

Neofunctionalism and European Integration: Is it Still a Case of Spillover?

Written by Nisreen Mansour

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NISREEN MANSOUR, AUG 3 2011

Neo-functionalism has been described as a synthesis of David Mitrany's theoretical 'functionalism' and the pragmatic approach to management taken by Jean Monnet, the first president of the European Coal and Steel Community (ECSC).¹ As well as an important founding father, Monnet is seen as a central character in the story of the EU because he sought to realise tangible gains for ECSC members whilst simultaneously creating the conditions for further gains through the development of the European Economic Community (EEC). On the basis of Monnet's strategic vision, neo-functionalism introduced a political dimension to Mitrany's functionalism by attempting to explain how and why European integration would result from the choices of competing political actors. However, the theory fell out of favour amongst theorists of integration after it failed either to recover from criticisms made by intergovernmentalists or provide reasons for the contradictory empirical evidence which emerged in the 1960s. This paper will argue that neo-functionalism is thus widely regarded as an unsatisfactory account of European integration, but that particular efforts to (partially) revive the movement have nonetheless been well received by integration theorists, particularly as result of their analysis of supranational institutions.

The first section of the paper seeks to define neo-functionalism in some detail to ground and clarify this analysis. Second, the paper examines some of the key arguments made against neo-functionalism, and demonstrates how these correspond with the empirical evidence. The final section of the paper then looks at the theories which have sought to revive certain aspects of neo-functionalism whilst avoiding the problems of the original grand theory. It is concluded that these efforts provide a significant and reasonably persuasive response to the charge that neo-functionalism is unsatisfactory.

Neo-functionalists seek to explain the process of political integration. They focus on shifts in the 'loyalties, expectations and political activities' of various national political actors in order to highlight the emergence of 'a new [political] centre, whose institutions possess or demand jurisdiction over the pre-existing national states'.² On the neo-functionalist argument, this supranational European centre is the result of incremental and unintentional acts driven by interests rather than the concerted efforts of specific actors at the European level. As such, it is manifest in gradual and uncontrollable transfers of power which seem to be required by political and economic conditions at the national level. Policy makers look to Europe, for instance, to try to alleviate the unintended national consequences of economic and functional European integration.

These unintended consequences, or 'spill-overs', are the result of policies which aim to harmonise a limited set of inter-national relations but which also create the need for yet further policies to be harmonised. And, as a result of these latter harmonisations, yet further policies needed to be harmonised.³ For example, the removal of tariffs on goods passing between national borders in the European Economic Community has illustrated the further need for the European Commission to harmonise national tax laws and regulations which lead to price discrimination, reduce inter-state competition and, contrary to the aims of the market, leave national firms at a disadvantage in other European markets.⁴ As this shift from national regulatory autonomy towards a 'supranational regulatory capacity' illustrates, while they are intended to further only national interests transfers of power to Europe lead these interests to be couched themselves in terms of the interests of Europe as a whole.⁵ As such, transfers of power to the supranational level are likely to be irreversible.

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The political actors who drive this process are national political elites, the 'leaders of all relevant political groups who habitually participate in the making of public decisions, whether as policy-makers in government, as lobbyists or as spokesmen of political parties'.⁶ While it was emphasised above that the supranational concentration of power is explainable by reference to national interests, neo-functionalists emphasise that national actors themselves have a variety of goals. What is constant is that they are willing to transfer their loyalty to Europe when they believe this will further these goals. Thus, even in the formulation of *national* policy, if the national government proves to be uncooperative the political actors will be willing to seek intervention from the supranational authority.⁷

The recent European intervention into Ireland's economy illustrates this process well: despite the Irish government's attempts to placate international financial markets through fiscal prudence and calls for calm, the head of the Irish Central Bank (as well as numerous investors in Irish banks and government debt) called directly for assistance from Europe. As well as the collapse of the Irish government, the terms of this assistance require Irish fiscal policies to be tightened yet further. Hence, national loyalty is considered a flexible trait by neo-functionalists and the success of supranational institutions is argued to rely increasingly upon political actors transferring their loyalty to them. Supranational actors also have a role to play in promoting integration. According to the thesis of 'cultivated spill-over', when European actors (usually the Commission, as it stands for European interests) are requested to step in as mediators in situations of conflict, they behave as 'policy entrepreneurs' and tend to expand their mandate when devising solutions (again, the impending changes to European governments' fiscal rules resulting from the economic crisis illustrates the point).⁸ Thus the high authority encourages integration at the same time that it seeks to institutionalize it.

Despite the intuitive appeal of the neo-functionalist account, and its apparent congruence with contemporary events, developments in European integration in the 1960s and 1970s called the spill-over thesis into question. As the exposition above suggests, the spill-over of European policy effects suggests that integration as a process only moves in one direction, and that nation states would have neither the reason nor the power to reverse the process. Yet the actions of President de Gaulle are difficult to explain according to neo-functionalism. De Gaulle's veto of the British membership application in 1963 and the 'empty chair crisis' of 1965, when France withdrew from European Community business, provide examples of a member state wishing to curtail further integration on the one hand and, on the other, to partially withdraw itself from the more integrated aspects of European governance.⁹ The trajectory of European integration was not going as the neo-functionalists' had anticipated.

These events provided, in part, the basis of Stanley Hoffmann's critique of neo-functionalism. Hoffman argued that the neo-functionalists had attached too much significance to the role of supranational authorities and had miscalculated the interests of European nation states in the post-war order. His 'logic of diversity' suggests that neo-functionalists, with their 'logic of integration', over-estimate the extent to which supranational institutions will unintentionally integrate the powers and prerogatives of national governments as a consequence of 'spill-over' processes. In particular, neo-functionalists assume that integration is a positive-sum game, and that the gains to national economies will always outweigh the loss of national legislative autonomy, even if these overall losses are not anticipated when each decision to cede further power is taken.¹⁰

Hoffmann argued that this ambiguity is unappealing to national governments, because they stand to lose more through a loss of control over high-visibility issues of national importance than they can gain through better European policies.¹¹ This calculated caution can be seen in the UK government's consistent 'stand-offish' approach to European integration and legislation (which was well illustrated by David Cameron's recent high-profile attempt to both call into question and limit the expansion of the EU's annual budget). Because of the electoral unpopularity of Europe and the Euroscepticism of the British press, even the more Euro-friendly UK politicians (such as Tony Blair) allow little more integration and co-operation than is necessary for continued membership of the EU (such as the Lisbon treaty, which was passed by the more Eurosceptic Gordon Brown). As Hoffman suggested, European nation states often prefer the certainty (or, perhaps, 'self-controlled uncertainty') of national self-reliance in areas which are of particular importance to them.¹² The neo-functionalist model failed to incorporate the significance of 'high politics' in its analysis of integration.

The nationalist sentiment identified by Hoffmann manifested itself in the 'Luxembourg Compromise' of 1966, which

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saw a move toward intergovernmental decision making, increasing the power of the Council and summit meetings.¹³ The national governments represented at the Luxembourg Accords wished to limit the powers of the collective and supra-national authorities by instigating a veto clause which meant that they could always shield their 'vital national interests' from external influence. Toward the end of the 1960s even Ernst Haas was able to see how his theory was struggling to account for the behaviour of national actors within the European Community. He described the European context at this point as akin to 'turbulent fields' because of the increased complexity of industrial and economic decision processes. On this realist view of Europe, confusion and complexity dominate the political space as actors have a number of different objectives that are incompatible with one another but they are also unsure what results will be obtained from a trade-off.¹⁴ Neo-functionalists had assumed that actors would be working with highly imperfect knowledge, and that actors are likely to 'miscalculate not only their capability to satisfy initial mutually agreed -upon goals' but also the spill-over effects of these decisions.¹⁵ But as Haas observed, the wider context the European Community found itself in during the 1960s was so complex, and knowledge sharing and coordination within the community were so flawed, that political actors simply did not know how to behave.¹⁶ In such conditions, the outcomes of the integrationist process were extremely unpredictable and actors were not willing to place all their faith in the supranational authority when they may be worse off by doing so.¹⁷

Complementing this critique, Roger D. Hansen has also criticised neo-functionalism for failing to take into account the effects of 'international environment changes on elite perceptions within the regional union over time'.¹⁸ The neo-functionalist analysis of integration fails to take into account *international*, non-European factors which may influence regional integration. Hansen's observation came at a critical time in the history of the EU as the pace of integration was about to dramatically slow down. Following the 1973 oil crisis, developments in European integration were rare as a long period of economic stagnation ensued for the EEC. The combination of inflation and recession (which is now called 'stagflation') undermined the ability of traditional economic policy tools to stabilise the economy and realise desirable outcomes. As a result, it seemed less apparent that anything could be gained from further EU integration. Moreover, Hansen's critique was followed by the 'interdependency' turn in international relations, which saw a number of theorists argue in a similar vein that the focus of analysis should shift from theories of regional integration to overall interdependence. Haas was one of these theorists, arguing that regional integration had become obsolete in the European setting.¹⁹

The notions of the 'domestic' and the 'international' were becoming blurred as states were not the only relevant actors. Supranational institutions like the Commission and the IMF as well as multinational corporations and sub-national actors such as the members of OPEC were all able to shape international politics, and yet neo-functionalism only considered the role of national governments in the integration process.²⁰ As Haas pointed out, theories of regional integration do not factor in the relationships between the nations of the EEC and these other actors.²¹ As such, they rest upon assumptions about integration which fail to consider all of the relevant variables.

Ultimately, neo-functionalism seems to lack a clear theoretical core and therefore offers an insufficient analytic framework for European integration. Although initial variants of the theory seemed to predict that integration would lead to a federal structure, revisions of the thesis which attempt to account for 'spill-back' and the slowing in pace of integration have produced a theory so indeterminate and complex that the assumptions and results can no longer be empirically tested.²² Andrew Moravcsik argues that this is a result of neo-functionalists' predicting the course the EC will take without providing 'more specific theories that identify the decisive determinants of politicians' choices among competing alternatives'.²³ The neo-functionalist model, in other words, offers no theory of how governments actually make choices and decisions. As a result, neo-functionalist theorists struggled when the process of European integration began to contradict their predictions as they had no clear framework to judge whether the methods of decision making adopted by nation states was in line with their thesis or not.

Nonetheless, despite the manifold failings of neo-functionalism, the theoretical standpoint experienced a revival in the late 1980s as the pace of European integration once again gained momentum with the Single European Act, which was a clear step toward further integration. It was also suggested that 'functional spill-over' was the cause of this; the removal of tariff barriers had generated a demand for 'harmonization of product standards' within the regional boundaries of the EC.²⁴ The revival theorists thus put forward two arguments. First, they claimed that supranational institutions played a pivotal role in the EC and second, that through their various powers, the European Court of

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Justice, and the Commission both pursue deeper European integration.²⁵ Many of the theorists that tried to revive neo-functionalism failed to address the major criticisms of the movement, but the last section of this paper focuses on those that did and what they were able to salvage from the theory.²⁶

The new theories of neo-functionalism differentiate themselves from the old by distancing themselves from the 'grand theories' or European integration. Alec Stone Sweet and Wayne Sandholtz have devised a theory that borrows from neo-functionalism but only looks at how supranational governance evolves over time, rather than attempting to theorize the whole integration process.²⁷ At the centre of their hypothesis is the rate of transnational exchange, which, they argue, has been the 'catalyst of European integration'.²⁸ Supranational authorities serve the interests of those who operate across borders as they produce rules which are relevant to their needs. Consequently, when the rate of transnational exchange increases, there will be more interest in the supranational authority. However, Stone Sweet and Sandholtz sensibly include a caveat; their thesis does not mean that specific details or timings of rule making within the EC can be predicted.²⁹ Their conclusions clearly borrow a great deal from neo-functionalism. They see the integration process as being driven by the interests of political actors (whether as part of the government or not) and they argue that the supranational institutions of the EC push for further integration, for instrumental reasons similar to those identified by the classical neo-functionalists. Yet Stone Sweet and Sandholtz make none of the bold claims that those neo-functionalists made. They argue that self-interested actors put pressure on supranational institutions, which will grow at the expense of national sovereignty, but they do not believe that this will be the only mechanism at play determining the fate of European integration.

New theories of neo-functionalism have also focussed on the European Court of Justice (ECJ) in particular, as it offers a better example of a supranational institution out of reach of the influence of national governments. Intergovernmentalists have argued that the ECJ is only able to operate within the clear boundaries that have been established by the member-states, and that it is therefore another example of the supremacy of the intergovernmentalist model within regional integration theory.³⁰ The neo-functionalist approach to European legal integration, pioneered by Burley and Mattli, opposes this. They proposed that self-interested supranational actors (such as the thirteen ECJ judges) and subnational actors (such as individual litigants and lawyers) were the driving force behind legal integration as they were able to benefit from this process.³¹ They argue that legal integration – the 'gradual penetration of EC law into the domestic law of its member states' – serves as a 'functional domain', replacing the role of economics in tradition neo-functionalism.³²

On this argument, then, the legal sector of the EC has become an area in which integration can be pursued away from the interference of the member-state governments. The ECJ was able to effectively operate as soon as expectation shifted, with the result that through successive judgements it has increased the incidence of spill-over in national policies. Yet, and to illustrate the nuances of the revised neo-functionalist account, the Maastricht Treaty provides an example of European member-states actively trying to limit the powers of the ECJ. By both excluding it from foreign and security policy, and by increasing cooperation between governments in justice and home affairs the Maastricht Treaty sought to reign in the court's authority over their national sovereignty.³³ Still, it could be argued that this co-operation itself represents a spill-over of the judicial integration manifest in the ECJ.

To conclude, in spite of some efforts to revive neo-functionalism, it is clear that many of the core elements of the thesis are either irrelevant or have simply failed to come to fruition. The spill-over effect seems largely to have exhausted itself, with the result that the European Union does not yet have a role in the majority of policy areas. Moreover, the 'politicization' of the EU, which was projected to result in citizens taking an interest in European government in the same way that they do at a national level, has failed to materialise.³⁴ In its attempts to provide a 'grand theory', neo-functionalism was both too ambitious and too simplistic when it predicted the role that the supranational authority would have in Europe, and it underestimated the value of national sovereignty. Yet attempts to revitalise the neo-functionalist thesis suggest that it is not interminably moribund, and that, crucially it is far from unsatisfactory.

Whether it *is* unsatisfactory or not perhaps depends on how that term is defined, but modern neo-functionalists can point to evidence that European integration continues to proceed as a largely unintended effect of past integrationist efforts (manifest in the ECJ). On the revised, more circumspect neo-functionalist argument, these developments

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would be difficult to fit into any other integrationist theory, and while member states have sought to limit this process it can be argued that they have met only limited success precisely because of the unavoidable existence of policy spillovers. As it has been argued in this paper, neo-functionalism errs by failing to take into account the global political context in which regional integration takes place, but it is worth ending by asking whether *any* workable theory could adequately theorise something so incorrigibly complex and unpredictable? If not, then there is a strong case for arguing that any theory of European expansion must include elements of neo-functionalism.

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Written by: Nisreen Anna Mansour
Written at: Queen Mary, University of London
Written for: Dr Françoise Boucek
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