

CHAPTER 17

Multilevel Politics

'All politics is local.'

Favourite saying of former Speaker of the US House of Representatives
THOMAS ('TIP') O'NEILL JR

PREVIEW

The nation-state has traditionally been viewed as the natural, and perhaps only legitimate, unit of political rule. Domestic politics therefore centred on the activities of the national government, while, in international politics, nation-states have been treated as discreet and unified entities. However, globalization and other developments have contributed to a process through which political authority has been both 'sucked up' and 'drawn down', creating what is called 'multilevel governance'. States have always incorporated a range of internal divisions and levels of power; most significantly, territory-based divisions between central or national government and various forms of provincial, city or local government. These divisions are crucially shaped by a state's constitutional structure; that is, by whether it has a federal or unitary system of government. Although each provides a distinct framework within which centre–periphery relationships can be conducted, both have been subject in recent years to a combination of centrifugal and centripetal pressures. At the same time, a trend towards transnational regionalism has emerged out of the fact that states are increasingly confronted by challenges that even the most powerful state struggles to meet on its own. This has created the spectre of an emerging 'world of regions'. In this view, regionalism is both the successor to the nation-state and an alternative to globalization. Without doubt, the most advanced example of regionalism found anywhere in the world is the European Union, but this raises questions about whether the EU regional model is exportable and whether it is viable.

KEY ISSUES

- Why does politics always have a territorial dimension?
- What is multilevel governance?
- How successfully do federal and unitary systems of government reconcile territorial and other differences?
- Why has transnational regionalism grown in prominence?
- How does regionalism in Europe differ from regionalism in other parts of the world?

CONCEPT

Geopolitics

Geopolitics is an approach to foreign policy analysis that understands the actions, relationships and significance of states in terms of geographical factors such as location, climate, natural resources, physical terrain and population. Key exponents of geopolitics include Alfred Mahan (1840–1914), who argued that the state that controls the seas would control world politics, and Halford Mackinder (1861–1947), who suggested that control of the land mass between Germany and central Siberia is the key to controlling world politics. The advance of globalization is sometimes seen to have made geopolitics obsolete.

POLITICS, TERRITORY AND MULTILEVEL GOVERNANCE

Politics has always had a spatial, or **territorial**, dimension. As political rule involves making and enforcing general rules over a particular population, this must imply taking account of where those people live, even if their location is imprecise or shifting (as in the case of a nomadic tribe). The association between politics and territory became more formalized and explicit from the sixteenth century onwards, as a result of the emergence of the modern state. For example, as the Peace of Westphalia (1648) defined sovereignty (see p. 58) in territorial terms, states were seen to be defined by their ability to exercise independent control over all the institutions and groups that live within their territorial borders. Two further developments consolidated the importance of territory. The first of these was the emergence of nationalism from the late eighteenth century onwards. As nationalist doctrines spread, so did the idea that national communities are, in part, forged by their sense of having a ‘homeland’. As states evolved into nation-states, territory therefore became a matter not just of legal jurisdiction, but also one of identity and emotional attachment. The second development was the strengthened association between national power with territorial expansion that was brought about by imperialism (see p. 4270). Political power is always linked to the control of territory because it allows rulers both to extract resources and to control geographically-defined populations. However, the European ‘struggle for colonies’ in Africa and Asia during the nineteenth century was motivated by a heightened sense of this link, encouraging some to argue that the destiny of states is essentially determined by geographical factors. This gave rise to the discipline of ‘geopolitics’.

Nevertheless, the unity and coherence of established nation-states, as well as their ability to maintain territorial sovereignty, have both been compromised in recent decades. Although the expansion of the state’s economic and social responsibilities during much of the twentieth century had helped to fuel political **centralization**, during the 1960s and 1970s countervailing forces emerged, particularly through the tendency to redefine identity on the basis of culture or ethnicity (see p. 160), as discussed in Chapter 7. This was evident in the emergence of secessionist groups and forms of ethnic nationalism that sprang up places such as Quebec in Canada, Scotland and Wales in the UK, Catalonia and the Basque area in Spain, Corsica in France, and Flanders in Belgium. As the pressure for political **decentralization** grew, major constitutional upheavals were precipitated in a number of states (as discussed later in the chapter). In Italy, the process did not get under way until the 1990s with the rise of the Northern League in Lombardy. There have been similar manifestations of ethnic assertiveness amongst the Native Americans in Canada and the USA, the aboriginal peoples in Australia and the Maoris in New Zealand. In the latter two cases, at least, this has brought about a major reassessment of national identity, suggesting, perhaps, that nationalism was being displaced by multiculturalism (see p. 167).

The process through which political authority has been ‘pulled down’ within the state has been complemented by a tendency for political authority also to be ‘sucked up’ beyond the state, especially through the creation, or strengthening, of regional organizations. This has occurred, first, through a substantial growth in

● **Territory:** A delimited geographical area that is under the jurisdiction of a governmental authority.

● **Centralization:** The concentration of political power or government authority at the national level.

● **Decentralization:** The expansion of local autonomy through the transfer of powers and responsibilities away from national bodies.

CONCEPT

Multilevel governance

Multilevel governance is a complex policy process in which political authority is distributed at different levels of territorial aggregation. The 'vertical' conception of multilevel governance takes account of the interdependence of actors in the policy process at subnational, national and transnational levels, creating a fluid process of negotiation. Much of the complexity of multilevel governance derives from 'horizontal' developments such as the growth of relationships between states and non-state actors, and the emergence of new forms of public-private partnership.

● **Transnational:** A configuration, which may apply to events, people, groups or organizations, that takes little or no account of national government or state borders.

● **Federal system:** A system of government in which sovereignty is shared between central and peripheral levels (see p. 382).

● **Unitary system:** A system of government in which sovereignty is located in a single national institution, allowing the centre to control the periphery.

● **Confederation:** A qualified union of states in which each state retains its independence, typically guaranteed by unanimous decision-making.

cross-border, or **transnational**, flows and transactions – movements of people, goods, money, information and ideas. In other words, state borders have become increasingly 'porous', a development particularly associated with 'accelerated' globalization (see p. 142) since the 1980s. The second development, linked to the first, is that relations among states have come to be characterized by growing interdependence (see p. 433) and interconnectedness. Tasks such as promoting economic growth and prosperity, tackling global warming, halting the spread of weapons of mass destruction and coping with pandemic diseases are impossible for any state to accomplish on its own, however powerful it may be. States, in these circumstances, are forced to work together, relying on collective efforts and energies. The combination of these processes, through which an increasing burden of political decision-making has been made both 'above' and 'below' the national level, has helped to reshape territorial politics and generate interest in the phenomenon of multilevel governance. This could best be examined by looking, respectively, at the governance processes that operate at the subnational level and at the transnational level.

SUBNATIONAL POLITICS

All modern states are divided on a territorial basis between central (national) and peripheral (regional, provincial or local) institutions. The balance between centralization and decentralization is shaped by a wide range of historical, cultural, geographical, economic and political factors. The most prominent of these is the constitutional structure of the state, particularly the location of sovereignty in the political system. Although modified by other factors, the constitutional structure provides, as a minimum, the framework within which centre–periphery relationships are conducted. The two most common forms of territorial organization found in the modern world are the **federal** and **unitary** systems. A third form, **confederation**, has generally proved to be unsustainable. As confederations establish only the loosest and most decentralized type of political union by vesting sovereign power in peripheral bodies, it is not surprising that their principal advocates have been anarchists such as Pierre-Joseph Proudhon (see p. 381). The confederal principle is, in fact, most commonly applied in the form of intergovernmentalism (see p. 395), as embodied in international organizations such as the North Atlantic Treaty Organization (NATO), the United Nations (UN), the African Union (AU) and the Commonwealth of Nations. Examples of confederations at the nation-state level are, however, far rarer. The USA was originally a confederation, first in the form of the Continental Congresses (1774–81), and then under the Articles of Confederation (1781–89). The most important modern example of a confederal state is the Commonwealth of Independent States (CIS) which, in 1991, formally replaced the USSR. The CIS was established by 11 of the 15 former Soviet republics (only Georgia and the three Baltic states refused to join). However, it lacks executive authority and therefore constitutes little more than an occasional forum for debate and arbitration. Indeed, the evidence is that, in the absence of an effective central body, confederations either, as in the USA, transform themselves into federal states, or succumb to centrifugal pressures and disintegrate altogether, as has more or less occurred in the case of the CIS.



Pierre-Joseph Proudhon (1809–65)

French anarchist. A largely self-educated printer, Proudhon was drawn into radical politics in Lyons before settling in Paris in 1847. As a member of the 1848 Constituent Assembly, Proudhon famously voted against the constitution 'because it was a constitution'. He was later imprisoned for three years, after which, disillusioned with active politics, he concentrated on writing and theorizing. His best-known work, *What is Property?* ([1840] 1970), developed the first systematic argument for anarchism, based on the 'mutualist' principle; it also contained the famous dictum 'property is theft'. In *The Federal Principle* (1863), Proudhon modified his anarchism by acknowledging the need for a minimal state to 'set things in motion' (although by 'federal' he meant a political compact between self-governing communities – in effect, confederalism).

Federal systems

Federal systems of government have been more common than confederal systems. Over one-third of the world's population is governed by states that have some kind of federal structure. These states include the USA, Brazil, Pakistan, Australia, Mexico, Switzerland, Nigeria, Malaysia and Canada. Although no two federal structures are identical, the central feature of each is a sharing of sovereignty between central and peripheral institutions. This ensures, at least in theory, that neither level of government can encroach on the powers of the other (see Figure 17.1). In this sense, a federation is an intermediate form of political organization that lies somewhere between a confederation (which vests sovereign power in peripheral bodies) and a unitary state (in which power is located in central institutions). Federal systems are based on a compromise between unity and regional diversity, between the need for an effective central power and the need for checks or constraints on that power.

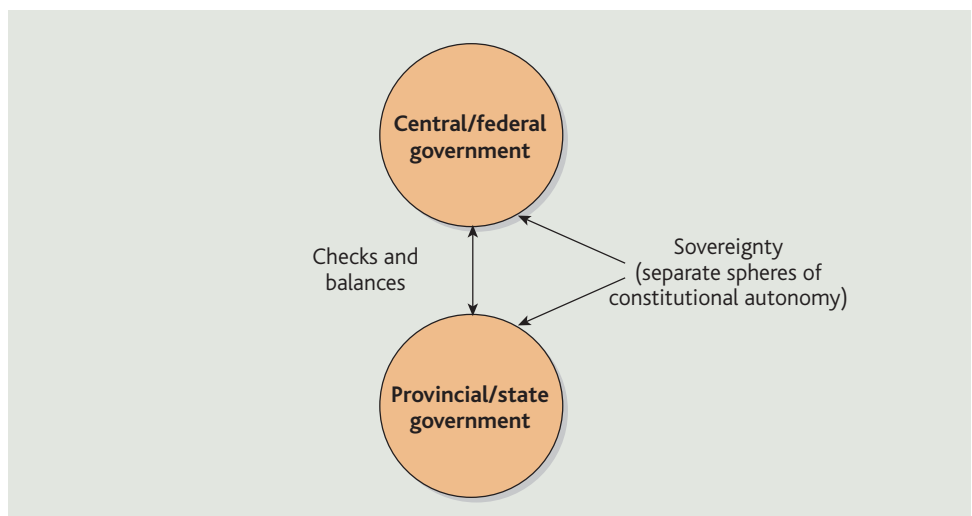


Figure 17.1 Federal states

CONCEPT**Federalism**

Federalism (from the Latin *foedus*, meaning 'pact', or 'covenant') usually refers to legal and political structures that distribute power territorially within a state. Nevertheless, in accordance with its original meaning, it has been taken to imply reciprocity or mutuality (Proudhon), or, in the writings of Alexander Hamilton and James Madison (see p. 319), to be part of a broader ideology of pluralism. As a political form, however, federalism requires the existence of two distinct levels of government, neither of which is legally or politically subordinate to the other. Its central feature is therefore shared sovereignty.

Why federalism?

When a list of federal states (or states exhibiting federal-type features) is examined, certain common characteristics can be observed. This suggests that the federal principle is more applicable to some states than to others. In the first place, historical similarities can be identified. For example, federations have often been formed by the coming together of a number of established political communities that nevertheless wish to preserve their separate identities and, to some extent, their autonomy. This clearly applied in the case of the world's first federal state, the USA. Although the 13 former British colonies in America quickly recognized the inadequacy of confederal organization, each possessed a distinctive political identity and set of traditions that it was determined to preserve within the new, more centralized, constitutional framework.

The reluctance of the former colonies to establish a strong national government was demonstrated at the Philadelphia Constitutional Convention of 1787, which drafted the US constitution, and by the ensuing debate over ratification. The 'nationalist' position, which supported ratification, was advanced in the so-called '*Federalist Papers*', published between 1787 and 1789. They emphasized the importance of establishing a strong centralized government while, at the same time, preserving state and individual freedoms. Ratification was finally achieved in 1789, but only through the adoption of the Bill of Rights and, in particular, the Tenth Amendment, which guaranteed that powers not delegated to the federal government would be 'reserved to the states respectively, or to the people'. This provided a constitutional basis for US federalism. A similar process occurred in Germany. Although unification in 1871 reflected the growing might of Prussia, a federal structure helped to allay the fears of central control of the other 38 Germanic states that had long enjoyed political independence. This tradition of regional autonomy, briefly interrupted during the Nazi period, was formalized in the constitution of the Federal Republic of Germany, adopted in 1949, which granted each of the 11 *Länder* (provinces or states) its own constitution. Their number was increased to 16 as a result of the reunification of Germany in 1990.

A second factor influencing the formation of federations is the existence of an external threat, or a desire to play a more effective role in international affairs. Small, strategically vulnerable states, for instance, have a powerful incentive to enter broader political unions. One of the weaknesses of the US Articles of Confederation was, thus, that they failed to give the newly-independent US states a clear diplomatic voice, making it difficult for them to negotiate treaties, enter into alliances and so on. The willingness of the German states in the nineteenth century to enter into a federal union and accept effective 'Prussification' owed a great deal to the intensifying rivalry of the great powers, and, in particular, the threat posed by both Austria and France. Similarly, the drift towards the construction of a federal Europe, which began with the establishment of the European Coal and Steel Community (ECSC) in 1952 and the European Economic Community (EEC) in 1957, was brought about, in part, by a fear of Soviet aggression and by a perceived loss of European influence in the emerging bipolar world order.

A third factor is geographical size. It is no coincidence that many of the territorially largest states in the world have opted to introduce federal systems. This

was true of the USA, and it also applied to Canada (federated in 1867), Brazil (1891), Australia (1901), Mexico (1917) and India (1947). Geographically large states tend to be culturally diverse and often possess strong regional traditions. This creates greater pressure for decentralization and the dispersal of power than can usually be accommodated within a unitary system. The final factor encouraging the adoption of federalism is cultural and ethnic heterogeneity. Federalism, in short, has often been an institutional response to societal divisions and diversities. Canada's ten provinces, for instance, reflect not only long-established regional traditions, but also language and cultural differences between English-speaking and French-speaking parts of the country. India's 25 self-governing states were defined primarily by language but, in the case of states such as Punjab and Kashmir, also take religious differences into account. Nigeria's 36-state federal system similarly recognizes major tribal and religious differences, particularly between the north and south-east of the country.

Features of federalism

Each federal system is unique, in the sense that the relationship between federal (national) government and state (regional) government is determined not just by constitutional rules, but also by a complex of political, historical, geographical, cultural and social circumstances. In some respects, for example, the party system is as significant a determinant of federal–state relationships as are the constitutionally allocated powers of each level of government. Thus, the federal structure of the USSR, which unlike the USA granted each of its 15 republics the right of secession, was entirely bogus given the highly centralized nature of the 'ruling' Communist Party, to say nothing of the rigidly hierarchical central-planning system. A similar situation was found in Mexico, where the once dominant Institutional Revolutionary Party (PRI) effectively counteracted a federal system that was consciously modelled on the US example. In the USA, Canada, Australia and India, on the other hand, decentralized party systems have safeguarded the powers of state and regional governments.

There is a further contrast between federal regimes that operate a 'separation of powers' (see p. 313) between the executive and legislative branches of government (typified by the US presidential system), and parliamentary systems in which executive and legislative power is 'fused'. The former tend to ensure that government power is diffused both territorially and functionally, meaning that there are multiple points of contact between the two levels of government. This leads to the complex patterns of interpenetration between federal and state levels of government that are found in the US and Swiss systems. Parliamentary systems, however, often produce what is called '**executive federalism**', most notably in Canada and Australia.

Nevertheless, certain features are common to most, if not all, federal systems:

- **Two relatively autonomous levels of government:** Both central government (the federal level) and regional government (the state level) possess a range of powers on which the other cannot encroach. These include, at least, a measure of legislative and executive authority, and the capacity to raise revenue; thus enjoying a degree of fiscal independence. However, the specific fields of jurisdiction of each level of government, and the capacity

● **Executive federalism:** A style of federalism in which the federal balance is largely determined by the relationship between the executives of each level of government.

of each to influence the other, vary considerably. In Germany and Austria, for instance, a system of ‘**administrative federalism**’ operates in which central government is the key policy-maker, and provincial government is charged with the responsibility for the details of policy implementation.

- **Written constitution:** The responsibilities and powers of each level of government are defined in a codified or ‘written’ constitution. The relationship between the centre and the periphery is therefore conducted within a formal legal framework. The autonomy of each level is usually guaranteed by the fact that neither is able to amend the constitution unilaterally; for example, in Australia and Switzerland amendments to the constitution must also be ratified by an affirmative referendum (see p. 201).
- **Constitutional arbiter:** The formal provisions of the constitution are interpreted by a supreme court, which thereby arbitrates in the case of disputes between federal and state levels of government. In determining the respective fields of jurisdiction of each level, the judiciary in a federal system is able to determine how federalism works in practice, inevitably drawing the judiciary into the policy process. The centralization that occurred in all federal systems in the twentieth century was invariably sanctioned by the courts.
- **Linking institutions:** In order to foster cooperation and understanding between federal and state levels of government, the regions and provinces must be given a voice in the processes of central policy-making. This is usually achieved through a bicameral legislature, in which the second chamber or upper house represents the interests of the states. The 105 seats in the Canadian Senate, for example, are assigned on a regional basis, with each of the four major regions receiving 24 seats, the remainder being assigned to smaller regions.

Assessment of federalism

One of the chief strengths of federal systems is that, unlike unitary systems, they give regional and local interests a constitutionally guaranteed political voice. The states or provinces exercise a range of autonomous powers and enjoy some measure of representation in central government, usually, as pointed out above, through the second chamber of the federal legislature. On the other hand, federalism was not able to stem the general twentieth-century tendency towards centralization. Despite guarantees of state and provincial rights in federal systems, the powers of central government have expanded, largely as a result of the growth of economic and social intervention, and central government’s own greater revenue-raising capacities.

The US system, for instance, initially operated according to the principles of ‘**dual federalism**’. From the late nineteenth century onwards, this gave way to a system of ‘cooperative federalism’ that was based on the growth of ‘grants in aid’ from the federal government to the states and localities. State and local government therefore became increasingly dependent on the flow of federal funds, especially after the upsurge in economic and social programmes that occurred under the New Deal in the 1930s. From the mid-1960s, however, cooperative federalism, based on a partnership of sorts between federal government and the states, was replaced by what has been called ‘coercive federalism’. This is a system through which federal government has increasingly brought about the compli-

● **Administrative federalism:**

A style of federalism in which central government is the key policy-maker, and provincial government is charged with responsibility for policy implementation.

● **Dual federalism:** A style of federalism in which federal and state/provincial government occupy separate and seemingly indestructible spheres of policy power.

ance of the states by passing laws that pre-empt their powers, and imposing restrictions on the states and localities in the form of mandates.

A second advantage of federalism is that, in diffusing government power, it creates a network of checks and balances that helps to protect individual liberty. In James Madison's (see p. 319) words, 'ambition must be made to counteract ambition'. Despite a worldwide tendency towards centralization, federal systems such as those in the USA, Australia and Canada have usually been more effective in constraining national politicians than have been unitary systems. However, structures intended to create healthy tension within a system of government may also generate frustration and paralysis. One of the weaknesses of federal systems is that, by constraining central authority, they make the implementation of bold economic or social programmes more difficult. F. D. Roosevelt's New Deal in the USA, for example, was significantly weakened by Supreme Court decisions that were intended to prevent federal government from encroaching on the responsibilities of the states. In the 1980s, Ronald Reagan deliberately used federalism as a weapon against 'big' government, and specifically against the growing welfare budget. Under the slogan 'new federalism', Reagan attempted to staunch social spending by transferring responsibility for welfare from federal government to the less prosperous state governments. In contrast, the dominant pattern of cooperative federalism in Germany has facilitated, rather than thwarted, the construction of a comprehensive and well-funded welfare system. Nevertheless, since the 1990s the USA has increasingly relied on **fiscal federalism**, federal grants to state and local government having risen steadily under a succession of presidents.

Finally, federalism has provided an institutional mechanism through which fractured societies have maintained unity and coherence. In this respect, the federal solution may be appropriate only to a limited number of ethnically diverse and regionally divided societies but, in these cases, it may be absolutely vital. The genius of US federalism, for instance, was perhaps less that it provided the basis for unity amongst the 13 original states, and more that it invested the USA with an institutional mechanism that enabled it to absorb the strains that immigration exerted from the mid-nineteenth century onwards. The danger of federalism, however, is that by breeding governmental division it may strengthen centrifugal pressures and ultimately lead to disintegration. Some have argued, as a result, that federal systems are inherently unstable, tending either towards the guaranteed unity that only a unitary system can offer, or towards greater decentralization and ultimate collapse. Federalism in Canada, for example, can perhaps be deemed a failure, if its chief purpose were to construct a political union within which both French-speaking and English-speaking populations can live together in harmony (see p. 114).

Unitary systems

The vast majority of contemporary states have unitary systems of government. These vest sovereign power in a single, national institution. In the UK, this institution is Parliament, which possesses, at least in theory, unrivalled and unchallengeable legislative authority. Parliament can make or unmake any law it wishes; its powers are not checked by a codified or written constitution; there are no rival UK legislatures that can challenge its authority; and its laws outrank all other forms of English and Scottish law. Since constitutional supremacy is vested with

● **Fiscal federalism:** A style of federalism in which the federal balance is largely determined by funding arrangements, especially transfer payments from the centre to the periphery.

the centre in a unitary system, any system of peripheral or local government exists at the pleasure of the centre (see Figure 17.2). At first sight, this creates the spectre of unchecked centralization. Local institutions can be reshaped, reorganized and even abolished at will; their powers and responsibilities can be contracted as easily as they can be expanded. However, in practice, the relationship between the centre and the periphery in unitary systems is as complex as it is in federal systems – political, cultural and historical factors being as significant as more formal constitutional ones. Nevertheless, two distinct institutional forms of peripheral authority exist in unitary states: local government and devolved assemblies. Each of these gives centre–periphery relationships a distinctive shape.

Local government

Local government, in its simplest sense, is government that is specific to a particular locality; for example, a village, district, town, city or county. More particularly, it is a form of government that has no share in sovereignty, and is thus entirely subordinate to central authority – or, in a federal system, to state or regional authority. This level of government is, in fact, universal, being found in federal and confederal systems, as well as in unitary systems. In the USA, for instance, there are over 86,000 units of local government that employ 11,000,000 people, compared with a total of fewer than 8,000,000 staff at federal and state levels. However, what makes local government particularly important in unitary systems is that, in most cases, it is the only form of government outside the centre.

It would, nevertheless, be a mistake to assume that the constitutional subordination of local government means that it is politically irrelevant. The very ubiquity of local government reflects the fact that it is both administratively necessary and, because it is ‘close’ to the people, easily intelligible. Moreover, elected local politicians have a measure of democratic legitimacy (see p. 81) that enables them to extend their formal powers and responsibilities. This often means that central–local relationships are conducted through a process of bargaining and negotiation, rather than by diktat from above. The balance between the centre and the periphery is further influenced by factors such as the political culture (particularly by established traditions of local autonomy and regional diversity) and the

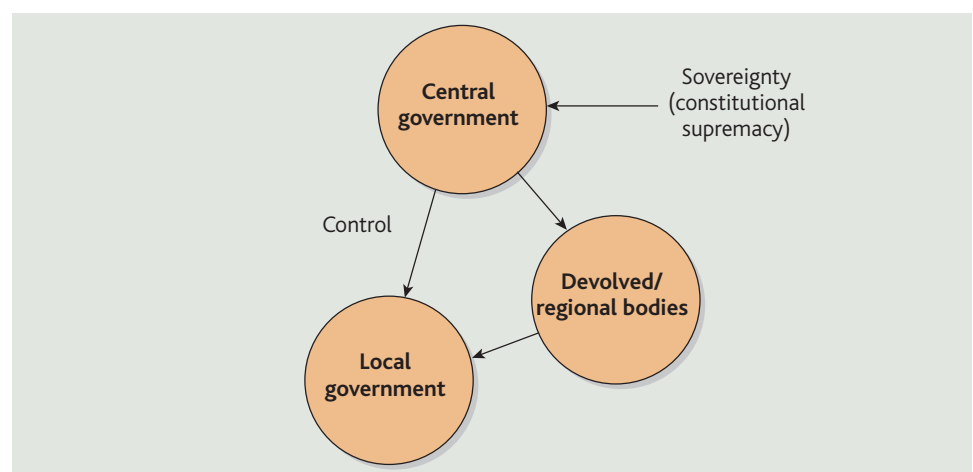


Figure 17.2 Unitary states

nature of the party system. For instance, the growing tendency for local politics to be ‘politicized’, in the sense that national parties have increasingly dominated local politics, has usually brought with it greater centralization. In the absence of the kind of constitutional framework that federalism provides, the preservation of local autonomy relies, to a crucial extent, on self-restraint by the centre. This tends to mean that the degree of decentralization in unitary systems varies significantly, both over time and from country to country. This can be illustrated by the contrasting experiences of the UK and France.

The UK traditionally possessed a relatively decentralized local government system, with local authorities exercising significant discretion within a legal framework laid down by Parliament. Indeed, respect for **local democracy** was long seen as a feature of the UK’s unwritten constitution. However, the pattern of local–central relationships was dramatically restructured in the 1980s and 1990s, as the Conservative governments of that period saw local government as an obstacle to the implementation of their radical market-orientated policies. Central control was thus strengthened as local authorities were robbed of their ability to determine their own tax and spending policies. Local authorities that challenged the centre, such as the Greater London Council and the metropolitan county councils, were abolished – their functions being devolved to smaller district and borough councils, and a variety of newly-created **quangos**. The ultimate aim of these policies was fundamentally to remodel local government by creating ‘enabling’ councils, whose role is not to provide services themselves, but to supervise the provision of services by private bodies through a system of contracting-out and privatization. Although later governments re-established a London-wide council, in the form of the Greater London Authority (2000), and supported the introduction of elected mayors for towns and cities, the overall shift in power from local to central government in the UK has not been reversed. Very different policies were nevertheless adopted in France over the same period. During the 1980s, President Mitterrand sought to dismantle the strict administrative control in regional government that operated largely through prefects (appointed by, and directly accountable to, the Ministry of the Interior), who were the chief executives of France’s 96 *départements*. The executive power of the prefects was transferred to locally elected presidents, and the prefects were replaced by *Commissaires de la République*, who are concerned essentially with economic planning. In addition, local authorities were absolved of the need to seek prior approval for administrative and spending decisions. The net result of these reforms was to give France a more decentralized state structure than it had had at any time since the 1789 revolution. Underpinning these developments was faith in the benefits of decentralization, reflecting the belief that political decisions should be made at the lowest possible level (see p. 388).

● **Local democracy:** A principle that embodies both the idea of local autonomy and the goal of popular responsiveness.

● **Quango:** An acronym for quasi-autonomous non-governmental organization: a public body staffed by appointees, rather than politicians or civil servants (see p. 368).

Devolution

Devolution (see p. 390), at least in its legislative form, establishes the greatest possible measure of decentralization in a unitary system of government – short, that is, of its transformation into a federal system. Devolved assemblies have usually been created in response to increasing centrifugal tensions within a state, and as an attempt, in particular, to conciliate growing regional, and sometimes nationalist, pressures. Despite their lack of entrenched powers, once devolved

Debating . . .

Should political decisions be made at the lowest possible level?

Although all modern states are divided on a territorial basis, there is considerable debate about where the balance should lie between centralization and decentralization. Supporters of decentralization tend to argue that it is a core principle of democratic rule. But may local power only be achieved at the cost of efficient government and, maybe, social justice?

YES

Boosting participation. Local or provincial government is a more effective agent of participation than central government. This is because far more people hold office at the local level than the national level, and even more are involved in standing for election or campaigning generally. By making political participation more attractive, devolving decision-making responsibility to lower levels helps to narrow the gap between the politically 'active' few and the 'passive' many.

Greater responsiveness. By being, quite literally, 'closer' to the people, peripheral bodies are more sensitive to their needs. This both strengthens popular accountability and ensures that government responds not merely to the general interests of society, but also to the specific needs of particular communities. There is certainly a much greater chance that local or provincial politicians will have a personal knowledge of, and perhaps live in, the community they serve, bolstering their responsiveness.

Increased legitimacy. Physical distance from government affects the acceptability or rightfulness of political decisions. Decisions that are made at a local or provincial level are likely to be seen as intelligible, and therefore legitimate, whereas geographical remoteness engenders a sense of political remoteness, so weakening the binding character of political decisions. This is especially the case as centralized decision-making can only treat the public as an amorphous mass, rather than as a collection of different groups and different communities.

Upholding liberty. Decentralization and localism help to deter tyranny and, therefore, protect individual freedom. This happens because, as liberals emphasize, corruption increases as power becomes more concentrated, as there are fewer checks on politicians' self-seeking inclinations. As political decisions are devolved to lower and lower levels, power is more widely dispersed and a network of checks and balances emerges. Strong peripheral bodies are more effective in checking central government power, as well as one another.

NO

National disunity. Central government alone articulates the interests of the whole of society, rather than its various parts. While a strong centre ensures that government addresses the common interests and shared concerns, a weak centre allows people to focus on what divides them, creating rivalry and discord. Shifting political decision-making to lower levels risks fostering parochialism and will make it more difficult for citizens to see the political 'big picture'.

Uniformity threatened. Only central governments can establish uniform laws and public services that, for instance, help people move more easily from one part of the country to another. Geographical mobility, and therefore social mobility, are likely to be restricted to the extent that political decentralization results in differing tax regimes and differing legal, educational and social-security systems across a country. A lack of uniformity may also threaten the nationwide growth of businesses.

Inhibiting social justice. Devolving political decisions from the centre has the disadvantage that it forces peripheral institutions increasingly to rely on the resources available in their locality or region. Only central government can rectify inequalities that arise from the fact that the areas with the greatest social needs are invariably those with the least potential for raising revenue, and only central government has the resources to devise and implement major programmes of welfare provision. Decentralization therefore puts social justice at risk.

Economic development. Centralization and economic development invariably go hand-in-hand. Because of its greater administrative capacity, central government can perform economic functions that are beyond the capacity of local bodies. These include managing a single currency, controlling tax and spending, and providing an infrastructure in the form of roads, railways, airports and so on. Centralization also promotes efficiency because it allows government to benefit from economies of scale.

assemblies have acquired a political identity of their own, and possess a measure of democratic legitimacy, they are very difficult to weaken and, in normal circumstances, impossible to abolish. Northern Ireland's Stormont Parliament was an exception. The Stormont Parliament was suspended in 1972 and replaced by direct rule from the Westminster Parliament, but only when it became apparent that its domination by predominantly Protestant Unionist parties prevented it from stemming the rising tide of communal violence in Northern Ireland that threatened to develop into civil war.

One of the oldest traditions of devolved government in Europe is found in Spain. Although it has been a unitary state since the 1570s, Spain is divided into 50 provinces, each of which exercises a measure of regional self-government. As part of the transition to democratic government following the death of General Franco in 1975, the devolution process was extended in 1979 with the creation of 17 autonomous communities. This new tier of regional government is based on elected assemblies invested with broad control of domestic policy, and was designed to meet long-standing demands for autonomy, especially in Catalonia and the Basque area. The French government has also used devolution as a means of responding to the persistence of regional identities, and, at least in Brittany and Occitania, to the emergence of forms of ethnic nationalism. As part of a strategy of 'functional regionalism', 22 regional public bodies were created in 1972 to enhance the administrative coordination of local investment and planning decisions. These, however, lacked a democratic basis and enjoyed only limited powers. In 1982, they were transformed into fully-fledged regional governments, each with a directly elected council. The tendency towards decentralization in Europe has, however, also been fuelled by developments within the European Union (EU), and especially by the emergence since the late 1980s of the idea of 'Europe of the Regions'. Regional and provincial levels of government have benefited from the direct distribution of aid from the European Regional Development Fund (1975), and have responded both by seeking direct representation in Brussels and by strengthening their involvement in economic planning and infrastructure development.

The UK was slower in embracing devolution. The revival of Scottish and Welsh nationalism since the late 1960s had put devolution on the political agenda, but devolved bodies were not established until 1999. A system of 'asymmetrical' devolution was established. Legislative devolution operated in Scotland, through the Scottish Parliament's ability to vary income tax by up to three pence in the pound and its **primary legislative power**; administrative devolution operated in Wales, as the Welsh Assembly had no control over taxation and only **secondary legislative power**; and so-called 'rolling' devolution was established in Northern Ireland, as the powers of the Northern Ireland Assembly were linked to progress in the province's 'peace process'. At the same time, England, with 84 per cent of the UK's population, remained entirely outside the devolution process. Nevertheless, devolution in the UK quickly developed into a form of '**quasi-federalism**', having gone beyond the simple handing down of power by a still sovereign Westminster Parliament. This has occurred because, although the Scottish, Welsh and Northern Irish bodies lack constitutional entrenchment, they enjoy a significant measure of democratic legitimacy by virtue of being popular assemblies that were set up following affirmative referendums. Moreover, the asymmetrical nature of UK devolution

● **Primary legislative power:**

The ability to make law on matters which have been devolved from a central authority.

● **Secondary legislative power:** The ability to vary some laws devolved from a central authority that retains ultimate legislative control.

● **Quasi-federalism:** A division of powers between central and regional government that has some of the features of federalism without possessing a formal federal structure.

CONCEPT**Devolution**

Devolution is the transfer of power from central government to subordinate regional institutions. Devolved bodies thus constitute an intermediate tier of government between central and local government. However, devolution differs from federalism in that devolved bodies have no share in sovereignty. In *administrative* devolution, regional institutions implement policies that are decided elsewhere. In *legislative* devolution (sometimes called 'home rule'), devolution involves the establishment of elected regional assemblies that have policy-making responsibilities.

- **Security regionalism:**

Forms of transnational regional cooperation that are designed primarily to protect states from their enemies, both neighbouring and distant ones.

- **Political regionalism:**

Attempts by states in the same area to strengthen or protect shared values, thereby enhancing their image, reputation and diplomatic effectiveness.

creates pressures for the ratcheting-up of devolved powers: the Welsh and Northern Irish assemblies have aspired to the powers of the Scottish Parliament, and the Scottish Parliament has, in turn, been encouraged to expand its powers in order to maintain its superior status. The Welsh Assembly thus acquired primary legislative powers in 2011, and, when the Scottish National Party (SNP) gained majority control of the Scottish Parliament in 2011, it committed itself to holding a referendum on Scottish independence, due to take place in 2014.

TRANSNATIONAL REGIONALISM

Regionalism: its nature and growth

Types of regionalism

In general terms, regionalism is a process through which geographical regions become significant political and/or economic units. Regionalism has two faces, however. In the first place, it is a subnational phenomenon, a process of decentralization that takes place *within* countries, and is closely associated, as already discussed, with federalism and devolution. The second face of regionalism is transnational, rather than subnational. In this, regionalism refers to a process of cooperation or integration *between* countries in the same region of the world. An ongoing problem with regionalism has nevertheless been the difficulty in establishing the nature and extent of a region. What is a 'region'? On the face of it, a region is a distinctive geographical area. Regions can therefore be identified by consulting maps. This leads to a tendency to identify regions with continents, as applies in the case of Europe (through the EU), Africa (through the African Union, or AU) and America (through the Organization of American States). However, many regional organizations are sub-continental, such as the Association of Southeast Asian Nations (ASEAN), the Southern African Customs Unions and the Central American Common Market, while others are transcontinental, such as Asia-Pacific Economic Cooperation (APEC) and the North Atlantic Treaty Organization (NATO). An alternative basis for regional identity is socio-cultural, reflecting similarities of region, language, history, or even ideological belief amongst a number of neighbouring states. Cultural identity is particularly important in the case of bodies such as the Arab League and the Nordic Council, and it may also apply in the case of the EU, where membership requires an explicit commitment to liberal-democratic values.

Regionalism has taken a number of forms and been fuelled by a variety of factors. **Security regionalism** emerged in the early post-1945 period through the growth of regional defence organizations that gave expression to the new strategic tensions that were generated by the Cold War. NATO and the Warsaw Pact were the most prominent such organizations, although other bodies, such as the Southeast Asian Treaty Organization (SEATO), were also formed. **Political regionalism** has witnessed the construction of organizations such as the Arab League, which was formed in 1945 to safeguard the independence and sovereignty of Arab countries; the Council of Europe, which was established in 1949 with the aim of creating a common democratic and legal area throughout the continent of Europe; and the Organization of African Unity (OAU), which was

CONCEPT**Regionalism**

Regionalism is the theory or practice of coordinating social, economic and political activities within a geographical region, which may either be part of a state (subnational regionalism) or comprise a number of states (transnational regionalism). On an *institutional* level, regionalism involves the growth of norms, rules and formal structures through which coordination is brought about. On an *affective* level, regionalism implies a realignment of political identities and loyalties from the state to the region.

● **Economic regionalism:** Forms of cooperation amongst states in the same region that are designed to create greater economic opportunities, usually by fostering trading links.

● **Pooled sovereignty:** The sharing of decision-making authority by states within a system of international cooperation, in which certain sovereign powers are transferred to central bodies.

● **Functionalism:** The theory that social and political phenomena can be explained by their function within a larger whole, implying that regional integration occurs because it has functional advantages over state independence.

founded in 1963 to promote self-government and social progress throughout the African continent, and was replaced by the African Union (AU) in 2002. The most significant impetus towards transnational regionalism has undoubtedly been economic, however. **Economic regionalism** is therefore the primary form of regional integration and has become more so since the advent of so-called 'new' regionalism in the early 1990s.

Regionalism and globalization

'New' regionalism is manifest in the growth of regional trade blocs and the deepening of existing trade blocs (see p. 392). This surge has continued unabated, so that, by 2005, only one member of the World Trade Organization – Mongolia – was not party to a regional trade agreement. These agreements usually establish free trade areas through the reduction in internal tariffs and other barriers to trade; but, in other cases, they may establish customs unions, through the establishment of a common external tariff, or common markets (sometimes called 'single markets'), areas within which there is a free movement of labour and capital, and a high level of economic harmonization. The advent of 'new' regionalism has nevertheless highlighted the complex, and sometimes contradictory, relationship between regionalism and globalization. As Bhagwati (2008) put it, regional trade blocs can operate as both 'stumbling blocks' or 'building blocks' within the global system. Economic regionalism can be essentially defensive, in that regional organizations have sometimes embraced protectionism as a means of resisting the disruption of economic and, possibly, social life through the impact of intensifying global competition. This gave rise to the idea of the region as a fortress, as indeed evinced by the once-fashionable notion of 'fortress Europe'. Nevertheless, regional trade blocs have also been motivated by competitive impulses, and not merely protectionist ones. In these cases, countries have formed regional blocs not so much to resist global market forces but, rather, to engage more effectively with them. Although states have wished to consolidate or expand trade blocs in the hope of gaining access to more secure and wider markets, they have rarely turned their back on the wider global market, meaning that regionalism and globalization are usually interlocking, rather than rival, processes.

Explaining regionalism

Wider explanations have also been advanced for the rise of regionalism. The earliest theory of regional, or even global, integration was federalism, drawing inspiration from its use in domestic politics. As an explanation for transnational regionalism, federalism relies on a process of conscious decision-making by political elites, attracted, in particular, by the desire to avoid war by encouraging states to transfer at least a measure of their sovereignty to a higher, federal body. This is often referred to as '**pooled**' sovereignty. However, although a federalist vision is often said to have inspired the early process of European integration, federalism has had relatively little impact on the wider process of regional integration. Instead, even in the case of the European project, federalist thinking has had less impact than a **functionalist** road to integration. In the functionalist view, regional cooperation reflects the recognition that specific activities can be performed more effectively through collective action than by states acting indi-

*Focus on . . .***Regional economic blocs**

- **North American Free Trade Agreement (NAFTA):** This was signed in 1993 by Canada, Mexico and the USA. NAFTA was formed, in part, as a response to the growing pace of European integration, and is intended to provide the basis for a wider economic partnership covering the whole western hemisphere.
- **European Union (EU):** This was formed in 1993, developing out of the European Economic Community (founded in 1957). The EU has expanded from 6 to 27 members, and now includes many former communist states. It is the most advanced example of regional integration at an economic and political level.
- **Asia-Pacific Economic Cooperation (APEC):** This informal forum was created in 1989 and has expanded from 12 member states to 21 (including Australia, China, Russia, Japan and the USA); collectively, these states account for 40 per cent of the world's population and over 50 per cent of global GDP.
- **Association of South-East Asian Nations (ASEAN):** This was established in 1967 by Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand, with Brunei, Vietnam, Laos, Myanmar and Cambodia joining subsequently. ASEAN has attempted to promote a free-trade zone that would help south-east Asian states maintain their economic independence.
- **Mercosur:** The Mercosur agreement (1991) links Argentina, Brazil, Venezuela, Paraguay and Uruguay with Chile, Colombia, Ecuador, Peru and Bolivia as associate members. It is Latin America's largest trade bloc, and operates as a free-trade union.
- **Free Trade Area of the Americas (FTAA):** This is an agreement made at the 1994 Miami Summit of the Americas to build a free-trade area to extend across the Americas, as a proposed extension to NAFTA. The FTAA has 34 provisional members, but it is dominated by the USA and Canada.

vidually. This also helps to explain why regional integration has a predominantly economic character, as this is the area in which the functional benefits of cooperation are most evident. The weakness of functionalism is, however, that it overemphasizes the willingness of states to hand over responsibilities to functional bodies, especially in areas that are political, rather than technical. Furthermore, there is little evidence that regional bodies are capable of acquiring a level of political allegiance that rivals that of the nation-state, regardless of their functional importance. As a result of these deficiencies, a growing emphasis has been placed what is called '**neofunctionalism**'. Neofunctionalism has been particularly influential in explaining European integration, the most advanced example of regional integration found anywhere in the world.

● **Neofunctionalism:** A revision of functionalism that recognizes that regional integration in one area generates pressures for further integration in the form of 'spillover'.

European regionalism**What is the EU?**

The 'European idea' (broadly, the belief that, regardless of historical, cultural and language differences, Europe constitutes a single political community) was born long before 1945. Before the Reformation in the sixteenth century, common alle-

*Focus on . . .***How the European Union works**

- **The European Commission:** This is the executive-bureaucratic arm of the EU. It is headed by 27 commissioners (one from each of the member states) and a president (José Manuel Barroso's term of office as president began in 2004). It proposes legislation, is a watchdog that ensures that EU treaties are respected, and is broadly responsible for policy implementation.
- **The Council:** This is the decision-making branch of the EU, and comprises ministers from the 27 states who are accountable to their own assemblies and governments. The presidency of the Council of Ministers rotates amongst member states every six months. Important decisions are made by unanimous agreement, and others are reached through qualified majority voting or by a simple majority.
- **The European Council:** Informally called the 'European Summit', this is a senior forum in which heads of government, accompanied by foreign ministers and two commissioners, discuss the overall direction of the Union's work. The Council meets periodically and provides strategic leadership for the EU.
- **The European Parliament:** The EP is composed of 754 Members of the European Parliament (MEPs), who are directly elected every five years. Originally a scrutinizing assembly rather than a legislature, the passage of the Lisbon Treaty means that the EP now decides on the vast majority of EU legislation. The Parliament is a co-legislator with the Council over matters including agriculture, energy policy, immigration and EU funds, with the Parliament having the last say on the EU budget.
- **The European Court of Justice:** The ECJ interprets, and adjudicates on, European Union law. There are 27 judges, one from each member state, and 8 advocates general, who advise the court. As EU law has primacy over the national law of EU member states, the court can 'disapply' domestic laws. A Court of First Instance handles certain cases brought by individuals and companies.

giance to Rome invested the Papacy with supranational authority over much of Europe. Even after the European state-system came into existence, thinkers as different as Rousseau (see p. 97), Saint-Simon (1760–1825) and Mazzini (see p. 116) championed the cause of European cooperation and, in some cases, advocated the establishment of Europe-wide political institutions. However, until the second half of the twentieth century aspirations to achieve this through consent (as opposed to military power, as in the case of Charlemagne and Napoleon) proved to be hopelessly utopian. Since World War II, Europe has undergone a historically unprecedented process of integration, aimed, some argue, at the creation of what Winston Churchill in 1946 called a 'United States of Europe'. Indeed, it is sometimes suggested that European integration provides a model of political organization that will eventually be accepted worldwide as the deficiencies of the nation-state become increasingly apparent.

It is clear that this process was precipitated by a set of powerful, and possibly irresistible, historical circumstances in post-1945 Europe. The most significant of these were the following:

- The need for economic reconstruction in war-torn Europe through cooperation and the creation of a larger market.



Jean Monnet (1888–1979)

French economist and administrator. Monnet was largely self-taught. He found employment during World War I coordinating Franco-British war supplies, and he was later appointed Deputy Secretary-General of the League of Nations. He was the originator of Winston Churchill's offer of union between the UK and France in 1940, which was abandoned once Pétain's Vichy regime had been installed. Monnet took charge of the French modernization programme under de Gaulle in 1945, and in 1950 he produced the Schuman Plan, from which the European Coal and Steel Community and the European Economic Community were subsequently developed. Although Monnet rejected intergovernmentalism in favour of supranational government, he was not a formal advocate of European federalism.

- The desire to preserve peace by permanently resolving the bitter Franco-German rivalry that caused the Franco-Prussian War (1870–71), and led to war in 1914 and 1939.
- The recognition that the '**German problem**' could be tackled only by integrating Germany into a wider Europe.
- The desire to safeguard Europe from the threat of Soviet expansionism, and to mark out for Europe an independent role and identity in a bipolar world order.
- The wish of the USA to establish a prosperous and united Europe, both as a market for US goods and as a bulwark against the spread of communism.
- The widespread acceptance, especially in continental Europe, that the sovereign nation-state was the enemy of peace and prosperity.

To some extent, the drift towards European integration was fuelled by an idealist commitment to internationalism (see p. 117) and the belief that international organizations embody a moral authority higher than that commanded by nation-states. However, more practical consideration, not least linked to economic matters, ultimately proved to be of greater significance. The European Coal and Steel Community (ECSC) was founded in 1952 on the initiative of Jean Monnet, adviser to the French foreign minister, Robert Schuman. Under the Treaty of Rome (1957), the European Economic Community (EEC) came into existence. The ECSC, EEC and Euratom (the body concerned with the peaceful use of nuclear energy) were formally merged in 1967, forming what became known as the European Community (EC). Although the community of the original 'Six' (France, Germany, Italy, the Netherlands, Belgium and Luxembourg) was expanded in 1973 with the inclusion of the UK, Ireland and Denmark, the 1970s was a period of stagnation. The integration process was relaunched, however, as a result of the signing in 1986 of the Single European Act (SEA), which envisaged an unrestricted flow of goods, services and people throughout Europe (a 'single market'), to be introduced by 1993. The Treaty of European Union (the TEU or Maastricht treaty), which became effective in 1993, marked the creation of the European Union (EU). This committed the EU's then-15 members (Greece, Portugal, Spain, Austria, Finland and Sweden having joined)

● **German problem:** The structural instability in the European state system caused by the emergence of a powerful and united Germany.

CONCEPT

Inter-governmentalism, supranationalism

Intergovernmentalism refers to any form of interaction between states that takes place on the basis of sovereign independence. This includes treaties and alliances as well as leagues and confederations. Sovereignty is preserved through a process of unanimous decision-making that gives each state a veto, over vital national issues.

Supranationalism is the existence of an authority that is 'higher' than that of the nation-state and capable of imposing its will on it. It can therefore be found in international federations, where sovereignty is shared between central and peripheral bodies.

● **Political union:** Although the term lacks clarity, it refers to the coming together of a number of states under a common government; can imply supranational governance.

● **Monetary union:** The establishment of a single currency within an area comprising a number of states.

● **Veto:** The formal power to block a decision or action through the refusal of consent.

● **Qualified majority voting:** A system of voting in which different majorities are needed on different issues, with states' votes weighted (roughly) according to size.

to the principles of **political union** and **monetary union** (although Sweden, Denmark and the UK opted not to participate in monetary union). The centrepiece of this proposal was the establishment of a single European currency, the euro, which took place in 1999, with notes and coins being circulated in 2002. In 2004, the EU began its most radical phase of enlargement, as ten countries of Central and Eastern Europe and the Mediterranean joined, bringing about the reunification of Europe after decades of division by the Iron Curtain. Bulgaria and Romania joined in 2007, with negotiations for membership under way with Croatia, Macedonia and Turkey, and with Albania, Bosnia-Herzegovina, Montenegro and Serbia all potential candidate countries.

The EU is a very difficult political organization to categorize. In strict terms, it is no longer a confederation of independent states operating on the basis of intergovernmentalism (as the EEC and EC were at their inception). The sovereignty of member states was enshrined in the so-called 'Luxembourg compromise' of 1966. This accepted the general practice of unanimous voting in the Council, and granted each member state an outright **veto** on matters threatening vital national interests. As a result of the SEA and the TEU, however, the practice of **qualified majority voting**, which allows even the largest state to be outvoted, was applied to a wider range of policy areas, thereby narrowing the scope of the national veto. This trend has been compounded by the fact that EU law is binding on all member states, and that the power of certain EU bodies has expanded at the expense of national governments. The result is a political body that has both intergovernmental and supranational features; the former evident in the Council, and the latter primarily in the European Commission and the Court of Justice. The EU may not yet have created a federal Europe, but because of the superiority of European law over the national law of the member states, it is perhaps accurate to talk of a 'federalizing' Europe. An attempt was made to codify the EU's various constitutional rules, particularly in the light of enlargement, through the introduction of the Constitutional Treaty, commonly known as the 'EU Constitution'. This failed because of referendum defeats in the Netherlands and France in 2005 but, although many elements of the Constitutional Treaty were incorporated into the 2009 Lisbon Treaty, the episode highlights the extent to which, despite decades of institutional 'deepening', EU member states continue to function as states, still orientated around issues of national interest.

As an economic, monetary and, to a significant extent, political union brought about through voluntary cooperation amongst states, the EU is a unique political body: the world's only genuine experiment in supranational governance. The transition from Community to Union, achieved via the TEU, not only extended cooperation into areas such as foreign and security policy, home affairs and justice, and immigration and policing, but also established the notion of EU citizenship through the right to live, work and be politically active in any member state. This level of integration has been possible because of the powerful, and, some would argue, exceptional combination of pressures in post-1945 Europe that helped to shift public attitudes away from nationalism and towards cooperation, and to convince elites that national interests are ultimately better served by concerted action, rather than independence. Where such prerequisites were weak, as in the case of the UK, often dubbed Europe's 'awkward partner', participation in the integration process has tended to be either reluctant

POLITICS IN ACTION ...

The eurozone crisis: regionalism beyond its limits?

Events: The euro officially came into existence on 1 January 1999. Of the EU's then-15 members, only the UK, Sweden and Denmark chose not to join the currency. The eurozone subsequently expanded to 17 members. The new currency achieved parity with the US dollar by November 2002 and increased steadily thereafter, peaking at a value of \$1.59 in July 2008. However, the onset of the 2007–09 global financial crisis and a global recession created deepening problems. As growth slowed and tax revenues contracted, concern built about the heavily-indebted countries in the eurozone; notably, Portugal, Ireland, Greece, Spain and, to some extent, Italy. The crisis in Greece was so severe that, in May 2010, it led to a massive German-led eurozone bailout, backed by the IMF, with a further bailout being agreed in July 2011. Similar bailouts were agreed for Ireland in November 2010 and Portugal in May 2011, amid fears that 'contagion' might spread to Spain, Italy and beyond. In each of these countries severe austerity measures were introduced in the hope that spending cuts and increased taxation would reduce budget deficits and so restore the confidence of financial markets.

Significance: A single European currency had been seen as an important way of bolstering growth and prosperity within the EU. The key attraction of the euro was that its introduction promised to boost trade by reducing the costs and risks involved in transactions. Cross-currency transactions incur costs because of the need to buy or sell foreign currency. Such transactions involve risk and uncertainty because unanticipated exchange rate movements may make trade either more expensive or less expensive than expected. A single currency would therefore complete the single market, and help to ensure unrestricted labour and capital mobility. What is more, much had been done already to ensure the success of the euro, as many barriers to the free movement of goods and peoples within the EU had been removed by the Single European Act (1986) and the Treaty of European Union (1993). This encouraged the view that the EU constituted an optimal currency area, with confidence that, over time, the workings of the single currency would foster greater economic harmonization. An additional advantage was that a single currency would bring with it helpful



economic disciplines; notably, limits on the size of budget deficits and national debts, as laid out in the 1997 Stability and Growth Pact.

The eurozone crisis, nevertheless, highlights the limitations and flaws in the single currency project. Some even argue that monetary union was, in principle, economically unfeasible and stretched European regionalism beyond its proper limits. Any transnational currency area is likely to contain such disparate economies, operating according to different business cycles, that it may be doomed to fail. A particular concern is that monetary union prevents an underperforming eurozone member from using one of the three traditional strategies for boosting growth: devaluation, reducing interest rates, and Keynesian-style deficit budgeting. For some, the chief problem with the eurozone is that monetary union was established in the absence of fiscal union, or 'fiscal federalism'. A major step to rectifying this, acknowledging that the Stability and Growth Pact has simply proved to be unenforceable, was the Fiscal Stability Treaty, or 'fiscal pact', signed by 25 EU states in March 2012. However, the fiscal pact has at least two key drawbacks. First, in substantially strengthening political union it may precipitate a backlash once populations recognize that losing 'fiscal sovereignty' is more significant than losing 'monetary sovereignty'. Second, the terms of the fiscal pact are designed to restore the confidence of financial markets, but their net effect may be to generate EU-wide austerity and make economic growth impossible to achieve.

or faltering (the UK rejected an invitation to join the EEC in 1957, and negotiated an opt-out from monetary union in 1991).

Nevertheless, although the EU has done much to realize the Treaty of Rome's goal of establishing 'an ever closer union', moving well beyond Charles de Gaulle's vision of Europe as a confederation of independent states, it stops far short of realizing the early federalists' dream of a European 'superstate'. This has been ensured, partly, by respect for the principle of **subsidiarity**, embodied in the TEU, and by the pragmatic approach to integration adopted by key states such as France and Germany. Decision-making within the 'New Europe' is increasingly made on the basis of multilevel governance, in which the policy process has interconnected subnational, national, intergovernmental and supra-national levels, the balance between them shifting in relation to different issues and policy areas. This image of complex policy-making is more helpful than the sometimes sterile notion of a battle between national sovereignty and EU domination.

The EU in crisis?

Despite the progress it has made, the EU is confronted by a number of problems. For some, the failure of the EU has just been a matter of time. In this view, the level of diversity within the EU, in terms of history, traditions, language and culture, means that the EU can never match the capacity of the nation-state to engender loyalty and a sense of civic belonging, or to act effectively on the world stage. Tensions have been particularly intense over the long-term viability of the euro, with some arguing that the eurozone crisis since 2010 has shown that Euro-regionalism has gone too far, while others believe that it has not gone far enough (see p. 396).

Challenges have also arisen from the process of enlargement, especially the eastward expansion of the EU during 2004–07. This saw the EU grow from an organization of 15 members to one of 27 members. In some respects, the 2004–07 enlargements were the crowning achievement of the EU, in that they underpinned – and, in a sense, completed – the politico-economic transformation of Central and Eastern Europe, marking the Europe-wide triumph of liberal democracy (see p. 270). However, progressive enlargements have created tension between the EU's 'widening' and 'deepening' agendas. As a larger number of states and interests become involved in the EU policy process, decision-making becomes more difficult and threatens to become impossible. This created pressure for the adoption of an EU Constitution but, despite the resurrection of some of the elements of the rejected Constitutional Treaty through the Treaty of Lisbon, the EU continues to face the prospect of institutional sclerosis. Finally, there is the problem of the EU's so-called 'democratic deficit'. This is usually understood to mean the EU's lack of democratic accountability, resulting from the fact that its only directly elected body, the European Parliament, remains relatively weak, despite being bolstered by the Treaty of Lisbon. This, indeed, may merely highlight a deeper deficiency in all forms of transnational governance, which is that, as the locus of policy-making becomes more remote from the people, political legitimacy is compromised, perhaps fatally.

● **Subsidiarity:** The principle that decisions should be taken at the lowest appropriate level.

SUMMARY

- Politics has always had a spatial, or territorial, dimension, but this became more formalized and explicit with the emergence of the idea of territorial sovereignty. However, territorial politics have been reconfigured by a shift in political decision-making to bodies both 'above' and 'below' national government, giving rise to multi-level governance and the establishment of a complex policy process in which political authority is distributed vertically and horizontally.
- The most common forms of subnational territorial organization are federal and unitary systems. Federalism is based on the notion of shared sovereignty, in which power is distributed between the central and peripheral levels of government. Unitary systems, however, vest sovereign power in a single, national institution, which allows the centre to determine the territorial organization of the state.
- Other factors affecting territorial divisions include the party system and political culture; the economic system and level of material development; the geographical size of the state; and the level of cultural, ethnic and religious diversity. There has been a tendency towards centralization in most, if not all, systems. This reflects, in particular, the fact that central government alone has the resources and strategic position to manage economic life and deliver comprehensive social welfare.
- Regionalism is a process through which geographical regions become significant political and/or economic units, serving as the basis for cooperation and, possibly, identity. Transnational regionalism takes different forms depending on whether the primary areas for cooperation are economic, security related or political. The main theories of regional integration are federalism, functionalism and neofunctionalism.
- Regional integration has been taken furthest in Europe. The product of this process, the EU, is nevertheless a very difficult political organization to categorize, having both intergovernmental and supranational features. Amongst the challenges confronting the EU are tensions between the goals of 'widening' and 'deepening', continuing anxieties about the EU's 'democratic deficit' and the crisis in the eurozone which may threaten the long-term viability of monetary union.

Questions for discussion

- Why, and to what extent, is politics linked to territory?
- Is the federal principle applicable only to certain states, or to all states?
- What are the respective merits of federalism and devolution?
- Is the tendency towards centralization in modern states resistable?
- Why has economic regionalism made more progress than security regionalism or political regionalism?
- Does regionalism have the capacity to replace nationalism?
- What is the relationship between regionalism and globalization?
- What kind of political body is the EU?
- Is the process of European integration in danger of unravelling?

Further reading

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- Denters, B. and L. E. Rose (eds), *Comparing Local Governance: Trends and Developments* (2005). A useful examination of the nature and extent of transformation of local governance, which looks across Europe as well as at New Zealand, Australia and the USA.
- Fawn, R. (ed.) *Globalising the Regional, Regionalising the Global* (2009). An authoritative collection of essays that examine theoretical and thematic approaches to regionalism, including six regional case studies.
- McCormick, J., *Understanding the European Union: A Concise Introduction* (5th edn) (2011). A concise, lively and readable introduction to the workings and development of the EU, and the implications of European integration.