

policy, Michel Barnier, did not show much enthusiasm for the idea. He emphasized that ultimate responsibility for partnership lies with the member state, not the Commission:

Question (by MEP Hedkvist Petersen): If a Member State puts forward plans and programmes without strong partnership, what will you do to ensure that the principle of partnership is taken into account? What concrete measures will you take? *Reply (by Mr Barnier):* Partnership is, I would remind you, Mrs Hedkvist, one of the areas for which the Member States are competent. Fundamentally, what you fear to some extent is that when Single Programming Documents are drawn up for programming projects and even for specific projects, this partnership is insufficient. But under the principle of subsidiarity—I would reemphasize this, since it is a constraint by which I must abide—Member States have sole responsibility for deciding who should be present at the table, both as regards who should take part in discussions with the Directorate-General and me, and as regards the monitoring committees (Excerpt from the Parliamentary debates on 13 September 1999).

5. These figures do not include funds for enlargement. More than €7.3 billion is set aside for pre-accession aid, such as Phare, agricultural aid, and a structural instrument. In addition, the financial perspectives make provision for the accession of some countries in 2002, for which another €39.6 billion is budgeted for structural measures (one-third agriculture and two-thirds structural funds). If one includes additional structural funds expenditure from 2002 onward in the overall cohesion policy budget, 38.6 percent (as opposed to 32.6 percent) of the EU budget in 2006 will be devoted to cohesion policy.

6. The remaining 12 percent of the funding is distributed country by country.

7. Except in the prospective member states from Central and Eastern Europe, which have been encouraged by the Commission to set up regional tiers of government.

8. Recent attempts to provide guideposts for territorial distribution of political competencies are contentious. The most commonly discussed principle in recent years, subsidiarity, poses a straightforward principle—decentralization to the lowest feasible level—but provides few clues concerning what is feasible (see note 5 in chapter 2). Subsidiarity, as revealed in the negotiations leading to the Maastricht Treaty, is notoriously ambiguous in practice.

6

Variations in Cohesion Policy

Policy making varies decisively across policy areas in the European Union.¹ However, variation within policy areas may be equally great. This is certainly the case in the European Union's cohesion or structural policy, which involves redistribution to poorer regions to upgrade their potential for economic growth.² In this chapter, we explain variations in cohesion policy by disaggregating policy making into its component parts, each of which, we shall argue, has a distinctive logic.

Cohesion policy varies spatially. It is financed and designed at the European level, largely by national governments and the Commission, and in this sense one can speak of a Europe-wide policy. But one finds wide variation across and, in some cases, within countries when one examines the politics of how the money is spent. The creation, negotiation, implementation, and monitoring of regional development plans (in Euro-jargon, "structural programming") are territorial endeavors, and they reflect territorial relations in particular countries.

One must, therefore, slice in two directions to gain an accurate understanding of cohesion policy: across distinct phases of policy making and across territory. By using a sharp analytical knife, one may uncover and explain regularities that would be invisible were one to compare whole policy areas.

The questions that we will be asking of the evidence have to do with the basic—and contested—issue of political influence in the European Union. To what extent have national governments been able to project their domestic power into the European arena? To what extent is decision making in cohesion policy shared with noncentral-state actors, both subnational governments beneath the central state and supranational actors above the state? Answers to these questions inform our conception of the European Union and bear directly on the debate between those who argue that the EU is part of an overarching system of multi-level governance and those who argue that the EU is characterized by state-centric governance (Borras-Alomar, Christiansen, and Rodriguez-Pose 1994; Holliday

1994; Marks, Hooghe, and Blank 1996; Moravscik 1993, 1994; Scharpf 1994; for an overview, see Caporaso and Keeler 1995, and also chapter 1 in this book).

Cohesion policy can be disaggregated into three distinct phases of policy making: bargaining the financial envelope, creating the institutional context, and structural programming. Table 6.1 provides a roadmap of cohesion policy, summarizing the distribution of political influence across these three phases and their respective subphases.³ The following sections of this chapter deal with these in turn. A final section takes up the question of change in cohesion policy.

PHASES OF POLICY MAKING IN COHESION POLICY

The First Phase: Creating the Budgetary Envelope

While many policy areas can be described as institutions looking for funding, cohesion policy is funding looking for institutions. Decisions concerning financial redistribution among the member states precede decisions on broad policy goals or decisions concerning institutional design. The driving force in this phase of policy making is bargaining among national governments about which countries get what. How they get it is the outcome of a subsequent negotiation with its own political logic.

Financial bargaining among national governments is structured by the Commission. It takes place on a cycle that parallels the multi-year cycle of the structural plans (community support frameworks) drawn up for each participating country, and the bargaining is conducted against the backdrop of negotiations on the financial package drawn up by the Commission for overall spending in the European Union—the so-called multi-annual financial perspectives. So far, three rounds of negotiations have taken place: the first in 1988, prior to the five-year

Table 6.1 Actor Influence in Phases of Cohesion Policy

| | <i>Political Influence of Actors</i> | | |
|------------------------------------|--------------------------------------|--------------------------------|----------------------------|
| | <i>Central Government</i> | <i>Subnational Governments</i> | <i>European Commission</i> |
| Budgetary Envelope | strong | insignificant | weak |
| Institutional Context | | | |
| Institutional design | strong | insignificant | strong |
| Eligibility of regions for funding | weak | insignificant/moderate | moderate |
| Cohesion fund | strong | insignificant | weak/moderate |
| Policy Making | | | |
| Community support framework | weak/strong | weak/strong | weak/moderate |
| Community initiative | weak | weak | strong |

cycle of 1989 to 1993 (Delors I); the second in 1993, prior to the six-year cycle of 1994 to 1999 (Delors II)—both of which we discuss in this chapter—and the third in 1999, prior to the seven-year cycle of 2000 to 2006 (*Agenda 2000*), which we examine in the next chapter. The Commission is by no means a passive bystander in this exercise but sets the agenda by linking its proposals on cohesion spending to the EU budget as a whole.

From a financial standpoint, cohesion policy is an elaborate system of side payments from governments in richer EU countries to those in poorer EU countries in exchange for the agreement of governments in poorer countries to intensified economic integration (Marks 1992). The underlying logic of this game is simple, pitting contributors against beneficiaries, but no rigid cleavage has developed, for the following reasons:

- The relative position of countries varies across time. Most importantly, Germany has acquired an extremely poor territory, and Ireland and Spain have been growing out of the poorest camp.
- Cohesion policy is made up of distinct redistributive components, each of which poses different sets of winners and losers. Hence, coalitions on overall spending for cohesion policy are fractured when it comes to spending for particular objectives.
- National interest is overlaid with ideological issues arising from large and transparent inequalities of life chances across the EU. Many on the political left who press for egalitarian policies within their own countries extend their arguments for greater equality to the European Union as a whole. Socialists in the European Parliament have consistently pressed the case for increased cohesion spending.

Overall spending on cohesion policy is determined by national governments, but they do not have a free hand in allocating funding across priorities or within their own territories. The Commission can exert political leverage vis-à-vis national governments because it can facilitate—or slow down—disbursement of previously agreed budgets (for examples, see McAleavey 1993; Anderson 1996). In addition, the Commission allocates a fixed percentage of the budget to its own regional initiatives (around 9 percent for the first two rounds, down to 6 percent for the 2000–2006 round). Until 1993, it had near-complete discretion over these funds, but since then a monitoring committee of national representatives has had oversight.

The dominion of national governments in the EU is greatest on financial matters. When it comes to dividing the pie, hard bargaining among national governments tends to drown out supranational influences. Correspondingly, the role of the Commission grows as one moves from phase 1 of cohesion policy, the allocation of resources, to phases 2 and 3, which determine how the money is spent. In the latter phases, the influence of the Commission is based on its ability to frame issues as problem solving and thereby avoid zero-sum conflicts.

The Second Phase: Designing Institutions

National governments shape the financial envelope for cohesion policy, but they determine only the general outline of how the monies are distributed. The institutional means to achieve the goal of cohesion are based on a blueprint drawn up by the Commission in 1988. The Commission's influence has several sources. In the first place, formal interstate agreements are vague on administration of cohesion funds. Second, the Commission's institutional blueprints are conceived before national governments have the opportunity to debate them. Finally, the Commission can defend its proposals as a means to the shared goal of increasing economic growth in the poorer regions of Europe.

This is not to say that the Commission has always had a free hand. While national governments accepted the radical reform of the structural funds in late 1988, which gave the Commission wide-ranging financial and bureaucratic influence (Hooghe 1996a), the 1993 round of institutional design was openly contested. On the one side, the French, British, German, and Spanish governments wanted to rein in Commission influence and renationalize regional policy. The French presented a coherent plan to this effect, and they were strongly supported by the British, who argued that national governments were better able than the Commission to get value for money. The Spanish government, which wanted to impose national (rather than regional) priorities in economic development, was also supportive, as was the German government, which complained about Commission constraints on the eligibility of German regions for regional subsidies. This formidable coalition was opposed by the two largest beneficiaries of the EU's cohesion policy, the Portuguese and the Irish, along with a perennial supporter of the Commission, the Belgian government.

This would appear to be a scenario for substantial change, yet the resulting reforms did not alter the basic principles of structural policy established in 1988. This poses a puzzle that we will return to below, but first we describe the 1993 reforms.⁴ In the next chapter, we take the story up to the most recent round of institutional reform in 1999.

The most important outcome of the 1993 reforms was to simplify structural programming. From 1989 to 1993, structural programs were formulated in three stages: first, national governments devised broad regional development plans; second, national governments and the Commission negotiated these plans into binding contracts for European funding called community support frameworks; third, national governments and Commission administrators together with subnational representatives (and in some cases, nongovernmental actors) created "partnerships" to devise specific programs. Under the 1993 reforms, national governments could simplify the process in two, rather than three, stages. In the first stage, national governments could draw up regional development plans that included specific programs, and in the second stage, national governments negotiated these with the Commission into community support frameworks.

On balance, this reform slightly reduced Commission influence. Because national governments could bring detailed plans rather than general statements of priorities to the negotiating table, the Commission had less room to shape priorities. Furthermore, it was difficult for the Commission to make approval of community support frameworks contingent on the involvement of subnational actors because regional development plans were drawn up by national governments before the Commission came into the picture. However, the Commission could still delay implementation of a regional development plan if it was unhappy with either its substance or the process by which it was negotiated.

Other changes initiated in 1993 were more ambiguous in their effects. National governments were intent on regaining control over the designation of regions for funding, and the competitive struggle among governments on behalf of their regions was intense. Instead of selecting regions objectively, the Commission bowed to member state pressures and promoted Merseyside in England, Hainaut in Belgium, East Berlin and the eastern *Länder* in Germany, part of Nord-Pas de Calais in France, and Flevoland in the Netherlands to the status of objective 1 (underdeveloped regions). Instead of selecting objective 2 regions (declining industrial areas) and objective 5b regions (rural areas) on the basis of objective economic criteria, each national government put forward a list of regions, which was then negotiated with the Commission.

While one might have expected this reform to undermine the influence of the Commission, it did the reverse. Because national governments put forward more regions than could be selected for funding, negotiation with the Commission became decisive.⁵ Intense competition among national governments elevated the Commission as an arbiter. Regional governments mobilized also. In the months leading up to the final selection, the Commission was incessantly lobbied by subnational representatives who explained why they deserved funding.⁶ Hence, the attempt by national governments to renationalize the selection process had not one but two unintended consequences: it intensified competition among national governments, empowering the Commission as referee; and it mobilized subnational governments in the European arena to influence the decision-making process.

The other reforms of 1993—concerning monitoring and assessment, Community initiatives, and additionality—were a mixed bag with respect to Commission influence. Provisions for monitoring and assessment on the part of the Commission were strengthened, mainly at the request of the U.K. government, which wished to tighten supranational supervision in Southern Europe while resisting it in Britain. At the same time, Community initiatives suggested by the Commission had to pass muster in a new oversight body made up of national representatives.⁷

Finally, a new instrument for cohesion policy was created—the cohesion fund—which short-circuited the established funding process by delivering money directly to central governments. The fund, which Spanish Prime Minister Felipe Gonzalez demanded as a side payment for Spanish agreement to the Maastricht Treaty, supports environmental and transport projects in countries whose per

capita gross domestic product (GDP) is less than 90 percent of the EU average (namely, Spain, Portugal, Ireland, and Greece). Unlike the reforms of structural funding, which left the basic structure essentially intact, this initiative posed a real alternative, for it created an entirely new administration to deliver national, not regional, funding. The Commission, led by its directorate-general for regional policy, sought to limit the scope and independence of this new fund. In 1999, €2.6 billion was channeled through the cohesion fund, compared to €30 billion for cohesion policy as a whole.⁸

All in all, the reforms did not threaten the radical innovations of the initial 1988 design. National governments were unable to renationalize structural policy. Rather they tinkered with the policy at the margin, and not always with the desired results. This raises an interesting and important question: why did the heavyweight coalition of governments noted above not succeed in decisively reigning in the Commission?

The decision rule of unanimity in the Council of Ministers thwarted renationalization because the Commission had the support of the Belgian, Portuguese, and Irish governments. Unanimity is usually regarded as a balk to European integration; but, more accurately, it makes *any* reform more difficult, whether in the direction of increased or decreased integration. Where some level of integration is an accomplished fact, unanimity may therefore block the reassertion of national authority (see chapter 1).

A deeper reason for the failure of renationalization is that national governments are usually not solely—nor even mainly—driven by a preference to minimize the loss of national control. At the Edinburgh summit (1992) and subsequent meetings of the Council of Ministers, the key issues did not have to do with national sovereignty but with gaining greater efficiency in the allocation of regional investment, improving control of EU spending, and, most importantly, who gets what. These issues cannot be boiled down to a tug-of-war for control between national governments and supranational institutions. Some national governments were faced with difficult trade-offs between their desire for substantive outcomes and their wish to renationalize decision making. For example, the British government's case for renationalization did not sit easily with its demand for value for money. A British representative reportedly argued for more Commission scrutiny of spending to thwart corruption—except in Britain! If national governments were mainly concerned with sustaining their control over decision making, they would probably be able to squelch supranational power. But, as we argue in chapter 4, those who hold executive power in European democracies have other important goals also, including getting reelected, increasing economic growth, and maintaining party unity, and these are by no means the same as defending national sovereignty.

The Third Phase: Structural Programming

The political logic of structural programming is quite different from institutional design or redistributive bargaining. Institutional design and redistributive bar-

gaining are games played between national governments and the European Commission (with some role for the European Parliament) at the European level. Structural programming, by contrast, involves subnational actors as well as national governments and the Commission, and it varies enormously from country to country. But before we discuss territorial variation, we must again disaggregate the policy process, for there are three instruments of cohesion policy, and each has a distinct political character.

The *cohesion fund* to finance environmental and transport projects operates outside the structural funds. It involves the Commission and national governments of recipient countries, but excludes subnational governments. The amounts involved have been relatively small—some €10 billion over the 1994–1999 period—compared to the €141 billion flowing through the structural funds and €18 billion for 2000–2006, compared to €195 billion for the structural funds.

Between 6 and 9 percent of structural spending is determined autonomously by the Commission in the form of *Community initiatives*, multiregional programs targeted at specific problems such as reconversion of declining coal-mining regions, promoting communications infrastructure in the most peripheral regions, cross-border regional collaboration, or urban innovation. The Commission is largely responsible for formulating these initiatives, though it pays attention to the demands of national and subnational governments in doing so.

The bulk of the structural funds are organized in *Community support frameworks* (CSFs), which are economic development plans tailored for particular member states and regions. More than any other EU policy, structural policy reaches into member states, linking the Commission directly to subnational governments and private actors. Unlike the budget for cohesion policy, which is determined by a single round of bargaining, budgets for CSFs are negotiated in policy networks that vary from country to country. In the first period of structural policy, from 1989 to 1993, CSFs were operationalized in four stages: first, general regional or national development plans were formulated for each recipient country; second, these were negotiated by national representatives and the Commission into legally binding CSFs; third, operational programs for specific development projects were derived from the CSFs; fourth, these were then implemented and monitored in the target region. We examine these stages in turn.

Stage 1

The first stage of structural programming involved the formulation of national or, more commonly, regional development plans by national governments that were then negotiated with the Commission. The extent to which national governments controlled the access of regional and local governments varied widely, as table 6.2 shows. In Belgium, Germany, and Spain, regional governments played a significant role, whereas in France, Greece, Ireland, and the United Kingdom

Table 6.2 Political Influence in Structural Programming by Stage, 1989–1993

| | S T A G E | Political Influence of Actors | | | |
|----------------|-----------------------|-------------------------------|-------------------------|----------------------|------------------------|
| | | Central Government | Regional Governments | Local Governments | European Commission |
| Belgium | 1 | weak | moderate | strong | moderate |
| | 2 | weak | strong | insignificant | moderate |
| | 3 | weak | strong | insignificant | moderate |
| | 4 | weak | moderate/strong | weak/strong | moderate/strong |
| France | 1 | strong | weak | weak | insignificant |
| | 2 | strong | insignificant | insignificant | weak |
| | 3 | strong | weak | weak | moderate |
| | 4 | strong | weak | weak | weak |
| Germany* | 1 | moderate | strong | weak | insignificant |
| | 2 | strong | strong | insignificant | weak |
| | 3 | insignificant | strong | moderate | weak |
| | 4 | insignificant | strong | moderate | moderate |
| Greece | 1 | strong | weak | insignificant | weak |
| | 2 | strong | insignificant | insignificant | moderate |
| | 3 | strong | weak | insignificant | moderate |
| | 4 | strong | weak | moderate | moderate |
| Ireland | 1 | strong | insignificant | weak | weak |
| | 2 | strong | insignificant | insignificant | moderate |
| | 3 | strong | insignificant | insignificant | moderate |
| | 4 | strong | weak | moderate | moderate |
| Italy | 1 | strong | weak/moderate | insignificant | weak |
| | 2 | strong | weak | insignificant | moderate |
| | 3 | moderate | weak/moderate | weak | moderate |
| | 4 | moderate | weak/moderate | weak | moderate |
| Spain | 1 | strong | moderate/strong | insignificant | weak |
| | 2 | strong | weak | insignificant | moderate |
| | 3 | strong | strong | insignificant | moderate |
| | 4 | strong | strong | insignificant | moderate |
| United Kingdom | 1 | strong | insignificant | insignificant | insignificant |
| | 2 | strong | insignificant | insignificant | weak |
| | 3 | strong | insignificant | weak | weak |
| | 4 | strong | insignificant | weak | moderate |

*West German *Länder* only.

central governments dominated the formulation of CSFs and subnational actors were kept on the sidelines (De Rynck 1996; Conzelmann 1995; Anderson 1990, 1992, 1996; Morata and Muñoz 1996; Laffan 1996a; Ioakimidis 1996; Balme and Jouve 1996; Keating 1993; Bache, George, and Rhodes 1996).

Stage 2

At the second stage of structural programming, member state representatives and the Commission negotiated regional development plans into formal contracts (CSFs). In France, Greece, Ireland, Italy, Spain, and the U.K., subnational governments were excluded from these negotiations and, as table 6.2 details, played a role as small as or smaller than in stage 1. In Germany, regional representatives sat alongside federal officials at the bargaining table, while in Belgium, regional governments, not the national government, negotiated with the Commission.

In most cases, the Commission's influence over community support frameworks was limited because it lacked the information necessary to propose alternative development plans. But the Commission could attach conditions to its acceptance of the plans put forward by national governments. The Commission requested that the U.K. government accept "additionality," the principle that a national government should not decrease its regional spending to offset EU spending. It also pressed the German government to limit regional aid to its richer regions, and the Spanish and Irish governments to allow more regional participation in their development planning.⁹

Stage 3

The third stage of structural programming consisted of the creation of operational programs. These detailed specific projects to achieve the priorities set out in the CSFs. To accomplish this, most national governments had to pay attention to subnational actors. An operational program cannot work well unless it has support and information from the people who are affected by it.

However, national governments handled this in different ways. In Belgium, Germany, and Spain, there was authentic decentralization. Regional governments in these countries played a decisive role in designing regional development projects. In the remaining countries, subnational governments of one kind or another were involved, but as part of a hierarchical system controlled by national governments. Authority was deconcentrated, not decentralized.

Stage 4

The final stage of structural programming involved the implementation and monitoring of operational programs. This is the nitty-gritty of regional development—building roads and communications networks, converting traditional industrial areas for the new economy, enhancing job training, and setting up business information bureaus—and it provided the greatest scope for multi-level partnership. In Belgium and Germany, regional governments dominated the process, while in Spain, the national government and regional governments jostled for control. National governments took the lead in the remaining countries,

but regional and local governments, alongside private actors, participated in the policy networks that carried out the operational programs.

EXPLAINING VARIATION IN STRUCTURAL PROGRAMMING

Is it possible to generalize about the pattern of political influence across different levels of government in structural programming? How can one explain the outcomes represented in table 6.2?

Variation *across stages* of structural programming has a functional explanation. The key is information. Do subnational governments have information that national governments need at a particular stage in structural programming? Subnational governments have most to offer at stage 4, the implementation and monitoring of operational programs. Next comes stage 3, the creation of specific regional projects; then stage 1, establishing national and regional development priorities; and, finally, stage 2, the negotiation of community support frameworks. This ordinal sequence of decreasing reliance by national governments on information provided by subnational governments is reflected, without exception, in the relative strength of subnational governments at each of the four stages of structural programming. In every country the following hierarchy characterizes subnational influence: stage 4 \geq stage 3 \geq stage 1 \geq stage 2. The sequence is reversed from the standpoint of national government influence, and, once again, there are no exceptions.

But variations in political influence are greater *across* countries than *within* them. Structural programming is formulated and implemented in the member states, and, as a consequence, it reflects the wide variations in territorial relations across the European Union. This becomes apparent when one places structural programming in the larger context of domestic territorial relations. Table A2.1 of appendix 2 provides an index of the authority of regional governments across the EU, and it allows us to test whether regional influence in structural programming depends on regional authority more generally. Quantitative analysis confirms the naked eye; the correlation at the country-level between regional influence in structural programming and the index scores for regional governance (in 1990) is strong and highly significant ($r = 0.89$).¹⁰

The role of the Commission depends on its financial impact. Greece, Ireland, Portugal, and Spain stand out in this regard. The sums they received from the EU for regional development have been significantly greater than the resources they have provided for themselves and, correspondingly, the political influence of the Commission in structural programming has been relatively strong in each of these countries.¹¹

CONCLUSION

The evidence presented in this chapter sheds light on variations in multi-level governance across the European Union. To a variable degree—depending on which

phase of cohesion policy one is examining and where decision making is taking place—national, supranational, and subnational governments *share* responsibility for policy making. To understand the distribution of power in cohesion policy, one has to refer not just to the distribution of formal authority but also to financial dependencies, informational asymmetries, and the embeddedness of institutional norms (Rhodes, Bache, and George 1996). Despite their formidable resources, national governments are one set of actors among others operating in multiple arenas.

The questions we are posing here go beyond the extent to which national governments control EU policy making. Rather, we are asking broader questions about the relative influence of multiple actors in a differentiated policy process. To make headway requires an analytical framework that leaves open to empirical inquiry whether national politicians defend sovereignty or whether treaties determine policy outcomes (Peterson 1995; Peterson and Bomberg 1999; Pierson 1996).

We have found that the influence of the European Commission depends on the formal rules governing decision making at the EU level, on the resources it can bring into play, and on the issue at hand. The Commission has greater influence on issues where the intensity of intergovernmental bargaining is reduced because the issue is positive-sum (i.e., it concerns the distribution of benefits rather than costs) or because potential costs or benefits of alternative policies are difficult to predict. For both of these reasons, the Commission was able to exert more influence on the institutional design of cohesion policy than on the financial envelope.

For obvious reasons, the Commission is able to exert more influence if it can persuade national governments that it is not interested in power for its own sake but to help produce better policy. However, this is easier to do on some issues than on others. In structural programming, the Commission offers expertise, a transnational perspective, and technocratic objectivity—qualities that are particularly valuable for governments in poorer countries. So long as it can fulfill this role, Commission power is likely to be tolerated even by those who are mildly opposed to supranationalism.

But perceptions of cohesion policy and the Commission's role in it may change. Supranational influence is by no means inevitable in cohesion policy. Cohesion policy redistributes scarce resources from richer regions to poorer regions. This policy cannot be justified in terms of pure efficiency. As we detail in the next chapter, it is contested—among national, supranational, and subnational governments, and between market liberals, who oppose government intervention in the market, and proponents of regulated capitalism, who argue that government intervention is sometimes beneficial.

NOTES

1. We would like to thank Jeffrey Anderson, Ian Bache, Richard Balme, Stephen George, Michael Keating, and Mark Pollack for comments on an earlier draft, and Richard Haesly and Stanislav Vasiliev for research assistance.

2. In this paper we refer to cohesion policy as the sum total of the European Union's structural policy plus the cohesion fund created under the Maastricht Treaty.

3. We define political influence as the relative capacity of an actor to shape policy outcomes. The policy outcomes in question encompass both substantive allocations of resources and the allocation of decisional competencies.

4. This section draws on various Commission reports and interviews with Commission officials. For an alternative viewpoint, see Pollack 1995a.

5. Altogether, the proposals put forward by national governments for objective 2 regions encompassed 22.5 percent of the EU's population, in excess of the indicative ceiling of 15 percent. *Inforegional* reports, "The Commission therefore had to compress the list considerably, trying to reconcile the need for consistency and transparency with the need to take account of differing national priorities and circumstances" (1994). The final list of eligible regions covered 16.8 percent of EU population.

6. Subnational governments representing industrial regions eligible for objective 2 funding mobilized expressly to try to gain a larger share of overall cohesion funding for the 1994–1999 round (McAleavey 1994). While there is little indication that they were successful in influencing the distribution of funding across objectives (and are rated "weak" in table 6.1), this is yet another example of the dynamic consequences of European integration for interest group mobilization.

7. The decision on the financial size of Community initiatives was similarly inconclusive from the standpoint of Commission influence. Under Delors I, Community initiatives amounted to a little more than 9 percent of total structural funds commitments (€58.3 billion in 1988 prices). In its plans submitted to the Council of Ministers, the Commission asked for 15 percent. The Edinburgh summit limited this to 5 to 10 percent, and the final outcome was—once again—9 percent, but now of a sum total of €141.5 billion in 1992 prices.

8. Until 1999, the official currency of the European Union was called the ECU (European Currency Unit). Strictly speaking, the ECU was not a real currency but a weighted basket of EU currencies. Since 1999, the ECU has been replaced by the euro. For simplicity's sake, we use the € as the currency denominator throughout.

9. The Commission's leverage lay chiefly in its capacity to withhold agreement to a Community support framework, hence slowing down, or even halting, financial outlays. This was brought into play on several occasions. The Commission withheld its final approval for assistance to the new eastern *Länder* in 1991 until the federal government limited national assistance in the western *Länder* (Anderson 1996). It delayed signing on to Spanish CSFs in the 1988 negotiations because, in its view, the Spanish government did not permit sufficient regional input. In Ireland, the Commission downsized the Irish CSF because regional participation in the national development plan was weak (Laffan 1996a).

10. We arrive at the summary score for the influence of regional governments in structural programming by summing regional government influence (insignificant = 0; weak = 1; moderate = 2; strong = 3; with intermediate evaluations scored with half points) across the four stages. The summary scores are as follows: Belgium (11); France (3); Germany (12); Greece (3); Ireland (1); Italy (5.5); Spain (9.5); U.K. (0).

11. Summary scores for Commission influence using the same method as that for regional influence (see previous note) are Belgium (8.5); France (4); Germany (3); Greece (6); Ireland (7); Italy (7); Spain (7); U.K. (4).

Cohesion Policy under Threat

EU cohesion policy as we have known it since 1988 is under threat.¹ When the policy came up for renegotiation in 1999, a prolonged period of rapid budgetary expansion (to 35 percent of total EU spending) came to an end. Just as significantly, the rules of operation for EU cohesion policy were rewritten in ways that dilute its key objectives. How can one explain the partial erosion of an extensively institutionalized EU policy, and what are the implications for EU governance?²

This chapter argues that contestation about EU cohesion policy is part of a larger struggle between those favoring neoliberal capitalism in Europe and those who support a more interventionist conception of the state, which we term "regulated capitalism." Over the past decade, the coalition that underpinned cohesion policy has fragmented, but a new anti-neoliberal coalition has emerged around an EU employment policy.

EUROPEAN REGULATED CAPITALISM AND COHESION POLICY

The demise of national Keynesianism and the creation of a common European market in the 1980s have reshaped European political economy. There has been a general shift away from state ownership and toward market-oriented policies, but basic choices concerning the structure of political authority in Europe and the role of the state continue to shape political debate. To what extent should market activity be regulated at the European level, and to what extent, if at all, should the European Union redistribute from rich to poor? In short, what form of capitalism do Europeans want?

In chapter 8, we characterize two dominant contending models, or "projects," for organizing European society, which we label neoliberalism and regulated capitalism. This same tension has been pointed out by others, as one between a neo-American model and social democracy (Wilks 1996), unfettered and institutional