁷ Ibid.

⁵³⁸ The British Foreign Office, at the beginning of Dec. 1952 began to prepare an alternative to the EDC through the revision of the existing NATO framework. Dockhill 1991, p. 110. According to Edward Fursdon, three newspapers suggested that, since Mendes-France had visited Sir Winston Churchill at Chartwell the day after the Brussels Conference ended, he must have been aware that Britain had an alternative solution all prepared and Michael Charlton argues that 'certainly within the Foreign Office there was an alternative plan. See Fursdon 1980, p. 292-293 and Charlton 1983, p.163.

⁵³⁹ On the view that EDC was rejected by the French Assembly because of fear of German rearmament, see Willis 1998, p. 98. Willis argues that, by 1954, both France and the Benelux countries were increasingly doubtful about the ability of an EDC to adequately control West German military power.

an argument against German rearmament under any form.⁵⁴⁰ The lack of British participation was also held up as a major weakness which in the long run would undermine the effort to contain Germany. Mr. Herriot argued before the Assembly,⁵⁴¹

I say with my fullest conviction that no international negotiations aimed at securing liberty and peace and be carried out without the mutual support of France and Britain...I have read the texts with anguish. There is nothing in them to show that Britain would be at our side to resist the strength and any eventual maneuvers of Germany. Britain must be at the side of France in this matter to act with equal responsibility in the face of a new German threat, should it arise.

When the final vote was taken on 30 August 1954, the EDC treaty was defeated by 319 to 264 votes.

The WEU Solution

By refusing to underwrite the EDC, France had placed the ball in Britain's Court. The British opposed EDC, but they were equally reluctant to let Germany enter NATO without added constraints. Thus, planning for an alternative solution to EDC had been going on in the British Foreign Office at least since October 1951, when René Massigli, the French ambassador to London, had warned that France might not ratify the EDC.⁵⁴² In September 1954, Eden announced a British 'package' which proposed to let West Germany enter NATO by signing the Brussels Treaty Organization (BTO) of 1948. The institutional structure of the BTO would be strengthened by adding a Permanent Council, a Parliament and an Arms control Agency, and the organization would be extended to include Germany

⁵⁴⁰ Aron & Lerner 1957, p. 13; Charlton 1983; Willis 1968, p. 98; and Fursdon 1980.

⁵⁴¹ Edouard Herriot had earlier been chairman of the special 'Five power Committee for the Study of European Union' established at the Hague Congress in 1948 and was known to be pro-European. On the view that France rejected the EDC because of the failure to bring in the British, see Nutting 1966, and Charlton 1983, p. 162, and Dockrill 1991, p. 107.

⁵⁴² On 31 Oct., Massigli told Macmillan that France probably would not ratify the EDC and Oliver Harvey, British ambassador in Paris, agreed. Macmillan, had recorded his own doubts about this already at the end of May 1951. See Macmillan 1969, pp. 474-475. A few days after returning to office in 1951 Eden told the journalist Iverach McDonald that if EDC failed, Britain would seek an alternative plan which brought Germany into a European grouping within NATO. Specifically, he mentioned the option of 'making more of the Brussels Pact'. Dutch Foreign Minister Dirk Stikker had made a similar proposal in 1951. The idea of extending the Brussels Pact was also mentioned in the British Cabinet in August 1953 by Macmillan. The idea was not foreign to the French. In fact, Mendes-France says in *Choussier* that the idea of reviving the Brussels Treaty as a vehicle for German entry into NATO came from France, but that it seemed preferable to let it appear that it came from Britain, since it would then be easier for others to accept. See Young 1988, p. 96, Fursdon 1980, pp. 305, 311-2; Macmillan 1969, pp. 480-482, and Nutting 1966, pp. 70-71.

and Italy whose forces would thereby come under the Supreme Allied Commander, Europe (SACEUR). The new scheme—called the Western European Union (WEU)—would not be the same as the EDC because there was nothing supranational about the Brussels Treaty, but it would have one decisive advantage for France; Britain would be in it on equal terms and with equal responsibilities.⁵⁴³

In September 1954, leaders of the Six, plus Britain, the United States and Canada met in London to discuss the British solution. Here Eden delivered the promise which Britain had withheld during the EDC negotiations, namely to 'continue to maintain on the mainland of Europe, including Germany, the effective strength of the United Kingdom forces now assigned to SACEUR' and 'not to withdraw those forces against the wishes of the majority of the BTO members' (i.e. France and the Benelux).⁵⁴⁴ France tried, but failed, to also obtain agreement on an 'armaments pool' that would create a centralized European authority with exclusive responsibility for procuring and allocating military equipment within Europe.⁵⁴⁵ Nonetheless, the WEU instituted several safeguards against a rearmed Germany, including a cap on total German troops at twelve divisions which could not be exceeded without unanimous approval by the WEU Council (i.e. a French veto), and the creation of an Arms Control Agency to oversee troop and armaments levels.⁵⁴⁶ It was further agreed that allied forces would remain stationed in Germany not only as protection against the Soviet Union, but also as a reassurance against future German aggression. Thus, the Western powers retained the formal right to intervene in extreme cases if the democratic system in Germany was threatened or if Germany was to seek to

⁵⁴³ Given the failure of EDC, Mendés-France in a speech to the Council of Europe stated that he had no objection to German entry into NATO via the Brussels Treaty subject to the condition that Britain would undertake to keep all existing British forces in Europe for the rest of the century. See Dinan 1994, p. 28, and Nutting 1966, p. 72.

⁵⁴⁴ Final Acts of the Nine-Power Conference held in London, Sept. 28-October 3, 1954. See also Fursdon 1980, p. 321.

⁵⁴⁵ Kocs 1995, p. 73.

⁵⁴⁶ Mortimer 1995, p. 55.

achieve reunification or to alter her present boundaries by force.⁵⁴⁷ According to Marc Trachtenberg,

all this—the strengthened NATO structure, the western military presence on German soil, the reserved rights, the limits on German military power—added up to a system. Germany was to be tied to the West, and in important ways made part of the West, but her freedom of action was to be curtailed and she was not to have the same sovereign rights as the other western powers”.⁵⁴⁸

France had finally obtained the long-coveted ‘guarantee’ against a resurgent Germany. As previously, however, France remained uniquely dependent on its allies for this warrant. Much like in the 1920s, France got formal guarantees which remained conditional on political circumstances of the day. Germany still was not firmly bound.

Interpretation

The EDC was far-reaching in its ambition to ‘bind’ Germany’s potential for aggressive action. The proposed EDC would have permanently fused national military forces and would be headed by a European Defense Minister in charge of a common defense budget. German troops would serve in small contingents and be integrated at the “smallest possible unit” to secure that they would not be able to operate independently. This, in French eyes, was the major difference to NATO. Under the authority of NATO, national armies remained intact. As Robert Schuman pointed out, NATO relied essentially on voluntary cooperation among national military forces earmarked in peace for availability in war.⁵⁴⁹ This system did not offer France adequate guarantees against German aggression.⁵⁵⁰ The French ended up rejecting EDC because they could not get the Americans and the Germans to agree to their conditions. The alternative WEU and the promise to keep British troops in Europe provided added security for France, but did not represent a credible commitment to non-aggression. Nonetheless, the continued presence of

⁵⁴⁷ Declarations by the FRG and the three western powers, 3 October 3, 1954, FRUS 1952-1054, 5: 1352-1354. see Trachtenberg 1999, p. 125-127, Ruggie 1996, p. 60, and Osgood 19xx, p. 86-92. According to Trachtenberg, the main function of the WEU was to oversee controls on German military power.

⁵⁴⁸ Trachtenberg 1999, pp. 127-128.

⁵⁴⁹ Article 80 of the EDC treaty. See Fursdon 1980, p. 193-6.

⁵⁵⁰ See Zurcher 19xx, p. 83; Fursdon 1980, pp. 193-196.

British and American troops in Europe and the great build-up in American power meant by 1954 it was increasingly hard to think of West Germany as posing a short-term threat.⁵⁵¹ This gave 'the six' time to consolidate and strengthen their cooperation under the protective mantle of the American security umbrella.

V THE TREATIES OF ROME

By 1955 it stood clear that military integration in Europe had failed. Yet, France and other European states did not perceive any immediate security threat from Germany, thanks mostly to NATO. NATO pacified Europe, thereby allowing European states to attempt to bind German power by means of increasing exit costs and efficiency gains. It would be false, however, to say that after the Paris agreement on WEU, security concerns ceased to be a part of the momentum for European integration.⁵⁵² The vision of European integration as an instrument to pacify Germany did not die with EDC but underpinned successive attempts at integration. As soon as Germany gained the right to develop nuclear energy for non-military purposes in 1955, the French proposed the creation of an atomic energy pool.⁵⁵³ The joint Benelux plan for a European economic community which was broached at the same time as the French proposal was also geared towards tying down German power as I will explain below.⁵⁵⁴

⁵⁵¹ See Trachtenberg 1999, p. 123.

⁵⁵² Rod Pryce and Andrew Moravcsik, among others, have argued that after the Paris Agreement on WEU took care of European/Atlantic security relationships, security concerns seized to be a substantial part of the momentum for European integration. Instead, economic concerns, in particular a desire to speed industrial development and expand trade, came to the fore. See Pryce 1987, p. 79, and Moravcsik 1998, pp. 87-89.

⁵⁵³ On the perceived importance of atomic power as a source of future energy see OEEC report by engineer Louis Armand; "Intra European Economic Cooperation in the Production and Distribution of Power (Paris, May 1955).

⁵⁵⁴ The proposal for an economic community drafted by the Belgian Foreign Minister, Paul-Henri Spaak, on behalf of the three Benelux countries. For a detailed account see Verheyen 1993, p. 65; Voorhoeve 19xx, p. 186; and Armin Heinen, "Netherlands Political Parties and Pressure Groups in the Discussion on EU", in Lippgens and Loth 1985, vol. 3, p. 245-56. See also FRUS 1948/II:92; and FRUS 1948/II:24.

The European Economic Community and EURATOM

The failure of EDC destroyed the hopes of European integrationists for achieving the rapid unification of Europe under a new European constitution. Yet the integration process did not lose its momentum. Within a year after the failure of EDC, negotiations were launched in Messina (Sicily) that would culminate in the Treaty of Rome establishing the European Atomic Energy Community (Euratom) and the European Economic Community (EC).⁵⁵⁵ The timing of the French proposal for an atomic energy community is straightforward. By 1955, atomic energy was gaining strategic importance and seemed poised to replace coal and oil as the elixir of the future.⁵⁵⁶ The implication was that coal and steel were liable to lose importance as the basis of industrial power and, by extension, military might. Thus atomic energy cooperation was high on the French agenda. The atomic energy plan set forth by Jean Monnet proposed to pool fissionable materials for peaceful ends under a supranational authority modeled on the ECSC, subject to safeguards to prevent diversion for military purposes.⁵⁵⁷ Meanwhile, France would continue its own nuclear weapons program under national auspices.⁵⁵⁸

⁵⁵⁵ Stirk & Weigall 1992, p. 98, Mowat 1973, p. 129-35 and Mayne 1973, p. 231. The Spaak report advocated that the objectives of wider economic integration and atomic energy integration be realized in separate organization and with separate treaties

⁵⁵⁶ On the perceived importance of atomic power as a source of future energy see OEEC report by engineer Louis Armand; "Intra European Economic Cooperation in the Production and Distribution of Power", Paris, May 1955.

⁵⁵⁷ Germany was prohibited from developing an independent nuclear capacity by the terms of the Paris Agreement See also Kocs 1995, p. 20, Dinan 1994, pp. 30-32, and Ruggie 1996, p. 61.

⁵⁵⁸ Aybet 1997, p. 88. While Euratom focused initially on sharing pooling nuclear energy for industrial use it was also expected that the nuclear community would help the Europeans to achieve atomic independence. According to March Trachtenberg, "although Euratom was supposed to be devoted to peaceful uses of atomic energy, everyone was aware of the military implications of the project: an independent nuclear infrastructure might ultimately mean an independent nuclear weapons capability" (Trachtenberg 1999, p. 151). In January 1957, a meeting between the German Defense Minister and his French counterpart led to a series of secret agreements concerning the development and production of 'modern weapons' by France, Germany and Italy. The proposed nuclear program was to take a form such that none of the three participants would hold a monopoly on the conception or construction of nuclear weapons but the contribution of each would be indispensable. The result of these agreements was a secret protocol signed in November 1957 which provided for 'German financial and technical assistance for joint atomic development on French soil' while reiterating Germany's 1954 obligation not to produce atomic weapons.

The EEC proposal—drafted by Belgian Foreign Minister, Paul-Henri Spaak on behalf of the three Benelux countries—had a more explicitly economic aim. The proposal aimed to reduce barriers to trade and to develop a set of supranational institutions to govern trade relations.⁵⁵⁹ It is important to realize, however, that the EEC did not aim merely at freeing trade but, like the ECSC before it, aimed at doing so in a way that would secure balanced growth. Specifically, the initiative was framed as an explicit response to the fast growth of German economic power. The proposal for EEC came about at a time when all the West European economies were growing rapidly. The overall growth rate of West European countries in 1954-55 was 6.7% annually.⁵⁶⁰ ~~However~~ West Germany, however, was expanding its trade and increasing its national income at a quicker rate than other states.⁵⁶¹ Already by 1953, West German national income was more than double that of France and made up 48.6% of the ECSC total.⁵⁶² What seemed unavoidable in the future was the economic primacy of Germany in Europe—a primacy that would lessen Bonn's dependence on its European partners and enable Germany to press a more independent foreign policy.⁵⁶³ In the eyes of the Benelux governments what was needed was therefore a binding, step-by-step approach to economic union that would pull West Germany into a European community and give other states a greater say over its economic policies.⁵⁶⁴ With respect to the EEC, Belgian Foreign Minister, Paul-Henri Spaak wrote to British Premier Anthony Eden in February 1956:

Let me summarize once again the many reasons that lead me to seek the integration of Europe. First of all, this I believe is the real way to solve the German problem. A Germany which is integrated in European entities, and through them, in the Atlantic Pact, will have defended herself against an individualism that too rapidly takes the form of nationalism, whose effects we know, and at the same time against the temptation to approach the Russians by herself ... To this political conception are added some economic considerations... It seems clear to me that in this field the future belongs

559 See Stirk & Weigall 1992, p. 98, Mowat 1973, p. 129-35, and Mayne 1973, p. 231.

560 Mayne 1973, p. 221.

561 Milward 1992, p. 119.

562 Gillingham 1991, p. 357.

563 Milward 1992, pp. 119-120.

564 *Opcit.*

to the large communities of mankind. Automation, the progress of technology, the increase of production and productivity—all...require large markets.⁵⁶⁵

Predictably, this argument fell on fertile ground among French integrationists. The government's spokesman on Europe, Maurice Faure, argued before the National Assembly that the EEC would "bind Germany to the West with 'a thousand small linkages' thereby minimizing the possibility of Franco-German conflict or German-Soviet rapprochement".⁵⁶⁶ The point was reinforced by Prime Minister, Bourges-Maunoury, who reminded his colleagues of the importance of creating "a democratic and stable framework firm enough to guide the expansion of German industrial power in the direction of the common interest".⁵⁶⁷ Nevertheless, many within France feared the economic effects of a common European market. Political skepticism was rooted in a century long protectionist tradition which made France vulnerable to foreign competition.⁵⁶⁸ This skepticism was reinforced by the fact the French organized industry generally remained ill disposed towards the planned EEC.⁵⁶⁹ Whereas many French politicians favored a supranational economic community for political reasons, most French businesses preferred bilateral treaties or increased liberalization within the existing OEEC framework to a 'community' solution.⁵⁷⁰ In July 1956, business representatives in the French Economic and Social Council voted unanimously to relocate the early EEC talks to the OEEC.⁵⁷¹ Initially, therefore, France took a reluctant stance on EEC. Indeed, until 1956, many French officials are reported to have viewed EEC as an unwanted 'side-issue' which they would have to put up with to obtain support for atomic energy cooperation.⁵⁷²

⁵⁶⁵ Quoted in Mayne 1973, p. 251.

⁵⁶⁶ Moravcsik 1998, p. 104.

⁵⁶⁷ Stirk & Weigall 1992.

⁵⁶⁸ Charlton 1983, p. 205.

⁵⁶⁹ Milward 1992, p. 208.

⁵⁷⁰ Parsons 2001, p. 8.

⁵⁷¹ Parsons 2001, p. 8.

⁵⁷² Deubner 1997, p. 207. See also Stirk & Weigall 1992, p. 92, and Moravcsik 1998, p. 105.

German opinion was also divided. On one hand, the large competitive German industries stood to gain from a liberalization of intra-European trade. On the other hand, Germany's great dependence on markets outside Europe meant that an exclusive European customs union might be harmful to the German economy. A common external tariff based on averaging proposals among the Six would be much higher than a tariff set by Germany unilaterally.⁵⁷³ As a result the German preference was for multilateral as well as regional trade liberalization.⁵⁷⁴ The German Minister of Economics, Ludwig Erhard, virulently attacked EEC for 'constraining German industry within a continental dimension'.⁵⁷⁵ He was supported by the most influential of German economic interest groups, the *Bundesverband der Deutschen Industrie*.⁵⁷⁶

Whereas France and Germany decided eventually to back the Belgian proposal for a common market for political reasons, Britain from the outset opposed EEC on the grounds that it would weaken the Atlantic Alliance.⁵⁷⁷ According to Frank Figgures, under-Secretary of the Treasury, Britain was extremely concerned that participation in a European customs union would undermine its special ties to the United States.⁵⁷⁸ British opposition to EEC was not, as some have argued, based mainly on a desire to prioritize trade with the Commonwealth. Indeed, British trade in the 1950s was rapidly shifting away from the Commonwealth towards Europe.⁵⁷⁹ Instead the problem Britain saw in EEC was that it was

⁵⁷³ Kolodziej 1974, p. 277, Moravcsik 1998, pp. 95-97, Calleo 1978, pp. 162-166.

⁵⁷⁴ Moravcsik 1998, p.p. 88-89.

⁵⁷⁵ Ludlow 1997, p. 27. On the reception of EEC in Germany, see also Calleo 1978, p. 162-6, Adenauer 1965, 253ff, and Moravcsik 1998, p. 101.

⁵⁷⁶ At the same time, the EEC was also attacked by protectionist groups like the *Deutsche Bauern-verband* who feared that agreement on a common agricultural policy would be harmful to them. .

⁵⁷⁷ Harold Macmillan to the Cabinet, 26 April 1961. PRO, CAB128/35 Ot.1-Minutes of Cabinet, 26.4.1961. In Griffith and Ward 19xx.

⁵⁷⁸ Charlton 1983, pp. 171-176. Before the negotiations began in Rome several attempts had been made to enlist Britain in the preparatory negotiations for a general customs union. Paul-Henri Spaak personally traveled to London to invite Britain to participate in the Brussels talks on a 'non-committing' basis and the Belgian government directed several pleas to London to participate.

⁵⁷⁹ Moravcsik has argued that British opposition to the customs union was rational for a government that traded little with the Continent, had high tariffs in place, and feared competition with German producers (Moravcsik 1998, pp. 87-90, 123). In 1950, almost 60% of British trade went to colonial and developing markets, while only 13% went to the Six ECSC members. However, British trade was rapidly shifting toward

not a direct route to trade liberalization. British leaders remained opposed to entering a system that implied the surrender of national sovereignty and a promise to proceed towards political unification simply for the sake of obtaining free trade. As British officials rightly commented, if Europe wanted freer trade, the remedy lay in simply obeying some of the liberalization procedures of the OEEC. No new institutions were needed.⁵⁸⁰ In an attempt to sidestep the Benelux plan, Britain therefore proposed in July 1956 to create an industrial Free Trade Area embracing all the OEEC countries. This proposal, it was hoped, would be attractive to the Germans and thereby succeed in wrecking the EEC discussions.⁵⁸¹

Negotiation and Ratification

Negotiations over EEC and Euratom began in July 1956 in Rome, and the two treaties were signed on 25 March 1957. During the negotiations, the French government tightly controlled information to the domestic environment so as to dampen the impact of objections from organized business, and the Foreign Ministry avoided any general consultation of economic interest groups to prevent its scope of maneuver from being restricted.⁵⁸² The same was true in Germany where foreign policy leaders such as Adenauer, Hallstein and Ophüls succeeded in keeping the EEC issue out of intensive

the Continent. Beginning in 1953, studies by the Treasury Board of Trade stressed a long-term decline in Commonwealth trade and a corresponding rise in European exports. Moreover, Britain was experiencing a steady drop in the average imperial preference. According to the Head of the British Exchequer, "by that time [when EEC was negotiated] we were already dismantling our Commonwealth in every way. There was therefore "considerable importance, from a purely economic view, in Britain joining the EEC. (Charlton 1983, p. 169-70, 198). According to Alan Milward, there were occasional protests within the British Government about the extent to which foreign policy priorities seemed to override considerations of further economic welfare by rejecting EEC.

⁵⁸⁰ Nutting 1966, pp. 83-84. Many national economists discouraged the creation of a customs union. The estimated net gain from removing tariffs was generally calculated to be small and 'certainly not worth the political effort required to create a customs union'—much less one which involved a surrender of sovereignty and a promise to proceed towards political unification. See Viner 1950, and Milward 1992, pp. 122-123.

⁵⁸¹ PRO, T234/182, European Integration, MAC(56)6(Clarke) 16.1.1956. By standing aloof from the EEC and by proposing an alternative FTA, British leaders took a calculated risk that the customs union would fail. Harold Macmillan would later say about the British decision to stay aloof from the EEC that "when we decided at the end of 1955 not to take part...we were influenced by considerations which were to be proved wrong. We thought they would not succeed." Macmillan is seconded by Butler who writes; "we thought it was not going to work...That is were we were wrong, you see ". See also Griffith 1990, p. 6-7, Macmillan 1969, p. 69, Charlton 1983, pp. 183, 195; and Moravcsik 1998, p. 132.

⁵⁸² Milward 1992, p. 208. See also Balassa, 19xx, pp. 93-94 and Moravcsik 1998, p. 116.

cabinet discussions and inter-ministerial decision-making.⁵⁸³ When Economics Minister, Ludwig Erhard tried in October 1956 to persuade the German Cabinet to suspend the Treaty of Rome negotiations in favor to the British OEEC scheme, he was overruled by Adenauer and Hallstein.⁵⁸⁴

An important aspect of the EEC negotiations was the effort to reach agreement on a common agricultural policy, later known as the CAP. During the negotiations France pushed hard for a deal on trade of agricultural products. Given the German advantage in industrial production, France treated agriculture as its main comparative advantage, and a sector that would influence how the more important French industries would develop. Keeping pace with the West Germans, in every sense, required the opening of West German agricultural markets to French products.⁵⁸⁵ As Stanley Hoffmann has argued that “the ment of the CAP was to give France an agricultural ‘force de frappe’ comparable to West Germany’s industrial might and to ‘free’ the great majority of French farmers for jobs in industry and services”.⁵⁸⁶ Agricultural agreement was therefore an important piece of the EEC puzzle. However, it is not the case, as suggested by Andrew Moravcsik and Alan Milward among others, that the CAP constituted the *sine qua non* of French support for the EEC. The real focus remained on industrial power.⁵⁸⁷ The fact that France ratified the

583 Milward 1992, p. 198.

584 Ludlow 1997, p. 27. Once again Germany accepted integration for political reasons. Adenauer's policy directions to the German Ministers on 19 January 1956 read: “the Messina initiative must be seen as a step towards the creation of a community that will secure the right direction of political will and action—in the interest of a future reunification“. Adenauer 1985, vol II, p. 253-35.

585 Vanke 2000, p. 99.

586 Hoffmann 2000, p. 70.

587 According to Milward, “because a final agreement depended fundamentally and inescapably on a lowering of domestic grain prices in the Federal Republic, we may surely conclude that the geopolitical aim of binding the Federal Republic to the West did not override considerations of France’s economic welfare or of its president’s chances of reelection.” Milward 2000, p. 77. For a similar reading, see Moravcsik 1998, p. 112 and 2001a and 2001b, Mahant 1969, p. 126, and Baun 1996, p. 14. This view is contested by among others Stanley Hoffmann (2000) and Jeffrey Vanke (2000). According to Vanke, in 1958 and 1959 de Gaulle offered at least three reasons for having accepted the EEC, but agriculture was not among them.

Rome Treaty without having achieved any final agreement on agricultural policy supports this reading.⁵⁸⁸

The course of the negotiations left France and the Benelux as the main winners. Only on the issue of a common external tariff did Germany secure its preferred outcome of a relatively low tariff. On every other issue, concessions to France seemed disproportionate.⁵⁸⁹ France obtained the right to maintain its system of export subsidies and import duties until the current payments of the common market zone had been in balance for a year. The French demand for respect of the *territoires d'outre mer* also enabled it to get Germany, who did not possess a single colony, to commit to contribute the same amount to the colonial development fund as France (\$200 mill. of \$580 mill.). Finally, France gained consent to a future common agricultural policy which would enable it to export agricultural surpluses to Germany at high prices.⁵⁹⁰

After the Rome Treaties were signed, Britain continued to press for a looser FTA as an alternative to the Common Market. Especially, British efforts clung to the hope that Germany would choose to push its interest in multilateral trade liberalization rather than a narrow customs union among the Six. During the summer 1958, British officials made several overtures to Bonn to seek its support for an industrial FTA. This caused considerable anxiety in France. Whereas they claimed in public that the Treaty of Rome was a balanced concept, unlike the FTA, in private, as Maurice Faure, then Secretary of State for Foreign Affairs told Maulding, the French were satisfied that the Germans had paid a high price for the common market in accepting the terms of association for the

⁵⁸⁸ While the Rome Treaties included a chapter on common agricultural policy, the CAP as we know it was not negotiated by until in the early 1960s. On the importance of agricultural agreement see also Milward 1992, p. 265, and Chadton 1983 p. 206.

⁵⁸⁹ According to Alan Milward 'France got almost everything it wanted out of the treaty'. Milward 1992, p. 220. This view is seconded by Charlton (1983, p. 207) and Nutting (1966, p. 87-88). Andrew Moravcsik's assessment is more tempered, saying that "the treaty was a compromise, titled *on the margin* towards France". Moravcsik 1998, p. 148.

⁵⁹⁰ Dinan 1992, p. 327, Mahant 19xx, p. 126 and Baun 1992, p. 14.

French overseas territories and for French agricultural exports. One of the dangers for France of an FTA limited to manufactured goods was that it might make West Germany question the high price it had paid for the common market.⁵⁹¹

In the fall 1958, de Gaulle asked to meet with Adenauer to discuss Germany's position on the British proposal. During their second meeting, on 26 November, de Gaulle made a blunt proposal: In exchange for German consent to end the negotiations with Britain, France would agree to support Germany's campaign to resist Soviet pressures on Berlin in the ongoing Berlin Crisis.⁵⁹² The effect was immediate: "Whatever the cost to Germany's economic interests, the British free trade proposal would not be allowed to interfere with the Franco-German rapprochement", Adenauer declared.⁵⁹³ In December de Gaulle vetoed the FTA negotiations calling on Britain to join the EEC and accept the same obligations as other European states.⁵⁹⁴ Germany did not protest.

Interpretation

The EEC was mainly an economic initiative. However, the motivation for this initiative was closely tied to a geo-strategic reasoning. The aim of the common market was to solidify the underlying security bargain which had been reached with the ECSC and to cement the European economies through exit costs and efficiency gains which would secure continued cooperation. In terms of generating efficiency gains and enhancing interdependence, the EEC was a great success. Between 1958 and 1960, trade among the Six grew by 50%. Much of this expansion was caused by growing trade between Germany and France. During the first four years of the EEC's existence (1958-62) Franco-German

⁵⁹¹ Ludlow p. 36, and Lynch 1998, p. 9.

⁵⁹² This meeting followed just after the November 1958 Soviet ultimatum regarding Berlin. See Kolodziej 1974, p. 265.

⁵⁹³ Kolodziej 1974, p. 282.

⁵⁹⁴ Kaiser 1990, p. 25, Charlton 1983, p. 199, Milward 1991, pp. 428-429.

trade tripled and by 1970 trade among the two countries had quadrupled.⁵⁹⁵ The freeing of capital flows within the EEC also brought about an extraordinary acceleration of direct foreign investments and opening of subsidiaries abroad.⁵⁹⁶ The common market thus helped to bring about the tight interlocking of economic interests that both Schuman and Adenauer had envisaged in 1950 but which the ECSC had not succeeded in creating through spill-over effects.⁵⁹⁷

Euratom, on the other hand, had less relevance as an instrument of European integration.⁵⁹⁸ Despite substantial funding for research in the late 1950s and 1960s national nuclear policies continued to predominate over cooperative joint efforts. At the same time, the failure of nuclear energy to gain importance as source of fuel meant that Euratom slowly came to be regarded as obsolete. Thus the effort to control national nuclear energy potentials may be described as a failure. However, this was a failure which did not have great impact on binding, since nuclear energy production was an area in which Germany was at no advantage relative to its neighbors.

The fact that the EC aimed to free trade may seem to indicate that it is best explained by an PE logic. However, looking closer at the agreement we see that although it was launched in an effort to free trade and enhance prosperity it was geared to do so in a way that would prevent German economic hegemony and tie German interests firmly to the West. In a meeting with Adenauer in November 1958, de Gaulle confirmed that the Common market would “awaken French industry” by “obliging it to modernize”. This in

⁵⁹⁵ German sales in France rose from 4,9 bill. Francs in 1960 to 23,4 billion francs in 1970. French sales to Germany rose from 4.7 billion francs in 1960 to 20,5 billion Francs in 1970.

⁵⁹⁶ Investments grew rapidly during the first decade. In 1973, French investments in Germany totaled DM 1,900 million, including both direct investments in German companies—especially in mining and metallurgy—and the opening of subsidiaries of French companies. German investments in France in the same year totaled DM 3,207 million.

⁵⁹⁷ Willis 1968, p. 100. The joint Franco-German development of the Airbus in 1969-1974, the construction of a nuclear reactor for the Franco-German Institute of Grenoble, the hundreds of banks, chemical and pharmaceutical companies, mining enterprises and automobile works that covered the countries with a network of cooperating groups all served to increase the cost of any conflict between the two countries.

⁵⁹⁸ Deubner 19xx, p. 223.

turn would strengthen France's geopolitical position.⁵⁹⁹ The goal of binding Germany to Western Europe through economic ties was also prevalent. In late 1959 de Gaulle told Harold Macmillan that "I finally accepted the Common Market because it ties the Germans to us".⁶⁰⁰ The fact that the Common market would also serve as an export market for French agricultural goods does not detract from its central geopolitical value. The evidence suggests that France's main preoccupation was not with economic growth in and of itself but with keeping pace with Germany.

The EEC was a great economic success, but did it in fact help to bind West Germany to Europe? In chapter II I argued that efficiency gains can serve to strengthen binding once underlying potentials for security conflict have been resolved. As noted, however, not all efficiency gains have a binding property; only those that are contingent on the maintenance of regional integration do. Free trade and the free flow of factors of production do not achieve binding by themselves—they merely strengthen an existing contractual relationship by raising exit costs. A real binding effect, however, can be achieved with redistributive transfers from trade 'winners' to 'losers', which serve to equalize relative economic growth. The institutionalization of cross-country compensatory payments in the EEC—mainly to farmers and backward areas—can be interpreted in this light.

VI DE GAULLE & EUROPEAN INTEGRATION, 1958-1969: COMMUNITY CRISIS

The successful conclusion of the EEC and Euratom in 1958 secured the precarious binding of the ECSC by reorienting German economic interests to the EC and by increasing efficiency gains from integration. After this success, however, the Community headed for its first crisis marked by General de Gaulle's return to power in France. Upon

⁵⁹⁹ Vanke 2000, p. 90.

⁶⁰⁰ This statement is found in recently published French diplomatic documents: *Documents Diplomatiques Français, 1959, Vol. 2* (Paris: Imprimerie Nationale, 1995), p. 781. See Vanke 2000, p. 91.

his return to office in 1958, de Gaulle told René Mayer, the former President of the ECSC High Authority: "I am wiping everything out and I am starting again".⁶⁰¹ During his presidency, de Gaulle was to fight two major battles in the EC: first against the accession of Britain which he vetoed in 1963 and again in 1967; and secondly against the strengthening of the institutional powers of the Commission and the European Parliament which he successfully blocked by withdrawing French representatives from the Community.

De Gaulle's Presidency poses a challenge to the binding theory. Here was a French statesman whose anachronistic championing of national independence and, above all, French 'grandeur' would desist progress towards deeper integration and reassert the central role of the nation state in European affairs. Here was a French politician who had loudly objected to both the ECSC and EDC. Was he not concerned with binding German power? It is clear that de Gaulle, like other French leaders before him, was preoccupied with Franco-German reconciliation. As the leader of two provisional governments in the wake of World War II, de Gaulle had pronounced the German problem to be "the single greatest political problem" for postwar France.⁶⁰² Whereas he had left the political scene in 1946 advocating a punitive policy towards a weak Germany, he returned in 1958 with a different outlook. With Germany re-industrialized and rearmed, de Gaulle abandoned a strategy of balancing and embraced the then orthodox policy of reconciliation and rapprochement. What de Gaulle objected to in the EC was therefore not the goal of reconciliation and 'binding' of Germany, but the reliance on supranational institutions which he saw as inherently flawed. "These organs", he said, "have their technical value, but they do not have, they cannot have authority and, consequently, political effectiveness. As long as nothing happens, they function without much difficulty, but as soon as a tragic situation appears...it can then be seen that one 'High Authority' or another has no authority over the various

⁶⁰¹ Gerbert 1997, p. 135-6.

⁶⁰² de Gaulle 1971, p. 172, and *Discours*, p. 165.

national categories".⁶⁰³ In other words, supranational institutions did not in de Gaulle's eyes serve to create binding obligations on states. To further integration, he declared, one must begin with politics rather than with technical matters.

De Gaulle's policy towards Europe had two main components. One was strengthening the EEC which he saw as an important tool for modernizing the French economy. A second component was the construction of a "European Europe" which would embed Germany militarily and politically within an intergovernmentalist security structure while disconnecting European defense policy from the American dominated NATO.⁶⁰⁴ De Gaulle had entered the EDC affray in grand style in 1953, predicting the possibility of American withdrawal from Europe and of a France unable to exert itself to control an increasingly strong German army of which French troops would be mere attached auxiliaries.⁶⁰⁵ Now his distrust of the American security guarantee led him to try to wean Germany away from NATO into a European security framework.⁶⁰⁶ This distrust also convinced him that Britain must be kept out of the Community since, in political terms, Britain was more committed to the Atlantic partnership than to the goal of a united Europe.

In the summer 1960, de Gaulle launched his campaign for a 'confederate political union' among the Six, and in November 1961 a draft treaty on political union was tabled by his representative, Christian Fouchet.⁶⁰⁷ The treaty called for a political union which would facilitate a common foreign and defense policy based on 'respect for the individuality of

⁶⁰³ See Kolodziej 1974, p. 293, and Fursdon 1980, p. 220.

⁶⁰⁴ Vaisse 1997, p. 55, and Pryce 1987, p. 108.

⁶⁰⁵ Fursdon 1980, p. 220.

⁶⁰⁶ Cole 1993, p. 358, and Hoffmann 2000, p. 71. De Gaulle was particularly crossed by the American proposal for a Multilateral Nuclear Force (MLF) in Europe—a proposal which was seen in France as a not-so-subtle effort to foil France's quest for an independent nuclear deterrent. Fearing that the MLF would result ultimately in greater German access to American nuclear weaponry France made German rejection of the MLF proposal a touchstone for the Paris-Bonn alliance. Prime Minister Georges Pompidou argued: 'We may ask if such a force would not destroy Europe'. 'We may even wonder whether, in the last analysis, it is not more or less directed against France. Kolodziej 1974, p. 87, 118, 319. See also Dinan 1994, p. 45 and Kocs 1995, p. 56.

⁶⁰⁷ Kolodziej 1974, p. 51.

the peoples and of the Member States and for equality of rights and obligations'. A compromise on the Fouchet plan was on the verge of being reached in the summer of 1961, but was derailed by Harold Macmillan's July 31 announcement that Britain intended to apply for membership in the EEC.⁶⁰⁸ From this point on, the Fouchet discussions revolved essentially around the problem of Britain's relation to Europe.

The reasons for Britain's belated bid for EC membership were manifold. From 1955 to 1965 British exports to the Commonwealth fell from 50% to 25% of the British total, while exports to the Six rose from 12% to 25%.⁶⁰⁹ This put pressure on Britain to join the EEC for economic reasons. Still, Britain's economic situation had not changed fundamentally since its first rejection of the EC project. Trade diversion had been foreseen already in 1955 when the initial decision was made in Britain to stay out of EEC. It seems, therefore, that in the British government's decision political considerations were the controlling ones.⁶¹⁰ In particular, the fact that the Six were discussing moves in the political field appears to have been important for Britain's decision to open negotiations in August 1961 instead of waiting for a more propitious climate on the continent.⁶¹¹ The plans for political union led to the conviction that it might be better for Britain to join EEC now and block further moves towards political and defense cooperation from within rather than wait and face a

⁶⁰⁸ On the negative impact of the British application on the Fouchet plan see also Kocs 1995, p. 39.

⁶⁰⁹ Ibid. p. 167. That Britain's trading position was seen to be threatened by the EEC is also suggested by Lord Soames, who recalls that the Prime Minister had handed him a paper, which he himself had written about the future of Britain. It emphasized the rapid changes affecting the British position everywhere, and it ended with Macmillan concluding that Britain could no longer carry the necessary weight, economically or politically, outside Europe.

⁶¹⁰ Camps 1964, p. 274.

⁶¹¹ Trachtenberg 2000, p. x. According to Miriam Camps, the fact that the Six were discussing moves in the political field was an important factor in the British decision to apply for membership open negotiations in August 1961 instead of waiting for a more propitious climate on the continent. Camps 1964, p. 414. Macmillan clearly stated his hopes that a wider EEC would disrupt the concept of political Six, and facilitate French and German inclusion in an Atlantic alliance. See Bange 2000, p. 17. Another factor which may have been of importance for Britain's decision was the fact that the Americans were putting pressure on London to join the EEC, thereby throwing a 'bridge' to the United States. Kennedy's 'Grand Design' which emerged in 1961 called for a commercial association, a so-called 'open partnership' between Europe and the US. Macmillan was left in no doubt by the Kennedy Administration that a British application would be seen as a step to preserve the Anglo-American relationship, rather than undermine it. See Stirk & Weigall 1992, p. 115, Dinan 1994, p. 52, Pryce 1987 p. 120, Kolodziej 1974, p. 310, and Boccia 1995, p. 159.

fait accompli later. This is clearly expressed in Macmillan's appeal to the British Ministers assembled at the Chequers. He asked;

do the Ministers agree that an early settlement in the context of a 'confederate' Europe would be politically easier for us than later settlement with a 'federal' Europe? ⁶¹²

This logic made a strong impression in the Benelux countries where British membership was seen as crucial to secure the important link to NATO—a link which France would sever.⁶¹³ Moreover, the Benelux countries were apprehensive of the intergovernmental nature of de Gaulle's proposal. The conspicuous silence about the role of the EEC raised fears in Holland and Belgium that the authority of existing EC institutions would be weakened and that the Fouchet plan would result in a kind of restored European Concert in which some countries—France and Germany—would be more equal than others.⁶¹⁴ When negotiations began in Paris in December 1961 Joseph Luns, the Dutch Foreign Minister, declared that it would not sign a treaty on political union until Britain had been brought into the EEC.⁶¹⁵ At least this way, France and Germany would be balanced by Britain and the link to NATO would be secured.⁶¹⁶

Just as Britain's reason for seeking membership in the EEC were political rather than economic, so were the French reasons for rejecting the British application. The underlying motives for de Gaulle's veto had little to do with the detailed questions of trade, agriculture and institutional arrangements under discussion in Brussels.⁶¹⁷ His decision was

⁶¹² Bange 2000, p. 194.

⁶¹³ Brusse 1995, p. 125. Holland also warned that whereas France would for the time being run the joint French-German show, Germany would do so in the long run unless Britain was brought in.

⁶¹⁴ Haglund 1991, p. 86. There was also some concern that de Gaulle's policy might weaken the tie to NATO without putting an adequate security guarantee instead.

⁶¹⁵ There was a contradiction between the Dutch commitment to European unity and the acceptance of US security guarantee and the unswerving determination to bring Britain into EC. Yet, when France reproached Holland and Belgium for being illogical in asking for both supranationality and British entry, Spaak replied; "Since you do not wish to have supranationality as a guarantee for the small states and since you wish to construct Europe à l'Anglaise, at least grant us the English who will be there to restore the balance". Schmidt 1997, p. 141, and Kolodziej 1974, p. 303.

⁶¹⁶ Ludlow 1997, pp. 108-109.

⁶¹⁷ De Gaulle at first referred to technical issues to justify his opposition to British membership—many of which were untrue. When this did not serve to dissuade the British, he put down a political veto. See e.g. Hoffmann 2000, p. 69. This 'geo-political' view of de Gaulle's policy is contradicted by Andrew Moravcsik

grounded in the belief that enlargement would undermine French leadership in Europe and augment American influence over the EC.⁶¹⁸ As de Gaulle said in defense of his decision to use the French veto in January 1963, to allow Britain to join the EC 1963 would in all likelihood have served to “undermine the Community and turn the customs union into a broad free trade area”.⁶¹⁹ This statement was consistent with his oblique references to the danger of an American ‘Trojan Horse’ in the Community. The same reasoning was put forth after France vetoed the second British bid for membership in 1967.⁶²⁰ As for the Germans they were prepared to stand by the French decision.⁶²¹ In a debate in the German Cabinet in August 1962, Adenauer said,

I judge the situation primarily from a political perspective and not from a trade-political viewpoint... I say that tariff agreements have to remain behind political questions and the question which decides our history is not our relationship with England, but that between us and France...⁶²²

With the failure of the Fouchet Plan, and the French veto of British membership the Community crisis thickened. In July 1965 France boycotted meetings in the EC in protest of an attempt by the Commission to increase its budgetary powers and to introduce QMV in the Council. In March 1966, de Gaulle announced France’s complete withdrawal from NATO’s integrated command system—although not from the Atlantic Alliance—in order to base French security on an independent nuclear force.⁶²³ This was followed in

who has argued that “de Gaulle’s politics towards EEC were rooted in economic interests, especially French agricultural interests, and that de Gaulle’s distinct geopolitical visions played a ‘secondary, largely insignificant role’. Moravcsik 2000a, p. 6.

⁶¹⁸ Ludlow 1997, p. 109.

⁶¹⁹ de Gaulle’s Press Conference at the Elysee Palace, 14 Jan., 1963; Vaisse 1997, p. 63, Salmon & Nicoll 1997, pp. 87-90. On the French veto, see also Dinan 1994, p. 53. De Gaulle would later argue that “in practice...we [put] the EEC into effect to encourage the Six to concert together regularly in political matters, to prevent certain others, in part Britain, from dragging the West into an Atlantic system which would be totally incompatible with a European Europe”. (de Gaulle 1971, p. 171-172).

⁶²⁰ Little had changed in the British attitude between 1961-1967. Macmillan remained opposed to the political aims of the EC and stressed that joining the EC would not involve any fundamental change in the European defense arrangements or be allowed to weaken the Atlantic Alliance. De Gaulle thus vetoed. See Salmon & Nicoll 1997, p. 98.

⁶²¹ Schmidt 1997, p. 77.

⁶²² Bange 2000, p. 205.

⁶²³ The empty chair episode erupted over disagreement about the proper funding of the CAP. However, de Gaulle’s September 9 news conference exposed French demands that went well beyond agriculture to include West European political cooperation and an improvement in East-West relations. See Kolodziej 1974, p. 331.

1967 by a French veto of Britain's second application for EC membership, which severely strained relations between France and its partners.⁶²⁴

Interpretation

As the persistent attacks on European supranationalism indicate, de Gaulle's strategy for building a united Europe differed from his predecessors'. To de Gaulle, the community method was 'a wrong step in the right direction'.⁶²⁵ He wanted to replace an essentially weak supranational structure with a new framework based on intergovernmental cooperation and credible commitments, and he wanted to create a 'European Europe' free of Anglo-American influence. De Gaulle in 1965 achieved two of his objectives; the dilution and delaying of QMV; and the downgrading of the power of the Commission.⁶²⁶ However, his effort to build a 'European Europe' militarily and politically independent of the United States and to bind Germany politically to France was frustrated. As the 1960s drew to a close, France was facing a politically more independent Germany determined to assert its interests even at the risk of conflict with France.⁶²⁷ An active German *Ostpolitik* under Willy Brandt served to reinforce the image of a Germany beyond French influence, and raised anxieties about the adverse strategic, political, and economic implications of German-Soviet rapprochement.⁶²⁸ Anxieties over a revived Germany, capable of exerting weighty economic and diplomatic influence in the service of German national goals, were, by his own accounting, uppermost in de Gaulle's thinking in his last months in office. This

What was at stake were the prerogatives of the Commission whose vision of Europe de Gaulle branded as essentially 'Atlantic'. David Yost, "France in the New Europe", p. 108.

⁶²⁴ Little had changed in the British attitude between 1961-1967. Macmillan remained opposed to the political aims of the EC and stressed that joining the EC would not involve any fundamental change in the European defense arrangements or be allowed to weaken the Atlantic Alliance. De Gaulle thus vetoed. See Salmon & Nicoll 1997, p. 98. Interestingly, Britain's second application in 1967 came at a time when Britain had catch up in the sense that its growth rate was no longer much behind the EC average. See Mattli 1999.

⁶²⁵ The Gaulle's attack on supranationalism reached its height in July 1965 when France boycotted meetings in the EC (the 'empty chair episode') in protest of an attempt by the Commission to increase its budgetary powers and to introduce QMV in the Council.

⁶²⁶ Hoffmann 2000, p. 71.

⁶²⁷ Salmon & Nicoll 1997, p. 104; Kolodziej 1974, p. 339.

⁶²⁸ Kolodziej 1974, p. 156, Kocs 1995, pp. 100-103.

is often cited as a motive for his belated move towards monetary cooperation with Germany and is said to have changed his stand on British membership, although he left office before any concrete initiative could be taken.⁶²⁹ When Pompidou came to power in 1969, however, he embarked immediately on a process of moving Britain closer to Europe as a way to counterbalance Germany's increasing weight in the Community.⁶³⁰

VII THE SINGLE EUROPEAN ACT (1986)

After the Gaulle's virulent attack on supranationalism, integration proceeded again but this time more slowly. In 1972 the Community undertook its first enlargement with the accession of Britain, Denmark and Ireland.⁶³¹ This was followed in 1973 by the creation of the European Exchange-rate Mechanism (ERM), and in 1979 the EC members—except Britain—agreed to a European Monetary System (EMS). However, a real turning point with respect to economic integration did not come until the signing in 1986 of the Single European Act (SEA) which launched the hitherto most ambitious round of trade liberalization among the now nine member states.⁶³²

It is often said that integration in the 1970s and 1980s was driven mainly by efforts to spur economic growth and accommodate domestic interests rather than by geopolitical

⁶²⁹ See interview of C.L. Sulzberger with de Gaulle of Feb. 1969. In Kolodziej 1974, p. 210. p. 256.

⁶³⁰ Both Dinan 1994, p. 72 and Kolodziej 1974, p. 427 argue that the French decision to allow British membership was motivated by the desire to create more of a counterweight to Britain within the community. However, France skillfully linked British entry to progress on political cooperation. The *quid pro quo* at the 1969 Hague Summit to discuss European Political Cooperation (EPC) was that other members agreed to closer foreign policy coordination in exchange for French accept of British membership. Wyatt-Walter 1997, p. 33.

⁶³¹ Among the initiatives were the European Political Cooperation (EPC) mechanism of 1970 which provided for foreign policy coordination among EC members, the so-called Genscher-Colombo initiative of 1981 which led to the London Report facilitating discussions about some political and economic aspects of security, and the creation in 1987 of a joint Franco-German brigade, and the 1988 creation of a joint Franco-German Defense and Security Council. On these initiatives, see Kocs 1995, p. 139-141, and Aybet 1997, p. 135.

⁶³² The most important reform was an expansion in the use of QMV in the Council of Ministers on matters pertaining to the Internal Market. A second reform gave marginally greater powers to the European Parliament.

goals.⁶³³ This is partly true. After 1966 the security climate in Europe changed. The revolution wrought by nuclear weapons—in particular France's decision to acquire nuclear weaponry—changed the equation and brought France a new kind of relief from its sempiternal fear about Germany which allowed it to refocus its attention on economic objectives.⁶³⁴ The initial effect was a slowdown in the integration process. The Tindemands Report on European Union which was tabled in December 1975 attributed the fact that the 'European concept' seemed to have 'lost much of its force and initial impetus' directly to the fading of geopolitical motivation;

in 1975 the European citizen does not view the reasons for the construction of Europe in exactly the same way as in 1950. The European idea is partly a victim of its own successes: the reconciliation between formerly hostile countries, the economic prosperity due to the enlarged market, the *détente* which has taken the place of the Cold War...⁶³⁵

Yet, the goal of binding Germany and securing peaceful relations in Europe through integration was never left completely out of sight. For example, the view that volatility of European currency market during the 1920s had exacerbated Germany's hyperinflation and indirectly precipitated the rise of Germany's fascism was widespread in both France and Germany and was referred to frequently during negotiations of the EMS.⁶³⁶ Similarly, there are important aspects of the Single European Act which cannot be explained without attention to the continued goal of binding German power. While SEA is largely remembered for its introduction of the idea of a Single Market and of the 'cooperation procedure' between EPC and the other Community institutions, it was also important for

⁶³³ Even scholars who champion a geo-political interpretation of integration, such as Michael Baun and Patrick McCarthy, generally point to a disjuncture between the integration initiatives of the 1950s and early 1990s, both of which are seen to have been motivated by a desire to promote peace, and the initiatives of the intervening decades which are seen to have been driven primarily by 'interdependence and economic necessity'. Thus, Michael Baun says of the events of 1989-90 that they "made the logic of security *once again* the predominant driving force of European integration". Baun 1996, p. 7—my underlining. See also Kolodziej 1974, p. 173. I argue that there is no such sharp incongruity between the initiatives of the 1950s and later moves towards deeper integration.

⁶³⁴ Haglund 1991, p. 109.

⁶³⁵ See Hill 2000.

⁶³⁶ Giavazzi and Giovanni 1989, p. 5, Eichengreen and Wyplosz 1993, p. 117.

innovations in the area of foreign policy.⁶³⁷ Progress in this area—which had little to do with commercial goals—was a result of French insistence on accompanying SEA with a revision of the Treaty of Rome and the drafting of a separate treaty on political cooperation and European security.⁶³⁸ British Prime Minister Margaret Thatcher, who was strongly opposed to institutional change, correctly anticipated the consequences of French President Mitterrand's 'obsession' with placing constraints on German political power;

Like so many Frenchmen of his generation, [Mitterrand] is driven by a fear of the consequences of German domination...his actions would for this very reason always be directed towards keeping the Germans bound into the EC, where the French might be able to exercise greater influence over them. ...Consequently I knew that the French attitude at the forthcoming Council would be to press hard for closer 'European Union'.⁶³⁹

Apart from political union, one area in which France was concerned with 'binding' German power was monetary policy. The desire to change the basis of European monetary cooperation arose in part from domestic political changes within France which turned French policy in a more monetarist, market-oriented direction. However, it also reflected changes at the international level. From 1979 to 1984, France had on several occasions been compelled to bow to German monetary priorities and abandon its expansionary economic policies to stay within the ERM.⁶⁴⁰ As a result, France considered for a while to leave EMS in order to pursue its preferred monetary policy. However, Mitterrand concluded in 1983 that a withdrawal from EMS would be too costly for France. Instead he resolved to seek to bring European monetary policy under European, rather than German control through the transfer of Bundesbank authority to European institutions.⁶⁴¹

⁶³⁷ The SEA was entitled the 'single act' not because it introduced a single market but to convey the way it brought EPC and the Communities under the same legal umbrella for the first time. See Hill 2000, p. 138.

⁶³⁸ Margaret Thatcher sought to bloc the ICG which she saw as entailing the danger of opening further demands for political reform. Prior to the Milan Summit she circulated a paper called "Europe: The Future" which called for basing market liberalization on an intergovernmental agreement outside of the treaty of Rome. To this other members reacted by threatening to exclude Britain from the common-market initiative unless it conceded to political reform. Thatcher therefore reluctantly agreed to call an ICG. See Thatcher 1993, p. 549.

⁶³⁹ Thatcher 1993, p. 553.

⁶⁴⁰ Between 1979 and 1984, EMS members had been forced to realign bilateral rates *seven* times. Baun, p. 25.

⁶⁴¹ Baun 1996, p. 25-6; Taylor 1989; Sandholtz 1993, p. 27.

But why would Germany, who was clearly the dominant country in European monetary affairs, agree to accept constraints on its room for maneuver? Here it is once again important to look to Germany's geopolitical goals. The SEA was broached at a time where German *Ostpolitik* was beginning to bear fruit as is evidenced by the treaty of friendship between two Germanies.⁶⁴² As German policy swayed towards the East, it became increasingly important to its neighbors to integrate it politically and economically into the West. By extension, it became crucial for Germany to reassure its partners of its unquestioned political and economic ties to the West. During the 1970s, Germany had resisted deepening of cooperation on both defense and monetary policy. But around 1980 an important shift occurred. At this time, planning began in the German Foreign Ministry for a European *relance* involving a strengthening of political cooperation as a vital complement to a more independent German *Ostpolitik*.⁶⁴³ Deepening of both political and economic cooperation within the EC were important components of this policy.

In the final analysis, the SEA was a disappointment for France and other pro-integrationist countries. During the negotiations of the SEA France and Italy pushed hard for monetary integration. When Germany and Britain threatened to tie any monetary agreement to the complete liberalization of capital markets by the end of 1986, however, France agreed to a compromise that included no concrete steps beyond existing policy.⁶⁴⁴ Nonetheless, France succeeded, to Thatcher's great irritation, to get a reference to the goal of an eventual monetary union included in the preamble to the revised treaty.⁶⁴⁵ Apart from this modest step, however, the changes introduced by SEA were small. Thanks mainly to British

⁶⁴² Kocs 1995, p. 102.

⁶⁴³ Aybet 1997, p. 135, Kocs 1995, pp. 139-141.

⁶⁴⁴ Moravcsik 1991, p. 42-43. According to Moravcsik, British opposition led to a minimalist program limited to those procedural changes needed to liberalize the internal market. There was no real delegation of further sovereignty. Moravcsik 1991, p. 61-2

⁶⁴⁵ At a bilateral meeting between Kohl and Thatcher in November 1985 the two leaders had agreed to exclude economic and monetary union as a goal in the SEA. Kohl changed his mind when the French and Italians liberalized their exchange control provisions and the goals of monetary union was therefore eventually included in the Preamble to the SEA. See Taylor 1989, p. 10; see also Margaret Thatcher 1993.

opposition, procedural reform was limited to matters directly related to the internal market. Progress on foreign policy cooperation was limited to article 30 of the Treaty which obliged members to 'inform and consult each other on any foreign policy matters of general interest'. No concrete steps were taken on defense.

IIX THE MAASTRICHT TREATY ON EUROPEAN UNION, 1991

The Treaty on European Union (TEU) signed at Maastricht in December 1991 provides a clear expression of the logic of institutional binding. While the initiative for TEU was rooted in events prior to the end of the Cold War, the form of the final treaty as well as the timing of its completion were closely determined by the dual events of the end of the Cold War and German reunification, both of which gave new life to existing anxieties about German domination in Europe. The TEU fixed a timetable for the transition to Economic and Monetary Union (EMU) and created a political union with provisions for both foreign policy and defense cooperation ('second pillar'). Neofunctionalist and political economy-oriented scholars have frequently portrayed TEU as the logical follow-up to the Single European Act, citing the chronological conjunction between German reunification and EMU as a mere coincidence.⁶⁴⁶ However, arguments for 'economic spill-over' from the SEA to EMU are not convincing. Indeed, many economists dispute that a currency union is necessary in order to reap the full benefits of free trade.⁶⁴⁷ Moreover, not only the timing of TEU (which followed immediately in the wake of German reunification) but also the political arguments invoked in favor of the treaty strongly suggests a link to geo-strategic concerns.

⁶⁴⁶ E.g. Moravcsik 1998, pp. 379-381.

⁶⁴⁷ Peter Kenen, argues that the "one market, one money" approach in no way was able to prove that "the benefits [of EMU] would exceed the costs". Similarly Martin Feldstein has refuted the assertion that a single market needs a single currency, let alone a monetary union. He concludes that the main push for EMU was political, not economic. For a discussion see Eichengreen & Frieden 1994, p. 9.

Initially, the link between TEU and security concerns was weak. The first step towards a European union was taken with the French Delors plan for a European currency union which was tabled in January 1988--well before anyone foresaw the end of the Cold War. This proposal can be seen as a reaction to the asymmetrical nature of the EMS and the economic and monetary dominance it allowed Germany. During the 1980s, the German Bundesbank had come to play what many Europeans regarded as a 'hegemonic' role within EMS. After the failure to reach agreement on monetary integration during the negotiations of the SEA, Francois Mitterrand and French Finance Minister Edouard Balladur--backed by their Italian colleagues--continued therefore to call for a breaking of German monetary hegemony through the transfer of Bundesbank authority to a set of common European institutions.⁶⁴⁸

But while monetary policy set the stage for EMU, it was the political events of 1989 that accelerated the move towards both monetary and political union.⁶⁴⁹ Specifically, the EMU--like previous integration initiatives before it--gained support in reaction to the rapid progression in German Ostpolitik. Perennial fears about a modern day Rapallo accord between Germany and Russia had surfaced at critical times during the Cold War. The let-up in Soviet policy in the second-half of the 1980s redoubled such fears resulting immediately in pressure for new initiatives to deepen West European integration.⁶⁵⁰ In retrospect, the year which marked a genuine turning point in East-West relations was 1988.

⁶⁴⁸ See *Le Monde*, January 8 and January 15, 1988. See also Tiersky 1991, p. 16, Dinan 1994, p. 159 and Cole 1993, p. 373. The 1988 Delors Report which launched EMU can be seen largely as motivated by the desire of the weaker currency countries in Europe to enhance their influence and control over German monetary policy. For an interpretation of the EMU along these lines see Grieco 1995a and 1995b, Baun 1996, pp. 25-26 and Taylor 1989. Wayne Sandholtz criticizes this explanation for not accounting for German support for EMU. First, he argues, Germany should have been opposed to changing a system in which it had the predominant role. Second, greater voice for other EMS countries did not require the dramatic step of sacrificing monetary sovereignty to EMU but could have been realized within the existing system. See Sandholtz 1993, pp. 27-30, 34-36.

⁶⁴⁹ See Baun 1996, p. 155.

⁶⁵⁰ Dumas began to question Germany's continued Western moorings as early as 1986, after Gorbachev had announced a program of domestic political and economic reforms. See Genscher 1995, Verheyen 1992, and Thadden 1998.

From 1987 to 1988, the Soviet Union greatly increased the number of ethnic Germans it permitted to emigrate to West Germany, leading to warmer relations between Moscow and Bonn. Gorbachev invited several leading German politicians to Moscow for official visits, including Chancellor Helmut Kohl, and in December 1988 Gorbachev announced a substantial unilateral reduction of Soviet forces in Eastern Europe.⁶⁵¹

The new opening in Soviet policy presented a challenge to Germany. At the end of the reconciliation process with Moscow loomed the theoretical possibility for German reunification. However, Bonn knew that it would need full support from its West European allies in order to negotiate reunification with Moscow. A strengthening of the ties between Germany and its West European neighbors was therefore more important than ever.⁶⁵² As a result, Germany began to look more favorably at the French plan for EMU. Until 1988, the Germans had shown little enthusiasm for deeper monetary integration. But with the growing instability in Eastern Europe, the idea was now embraced for political reason. Foreign Minister, Hans-Dietrich Genscher, indicated that he saw monetary cooperation as an important bargaining chip to achieve bilateral cooperation on foreign policy towards Eastern Europe.⁶⁵³ Thus, in June 1989, while increasing numbers of East Europeans fled to the West via across the border between Hungary and Austria, the Delors Committee's plan for EMU was endorsed by all EC members, albeit with strong reservations on the part of Britain, and an intergovernmental conference was scheduled for December 1990 to discuss its implementation.

Meanwhile, the revolution in Eastern Europe was picking up speed. On 9 November 1989 the gates to the Berlin Wall were thrown open, and on 28 November,

⁶⁵¹ Kocs 1995, p. 278.

⁶⁵² Aybet 1997, p. 141, Cole 1993, p. 369. A preliminary step towards deepening integration was taken with the establishment in 1988 of a joint Franco-German brigade as well as a Defense and Security Council which would serve as an 'experiment' for wider European defense cooperation leading to a future European army.

⁶⁵³ Baun 1996, p. 26; Sandholtz 1993, p. 31; and *Financial Times*, 21, January 1988, p. 2.

Helmut Kohl announced his ten-point program for unification of the two Germanies.⁶⁵⁴ The sudden prospect for German reunification had a profound effect on the pace of the negotiations for EMU. Until the fall of 1989, the Delors Report had merely been one in a stream of proposals for European monetary integration that had been brought forward since the 1960s. But with the prospect for Germany reunification, the French initiative took on security policy value.⁶⁵⁵ The image of a reunified Germany once again placed the 'German problem' squarely on the European agenda. The merging of the *Bundeswehr*—already the largest national army in West Europe—with the East German *Nationale Volksarmee* would make Germany the leading conventional military power in Europe. The new Germany would also be an economic giant. A unified Germany would account for 27% of the Community's GDP and 25% of its population. The D-Mark, already the leading European currency, would likely be strengthened by the expansion of the German markets.⁶⁵⁶ More importantly, Germany's geographic location meant that its security improved more dramatically as a result of the collapse of the Soviet Empire than the security of any of its allies. This led to the fear that a reunified Germany would be much less dependent on its allies.⁶⁵⁷

The immediate reaction in both France and Britain was to oppose German reunification altogether. However, it quickly stood clear that this strategy was infeasible.⁶⁵⁸

⁶⁵⁴ Chancellor's Press Release 134/1989, p. 1141. Dinan 1994, pp. 161-162.

⁶⁵⁵ Saeter 1995.

⁶⁵⁶ Dinan 1994, p. 161 and Mortimer 1992, p. 10.

⁶⁵⁷ Hellman 1997, p. 34.

⁶⁵⁸ In December Mitterrand traveled to Moscow to discuss with Gorbachev the possibility of preventing reunification, and on 6 December, Mitterrand and Gorbachev published a joint declaration stating that any altering of European borders was 'premature' and would have 'destabilizing effects'. *The Economist*, 21 October 1989, pp. 50, 58, *N.Y. Times*, December 7, 1989. See also Saeter, 1995, p. 360, Kissinger 1994, p. 229; and Baun 1996, p. 38, 41; and Sandholtz 1993, p. 32. Also Thatcher also tried to stop German reunification by seeking an alliance with the Soviet Union. Thatcher 1993, p. 792. However, Moscow declined to take any concrete step to halt German reunification. When the US agreed to the two-plus-four formula in February 1990, it was clear that reunification could not be stopped. See Kocs, p. 214. In her memoirs Margaret Thatcher expresses her disillusion with the American approach to German reunification. Thatcher 1993, p. 795-796.

The French policy therefore shifted towards strengthening cooperation with the new Germany within the EC.⁶⁵⁹ Already in October 1989, Mitterrand argued that recent development in Germany and Eastern Europe made it “both urgent and necessary to reinforce the existing institutional structures of the Community”.⁶⁶⁰ In November 1989, shortly after the fall of the Berlin Wall, Jacques Delors undertook a tour of eleven EC capitals to drum up support for EMU.⁶⁶¹ He found strong support for his views both in Italy and the Benelux countries. Illustrative is a declaration from André Szasz, deputy president of the Dutch central bank, which stated that it was essential to bind Germany to EMU since otherwise there was the danger that “Germany in the next two decades, will become a different country”.⁶⁶²

The events of the fall of 1989 also turned Germany in favor of EMU as a means of alleviating fears of German 'Alleingang'.⁶⁶³ Whereas the German Bundesbank and the Ministry of Finance remained opposed to EMU, and although strong misgiving were voiced by much of the German financial and business community, foreign-policy leaders like Hans-Dietrich Genscher and Helmut Kohl pushed ahead with monetary integration as a way to demonstrate Germany's continued commitment to European cooperation.⁶⁶⁴ Thus, in the days and weeks after the fall of the Berlin Wall, Kohl and Genscher repeatedly asserted Germany's loyalty to the Community.⁶⁶⁵ Both men were concerned that the prospect of

659 Saeter 1995, p. 361. Thatcher said later about the decision facing Mitterrand: “Essentially he had the choice between moving ahead faster towards a federal Europe in order to tie down the German giant or to abandon this approach and return to that associated with General de Gaulle—the defense of French sovereignty and the staking up of alliances.” Thatcher 1993b, p. 798.

660 *The London Economist*, 21 October 1989, p. 50, cited in Baun 1996, p. 38.

661 Sandholtz 1993, p. 32.

662 *Opcit.*

663 On the view that Bonn acquiesced in EMU to make reunification more palatable to its partners, see e.g. Eichengreen & Frieden 1994, Tsoukalis 19xx, p. 208, Grieco 1995a, and Sandholtz 1993, pp. 131-132.

664 Baun 1996, pp. 28, 37, 60, Kupchan 1998, p. 61.

665 Kohl's speech to the Bundestag on November 28, 1989, in which he outlined a ten-point program for German and European unification proclaimed that “a future architecture of Germany must be fitted into the future architecture of Europe as a whole” In particular, the EC and the CSCE would provide the two essential pillars for a united Germany in post-Cold War Europe. Chancellor's Press Release 134/1989, p. 1141. See Dinan 1994, p. 162.

reunification must under no circumstances be allowed to slow the pace towards monetary integration.⁶⁶⁶ The crucial question, Kohl insisted, was whether the Germans would 'commit ourselves irremovably to economic and political union' or make possible 'a reversion to earlier times'.⁶⁶⁷

However, German consent to EMU was no longer enough to satisfy its neighbors. The demand was now for political and defense integration as well. From February 1990, Mitterrand's top officials were in constant contact with their German counterparts over a proposal for political union.⁶⁶⁸ In March 1990, the Belgian government submitted a proposal for a European Political Union, and on 19 April 1990, Mitterrand and Kohl declared in a joint letter to the Irish Presidency that the pace of both monetary and political union needed to be accelerated to 'match the rapid movement towards German unification'.⁶⁶⁹ It was therefore decided to convene an Intergovernmental Conference (IGC) on political union to start in December and to run alongside that on EMU. The new goal of political union elicited sharp protests from Margaret Thatcher, whose objections are worth citing:

'Political union' was now envisaged alongside 'monetary union'. In a sense, of course, this was only logical. A single currency and a single economic policy ultimately imply a single government. But behind the concept of 'political union' lay a special Franco-German agenda. The French wanted to curb German power...The French were federalists on grounds of tactics rather than conviction. The Germans wanted 'political union' for different reasons and by different means. For them it was partly the price of achieving quick reunification with East Germany on their own terms and with all the benefits which would come from Community membership, partly a demonstration that the new Germany would not behave like the old Germany from Bismarck to Hitler"...⁶⁷⁰

⁶⁶⁶ Baun 1996, pp. 37-38. Similar statements were made by Foreign Minister, Hans-Dietrich Genscher who assured his allies that Germany was still committed to a European Germany not a German Europe and by Horst Telschik who stated that only further integration would help a united Germany find its identity in Europe. See *New York Times*, 17 Nov. 1989 and 14 Feb. 1990.

⁶⁶⁷ Address of 2 December 1992, Bundestag, series 12, p. 10824.

⁶⁶⁸ Moravcsik 1998, pp. 407-408.

⁶⁶⁹ See Laursen & Vanhoonacker 1992, p. 276; and Baun 1996, p. 46. This was followed a few days later by a mutual appeal by Hans-Dietrich Genscher and Dumas to the Community "to seize the moment and make a 'quantum leap' forward towards political union". *Financial Times*, April 23, 1990.

⁶⁷⁰ Thatcher 1993b.

Unlike Mitterrand, however, Thatcher never accepted the idea that integration could substitute for a policy of balancing German power.⁶⁷¹ Instead, she argued,

German power will be best accommodated in a looser Europe in which individual nation states retain their freedom of action...If Germany or any other power then pursues a policy to which other countries object, it will automatically invite a coalition against itself. And the resulting solution will reflect the relative weight of the adversaries.⁶⁷²

What Thatcher was calling for was in effect a return to a traditional balance of power system—a position consistent with long-standing British policy on European integration.

Negotiation of the Treaty on European Union

The two IGCs on EMU and EPU opened in Rome in December 1990—only weeks after Germany was officially reunified. The main objective of France, Italy and the Benelux countries during the negotiations was to reach agreement on political union, including a common foreign policy and defense policy, and to obtain an irreversible commitment from Germany to place its monetary policy under the authority of a European institution which would end German quasi-hegemony over monetary affairs. To Bonn, on the other hand, the primary goal was to demonstrate Germany's continued commitment to European integration without surrendering too much autonomy over monetary policy. Specifically, Bonn sought firm assurances that a common monetary policy would not endanger the German goal of price stability. A concrete point of disagreement concerned the timing of the establishing of the European Central Bank (ECB). Germany argued that it was more prudent to wait to create an ECB until full convergence had been obtained at the end of Stage III. France, on the other hand, urged the inauguration of an ECB at the beginning of Stage II. When the go-slow front in Germany began to assert itself more strongly during the summer of 1990, Delors publicly took Bonn to task, stating that the attempt to set firm dates for EMU was a

⁶⁷¹ Moravcsik, 1998, p. 418, Thatcher 1993b, p. 813-814.

⁶⁷² Thatcher 1993a, p. 21.

“way of testing Germany’s commitment to economic and monetary union: and arguing that firm dates were needed “because we have to bind Germany into Europe irreversibly”.⁶⁷³

In December 1991 the EC leaders met in the Dutch town of Maastricht and agreed to the TEU. In the final analysis, the Maastricht treaty represented a clear victory for those concerned about the strength and future orientation of a united Germany. During the negotiations, Germany compromised more of its initial objectives than any other country. This occurred notably by accepting a concrete timetable for a single currency thereby giving up the D-Mark without having received any ironclad guarantees of low inflation or basic monetary stability and by accepting political union.⁶⁷⁴

The Maastricht agreement featured a wide mix of economic, political and military constraints on national power which served to deepen binding. Whereas, French opponents of EMU argued during the referendum campaign in 1992 that supranational institutions and a single currency cannot really constrain German power and the country’s political hegemony over the continent, there can be no doubt that the EMU represented a significant deepening of binding compared to the previous EMS.⁶⁷⁵ The fact that EMU irrevocably fixes exchange rates among EU members and locates responsibility for the exchange against third countries in the ECB which is guided by community-wide interests presents a firm constraint on national policy. Maastricht also led to improvements in the area of military binding. The TEU introduced a Common Security and Foreign Policy (CFSP) and committed members to the eventual establishment of a common European defense.⁶⁷⁶ Although it failed to achieve any immediate progress with respect to the integration of

⁶⁷³ The London Economist, 29 September, 1990. Quoted in Baun 1996, p. 51. See also Dinan 1994, p. 178.

⁶⁷⁴ Cole 1993, p. 373.

⁶⁷⁵ On French skepticism about the binding features of the EMU Risse 1998, p. 6. See also Cole 1993, p. 368.

⁶⁷⁶ Article J.4.1 in the second pillar of the TEU (defense pillar) declares that the CFSP “encompasses all questions relating to the security of the European Union, including ultimately the definition of a common defense policy which could lead, at the proper moment, to a common defense.

European militaries, the commitment to a future European defense laid down an important foundation for the eventual creation of an autonomous European defense structure outside NATO.

Interpretation

For Germany's European neighbors--in particular France--TEU presented a means for anchoring a united Germany more firmly into Western Europe. Francois Mitterrand, like Charles de Gaulle and George Pompidou before him, was convinced that there was no hope of exercising any real influence over a future united Germany from within NATO.⁶⁷⁷ When it stood clear that German reunification was imminent, the French government therefore immediately stepped up the pace towards a European union which would provide for both monetary, political and military cooperation.

That anxieties over German reunification were a key motivation behind the TEU is suggested both by the timing of the French and Benelux proposals for monetary and political union and by the many statements to this effect by European government officials.⁶⁷⁸ Of course, institutional binding is not the only plausible explanation for the agreement on TEU. The Maastricht agreement may also be explained by a PE logic, stressing the economic benefits that may follow from monetary union. The potential beneficial effects of a fixed exchange rate regime for free trade are easy to grasp. The high costs of protection against exchange-rate fluctuations under a floating regime increases the transaction costs associated with all forms of cross-border exchange. Eliminating this factor of insecurity will presumably facilitate the free flow of goods and services among members. Moreover, a single currency will lead to savings in exchange reserves. For these reasons, the creation of EMU may be interpreted simply as an effort to reduce transaction

⁶⁷⁷ Aybet 1997, p. 170.

⁶⁷⁸ See Cole 1993, pp. 368-375 and Yost 1990.

costs and facilitate free trade.⁶⁷⁹ The trouble with this explanation is that the economic benefits from a currency union are not clear. Many economists have questioned whether EMU adds anything to the benefits, in terms of monetary stability, already achieved by EMS. Some have also voiced concerns that a rigid monetary union may lead to long-term economic recession. Moreover, contrary to the predictions of the PE hypothesis, the primary impetus behind EMU came not from ministries of finance or firms doing business in Europe, but from politicians concerned about the geopolitical structure of Europe.⁶⁸⁰ As Jeffrey Frieden and Barry Eichengreen observe, "domestically there [was] no evidence of strong private sector preferences in favor of or against EMU in France." The same was the case in Germany.⁶⁸¹ This leads me to conclude that to adequately explain EMU one must consider geo-strategic incentives as well as economic ones.

IX CONCLUSION

The preventive war dilemma has been a persistent source of conflict in modern European history. Among the possible dyads, the Franco-German has been particularly subject to this pathology. Since 1870, France and its closest allies, Belgium and the Netherlands, have faced a relentlessly growing Germany unable to commit not to use its preponderant power to revise the territorial status quo. The result in 1914 and 1939 was large scale war. However, the preventive war dilemma has also been at the heart of European integration. The desire to obtain a credible guarantee against renewed German aggression runs throughout the history of European integration and has given rise to several institutions designed to neutralize German threat. These institutions have been primarily championed by the countries that have been most vulnerable to German

⁶⁷⁹ Sandholtz 1993, p. 19.

⁶⁸⁰ Kupchan 1998, p.61.

⁶⁸¹ Eichengreen & Frieden 1994, p. 9. Similarly, Thomas Risse (1998) notes that is nearly impossible to find significant support for EMU among economic interest groups, particularly in Germany.

aggression in the past—chiefly France and the Benelux states—whereas countries that have been less exposed to German aggression—such as the neutral European states and Britain—have been reluctant to embrace the ideal of European integration.

In this chapter I have sought to demonstrate that the timing and outcome of the major intergovernmental bargains which define European integration have been tied closely to a desire to control and constrain German power. Some may object that this kind of 'power-political' approach is outmoded. Thus Alan Milward has argued that "to write about 20th century states as though they could adjust their foreign policies on [such] purely pragmatic grounds is a board game and no more. The EC has self-evidently had other functions, as well as embodying other aspirations and ideas".⁶⁸² Milward is right in saying that the EC has served other functions than binding German power. For example, it has helped to greatly improve the economic prosperity of its members. However, as I have attempted to show, demands for welfare improvements have often been satisfied only after the primary objective of national security was met.

Of course, not all developments within the EC can be attributed to geopolitical change in Europe. Over time, as European states have grown to feel more secure, the goal of obtaining commercial advantages has come to play a relatively larger role. Thus Europe today features a plethora of multi-purpose political and regulatory institutions many of which have nothing to do with the goal of constraining German power. Yet, at the core of the European integration project lies the desire to bind German power. Without this goal, I argue, today's Europe would have looked markedly different. That this is the case is suggested both by the timing of major integration initiatives and by the concrete form of European integration. As we have seen, the various institutions which constitute the EC have been designed explicitly to freeze the balance of political influence among member states.

⁶⁸² Milward 1992, p. xi.

The first step towards integration, the ECSC of 1952, institutionalized three groups of powers—large (France, Germany, Italy), medium (Belgium and the Netherlands), and small (Luxembourg)—with each country within a group having the same weight. This principle of equal vote allocations for states within each group has remained a cornerstone of European institutions—despite variations in actual, underlying power. Thus, although the overall allocation of voting weights has changed with each successive enlargement of the EC, relative weights have not. Because of this rule, German institutional power (measured in voting share) has moved further away from its actual power as measured in GDP. In 1952, German voting weight was 9 percent below its actual power—calculated in GDP; by 1995, it had dropped to 16 percent.⁶⁸³ The Nice Summit of December 2000, the last one to date to raise the issue of readjusting voting weights, did not chance this reality.

The political balance of influence instituted by the EC has been rendered binding through a variety of specific bargains and exchanges which have served to generate efficiency gains and to increase the costs of exit. Consecutive rounds of treaty negotiations have also instituted various transfer mechanisms designed to channel economies benefits from the 'winners' of the integration process to less advantaged states, thereby ensuring that economic growth remains balanced. However, integration of military capacity has lagged markedly behind. This raises the question which I posed at the beginning of this chapter: Is Germany sufficiently bound within the EU? Looking at Europe today, it appears as though Germany is more firmly anchored in the configuration of European politics than almost any other state. Yet, the fact remains that without integration of military capabilities, the commitment to continued peaceful cooperation is not fully credible. Indeed, the firmly

⁶⁸³ See Rasmussen & Verdier 2001. Within the group of the largest states, in the first constellation of EC membership, population size varied from 46.7 million (France) to 54 million (Germany), in 1995 this range was from 55.6 million to 61.2 million, the 1885 the range was 56.9 million (Italy) to 80.6 million (Germany). In all of these stages votes were attributed on an equal basis to the largest states, as each of them held ten votes in the Council. See Hosli 2001, p. 4.

established peace in Europe over the last five decades owe largely to NATO—a sheer military alliance, subject to free riding and changes of heart. Were NATO to follow the sad fate of the German Bund, the Europeans may find themselves in the precarious situation of the German states by the mid-19th century, operating a very successful trade and currency union, but ineffective at binding Prussia—the rising hegemon at the time.

Enlargement

The European integration project began as a way to bind German power and this goal has continued to play a crucial role for successive integration steps. As it has evolved, however, the EC has become a guarantor of security in a rather wider sense than that of containing Germany. This is especially true with respect to Southern and Eastern enlargement. Both Greece, Spain and Portugal joined the EC shortly after their departure from a period of fascism and a transformation from an authoritarian or dictatorial regime to a democratic system. Their accession to the EC could hardly be justified in economic terms; the demand of membership was made, and accepted, in terms of democratic solidarity and Western and Mediterranean stability.⁶⁸⁴

Today, a similar series of demands and responses is taking place between the EC and the Central and East European Countries (CEECs).⁶⁸⁵ Between 1992 and 1994 ten (CEECs) applied for EU membership.⁶⁸⁶ The Copenhagen meeting of the European Council in June 1993 formally committed the EU members to enlarge the union to encompass these countries. However, the prospect of Eastern enlargement poses a major challenge to the future of the EU. Whereas countries in close proximity to Eastern Europe—such as Germany—support Eastern enlargement as a way to enhance security and stability in that region, traditionally integrationist countries such as France and the

⁶⁸⁴ Soetendorp 1999, 45.

⁶⁸⁵ Wallace 19xx, p. 61.

⁶⁸⁶ These include Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia

Benelux countries have been more skeptical towards Eastern enlargement.⁶⁸⁷ In France it is feared that enlargement will further enhance German power and influence by shifting Eastwards the European center of gravity both geographically and politically.⁶⁸⁸ Economically, enlargement is also likely to benefit Germany disproportionately. In terms of both imports and exports Germany is the largest trading partner with virtually all countries in the region. France has therefore championed a cautious approach towards enlargement and expressed a preference for a deepening of integration before widening.⁶⁸⁹

Currently there seems to be little benefit to France and the Benelux from enlargement. Whereas German trade with Eastern Europe has risen sharply through the 1990s, France, at present, is not very involved in Eastern Europe. However, this may have to change. As Karl Lamers of the German CDU said in an interview to the Danish newspaper *Politikken* in May 1996: "France has to be part of it if they do not want to exclude themselves. Otherwise German influence in Europe will grow even more".⁶⁹⁰ Still, there can be no doubt that enlargement will pose significant problems for the union. In absorbing all ten CEEC applicants, the EU will add nearly a third to its population but only 4% to its GDP.⁶⁹¹ Moreover, enlargement will necessitate a renegotiation of decision-making procedures within the EU. How this will accept the institutional balance of power remains to be seen. So far it seems that the only real advantage for France and other pro-integrationist countries in accepting Eastern enlargement is that they may be able to link enlargement to a deepening of integration by insisting that some countries be allowed to

⁶⁸⁷ Since 1991, Germany has taken initiative to establish five Euroregions along the borders of the Czech Republic and Germany and had signed treaties on 'good neighborly relations' with Poland and the Czech Republic in 1990/91. These aims tally with German foreign policy priorities of promoting stability in Central Europe through both bi-lateral means and multi-lateral EU efforts at integration. See Emil Kirchner, "Transnational Border Cooperation Between Germany and the Czech Republic: Implications for Decentralization and European Integration". EUI Working Paper RSC No 98/504, Dec. 1998. Grabbe & Hughes 1998, p. 5.

⁶⁸⁸ Baun 1996, p. 157.

⁶⁸⁹ Soetendorp 1999, p. 126.

⁶⁹⁰ *Politikken*, 12 May, 1996.

⁶⁹¹ Grabbe & Hughes 1998, p. 1.

move ahead, for example in the area of military cooperation. Paris has already played this card at the Maastricht and Amsterdam. At present, however, the challenge of enlargement and its effect on binding remains unresolved.

VII Conclusion

In this dissertation I have sought to identify the forces that drive regional integration. My central argument is that integration is motivated by a desire to prevent violent conflict among states. Specifically, I have argued that integration poses a solution to a regional preventive war dilemma. The historical record of the three case studies—the United Provinces, the German Zollverein and the European Communities—supports this explanation. This final chapter begins by summarizing the main findings from each of these cases with respect to the sources of state preferences for integration and institutional outcomes; briefly discusses some additional cases, then moves on to consider the general theoretical implications of the institutional binding thesis.

The previous chapters have evaluated two basic hypotheses. The first takes integration—defined as ‘the voluntary linking in the political and economic domains of two or more states to the extent that authority over key areas of national policy is shifted to the supranational level’—as the dependent variable. The theory of institutional binding which I have laid out maintains that integration presents a solution to a particular commitment problem, known as the preventive war dilemma. I have argued that rivaling states who face a preventive dilemma but realize that they cannot improve their security through war will prefer a negotiated settlement whereby each side promises to abide by the status quo. However, given that they cannot trust each other to uphold the deal *ex post*, agreement is only possible if states can devise an institution that enables credible commitment by disabling states’ discretion to renege on the bargain. This gives rise to a demand for integration as a means to lock in particular agreements.

The second hypothesis takes the success of institutional binding as its dependent variable. Here I take integration as a response to a preventive war dilemma as given and go

on to ask what types of arrangements render commitments credible and hence secure peaceful cooperation over time. The theory of binding maintains that, in order to solve a preventive war dilemma, a regional institution must not only freeze the balance of power (counted in political influence), it must also establish binding constraints on state power which prevent states from declaring the institution null and void when they no longer wish to comply with its rules. I have argued that this form of binding can be achieved in three ways: by transferring or pooling strategic resources among states to equalize power, by raising exit costs, and by generating efficiency gains that are contingent on the continuation of the institution.

I. CASES

The three historical cases examined in this study confirm that the most persistent source of state preferences for integration is a regional security threat. In each case, preferences for integration emerged after a period of increasing tension among a group of states caused by the rapid growth of one state and the relative decline of others. In the case of the Netherlands, the looming hegemony of Holland led other states to seek to bind it within the Union of Utrecht; in the Zollverein the rise of Prussia provided a motivation for economic integration; and in postwar West Europe, the fear of a renewed threat from Germany has played a crucial role for the development of the EC/EU. Moreover, in each case, the most widely cited alternative sources for preferences for integration—external threat, economic interests, nationalist ideology—played a decidedly secondary role.

The three cases also confirm that integration provides a way of neutralizing power. In each case, integration aimed to reduce the returns to power by instituting a new power distribution—counted in political influence—stable enough to resist change even in the face of subsequent variations in the underlying distribution of military and economic resources. Nonetheless, the success of binding varies widely across the three cases. Only in one case—

the United Provinces—did states succeed in establishing joint control over the resources that make independent aggression possible. In the case of the German Zollverein and—to a lesser extent—in the case of the EC, states failed to adequately establish control over military power but relied only on transfers of economic resources, on exit costs and on efficiency gains. This made binding less solid.

The United Provinces

The case of the United Provinces offers perhaps the clearest support for the institutional binding thesis. In this case, preferences for integration emerged at a time when Holland was growing at a faster rate than surrounding states, thereby threatening to establish a local hegemony. Given the threat from Spain—which declining states exploited by aligning with Spain against Holland—Holland realized that it had much to lose from a local war and more to gain from cooperation with its smaller neighbors. There was a time-consistency problem however. Given that Holland was growing faster than other states, it would be able to use its preponderant power to dominate them in the future. To gain the cooperation of the declining states, Holland therefore had to make a credible commitment not to exploit its future strength. This was achieved by creating a set of regional institutions which directly limited Holland's ability to abuse its preponderant capabilities. First, a common assembly—the States General—was instituted which gave all states an equal say in matters of importance to the region, regardless of their size and power. Secondly, an executive forum was established—the Council of State—in which votes were weighted such that Holland, although it enjoyed greater representation than other states, could be outvoted by a combination of the other members. Hence, despite the marked disparity in size and wealth among its members, the United Provinces was not a hegemonic union but a union of political equals.

None of the competing independent variables—external threat, economic interests, nationalist ideology—played a significant role in the Dutch case. There was no commercial pressure for market integration. It is similarly difficult to explain integration in the Dutch case by reference to an emerging nationalism. Neither religion, nor political culture, nor common history seems to have provided a basis for a lasting union among the Dutch provinces. The provinces that united at Utrecht did not have a history of living in the same political community and their traditions were of mutual conflict rather than cooperation. Finally, the evidence does not support the notion that integration arose from a need for a defensive alliance against Spain. As we have seen, the Dutch Revolt against Spain was not characterized by a general uprising of the Dutch provinces. Only Holland and Zeeland persistently fought against Spain, whereas other provinces on many occasions allied with Spain in order to contravene Holland's hegemonic ambitions.

The United Provinces was a highly successful case of institutional binding. To make the commitment to abide by the new institutionalized status quo credible, members agreed to pool their military forces in a common army paid for from a common budget and commanded by a single commander-in-chief which was chosen by unanimous consent by the members of the union. This army effectively ensured that no state could use its temporary strength to gain a lasting military advantage over others. There were also significant efficiency gains from integration, resulting chiefly from the great expansion in the region's external trade which followed from unification. While gains from external trade mostly profited Holland, other states also benefited by virtue of the redistributive mechanisms entailed in the union (Holland paid more than half of the union's budget and often extended loans to others states). Together these factors ensured that members had neither the means nor the incentive to break away from the contractual agreement laid down in the Treaty of Utrecht.

The German Zollverein

The German Zollverein also supports the view that regional integration presents a way of resolving preventive conflict. As in the case of the United Provinces, preferences for integration emerged at a time when one state (Prussia) was rising relative to others and posed a clear threat to their autonomy. Conscious of Prussia's hegemonic potential, the secondary German states had previously sought—with the decisive help of Austria and England—to bind Prussia's military powers within the German Bund of 1815. However, this loose arrangement did not offer any provisions for economic cooperation or entail safeguards against nationalistic commercial policies. When Prussia adopted a highly protectionist customs system which suppressed the trade of neighboring states, these states countered by forming rival customs unions. When it became clear that they could not match Prussia's economic power, however, they changed their strategy and sought instead to negotiate a commercial agreement with Prussia at a time when Austria's function as an external balancer still allowed them to obtain a favorable deal.

The institutional form of the Zollverein also supports the binding thesis. The Zollverein treaties rested on formal equality among its members and the central institutions were operated in a way that equalized power among the member states. In the central legislative body—called the Customs Congress—each state had one vote, and decisions were subject to unanimity. Revenue from the common tariff system was pooled and distributed equally among members in strict proportion to their population. This principle was highly favorable to the secondary states, whose per capita consumption was considerably smaller than the Prussian average. Thus, in effect, the union provided for economic redistribution from Prussia to other states.

The explanation which most effectively challenges the binding thesis with regard to the German Zollverein is the political economy perspective. Germany in the late 1820s was

in need of drastic economic reconstruction. Interstate commerce was thwarted by antiquated restrictions, poor communications, and high postwar tariffs all of which placed the German states at an absolute disadvantage vis-à-vis their European neighbors. Thus, from an economic efficiency viewpoint, there were good reasons to undertake market liberalization. Demands for liberalization were voiced by many business communities. Yet, as we have seen, the call for free trade cannot adequately explain the timing of integration. Throughout the 1820s, appeals from German industrialists and financiers for a reduction of existing barriers to commerce resulted in the rapid build-up of even greater barriers to trade as the German states threw themselves into a bitter customs battle. When economic cooperation was introduced in 1834 it was not embraced by the German states in the “positive” spirit of securing joint gains. Indeed, as Werner Henderson notes, and as Walter Mattli has reaffirmed, “the States concerned, fought for their own narrow interests and many of them joined the Zollverein only when economic depression and empty exchequers made further resistance to Prussia impossible”.⁶⁹²

The German Zollverein aimed to equalize power between Prussia and its neighbors. In the end, however, the arrangement failed to prevent Prussia from establishing a hegemonic leadership. The reason is that the commitment to cooperation on equal terms was not fully credible. In seeking to control Prussia’s overwhelming economic power, the declining German states neglected to strengthen the military binding undertaken within the German Bund. Therefore, in the end, Prussia was able to break loose from the contractual agreement and establish hegemonic control. Still, institutional binding was not an absolute failure. The fact that other states came to terms with Prussia before it was all powerful enabled them to gain important and enduring concessions. The initial *quid pro quo* according to which the Bavarians and other secondary states agreed to Prussian leadership while that

⁶⁹² Henderson 19xx, p. 112.

leadership was still militarily unthreatening in exchange for local autonomy became the founding principle of the North German Confederation and the subsequent German Empire. In both cases, the major secondary states retained important privileges. For example, Bavaria and Württemberg obtained a permanent seat on the military committee of the *Bundesrat*, separate representation at peace negotiations, as well as the chairmanship of the imperial committee on foreign affairs. The two states were also allowed to keep control of their separate armed forces.⁶⁹³ Thus despite Prussia's ambitions for centralization, the German empire remained a highly decentralized state.

The European Communities

The timing of integration in postwar Europe offers strong support for the binding thesis. Preferences for integration emerged in the wake of two large-scale wars fought to contain German hegemonic ambition. Both of these wars were unsuccessful in establishing a lasting solution to the dilemma of preponderant German power. Therefore when the problem of German power resurfaced in the years following World War II, Germany's neighbors chose to seek to bind Germany within common institutions rather than attempt another costly and futile preventive war. This choice was conditioned not only by past historical memory, but also by the constraints imposed by the Cold War environment which raised the costs of war and made binding relatively easier because of the external security guarantee from the United States.

Both the timing and form of European integration suggests that integration has aimed at binding national war-making capacity. The first intergovernmental bargain gave rise to the ECSC which established joint control over coal and steel—the very resources which had rendered large-scale battle possible during World War II. The next round of negotiations sought to establish supranational control over the armed forces of individual

⁶⁹³ See Craigh 19xx, and Carr 1979, p. 121-125.

member-states. Although this attempt failed, the very fact that negotiations for a common European army were undertaken for four years offers strong support for the notion that states were concerned with constraining military power.

The goal of constraining Germany's military power was a predominant theme throughout the 1950s. After that point, it became clear that NATO could be counted on to keep the peace in Europe. America's military presence essentially took security issues off the European agenda, buying time for economic and political integration to proceed. Thus, over the next decades—until the end of the Cold War—initiatives for further integration centered primarily on deepening economic cooperation in order to increase exit costs and enhance efficiency gains. However, with the end of the Cold War and the event of German reunification, the initial focus on binding military power returned, leading immediately to new attempts at deepening integration in the area of military defense.

Finally, the institutional set-up of the EC confirms that European integration has been motivated mainly by a desire to bind German power. Germany is the strongest country in Europe to be sure, but its powers within the EC are not reflective of its actual strength. They are 'tamed' by choice. As we have seen, successive integration rounds have adhered to a principle of equal vote allocations for the larger member states, regardless of variations in actual, underlying capabilities. This has meant that Germany's political power is much less pronounced than its actual power, thereby preventing it from dictating its preferred policy to other states.

What is the evidence for competing explanations? On the surface, it may seem that the political economy thesis offers a satisfactory explanation for postwar European integration. After all, economic cooperation and market liberalization have been at the core of the EC project. Yet economic interests alone cannot explain either the timing or the form of postwar European integration. The European Coal and Steel Community of 1952—the bargain which initiated the move towards political and economic integration in

Europe—had no important antecedents in market competition and few near-term economic consequences.⁶⁹⁴ Moreover, both employer and producer organizations in European coal and steel were strongly opposed to the treaty, casting doubt on the hypothesis that governments pursue integration as a way to satisfy dominant domestic constituents. Also instructive are the Treaties of Rome which rejected the demand from Europe's big businesses for a pan-European free trade area in industrial and agricultural goods, and settled instead on a geographically narrower and politically more constrictive customs union among the Six. Explaining these outcome requires attention to geopolitical goals.

Neofunctionalist and Historical Institutionalist explanations also have problems in accounting for the integration initiatives of the 1950s. The first step towards European integration, the ECSC, was not the result of an incremental process by which past institutional choices were transformed into pressure for further cooperation. By contrast, the ECSC resulted from a sweeping legal move which placed the entire European production of coal and steel under supranational control only few years after the region had been torn asunder by war. Moreover, the integrative effect of the ECSC cannot possibly be characterized as an 'unintended consequence' of the effort to cooperate on solving a limited technical problem. Indeed, it was made clear from the very outset by both Schuman and Monnet that the coal and steel pool was conceived as "a first step in the unification of Europe".⁶⁹⁵

II MORE EMPIRICAL EVIDENCE

Evidence from the three cases of integration I have analyzed in this dissertation confirm the idea that regional integration is driven by a desire to constrain preponderant

⁶⁹⁴ Gillingham 2000, p. 85.

⁶⁹⁵ Dennison, 1955, p. 1. See also Spierenburg & Poidevin 1994, p. 7; Haas 1968, pp. 19-29; and Mason 1955, p. 123.

power. However, to adequately test the institutional binding explanation for integration more empirical evidence is needed. A key argument of this dissertation is that economic interests in and of themselves are insufficient to spur regional integration. Commercial incentives for institutional cooperation exist in many cases where integration does not result. Therefore a good way to strengthen the argument would be to look at cases in which there appears to be strong commercial preferences in favor of market liberalization and economic policy coordination and to compare the outcome of these cases to instances of alleged institutional binding. The binding thesis leads us to believe that the former cases will give rise to some degree of institutionalized cooperation but that they will not result in integration defined as 'the voluntary linking in the political and economic domains of two or more states to the extent that authority over *key* areas of national policy is shifted to the supranational level'.

A quick look at cases such as LAFTA, NAFTA and even EFTA can be seen to support this reading. In all these cases there is (has been) strong commercial pressure for cooperation to achieve market liberalization. Yet, no pooling of political decision-powers has taken place. Instead regional cooperation has been limited to the establishing of loose free trading areas in which individual states retain most of their traditional discretion over trade and monetary policies—a markedly different outcome from Western Europe both in the 1950s and today. This outcome cannot be explained by reference to economic preferences alone. Indeed, there is no obvious basis for concluding that the preferences of, say, American and Mexican producers are inherently different from those of their West European counterparts. In both cases big business wants the same thing; free trade, and in both cases producers have lobbying hard for the removal of existing barriers to trade. Thus, from a strictly economic viewpoint we might have expected integration in the Americas to go further. The reason it has not, my theoretical framework suggests, lies in

the absence of a regional preventive war dilemma which provides states with the motivation to surrender sovereignty for the sake of safeguarding peaceful relations.

Another, and more critical way, to further test the binding thesis would be to look for additional cases of preventive war dilemmas to see if institutional binding was in fact on the table. I do not argue that we should expect to see binding in all cases of regional power transition. Historically, most power transitions have resulted in war. However, the binding thesis suggests that in circumstances where military balancing is perceived as costly and where states are sensitive to the costs of war, institutional binding may be a preferred strategy. One case which appears to fit this description quite well is Europe after World War I. After World War I France and its allies were facing a revisionist Germany whose powers were not significantly diminished by the war. Despite its defeat, Germany was still the greatest industrial power in Europe with enormous capital equipment and unrivalled technical skill. If France had its mind set on binding Germany after World War II, why did it not attempt the same thing after World War I?

The French response to the reestablishment of German power in the 1950s has often been portrayed as a stark departure from its hitherto strategy of balancing. However, the idea of binding German power was not new. Whereas the standard account of French policy after World War I assumes that a vengeful France sought to use reparations as a means for crippling the German economy, a re-examination of French policy has led many historians to reject the myth of a punitive French policy.⁶⁹⁶ Reparations, they argue, played a secondary role in French schemes for reconstruction after 1918.⁶⁹⁷ Indeed, France's national

⁶⁹⁶ Kissinger 1957, p. 228.

⁶⁹⁷ Many historians today agree that France's policy towards Germany during and after WWI was not merely punitive in character. According to Marc Trachtenberg, it was not France but Britain that resisted a moderate peace settlement. British reparation figures during the Versailles negotiations remained significantly higher than what the Americans and French were willing to accept. In the end, France agreed to support the British figures but only after President Wilson had made it clear that the US would not agree to a program of international control of the Ruhr. See Trachtenberg 1979, pp. 26-9; McDougall 1979, p. 11; Jacobson 1983.

interest in 1918—like in 1945—called for a Germany which, though politically and militarily shackled, would be economically sound enough to provide the money, markets and material needed for the devastated French economy.⁶⁹⁸

The French government at the time of the First World War essentially hoped to solve French economic problems by fitting Germany into a framework of international economic agreements which, though initially favoring France through international control of the Ruhr, would eventually be reworked into a mechanism for the equitable adjustment of industrial and financial relationships between the two countries.⁶⁹⁹ During the war, French officials produced grandiose and detailed plans for the reorganization of the European economy, involving permanent inter-allied control of heavy industry raw materials. In substance what they envisaged was close in spirit to the arrangements which emerged after World War II.⁷⁰⁰ In the words of one historian, “in striving permanently to limit German political and economic sovereignty after 1918, France was working to create the political climate in which a secure European integrative process could proceed”.⁷⁰¹ The Americans and British, however, refused to cooperate with such ideas. A few days before the armistice with Germany, Herbert Hoover, the US Government let it be known that it would ‘not agree to any program that even looks like inter-Allied control of our resources after peace’.⁷⁰²

⁶⁹⁸ See Gillingham 1991, p. 1-3.

⁶⁹⁹ Trachtenberg 1979, p. 26; McDougall 1979, p. 9.

⁷⁰⁰ Ideas evolved around the establishment of an international authority which would directly ration out at set prices the vast supplies of French and German raw materials and establish industrial and financial collaboration between the two countries. The principal architect behind the plans for Franco-German cooperation was Etienne Clémentel, French minister of commerce during most of the war. When the war ended France approached Germany (through Haguénin, the Bedin representative of the French Foreign Ministry, and his assistant, René Massigli) to discuss financial and economic reconstruction and industrial collaboration. Yet, these efforts came to naught. See McDougall 1979, p. 9-11, 17; Gillingham 1991, p. 1-3; Krüger, and Trachtenberg 1979, p. 26.

⁷⁰¹ McDougall 1979, p. 9.

⁷⁰² When the peace conference convened in January, the French delegation therefore supported the British position that war costs should be included in the bill. Trachtenberg 1979, p. 28-9.

Disappointed by the American position, the French government began in the spring of 1919 to talk directly to the Germans about the prospects for establishing a lasting framework for cooperation in the field of heavy industry. Through Haguenin, the Berlin representative of the French Foreign Ministry, and his assistant Rene Massigli, the French government held out the possibility of substantial revision of the armistice to be worked out through direct negotiation between France and Germany. The French Foreign Ministry indicated its intention to discuss both financial and economic questions, as well as reconstruction and industrial collaboration. What the French government had in mind went far beyond a more business arrangement with Germany. It was in fact aiming at the creation of an institutionalized framework for political and economic cooperation. However, the Germans were not particularly interested in the French overtures. Germany—despite its military defeat—remained the strongest power on the Continent.⁷⁰³ From its position of weakness, France had little to offer Germany which would make it consider to cooperate or any leverage with which Paris could cajole or appease the Germans into partnership.⁷⁰⁴ Thus French strategy reverted to the pursuit of a punitive policy. In 1923 the French policy of accommodation was definitively abandoned with the decision to occupy the Rhineland in a desperate attempt to use a temporary French military advantage to force a new structural relationship between France and Germany.⁷⁰⁵

⁷⁰³ WWI led to a strengthening of German vis-à-vis France in both economic and population terms. In 1913 France produced 41 mill. tons of coal compared with Germany's 279 mill tons. By the 1930's the disparity was to widen to 47 mill. tons versus 351 tons in Germany. See Kissinger 1958, p. 228-9; Wight, p. 201.

⁷⁰⁴ According to Walter McDougall, if new realities of power had made it clear to the German people that recovery of unity and full sovereignty were impossible they would have come to accept it over time, as after WWII. But after WWI France was too weak to coerce Germany into cooperation. Indeed, argues McDougall, "in light of recent research revealing how powerful the Ruhr magnates had become after 1918 we may well ask what kind of peace would have won German cooperation". McDougall 1979, p. 12-22; Krüger, p. 43; Trachtenberg 1979, p. 28; and Liggins and Loth 1985 p. 7.

⁷⁰⁵ See McDougall 1979, p. 13.

III. GENERAL IMPLICATIONS

In this dissertation I have argued that states pursue integration as a way to address threats to their national security. The focus on security implies that my argument has more in common with geopolitical or 'realist' explanations for integration than with functionalist arguments or political economy theories. Nonetheless, my argument breaks with existing geopolitical explanations for integration in important ways. First, the evidence I have supplied disconfirms the notion that external threat provides a key motivation for integration. In none of the cases I have looked at did external threat provide a decisive motivation for states to pool sovereignty.

The evidence also disconfirms the hegemonic stability theory. Like hegemonic stability theory would predict, I find that regional integration is typically associated with the presence of a large, potentially dominant state. Yet, the reason for this is not that successful integration depends on a dominant regional power who acts as an enforcer of rules or as regional paymaster. Integration does not succeed because of hegemonic leadership, rather it emerges to *prevent* hegemonic dominance.

A third and final way in which the findings of this dissertation contradict the wisdom of conventional geopolitical explanations is that the cases I have looked at all suggest that international institutions have binding properties. In realist theory, international institutions (including those entailed in regional integration) are epiphenomenal, sustained by temporarily overlapping preferences. By contrast, I have argued that institutions can take on binding properties which prevent states from reneging on their prior commitments. Institutions, I have submitted, can establish binding constraints on state action which limit states' discretion to use power arbitrarily. We saw this in the case of the United Provinces and we witness it today in Western Europe.

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