

**REGIONAL POLICY AND THE EUROPEAN COMMISSION:  
POLICY ENTREPRENEUR OR BRUSSELS BUREAUCRACY?**

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## **REGIONAL POLICY AND THE EUROPEAN COMMISSION: POLICY ENTREPRENEUR OR BRUSSELS BUREAUCRACY?**

The development of the European Community since its inception has been mirrored by scholars' attempts to define, explain, and predict nation-state behavior in the integration process. Realists, neorealists, and neofunctionalists posited theories throughout the 1950s and 1960s to better understand the European dynamic.<sup>1</sup> The renewal of the march towards economic union symbolized in the Single European Act (SEA) and the goal of 1992 reinvigorated this academic debate, and scholars from the 'intergovernmental', 'interdependence', and neofunctionalist schools returned to their frameworks and attempted to explain the renewed integration effort. A recent explanation of the integration process and the 1992 'European Bargain' presented by Sandholtz and Zysman, however, provides a twist on the neorealist/neofunctionalist debate.

According to Sandholtz and Zysman, structural change in the world system provided a necessary but not sufficient condition for the renewed effort. Interdependence and intergovernmental theories could not explain the 1992 project alone. Instead, they argued that changes in the international and domestic political economy within Europe provided the institutions of the Community-- and specifically the European Commission-- the opportunity to lead the drive to economic and monetary union. As these authors stated (1989, 96), "the Commission played the role of policy entrepreneur. The renewed drive for market integration can be explained only if theory takes into account the policy leadership of the Commission."

Their theory of the Commission as policy entrepreneur was an extension of scholarly work in the United States primarily focused on American government. Authors such as

John Kingdon, James Q. Wilson, and Nelson Polsby argued that policy entrepreneurs can effect policy and enact laws by mobilizing latent sentiment, garnering agreement on broad goals, and picking the most opportune time for steps and strategies to take advantage of changing environments. While entrepreneurs do not have the formal power to enforce change on their own, they manipulate ideas and symbols to effect change, including the behavior of other policy actors. To achieve success, entrepreneurs seek to expand the scope of political arenas from narrow decision-making nexus to larger and more visible political arenas to advance their ideas.

For Sandholtz and Zysman, the strategy of the Commission-as-entrepreneur was to transform changes in the international and domestic contexts into policy perspectives and direction towards the goal of 1992 union. Specifically, the Commission set forth a specific timeframe of policy advancement. It was successful by gaining agreement of broad goals and translating the necessary changes into seemingly technical and non-controversial steps. Thus, "the tactic is to move above and below the level of controversy. The broad mission is agreed to; the technical steps are unobjectionable" (1989, 115).

These authors posited their argument, but stated that "(a) full-fledged test of this proposition will require detailed analysis of the perceptions and beliefs of those who participated in launching the 1992 movement" (1988, 127). I believe, however, that another possible test for this thesis is to look at actual policy realms and environments-- below the level of the SEA-- to see if the Commission actually did behave as a policy entrepreneur. An appropriate test case is regional policy-- about which earlier scholars from the neorealist and neofunctional schools often clashed. Further, the policy environment is related, but

different from the issues and forces that Sandholtz and Zysman argue drove the SEA. Thus, regional policy is a specific case study outside of their thesis in which to test its validity.

I argue that the development of regional policy within the EC, especially after 1975, confirms the Sandholtz/Zysman thesis, including the central role of the Commission. Changes in the policy environment provided the Commission a base with which to pursue an entrepreneurial strategy of garnering broad consensus on regional policy from member states, and then restructuring the policy to enhance the prospects for economic union-- the ultimate policy goal of the Commission.

To draw out this argument, I will first describe the broad mission of regional policy within the EC, which the Commission utilized in its entrepreneurial role. Second, I will present the changes in the policy context that enabled the Commission to advance its strategy. Third, I will sketch a brief policy history of EC regional aid, focusing on changes in 1979, 1984, and 1988 to highlight the Commission's role, tactics, and ultimate success. I conclude with some observations about how this entrepreneurial thesis may fit in the larger context of integration theory.

### **REGIONAL AID: IDEALS AND MISSION**

Regional economic disparities need to be reduced before full European integration can be achieved. This is the central argument for a regional policy within the European context. The Treaty of Rome specifically stated that:

Member states are anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and by mitigating the backwardness of the less

avored regions.

The development and implementation of regional policies within member states has been ongoing for decades. In general, nation-state regional policies use public resources to encourage economic development. The case for a European-wide regional policy within the context of the EC is based on four arguments (Armstrong 1989; Vanhove and Klaassen 1987). First, the efficiency of regional policies will be increased if spending is concentrated where it is most needed. Second, regional policies need to be coordinated to ensure nations and regions do not compete with and 'outbid' each other for investment projects and firm start-ups. Third, member states have a vested interest in the development of neighboring states, for reasons ranging from humanitarianism to immigration control. Fourth, regional disparities present a barrier to integration itself-- if some member states feel they are not benefitting from economic integration because of growing regional differences in their own countries, they could decide to opt out of the process.

Additional arguments also justified an EC regional policy. Some argued that to move beyond a mere customs union, industrial and regional policies must be coordinated, or at least harmonized. Others recognized that EC policies could exacerbate existing disparities. Thus an EC regional policy could mitigate such EC-caused distortions.

These arguments conclude that a regional policy is necessary to integration, and that distortions caused by such a policy are acceptable, at least given real world market activity.<sup>2</sup> This notion seems at odds with the logic of free trade theory. But as Bartik (1991) noted, regional aid is not a zero-sum game, and based on improved efficiencies arising from aid spending and heightened competition, all can benefit from a system-wide development

policy.

A related ideal, and a dominant theme over the history of the EC and in the development of its regional policy, was that state-to-state, and even region-to-region economic and political cooperation would not only enhance economic growth, but promote political stability after centuries of conflict. Also, an ideal held by some EC proponents was that a 'Europe of the Regions' would better reflect the cultural diversity within regions and throughout Europe as a whole (Marks 1992).

Thus, various economic, political and social arguments and ideals underpin much of the discussion of European regional policy. This broad mission for a coordinated regional policy was used by the Commission to further integration goals. While these arguments and ideals were discussed even before the Treaty of Rome, it was not until 1972 that the European Council adopted the framework of a united regional policy, and 1975 until the Regional Development Fund was established. While taking nearly 20 years to be established, this regional policy was vastly expanded and altered over the next decade. What changed that allowed this policy to advance and expand? In other words, how did the policy environment change to allow regional policy advocates to garner success?

## **ENVIRONMENTAL CHANGES IN THE EUROPEAN POLITICAL ECONOMY**

There were numerous and varied political and economic changes ongoing in Europe in the 1970s and 1980s, but two are most relevant in this context. First was the decentralization within member states of the EC, with political power shifting from the center to subnational governmental units. Second was the increase in regional disparities

and a concurrent increase in regional aid policies at the national and subnational level that fueled competition and bidding between member states. While the first is primarily political and the second economic, both are closely related.

### **1. Political Decentralization.**

According to Stoker (1991, 1),

Local government is a key element in the political systems of Europe's liberal democracies. Local government organization provide a range of services-- education, welfare, housing and transport to name but a few-- which are central to the social and economic well-being of their citizens. (...) Local government provides an opportunity for political participation and expression that can have a pivotal role in a democratic political system.

In Europe there is a broad range in the types and legal authority of subnational government. Norton (1991) argued this is based on the vastly different historical developments and traditions within local and national contexts, and simple classification is misleading. Leonardi (1990) argued that the best way to characterize the constitutional basis for subnational governments is as a continuum, with the two ends described as the unitary state and the federal state, with actual European government structures falling somewhere in between.

While the legal foundations vary, these same scholars contend that the powers or 'competencies' of local authorities are remarkably similar. In fourteen European countries, Norton (1991) found that subnational governments were responsible for services ranging from water supply to social assistance and even tourism promotion. He observed (1991, 34) that there was "homogeneity between functions performed at the basic level of local government, whether or not local authorities worked under a general mandate of powers or a list of specific responsibilities."

Beyond this homogeneity in competencies, observers have also accounted for another similarity-- that is, the trend over the 1970s and continuing through the 1980s of central governments devolving more and more power to these local authorities. This trend of greater decentralization has many causes. Marks (1992, 213) argued that the move to 'deconcentrate decisionmaking' was done to "mollify ethno-linguistic minorities, bring policy provision nearer policy receivers, cushion demands on the state, and reduce the central tax burden." Sharpe (1989) contended that the process of central governments granting concessionaire power to regional authorities was meant to appease ethnic nationalism, and in large part subsided these peripheral groups from claiming even more autonomy. Hueglin (1986) saw a "novel dimension of societal conflict" of territorial fragmentation across Western Europe, of which greater local authority is only one dimension.

Norton (1991) argued that decentralization of the 1970s was a reaction to the wave of structural centralization in the 1950s and 1960s. This earlier reform was based on the idea that local authorities were inadequate to provide the services demanded of advanced social democracies after the war. However, these reforms led to a loss of accountability, a decline of democratic responsiveness, and decreased efficiencies. Political disillusionment-- and public dissatisfaction-- led the path back towards greater local authority.

Still others see the internationalization of the world economy as well as European integration as sources for greater local autonomy. Keating (1988, 208) stated that:

As national governments lose their ability to control their economies, particularly the spatial distribution of economic activity, attention is shifting back to the local and regional level. (...) Regions cannot control global forces but the impact of the same international forces can be very different in different regions, calling for differentiated responses.



Hueglin (1986) as well as Nanetti and Leonardi (1990) posited that European integration fueled peripheral disintegration and necessarily broadened the parameters of regional responses to a changing inter- and intra-state political economy.

Thus, whatever the source, this general political trend towards greater local authority and decentralization was evident across Europe over the last two decades. In turn, this trend was coupled with economic changes and increased national and regional responses to these changes.

## **2. Regional Disparities and Aid Policies.**

The second change was economic. As the earlier discussion on the mission of an EC regional policy pointed out, there existed real disparities between the Community member states well before the Treaty of Rome. The Italian Government, facing a vastly poorer southern region than many areas in the rest of Europe, promoted regional disparities as an issue in the original debate and drafting of the Rome Treaty. As the Community expanded to include the United Kingdom, Ireland, Spain, Portugal, and Greece, regional disparities grew in terms of total Gross Domestic Product (GDP), unemployment, and per capita income. As Marks (1992, 205) pointed out, regional disparities within the EC are worse than in the United States, with some regions in Greece and Portugal having a per capita GDP that is one-sixth of that in parts of Germany. According to Armstrong (1989, 170), the economic crises of the 1970s and early 1980s caused an increase in these disparities, reversing any prior convergence of growth trends within the EC.

These continuing disparities-- and even further economic decline-- put pressure on

national and local authorities to enhance economic development policies over this time period. All countries in Europe have specific regional policies, or sectoral policies which have regional dimensions. Conybeare (1990, 8) stated that European spending on industrial and regional policy outpaces that in the U.S. and Japan, with European subsidies totally 8.6% of GDP compared to less than 3% for these other countries. At the national level, these aids can include infrastructure aids, financial incentives, the decentralization of government offices and requirements, regional allocation of public investment and procurement, and regional development agencies (Vanhove and Klaassen 1987, 307).

In general, overall spending on regional aid at the national level decreased across Europe over the last decade, as fiscal constraints reduced total governmental spending (Begg 1989a, 100). However, nation-states consistently modified existing policies and created new policy innovations in order to improve economic development and to respond to changing conditions (Yuill *et al* 1989, 4).

A good deal of these changes included the devolution of aid authority to local institutions. This was due to a number of reasons, including the overall pattern of decentralization during this time period. As regional policies expanded beyond direct incentives to firms, "machinery is required to design and implement (these policies) and so, from the 1980s, Italy, France and Spain saw systems of regional administration and planning emerge as arms of the centralized state" (Keating 1988, 185). Also, changes in industrial organization, and especially technological changes facing small- and medium-sized firms, encouraged regional authorities to develop measures to assist and accelerate the modernization process in local enterprises (Bellini *et al* 1990, 171).

This economic change effecting national as well as subnational governments across Europe is the second environmental factor which facilitated the Commission's activism in regional policy. As was explained, these trends had their roots well before the 1970s, but accelerated during that decade and into the next. What, then, was the EC's response to these changes? Specifically, what did the Commission do to change EC regional policy and why? To answer this, I need to sketch a brief history of the EC's regional policy, beginning in the early 1960s.<sup>3</sup>

### **REGIONAL POLICY AND COMMISSION ACTIVISM**

Over the history of the EC's regional policy, the Commission has played the leading role, more than either the Council or the European Parliament. As far back as 1961, the Commission began to highlight the problems of regional disparities and the need for positive EC involvement.

In 1961, the Commission hosted the 'Conference sur les Economies Regionales' focusing on regional disparities and possible solutions. The conference led to the submission of the Commission's first regional policy memorandum in 1965 to the Council. In 1962, the Commission also contracted a well known study focusing on problems facing southern Italy (Vanhove and Klaassen 1987, 398).

In 1968, a Directorate General for Regional Development was formed. At the time, the President of the Commission, Jean Rey, stated that "regional policy in the Community should be as the heart is in the human body."

A year later, the Commission submitted a broad proposal for an activist regional

policy, including the creation of a permanent committee on regional policy, the financing of a development fund, and a system of guarantees to the member states for access to the fund. The proposal was not warmly received by the member states, but the proposal was kept alive by the move at the time towards economic and monetary union, as well as the prospects for an enlarged Community. The earlier 'Werner' plan for monetary union had highlighted the need for a unified regional policy (Hallett *et al* 1973, 71).

By 1971, the Council through agreements in February and March accepted the need to better coordinate regional policies, with the Community responsible for regional problems of 'common interest.' In 1972, the Heads of State formally agreed to an EC regional policy in line with the 1969 Commission recommendation. The Paris summit in October incorporated the need for a regional policy along with the plans for economic and monetary union. The Heads of State gave the responsibility for analyzing regional problems and forwarding appropriate proposals to the Commission.

The Commission quickly complied, submitting the Thompson report seven months later. The report laid out the main features of the policy and the operational guidelines for a regional development fund. Two months later the Commission proposed to set up a permanent Regional Development Committee and drafted regulations for establishing the European Regional Development Fund (ERDF). However, the drive towards union was abandoned at the time, and along with various economic and political pressures, agreement on the regional policy by the Council was not forthcoming.

Pressure in favor of a regional policy continued, however, based on the expected enlargement of the Community, and a three year trial program for a smaller ERDF was

finally agreed to in December, 1974.

The dominant theme in the Commission's arguments for a regional policy revolved around the need to coordinate national efforts to best respond to "existing and expected social and economic mutations" resulting from economic integration (Commission, 1969). However, the Thompson report (Commission 1973, 12) made it clear that the Commission did not seek to supplant national sovereignty in this area:

Community regional policy cannot be a substitute for the national policies which Member States have been conducting for many years. It must complement them with the aim of reducing the main disparities across the Community. For this reason the effectiveness of the Community's policy will also depend on the close cooperation of Member States: the activities of Member States in the regional field (...) in fact form an indispensable basis for the mobilization of financial resources for regional development.

This acknowledgement on one level merely reflected reality. In comparable terms, the modest funds initially committed to the ERDF were dwarfed by what member states were financing on their own. On another level, it was politically practical-- in the end, it was the member states who had to adopt the policy and pay for it. But at another level, the argument that an EC regional policy was only a means to coordinate, and otherwise follow member states, masked an underlying strategy. The Commission made its true intentions more clear in the first report on the ERDF, where it stated "Community regional policy is by its nature a partnership between the Community and its Member States, and with the former at the present stage the junior partner" (Commission 1976, 5. emphasis added).

In fact, the plan of the EC taking the lead in regional policy, and incorporating regional as well as national authorities into its process, was in place at least three years

earlier, when the Commission member responsible for Industrial, Technological, and Scientific Affairs, said:

An effective regional policy needs large Community resources at its disposal through a Regional Fund and a strengthened European Investment Bank, and these funds need to be able to be used in an active partnership with national and regional bodies. (Commission 1972, 20)

In the 1975 regulations adopted by the Council governing the ERDF, regional authorities were not explicitly included in the policy making process. The Regional Development Committee was to be comprised of Commission and member state representatives, but these representatives were to be senior politicians or civil servants from the national level (Council 1975, 2). Further, "only if members appointed by the Member States concerned think it useful to do so" would institutional representatives from regional governments be able to testify to the committee. Thus any interest of the Commission to include regional authorities was blocked at this stage, with member states clearly controlling any interaction between the EC and local officials.

To compensate, the Commission instructed the Commission member responsible for regional policy to hold "consultative meetings with (...) representatives of European local and regional authority organizations" (Commission 1976, 5). The Commission also took advantage of its responsibility to administer the ERDF by forming a Fund Committee. This Committee not only formulated regulations on granting aid from the Fund and received every application, but also was "empowered to discuss any other matters connected with the management of the Fund; it has played an important part in establishing coordinated administrative procedures" (Commission 1976, 4).

Thus the Commission maintained the means for casting a wide net with its regional policy process even with the limited nature of the Fund and the constrained regulations of the Regional Development Committee.

In 1977, the Commission submitted a proposal for new guidelines for regional policy to the Council. In the report, the Commission (1977, 10) stated it "shares the wish recorded by the European Parliament in its Resolution of 21 April 1977 to see regions concerned and their representatives associated with the preparation of Community regional policy." It further stated that "The Commission considers that a consultation between the institutions of the Community, the Member States, the social partners and the regional and local representatives is necessary. It will make proposals on this at the moment of the Council's discussion on the basis of the present document."

This argument was more than a corporatist answer to proper policy making. On the one hand, regional and local authorities were demanding greater voice in the process. At the 12th Conference of Local and Regional Authorities in 1977, the participants stated that "no local or regional authority can effectively control the environment of its area without adequate planning powers" (Council 1977, 9). To achieve this goal, the conference stated:

This would necessarily entail devising a new European strategy affording each region opportunities for development and ensuring for its identity and individuality. Responsibility for planning must be assigned to the regional authorities themselves, which should not only have the right to be consulted, but should also be entitled to a say in determining and planning policy. (Council 1977, 38).

On the other hand, some member states were calling for more accuracy and coordination within the Regional Development Committee. These states felt that reports

required from member states on their individual regional development spending were not counting aid given at the regional and local level. The most striking case was Dutch criticism of Germany that assistance by Lander and cities did not appear in the German reports (Siedentopf 1988, 18).

The Commission, instead of taking the public lead, said that it agreed with the wishes of the Parliament and highlighted the concerns of local representatives and governments, such as from the Netherlands. It knew it had to pursue such a strategy because overall, the commitment to coordinate regional policy was not put into practice by member states. Given these pressures, and its own predisposition for a more activist role, the Commission by 1979 was actively promoting a substantial change in the EC's regional policy.

In early 1979, the Council finally agreed that regional development policies of the ERDF would "constitute the most appropriate framework for the practical implementation of proper coordination of national regional policies and of Community regional policy" (Commission 1979a, 5). Taking that mandate, the Commission proposed a set of significant changes to the Council in May, 1979. The Commission argued both that coordination would ensure efficient targeting of EC resources, and also that member states' annual reports and aid application were the best source for coordination. It stated (Commission 1979b, 2), however, that

although the regional development programmes examined generally indicate the States' commitments of finance to regional development, they only rarely mention transfers between levels of government or finance from regional or subregional sources. (...) (S)ufficient information on these matters is essential if national regional policies are to be more effectively compared.



It also stated that other EC policies were not being analyzed to study their regional impact.

The proposal forwarded to and later adopted by the Council split the ERDF into two sections: a quota and a non-quota section. The quota section would operate as the total fund had in the past by providing funds in addition to member states' regional programs. Each member state was eligible for a quota drawing right, ranging from .07% of the total for Luxembourg to 35% for Italy (Vanhove and Klaassen 1987, 449).

The relatively small non-quota section was far more flexible. It was not hampered by the stringent regulations governing the pre-1979 ERDF. For example, the Commission could grant aid to a region that was not receiving assistance from a national program. Also, the Commission began to use the non-quota assistance for 'program' instead of 'project' aid. Project type assistance is aid aimed at a specific firm or development project, such as providing direct fiscal transfers to a firm to keep its doors open or encourage start-ups. Program aid, on the other hand, was a package of initiatives specifically designed to assist an identified regional problem, usually by improving the overall economic climate through infrastructure improvement. The Commission knew that project aid, especially direct fiscal transfers to private firms, was the most market distorting. Also, the possibility of bidding wars arising between nations and regions was greatly increased by the reliance on project-type assistance.

Initially, these programs were jointly planned and operated by the EC and the member states' central governments. The stated rationale was to enhance coordination as well as "to supplement or to strengthen the application of other Community policies, or to correct any adverse regional effects they may have" (Commission 1980, 11). The

Commission also began developing Regional Impact Assessments of other EC policies on regional development. These changes in 1979 would later prove to be major innovations that the Commission built upon during the 1980s.

Over the next four years, the Commission pushed for a greater non-quota section budget and for better member state coordination, especially on cross-boundary regional problems. Also over this period, the first program assistance initiatives were set up aimed at declining industrial sectors, including steel, textiles, shipbuilding, and fishing.

In his 1981 speech to the European Parliament, Commission President Gaston Thorn laid out a modest plan for changes to the ERDF. Stressing the goal of better coordination of national policies, Thorn announced the Commission would "propose a revision in the methods of operation of the Regional Development Fund with the aim of giving it a more active role as regards both the quota and non-quota section of the Fund" (Commission 1981a, 42). These recommendations released later in the year included better coordination for ERDF transfrontier development, but it remained up to the member states themselves to "make appropriate contact with the competent authorities of the neighboring states with a view to coordinating" (Commission 1981b, 2).

By 1982, Thorn began calling for quota aid to be aimed only at "regions with particularly serious structural problems," further attempting to restrict the range of ERDF discretion by member states (Commission 1982a, 40). He called for an increase in the endowment of the ERDF, as well as an increase in the percentage of the non-quota section. Finally, he stated that development programs should be aimed at the "latent natural potential of the regions"-- a call for 'indigenous' development that would become a dominant

theme throughout the rest of the 1980s.

In its Third Report on the Social and Economic Situation and Development of the Regions published in late 1982, the Commission (1982b, xii) stated that:

There are, in practice, three (political) levels in the Community (in) which regional development and structural policy is carried on: the Community, the national and the regional level. (...) This, however, is bound to generate strains given the different weightings assigned to the objectives, the differing views on the instruments available and the differing size of the areas for which relevant decision-makers are responsible.

Thus the Commission continued to build an argument for a more direct EC-local relationship in regional policy

In his 1983 speech to Parliament, Thorn stated the same goals as those in 1982, as well as calling for "a shift in emphasis away from financing individual projects to financing programmes" (Commission 1983a, 38). He also said further recommendations would be included in the next report on social and economic development, issued later in the year. This report was the blueprint for the substantial changes made to the ERDF in 1984.

There were two main recommendations made by the Commission to the Council in November, 1983. First, the Commission suggested replacing national quotas with ranges of available assistance, and abolishing the quota/non-quota distinction. Second, the Commission recommended that the ERDF move completely away from financing projects and instead finance what were termed 'Community Programs' and 'National Programs of Community Interest'. Community Programs (CPs) were to be initiated by the Commission while National Programs of Community Interest (NPCIs) were initiated by member states but were subject to Commission approval. Eventually it was planned that CPs would replace NPCIs

(Armstrong 1989, 178).

These recommendations were basically adopted by the Council, in spirit if not in exact terms. Project assistance, while not dramatically reduced, was cut from representing 95 percent of ERDF funding to 80 percent over three years. Program assistance was in turn increased from 5 to 20 percent. Both CPs and NCPIs were to be based on the indigenous development potential of depressed regions. Finally, indicative ranges replaced the specific quota section of the pre-1984 ERDF.

It was not a complete victory for the Commission. Germany was the main opponent of eliminating the financing of projects, and instead argued that only 10 percent of ERDF funds be used for programs, which limited the final compromise to only 20 percent. France strongly opposed a set of wide ranges allocated to each country, and garnered a set of narrower ranges. Nevertheless, all of the other recommendations made by the Commission and President Thorn were adopted by the Council.

Thus, in the name of coordinating regional policies, the Commission by 1984 had a series of tools to affect EC and member state policies. These included: the Periodic Reports on socio-economic changes; regional impact assessments of other EC policies; regional development programs; and operations of the ERDF and the Community's other financial instruments (Vanhove and Klaassen 1987, 451). The Commission, however, did not stop there.

The need for coordinating regional policies was still not being met. Of most importance was the relative weakness of the EC and the Commission specifically to challenge 'illegal' aid policies by member states, especially those offered by regional

authorities.<sup>4</sup> The only 'stick' it had was recourse to the European Court of Justice. But the Court's reliance on member states for enforcement of EC policies provided a political barrier to policy coordination-- central governments were called upon to stop subnational authorities from offering aid that the central authorities had in all likelihood either ordered, approved or co-financed.<sup>5</sup>

To overcome this impasse, the Commission proposed a wide range of initiatives to include subnational authorities in EC regional policy making. In the recommendations adopted by the Council, EC policy was changed such that "regional authorities concerned shall be involved as far as possible in (regional development program) preparation" (Council 1984, 2). Further, to better integrate development policy operations, "the Community, through the joint use of various structural financial instruments, and the national and local authorities in Member States (shall) contribute in a closely coordinated manner to their implementation" (Council 1984, 12).

In a related move, on the recommendation of the Commission the Council amended each of the Community aid programs aimed at declining industries to include new local development boards. While the original programs from 1980 allowed the "establishment or development of (local) consultancy firms," the 1984 amendments structured these economic promotion agencies, which would be "responsible for opening up possibilities through direct contacts at the local level, for economic ventures by giving advice about access to available public aids and services."<sup>6</sup> These local boards would obviously interact with local governmental authorities to pursue the indigenous development that the Council-- and before it the Commission-- saw as the main route to solving regional imbalances. Combined

with incorporating regional authorities in aid program planning, albeit informally, the Commission successfully began to institutionalize a relationship directly between the EC and local authorities.

This trend of incorporating regional authorities into EC policy making accelerated from 1984 to 1988. It was during this time period that the Single European Act, based on a Commission White Paper, was adopted. The Commission in its White Paper continued to argue that the overall goal of regional policy was to ensure regional disparities were reduced, or at least not made worse:

The Commission is, however, conscious that there may be risks that, by increasing the possibilities for human, material and financial services to move without obstacles to areas of greatest economic advantage, existing discrepancies between regions could be exacerbated and therefore the objective of convergence jeopardized. (quoted in Begg 1989, 368)

At the same time, the Commission was pushing for a more activist involvement of regional authorities in EC policy making. In a 1985 Document, the Commission (1985, 131) argued that "The European Community ought also to promote measures to reduce the obstacles to development resulting from excessively centralistic national conceptions of regional policy with a one-way orientation-- from the centre to the less prosperous areas." The Commission recommended that "the involvement of local public bodies and private operators (...) ought to not merely be an aim but a basic principle of Community regional policy." To achieve this goal, the Commission would turn the tools at its disposal for use more as a 'sophisticated aid granting system' aimed at local involvement, and push for more authority for local and regional governments to execute policies.

In real terms, the total amount of funding available from the ERDF still paled by comparison to national programs. The Commission, however, found that a chief innovation of the 1984 changes was its emphasis on the co-financing of program aid (Commission 1987, 7). Through the effective use of 'additionality' as a policy, as well as by going more directly to regional authorities where EC funds were more on par with those offered by local government, the EC found it received a greater policy impact. Thus the goal of incorporating regional authorities, argued in terms that local officials knew best their specific circumstances, in turn maximized the effectiveness and influence-- from the Commission's standpoint-- of the ERDF. It not only better met local needs; it more effectively garnered the coordination between regional aids. This was acknowledged by the Directorate General of Regional Policy of the Commission and his top civil servants (Andre *et al* 1989, 211) when they wrote:

(T)he most efficient mechanisms of regional development (...) are very decentralized and based on a high level of partnership between public and private investors. The European effort can therefore only operate in a quite indirect manner, the absence of a local counterpart reducing strongly the "leverage" of the Community contribution.

To further encourage local involvement, in 1987 the European Assembly of Regions and Local Communities was established. The Assembly, which began to meet in 1988, was to consider Community initiatives effecting overall regional policy as well as specific program assistance. (Leonardi *et al* 1990, 1)

In 1988, again based on Commission recommendations, the Council further enhanced the trends begun earlier. First, all structural funding was to double between 1988 and 1993.

Second, the program assistance that began in 1984, through what became the Integrated Mediterranean Program and earlier the non-quota section of the ERDF, was refined and expanded. These programs, now called Community Support Frameworks, were to be formally planned and operated through the Commission, national governments, and regional authorities. A 'direct dialogue' between local authorities and the Commission was required by law as the Commission decided on funding priorities. The cap on how much the EC could finance a program was raised from 50 percent to 75 percent. Finally, a series of Commission sponsored programs aimed at promoting indigenous development were endorsed and extended, ranging from the financing of advanced telecommunication systems (STAR), to promoting local energy sources (VALOREM), to encouraging development in cross border regions (INTERREG). These programs represented a further turn by the EC away from not only firm-specific aid but also from large infrastructure aids, and towards more local development based on retraining, technical assistance, and investment. As Marks observed (1992, 212), "Together, these changes give the Funds substantial functions and power resources in the regions." The Funds, and more importantly I would argue, the European Commission.

Over the history of the EC's regional policy as well as during specific policy changes in 1979, 1984 and 1988, the Commission consistently argued for the broad goals of coordinating national regional policies to achieve a convergence in not only policies but in the actual economic condition of regions themselves. The Commission, knowing its lack of power to prevent 'illegal' aid policies, also knew it had to wean central and local



governments as well as European companies off of direct fiscal transfer aids. The Commission gradually refocused its and member states' regional aid away from market distorting direct aids. Without such a change, in the long run individual member states' regional policies could result in bidding wars between states and regions, reducing the efficiency of regional aid and distorting market influences-- especially under economic union conditions. Also in the long run, a status quo regional aid policy would conflict with the EC's competition policy.

As regional authorities garnered more power across Europe in the late 1970s and 1980s, the Commission gradually shifted to incorporate regional authorities into its policy making decisions. Not only did this maximize the financial leverage at its disposal, but the Commission recognized that if regional authorities were not included they would have little incentive to follow EC regulations. This recognition that local authorities were less than willing to follow EC regulations came from policy realms outside of regional aids (Siedentopf 1988, 45).

The Commission responded to changes both in the political realm, since local authorities were ascending in governing importance, as well as in the economic realm, as economic difficulties were spawning separate regional policies across Europe. The Commission continued to seek broad agreement on the overall goals of regional policy-- integration, cooperation, and efficiency. But in the process, it refocused EC and member state policies towards those most conducive to integration, and away from those that may have been in the individual best interest of member states.

The Commission accomplished this through gradual shifts in the emphasis of

problems and goals, and by recommending incremental steps to the Council. These steps-- such as the creation of non-quota ERDF aid or including local authorities into the process-- were incremental steps along the path to greater coordination.

During this process, the Commission successfully avoided a clear definition of where its exact powers lay and how they had increased over the period. As Armstrong observed (1989, 181), "no attempt has ever been made to spell out precisely what the balance of powers between the EC and member states should be. The ERDF has simply moved from one compromise to another." While Armstrong sees this as 'worrisome,' I would argue this lack of clarity is exactly what allowed the Commission to garner agreement to changes in regional policy and the ERDF, without offending member states or their representatives in the Council.

The Commission was largely successful. One of the most comprehensive studies of European regional incentives by Yuill *et al* highlighted the Commission's success. These authors (1989, 44) concluded that the changes across Europe in national regional policy from 1975 to 1987 away from firm-specific aid and physical infrastructure provisions, and towards measures to improve the indigenous business environment generally "has been very much reinforced by the heavy involvement of the European Commission in nearly all of the changes taking place."

Given this policy history-- with the Commission achieving change by garnering agreement by the Council to broad goals and minor technical steps, and leveraging these changes for more impact later on-- it seems clear that the Commission was indeed a 'policy entrepreneur' as argued by Sandholtz and Zysman. The Commission, based on its overall

goal for greater integration, was from the very beginning in favor of an EC-led regional policy that included regional authorities and moved away from market distorting aid. However, it was not until the political and economic conditions changed that the Commission-as-entrepreneur could first garner agreement to a formal regional policy-- through the ERDF-- and then alter that policy in a series of stages.

### **CONCLUSION: REVITALIZED THEORY?**

Sandholtz and Zysman claimed that their theory is separate from neofunctionalism. The authors themselves state that their theory pulls aspects from both the neofunctionalist and neorealist schools. Rather, I believe their theory reflects behavior predicted in earlier neofunctionalist literature, with some necessary caveats.

According to authors such as Haas, Lindberg, and Schmitter, there was a 'logic of integration' that encouraged cooperation in policy and political realms as integrative steps were taken in specific areas.<sup>7</sup> While this was not automatic, there was a complex web of interactions between elites and interests that fermented an 'enrangement' of both ideas and process, and an 'informal co-optation' of the elites involved. In the process, a collective decision-making system evolved that enabled participants to "develop stable sets of rules and conventions governing the way in which conflicts are to be resolved, the procedures and tactics that are acceptable and unacceptable, and who is to have primary responsibility for negotiating differences or establishing authority" (Lindberg and Scheingold 1970, 95).

The role of the Commission is to encourage this process. Again according to Lindberg and Scheingold (1970, 93-94), for the Commission to realized its 'ideal potential'

it must articulate goals, build coalitions, recruit and organize staff, expand its scope, and broker package deals. This description of political skills sounds very much like a policy entrepreneur. And neofunctionalists did base their 'logic of integration' on pragmatic and technocratic policy-making, much as Sandholtz and Zysman claim exists in their theory.<sup>8</sup> In fact, one could argue that the policy entrepreneurial description merely highlights what the Commission does within one specific 'spill-over' policy realm.

A central tenet of neofunctionalism, however, was that national governments would give up sovereign authority in favor of "joint decisions" or the "delegation" to central organ decision-making processes (Lindberg 1971, 6; Sbragia 1992, 269). The history of regional policy shows, however, that national (and subnational) governments did not give over authority for economic development. Instead, what the Commission successfully did was influence and alter the way national and regional authorities offered aid in a way that was far more than mere 'harmonization.' In fact, the policy pursued was in a way directly aimed at preventing a bidding process that would result in a 'race to the bottom' in national regional policies, at the same time as trying to actually remedy regional disparities.

The insight Sandholtz and Zysman offer, I believe, is to describe Commission behavior under reduced capacity in the era of 'Europessimism.' As Tranholm-Mikkelsen pointed out (1991, 7), in the 1970s the balance of power within the EC decreased the role of the Commission in favor of the Council, due to both adverse economic conditions and the entry of new, more reluctant members. Also, as the bold commitments of the 1960s to economic and monetary union were abandoned, fewer issues and policy options were on the table. Thus the supranational institutions of the EC had limited ability to package 'deals'--

fewer deals were required, and fewer issues were on the table for negotiation and bargaining.

As the policy history in this paper shows, however, the Commission over this period continued to push forward on a conscious path towards developing a European-wide regional policy that would encourage integration. The policy goals changed even as the available resources did not change all that dramatically. In fact, the history of the Commission's involvement in regional policy can be written without reference to either the enlargement of the Community or the 1985 SEA. These changes, as well as the other environmental alterations described above, allowed the Commission to win agreement by the Council and member states in favor of its policy recommendations. But the ideas and proposals have policy track histories that extend before these major junctures in the development of the Community.

This process, I would argue, was the way a policy entrepreneur would 'invest' resource capital-- both human and political-- in the hopes of higher pay-offs later. This investment by the Commission included funding research, hosting symposia, as well as pushing ideas and proposals in public and in the European Parliament. The pay-off came when a policy breakthrough occurred through agreement by the Council, enabled by a change in the policy environment.

Further, the relationship between the Commission as entrepreneur and its potential 'customers'-- whether member states, regional authorities, or interest groups-- is not just one directional. These clients do not just 'buy' the policies it wants when it wants from the Commission, but the Commission helps form customer preferences. Preference changes are

based on market and environment changes as well as the ability of the entrepreneur to market ideas successfully.

Thus in a sense the policy entrepreneurial theory serves as an explanation of institutional behavior within the overall context of integration theory. Sandholtz and Zysman do not present a fundamental challenge to neofunctionalist theory. However, this theoretical distinction, incorporating both entrepreneurial and neofunctional explanation, is a far different way of recapturing neofunctional theory than that offered by Sandholtz and Zysman.

To test the thesis that 'entrepreneurialism' is an aspect of neofunctionalism, clearly we need further analysis and explanation, especially of what the Commission was doing when both theorists and observers thought the integration process had stalled in the 1970s and early 1980s. Thus the Sandholtz and Zysman thesis, instead of being used to explain the resurgence of the integration process by focusing on the 1985 SEA and the 1992 project, should be tested for its accuracy in defining Commission activity over the breath of its history in specific policy areas. Further research could also include changes to regional policy made at Maastricht (and amended at Edinburgh), focusing on the Commission's role in the 'reform of the reforms.'

Only by taking a new look at the history of the Commission, and especially in specific policy realms, will the merits of the entrepreneurial thesis become obvious. In turn, this further look will allow a more refined judgement on whether Sandholtz and Zysman add anything substantially new to the neofunctionalist explanations offered well before their 1989 article.

## ENDNOTES

1. Due to constraints on this paper, I do not discuss at length the various schools of thought on integration theory and neorealism, besides returning to some research questions at the end.

2. These distortions include microeconomic behavior of firms that may be suboptimal and inefficient when decisions are based on aid granting schemes (Smith and Wanke 1991, 14).

3. In this brief sketch, there are many issues I sidestep or ignore. For example, the definition of regions eligible for assistance changed over the history of the EC's regional policy, caused by various economic and political forces. However, this does not seem central to my argument. For a discussion of this aspect of regional policy, see Armstrong (1989) and Vanhove and Klaassen (1987).

4. This 'lack of power' mirrors the discussion in Lindberg and Scheingold (1970, 92) of 'negative' versus 'positive' power. The Commission in this context lacked 'negative' power to impose sanctions on non-complying states. Nevertheless, the Commission maintained its 'positive' power to structure participation in decision-making. In fact, it was this 'positive' power that led to the Commission's successful remedy of incorporating regional authorities into its process.

5. Commission activism by using the tactic of taking members states to court over illegal aid policies is increasing (Conybeare 1990, 15). For a general discussion of the Court's role in enforcing EC policies, see Ciciriello 1989.

6. see Council regulations 216/84 for the steel industry, 217/84 for the shipbuilding industry, and 219/84 for the textile industry.

7. This is, obviously, a simplification. For their specific discussion, see Haas 1961, "International Integration: The European and the Universal Process," International Organization (15); Lindberg and Stuart A. Scheingold 1970, Europe's Would-Be Polity: Patterns of Change in the European Community (Englewood Cliffs, NJ: Prentice-Hall); and Phillippe C. Schmitter 1970, "A Revised Theory of Regional Integration," International Organization (24).

8. This technocratic and incremental explanation by the neofunctionalists appeared later by Haas and others (Tranholm-Mikkelsen 1991, 9).

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