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Author: Dr Gerard Strange

Affiliation: Dept of Policy Studies, University of Lincoln.

Address: Dept of Policy Studies, University of Lincoln, Brayford Pool, Lincoln LN67TS, United Kingdom.

Email: gstrange@lincoln.ac.uk

Phone Nos: Work: 44 01522 886133; Home 44 0115 9607758

Globalisation, Structural Dependency and Regionalism

Dr Gerard Strange, Dept of Policy Studies, University of Lincoln, LN6 7TS; Email: gstrange@lincoln.ac.uk

In the late 1980s and early 1990s regionalism was identified by some on the left as a possible way out of the crisis of national social democracy. This followed the consolidation of regional governance, notably in the European Union (EU), following the agreement of the Single European Act (SEA) in 1986 and subsequently the Maastricht treaty on economic and political union in 1991. Regionalism was seen as a potential counter-force to increasingly global capital: whereas multinational corporations (MNCs) and their finance-based allies could, under threat of exit, dictate policy terms to national governments, forcing them to accept the 'golden straight-jacket' of deregulatory neoliberal policy, regional economies like the EU might potentially resist global MNCs, asserting agency to enforce progressive forms of regulation such as the social dimension while actively encouraging Euro-centric investment by creating conditions conducive to scale economies and by underwriting progressive supply-side programmes such as the trans-European networks (TENs). Such a progressive regionalism was the organic vision of the EU's socialist president, Jacques Delors, embodied (albeit in somewhat compromised form) in the 1993 EU white paper on Growth, Employment and Competitiveness. Delors' vision saw the single market, currency union and social cohesion as progressive steps towards a federal, united states of Europe and full political union. The EU was to be regulated by a combination of supra-national corporatism (European social partnership) buttressed, in terms of macroeconomics, by European-level neo-Keynesianism. This would combine traditional national demand management mechanisms, extended to the supranational level, with more innovative supply-side policies aimed at increasing labour productivity and high quality forms of employment while also tackling unemployment by reducing working time.

The combination of social partnership and neo-Keynesianism at the EU level was seen as a means of embedding a commitment to EU competitiveness - thus acknowledging the structural constraints of globalisation and the need to rearticulate social democratic regulation around the 'competition state' - while at the same time reducing unemployment and shifting the balance of market power in favour of labour. Embedded in Euro-Keynesianism, social partnership would provide a set of democratic mechanisms for enforcing 'progressive competitiveness' on European capital. Delors' vision entailed what has been referred to as 'open regionalism',¹ with the EU's neo-Keynesianism regionalism being underwritten at the global level by a new settlement on global financial regulation.²

Major labour movements in Europe signed up to this vision of a progressive EU responding positively to globalisation. For

example, the British trade union movement, long noted for its general hostility towards European integration, became an enthusiastic supporter of the Delors EU. Social democratic Sweden joined the EU after years of preferring national autonomy. While this labour movement enthusiasm for Europe drew on a significant variety of rationales, there was also a common recognition of the declining efficacy of independent national political economy (especially its Keynesian variant) as well as a common focus on the progressive potential of EU-level social democratic governance.

The Constitutionalisation of Monetarism and the 'New Competitiveness'

Monetary Union as Monetarism

Some of the strongest criticisms of European regionalism have been advanced by the advocates of 'new constitutionalism' notably Stephen Gill and Bastian Van Apeldoorn (see, also, Peter Burnham). Gill's main critical arguments have focused on the principle of monetary union and the presumed implications of its implementation. Monetary union, he argues, represents a constitutionalisation of a monetarist or deflationary macroeconomic framework for the EU the objective of which has been to institutionalise or embed or 'lock in' an existing policy bias in favour of neoliberalism. The key objective of the new constitutionalism is, via monetary union, to remove macroeconomics from the realm of contestable politics or, as Peter Burnham has put it, to 'depoliticise' macroeconomics. According to Gill, monetary union is thus fundamentally undemocratic and can be directly compared to attempts made by conservative forces in the USA to put legal-constitutional constraints (the balanced budget amendment) on the fiscal powers of the federal government. In the European context, Gill maintains, the Maastricht convergence criteria, Central Bank (ECB) 'independence' and the Stability Pact are all aspects of monetary union that effectively rule out social democratic alternatives to monetarism.

Gill's negative account of monetary union strongly parallels the criticisms voiced particularly by public sector labour interests in Europe. For example, many European public sector unions, such as Unison in Britain, have been strongly opposed to the principle of monetary union as well as more particularly opposing what has been seen as the deflationary consequences of the convergence criteria and the stability pact and the lack of democratic control over the ECB. But Gill has also sought to account for widespread labour support for the principle of monetary union in a way that is consistent with the identification of the single currency with monetarism and neoliberalism. Thus, drawing on Gramscian concepts, Gill argues that certain fractions of European labour, particularly skilled, private sector, workers employed in multinational companies, have been co-opted into the new constitutionalism as part of a neoliberal 'transnational historic bloc',

incorporating a wide range of interests that cut across social classes, nevertheless dominated by the interests of global capital.³

The New Competitiveness

According to the new constitutionalists, what follows from the institutionalisation of monetarism in Europe through currency union is the neoliberalisation of the *microeconomic* policy environment and its social policy hinterland. This has been evident in the emergence of what Van Apeldoorn has referred to as the 'new competitiveness discourse'. This discourse, Van Apeldoorn argues, was initially sponsored by transnational elite business organisation such as the European Roundtable of Industrialists (ERT). But in the structural context of the single market, monetary union and a more unified global perspective from transnational capital itself following the completion of the Uruguay Round of GATT in 1994 (which gave rise to World Trade Organisation [WTO]), this discourse has emerged as a *dominant* framework for EU-level labour market and social policy, imposing a set of 'benchmarks' on the policy-making process which reflect 'short-term' perspectives on profit making by TNCs and effectively rule out alternatives to the preferred neoliberalism of transnational elites. Seduced by this discourse and constrained by structural integration processes, the European Commission has become increasingly complicit in the institutionalisation of 'disciplinary neoliberalism'. The consequence, Van Apeldoorn claims, has been the extreme weakness of organised labour within the Euro-polity'.⁴

Critique

The Contested nature of monetary union

A general problem (or set of related problems) with the new constitutionalist approach to monetary union is that it does not adequately recognise or engage with the well established and wide-ranging debate on the efficacy of monetary union that now exists on the European left (centre and right!). Moreover, the new constitutionalists unequivocal identification of the single currency project with monetarism and neoliberalism would seem to run contrary to the general support for currency union that exists on the European left.⁵

In relation to the first point, recent research on Europe and the British trade union movement has indicated that there exists a broad spectrum of opinion on monetary union, ranging from deep opposition based on a rejection of the *principle* of currency union, largely evident among public sector unions, to, at the other end of the spectrum, support for the principle of a single currency from unions advocating deeper political integration towards a federal Europe from a plurality of wider political economy discourses including post-Fordism (both right and left wing) and Euro-Keynesianism. An equally diverse spectrum of opinion within the British

Conservative Party has recently been charted.⁶ The new constitutionalist assessment of monetary union is inadequate because it fails to engage with this broader debate. Instead, it largely and uncritically reflects and endorses the 'public sector interest' view, as articulated by public sector unions, which claims an essential identification between currency union and monetarism. In so far as this is a position of principle (as it is with the public sector unions) it can be readily rejected. The principle of a monetary union in the EU is obviously compatible with a plurality of macroeconomic policy frameworks just as, for example, in Britain the pound or in the US the dollar are, in principle, equally commensurate with restrictive or expansionary macroeconomic frameworks. Indeed, it is arguably the case that monetary union represents a fundamental precondition for a stable regional expansionist macroeconomic strategy, an argument that was central to the Delorsian vision of a federalist, centrally coordinated Euro-Keynesianism.

New constitutionalism also fails to adequately explain European labour's long-standing and general enthusiasm for the single currency. As a second point against Gill's assessment, there is evidence that labour support for EMU reflects a wide complex of group interest-articulations, purposes and objectives of which the partial acceptance of neoliberal ideology by labour movement agents is merely one aspect associated with particular labour movement fragments (Gill seems to limit his explanation to an identification of parts of the labour aristocracy with neoliberalism, such as skilled workers in employed by multinational corporations). What this broader explanation of labour support for EMU in turn indicates, contrary to Gill, is that the principle of EMU, like that of constitutionalism more generally, is commensurate with a *plurality* of discourses. For example, the widespread support for EMU within the British trade union movement does not reflect a unitary position and has been shown to reflect what is more often a cross-cutting complex of determining factors, including ideological orientation, the rational-pragmatic adjustment of policy to changing political economy, sectoral factors (public/private national/international) and finally broader trade union purposes notably an underlying concern with social transformation.⁷

The new constitutionalist would appear to be on stronger ground when their criticisms of monetary union are more clearly focused on practice rather than principle. Thus, it can certainly be forcefully argued that a bias in favour of monetarism derives from the particular manner in which EU monetary union has been implemented. Key here are, first the restrictions on national budgetary autonomy associated with the Maastricht convergence criteria and the Stability Pact, and second the lack of democratic accountability in relation to the ECB, reinforcing its constitutional duty to maintain price stability. Critics have associated the convergence criteria and the ECB with cuts in public spending and significant rises in EU unemployment. Yet whether these restrictive institutions

of financial discipline can be construed as an institutionalisation of monetarism remains highly debateable. First, as has often been pointed out by supporters of monetary union, the convergence criteria relate to the full macroeconomic cycle and as such are specifically designed with fiscal flexibility in mind, giving national governments the discretion to run short to medium term deficits to counter recession. In this respect the convergence criteria are arguably informed by Keynesian budgetary principles. The lack of hard and fast budgetary rules in the euro-zone has been evident more recently in the EU debates over the budgetary implications of the stability pact for euro-zone countries seeking to accommodate recessionary pressures as has recently occurred in relation to Germany.

Secondly, the new constitutionalists have arguably misrepresented the ECB by presenting it, one-sidedly, as an institution charged merely with maintaining price stability, thereby ignoring its constitutional obligation to develop a financial regime compatible with long-term sustainable growth (hence the importance of achieving EU convergence around low interest rates) and more generally ignoring the broader and rather more balanced constitutional and institutional context in which the ECB is obliged to operate. The wider context of the EU's employment policy is particularly significant in this context.

As Philippe Pochet has noted, the EU's employment policy, as codified in the 1997 Amsterdam Treaty employment chapter, has to be seen within the broader context of the interaction between the EU's macroeconomic and financial policy that involves procedures which bring together the ECB, national finance ministers and the social partners in a (corporatist) policy triangle.⁸ In terms of objectives and accountability, the employment chapter means that the ECB is necessarily drawn into a broader *and more open*⁹ policy network than is recognised by new constitutionalists, in which its legitimacy comes to depend not merely on its role in maintaining financial stability and low inflation *but also* on its contribution to other EU macro-economic treaty objectives including, crucially, growth and employment.¹⁰ Thus, while the ECB and the finance lobby can perhaps be expected to attempt to define employment objectives, through the neoliberal version of competitiveness discourse, in terms of a restricted conception of labour market competitiveness and employability, social democratic interests within the policy-making network can be expected, by contrast, to contest such a discourse and define employment objectives in more interventionist, including macro-economic Keynesian, terms. Since Amsterdam (and arguably since the signing of the Maastricht treaty, which included a commitment to the pursuit of growth and full employment) what the ECB cannot do, if it is to maintain its legitimacy within the EU's policy-making community, is attempt to act independently of the broader policy context in which it has become embedded and thereby define its objectives in narrowly financial/anti-inflationary terms. One important consequence of this is that the ECB has

begun to show an active interest in establishing cooperative mechanisms at EU-level with the aim of *balancing* union objectives on wages and employment with the neo-liberal objective of financial discipline.¹¹

[Insert section on practice of EMU as contestable]

Competition state Analysis, Comparative Political Economy and the Contestability of the 'New Competitiveness'

Against Van Apeldoorn's assertion of the pervasiveness of the new competitiveness discourse it is important to note that competitiveness is not a closed neoliberal discourse but rather an open and politically contestable one. Analyses from critical comparative political economy (CCPE) has been particularly insightful in this respect. CPE was pioneered in the 1980s by the French regulation school and particularly by Alain Lipietz. One of Lipietz's main insights was to recognise that the transition to the 'new competitiveness' (for Lipietz this represented a shift from Fordism to post-Fordism and from relatively closed/protected to internationally orientated, *open*, economies) in the *international* political economy, while generating a universal crisis of national Keynesianism, nevertheless was *not* determining at the level of national regulation. Rather, Lipietz maintained that a plurality of 'modes of regulation' were, in principle, compatible with the competitive constraints of postfordism and internationalisation.

Lipietz summarised these alternative models of open economies in terms of negative (neoliberal) and positive (democratically negotiated) flexibility. The negative, neoliberal model of flexibility can be crudely characterised as meeting the competitive imperatives of the global economy on the basis of low productivity, (therefore) low wages, and low welfare provision. This model was the basis of the Thatcherite restructuring of the British economy in the 1980s and early 1990s and was also influential during this time in the United States under the Reagan administration. The alternative, highly regulated, model starts from the assumption of high wages and strong social protection. It is able to maintain competitive advantage through high levels of labour productivity based on a strong commitment to technological investment and innovation in part facilitated by progressive forms of institutionalized and legally underwritten relations between management and the workforce, establishing and nurturing innovative forms of flexibility on both sides of the 'productive class'. This is sometimes referred to as the German or European Model of regulation or what David Coates has referred to as 'progressive competitiveness' associated with 'developmental' social democracy.

In common with the new constitutionalism of Gill and Van Apeldoorn, and in anticipation of the structurationist

analysis of the competition state, notably in the work of Philip Cerny, Lipietz's work has drawn inspiration from both the Polanyian emphasis on the 'double movement' in the historical development of capitalist political economy (hence the general shift towards competitiveness) and the Gramscian emphasis on agency determination of alternative modes of regulation through the political mobilisation of historical blocs around alternative hegemonic projects. Thus, as a regressive regime based on negative flexibility, the new competitiveness of post-Fordism has represented an example of what Gramsci referred to as a passive revolution, the hegemonic project of an elite capable of drawing in support from wider social forces as a basis of consent but also intensifying the marginalisation of excluded groups subjected to various forms of coercion. Lipietz's argument has been that, as a (potentially) progressive regime, post-Fordism must be articulated in terms of an alternative, socially inclusive, strategy. This is the alternative competition state model built around high productivity and positive flexibility. As Anne Showstack Sassoon has noted, such an alternative defines itself as such to the extent that, by contrast to the passive revolution, it is 'capable of shaping change to the benefit of the widest sectors of society'. For Lipietz, therefore, whether the new competitive imperative faced by the state proved to be regressive or progressive depended primarily not on the economics of accumulation but rather on the social and political choices made by social forces and states regarding possible modes of regulation (Lipietz 1992).

Structural Dependency, Model Convergence and the EU.

While CPE has been suggestive of progressive alternative models of the competition state, a number of significant criticisms have been made of this approach. One criticism, advanced particularly by David Coates, is that progressive competitiveness is contradictory if construed as a universal model. The problem faced by progressive competitiveness, according to Coates, is that 'it lacks the capacity to lift any particular economy onto a higher growth path without at the same time pushing an alternative economy onto a lower one'.¹² For Coates, the classic example of the progressive competitive model is provided by Germany's post-war export-led growth. The downside of this national model, so it is claimed, is import penetration, negative growth and unemployment abroad as well as the permanent threat that the model's national success will be 'undermined by similar initiatives elsewhere'.¹³

A second criticism asserts, contrary to optimistic CPE, that there is evidence of a convergence towards the neoliberal model. This convergence is said to reflect a shift in the balance of class forces in favour of capital set in train by a combination of structural and more contingent agency processes. According to the 'structural dependency' approach, the role of EU-level state and elite agency has been particularly significant in establishing an institutional environment conducive to the embedding of capital's structural dominance.

A leading exponent of the convergence thesis critique of CPE is Hugo Radice. Radice's starting point, like that of the competition state theorists identified above, is the recognition of the decline of national Keynesianism. This first became evident in the 1970s with the crisis of 'hands-off' Keynesianism, notably in Britain, but was confirmed, Radice contends, with the collapse by the late 1980s of even the apparently more robust and embedded forms of national Keynesianism (France in the early 1980s and Sweden in the late 1980s are quoted as the main examples). Beyond this starting point Radice breaks with pluralistic versions of the competition state thesis by arguing that the progressive competitiveness of the so-called developmental nation-state is now also in crisis, marking the onset of the universalisation of neoliberalism. The shift towards neoliberalism at the national level, Radice claims, has been 'so consistent through the past twenty years and all around the world that it is hard to see [it] as either contingent or the result of independent policy choices by national governments'.¹⁴

The EU as facilitator of neoliberal hegemony

In advancing the convergence thesis, Radice has drawn particularly on Wolfgang Streeck's analysis of the interaction between national models of regulation in the EU and the EU's programme of trans-national integration. Streeck argues that structural pressures on the competition state have been leading towards a universalisation of defensive flexibility national models at the expense of 'positive' or 'offensive' flexibility regimes. Streeck has highlighted enhanced capital mobility following the implementation of the single market and more recently currency union as particularly damaging aspects of European integration in this respect.¹⁵ He has pointed to the *logic* of a worse-case scenario for European labour in which the increased mobility of capital in post-SEM/single currency EU will, in time, lead to a generalised downward approximation of social protection and labour market regulation as European multi-nationals employ (or merely threaten to employ) aggressive 'social dumping' strategies to undermine the bargaining strength of workers in 'northern' economies and as (consequently) rising unemployment in the north weakens union power in the labour market.

Radice's own pessimistic account of European integration takes the argument one step further, providing a negative evaluation of the regional demand-side macro-economic framework in which the apparent downward ratchet of the competition state, identified by Streeck, is contained. Rejecting or ignoring the analysis of 'Euro-Keynesian' theorists, such as Stuart Holland, Will Hutton and Alain Lipietz, who have argued for a *regional* Keynesian political economy as an alternative macro-economic basis for European integration, Radice contends that Euro-Keynesianism, even if implemented, would merely 'replicate the contradictions of national Keynesianism on a larger scale', thus offering no possibility of arresting the crisis of

progressive competitiveness through positive forms of regional social and economic intervention.¹⁶

Critique

Coates's pessimism regarding the possibility of universalising progressive competitiveness is in large part derived from the assumption that a regime of international competition must go hand-in-hand with international austerity. Theoretically, at least, there is no reason why this assumption should not be relaxed. Indeed the macroeconomic environment of international competition for much of the post- second world war period was one characterised by a US-led general expansion of demand and consequently strong growth in world trade and output. Delors-style Euro-Keynesianism, if implemented, would likewise do much to counter the austerity presumed by Coates and remove the main source of contradiction in the progressive competitiveness model. The conclusion to be drawn from the preceding analysis and critique of the structural dependency approach is that the constraints on the implementation of such a model are essentially political rather than economic. As was argued above, a European Union would face far fewer open-economy constraints on economic expansion by comparison to more open individual member-states. Of course, the EU would still face open economy constraints on its domestic demand management in so far as it engaged in trade and capital flows with the rest of the world. But as Leborgne & Lipietz and more recently Will Hutton and Colin Hay have pointed out, the structural necessity of EU international trade is limited and has declined with the progress of EU integration, while, counter-wise, intra-EU trade has expanded considerably over the last three decades, underpinning the EU's 'de facto independence'.¹⁷ Moreover, the structural capacity of the EU to determine and manage its economic relations with the rest of the world is, in principle, greater than that of individual member-states.

There may be other objections to Euro-Keynesianism. For example, a common objection points to the alleged negative environmental implications of the traditional Keynesian singular emphasis on growth and consumption. However, the neo-Keynesian strategy of Delors recognised the environmental imperative. This was one of the key reasons for the 1993 white paper's exploration of novel ways to achieve full employment through (for example) proposals for job sharing and redistribution and as well as generalised reductions in European working time.¹⁸

In the absence of a political commitment to full Euro-Keynesianism the context for the development of progressive competitiveness is the more austere economic environment created by the EU's monetary union although, as suggested above, it is misleading to equate monetary union necessarily with Euro-monetarism and it is at least debatable as to what extent the current euro regime reflects a 'hard' euro emphasis on price stability or a 'soft' euro emphasis on low interest rates and flexible adjustment to recessionary pressures. The

crucial issue not sufficiently addressed by the structural dependency school is the possibility and consequent potentialities of political union in the EU and the implications of a future political union for macroeconomic policy. In fact, the key contradictions of progressive competitiveness identified by Coates, and Alba relate essentially to processes generated by competition between national competition states. This international competition tends to lead to a bias in favour of a particularly austere form of national export-led growth regime (of the kind associated in concrete terms with post-war Germany and Japan)¹⁹ under which a persistent balance of payments surplus is prevented from feeding through into a more balanced expansion of domestic demand, including demand for imports, by restrictive budgetary policy. Such engineering of imbalances by surplus countries is necessary in order to maintain national competitive advantage. Such imbalances reflect imperatives of international competition, which are absent under political union where fiscal, monetary and trade policy is coordinated centrally and where nominal surpluses and deficits at regional level are effectively pooled and redistributed through centrally determined budgetary mechanisms. Thus the contradictions of progressive competitiveness, apparent when viewed through the lens of what Ben Clift has recently referred to as 'methodological nationalism' are removed when considered from the alternative and more appropriate theoretical perspective of methodological unionism.²⁰

The Convergence thesis as Pessimistic Functionalism

Along with that of Wolfgang Streeck, Radice's analysis of integration provides a leading example of what Alain Lipietz has referred to as 'pessimistic functionalism'. For example, Streeck is guilty of pessimistic functionalism in his accounts of the crisis of European labour under European integration. Streeck's various critical appraisals of the future of progressive nationalism under conditions of globalisation and economic integration have often been accompanied by substantial amounts of sophisticated empirical analysis. Yet the demonstration of the crisis of progressive nationalism, as in the case of his evaluation of the prospects of German capitalism, involves first and foremost a one-sided theoretical derivation. Streeck starts from a legitimate assumption of greater capital mobility in the post-single market/single currency EU. From this he deduces a general logic of 'marketisation' (a similar deduction is made by Martin Rhodes in his various accounts of labour interest under European integration).²¹ Then (illegitimately) conflating *marketisation* (a process properly defined in terms of the orientation of the national economy towards international competitive constraints, as in export-led growth) with *deregulation*, Streeck goes on to deduce the wholesale deregulation of the EU labour market as a future inevitability. What is entirely absent in Streeck's approach is any critical assessment of the logic of marketisation as a *politically mediated* process. In particular, he fails to see

that deregulation is a specific, negative, *possible* but *contingent*, outcome of marketisation, one that presupposes a particular mode of regulation, namely, disembedded neo-liberalism, as the political context in which marketisation operates.

The same pessimistic functionalism is evident in Radice's critical evaluation of European integration. As was noted earlier, Radice has been critical of Hirst and Thompson's view that regionalism provides evidence of the limits of globalisation. Hirst and Thompson advance this thesis partly as an empirical critique of globalisation focusing on the dominance of regionalism in measurable patterns of multinational economic activity such as levels foreign direct investment. By contrast, Radice argues that such apparent empirical manifestations of regionalism, can equally, *and should rather*, be considered as positive, transitional outcomes of the on-going linear process towards full globalisation, an argument against Hirst and Thompson that has also been suggested by Susan Strange.²² However, having once made this *logically* legitimate argument, Radice's predisposition towards an extreme structuralist account of globalisation means that he subsequently neglects to look more critically at the relationship between globalisation and regionalism, with the result that regionalism is badly under-theorised in his analysis, being largely subsumed into his pessimistic, structural dependency account of globalisation. It is notable that, by contrast, Hirst and Thompson complement their empirical analysis of the regional orientation of foreign direct investment with a more complex theory of the *politics* of regionalism focused on a non-linear account of change in the structures, institutions and spheres of national and regional governance.²³

Radice's failure to theorise the political economy of regionalism is nowhere more evident than in his negative account of the implications of European integration for the efficacy of Keynesianism. As we have already seen, Radice argues that in terms of labour interests the development of regional governance can be dismissed because it merely 'replicate[s] the contradictions of national Keynesianism on a larger scale'²⁴ and is thus no less vulnerable to the structural constraints imposed by the imperatives of international capital accumulation.

However, Radice is thus arguably guilty of conflating national and regional political economy. In taking this position Radice neglects or abstracts from a fundamental distinction drawn in Keynesian models between the open and the closed economy. Relatively open economies, such as those of the EU's *individual* member states, are, *because of their openness*, subject to balance of payments constraints, determined by international trade and capital flows, that may greatly limit the autonomy of the national government and can destabilise domestic objectives such as full employment. These are precisely the contradictions of *national* Keynesianism that

Radice alludes to and that were responsible for the collapse of national Keynesianism at different points in time in Britain (1970s) France (early 1980s) and Sweden (late 1980s). By contrast, relatively closed economies, such as the EU taken as a whole, are less constrained by the balance of payments because trade and capital movements are to a much greater degree internal. The governing authorities of closed economies are consequently able to pursue domestic objectives with greater autonomy and effectiveness.

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