



Review Article

New Dynamics of ‘Old Europe’

Erik Jones

Johns Hopkins Bologna Center, via Belmeloro 11, 41026 Bologna, Italy
E-mails: ejones@dnsville.com, ejones@jhucb.it

The dynamics of the Franco-German relationship have changed under the impact of technological innovation, market integration, and multilateral institutions. Where once it might have been reasonable for ‘Old Europe’ to focus on the hard power available through military sources, now it is more important to focus on soft power and flexible adjustment. This new imperative operates for the United States as well. The question is whether anyone in the Bush administration realizes that fact.

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‘Now you’re thinking of Europe as Germany and France. I don’t. I think that’s old Europe.’

Donald Rumsfeld, 22 January 2003

When the governments of France and Germany resisted the Bush Administration’s calls for military intervention in Iraq, the US Secretary of Defense Donald Rumsfeld (2003) denounced them as being out of step with the times. Given the enlargement of NATO, Rumsfeld suggested that the new Europe lies farther to the East¹. In making that assertion, he was at best only half right. The size of NATO (or the European Union (EU)) is not all that has changed since the end of the Cold War. The dynamics of the Franco-German relationship have changed as well. Clearly, Rumsfeld sensed this difference in the dynamics at work. Even before positing his denunciation of ‘Old Europe,’ the Secretary of Defense recalled that past US administrations had succeeded in winning over French and German support. What Rumsfeld did not explain is why the new situation is different. All he could muster is that ‘Germany has been a problem, and France has been a problem.’

The Bush administration would do well to look deeper. The change in the dynamics of Old Europe is not something that emerged in reaction to the threat of conflict with Iraq or the reality of bullying by the United States. Such things can explain why resisting the Bush administration’s policy is attractive at the



moment. However, such short-lived factors cannot explain why French and German resistance is possible or why it has had such effect. The change in French and German attitudes is personal and immediate. However, the force of their resistance is the result of slow-moving developments in the sources and uses of power in international relations.

The changeover from Fordist to post-Fordist manufacturing, the emergence of the 'knowledge-based' economy, and the growth and proliferation of multilateral institutions have altered the balance of power within the Franco-German relationship. The same slow-moving developments have come to determine how France and Germany relate to each other and to the outside world. And while the Bush administration may be loath to admit it, these changes within the Franco-German relationship are likely to rewrite the rules for partnership across the Atlantic in ways that the United States will understand only too belatedly to influence or to control.

My goal in this review is to use the theme of slow-moving development in the sources and uses of national power to tie together a clutch of recent books on France, Germany, and the Franco-German relationship. Such implied coherence may seem a bit forced. The volumes in question draw from different empirical sources, they emerge from different analytic traditions, and they speak to different audiences. Nevertheless, searching for a common denominator in these accounts is critical if we are to begin to move away from static and *ceteris paribus* type assumptions in analyzing the politics of Europe. Failing that — and taking the literature only at face value — we risk sharing Rumsfeld's fate and so failing to distinguish the new from the old.

The books under review fall naturally into three clusters: the shift away from Fordist manufacturing and toward the knowledge-based economy (Ziegler, 1997; Levy, 1999; Cohen, 2003); the exercise of power in multilateral arenas and rule-based institutions (Katzenstein, 1997; Anderson, 1999; Bulmer *et al.*, 2000); and the changing dynamics of the Franco-German relationship (Webber, 1999; Cole, 2001; Hendricks and Morgan, 2001).

Adapting to the Knowledge-based Economy

Schumpeter (1962) famously argued that capitalism will collapse under the weight of its own success, leaving a heavily bureaucratized state in its wake. Cohen's (2003) essay is an attempt to explain where Schumpeter's argument went wrong, why capitalism remains such a potent force in modern life, and how the bureaucratization of the welfare state affects the functioning of the knowledge-based economy. The force of his analysis rests on two propositions. The first is that the classical economists underestimated the role of technological change in capitalist development. Even Schumpeter, with his



celebrated notion of 'creative destruction,' failed to appreciate the dynamics at work. In doing so, and this is the second proposition, the classical economists overestimated complementarity between technological innovation and social regulation (or state bureaucracy). Technology has freed the workforce, but it has also made the whole of society dependent upon technological resources, and this dependence operates largely outside (and at times in opposition to) the prevailing regulations and institutions of the welfare state.

Cohen's argument is both subtle and sophisticated. It allows him to explain the persistence of capitalism, and it gives him the opportunity to weave together some of the more anomalous features of the capitalist economy as it has evolved across the 20th century — anomalies such as the divergence in the underlying costs of goods and services, the shift in consumption from quantity to quality, the presence and persistence of mass unemployment, and the paradoxical stimulus of large-scale immigration. The economy is knowledge-based because knowledge is required to create technology, to use it, and, increasingly, to adapt to it. If the performance of France and the world's other advanced industrial economies is lagging at the moment, Cohen's suggestion is that further adaptation is required.

Cohen's essay as a whole is surprisingly readable and convincing. However, the scope of the argument is too wide to be encompassed in any single use (or comprehensive citation). To say that Cohen argues only about the necessity for adaptation is an injustice, albeit a functional one. Nevertheless, for present purposes, the notion that social regulation must adapt (or be adapted) to the influence of technological change is the insight to preserve from Cohen's argument.

The type of adaptation that Cohen describes is an underlying theme of Ziegler's (1997) study of strategies for innovation in France and Germany. However, where Cohen focuses on the role of the state, Ziegler looks beyond the state to highlight the importance of autonomous 'knowledge bearing elites' — 'those occupational groups whose livelihood and status depend on their use of specialized or expert knowledge' (p. 2). In essence, Ziegler suggests that the pace of adaptation is determined by the willingness of these groups to accept and foster change. The agents of the state 'need not execute these tasks themselves, they must be able to mobilize the specialists ... who can execute them' (p. 15).

Ziegler's innovation is to point out that adaptation of the state is not the same as simply modifying the rules of the game — whatever these may be. State adaptation is a political process that depends upon the willing participation of a wide number of groups, many of which lie outside the direct control of the state or its institutions. This claim could be extended beyond the purview of Ziegler's analysis to suggest that the putative failings of the welfare state are not simply a problem of malformed institutions. They are the result of group dynamics as well.



Critically, however, the dynamics of adaptation are not a product of distributive conflict, at least not along those lines suggested in Pierson's (1996) analysis of the 'new politics of the welfare state'. Rather, Ziegler makes it explicit that the 'knowledge bearing groups' at the heart of his study operate according to their own goals and aspirations, many of which are non-pecuniary and most of which are bound up in the rules, norms, and conventions (i.e. the institutions) of their professions. In this way, he combines insights both from the political science study of institutions and from the more sociological understanding of contestation and the growth of knowledge. Imre Lakatos is not a formal part of the analysis, but he is a 'ghost at the feast.'

The combination of insights is fruitful. Using his emphasis on the receptiveness of knowledge-bearing elites to change, Ziegler is able to explain the comparative dynamics of France and Germany. The French state emphasizes prestige and the public good in a mission-oriented approach that has wide appeal to those professional groups willing to accept the burden of radical change. Meanwhile the German state emphasizes consultation and inclusiveness in a manner that is more conducive to incrementalism. The French state can provoke dramatic breakthroughs. The German state is better at encouraging a more gradual diffusion.

Neither pattern of innovation is clearly superior to the other. Both have their strengths and their defects. French innovation is dramatic, but it is also intellectually wedded to a particular style of analysis. German innovation is more pragmatic, but it is also more cumbersome and slow moving. Such features are not easy to compare directly and comprehensively. The point for Ziegler is simply that national differences exist, that they are persistent over time, and that they have a profound influence on the politics of adaptation. By implication, the evolution of the knowledge-based economy does not present the same challenge to all countries. Rather it presents a different challenge depending upon the institutions, norms, and values, which any given state carries within it. Ziegler (1997, 209) cites Ruggie (1982) but intends to allude to Polanyi (1957): all markets are and will remain embedded in specific social institutions.

The pathology of such social embeddedness is the central theme of Levy's (1999) account of the weakness of French civil society. Ziegler may be correct to emphasize the importance of autonomous groups in society, but Levy suggests that the strength of such groups pales in significance relative to that of the French state. By implication, the French state can only withdraw from its economic responsibilities with difficulty. To be effective, liberalization in France requires that the state first take steps to encourage the type of liberal-associative behavior that lies at the heart of a civil society. In other words, Levy suggests that the French state would need to foster the very groups that Ziegler argues provide the key to successful policy adaptation.



Levy's argument is a clever riposte to Ziegler. On the one hand, Levy explicitly accepts the importance of autonomous groups in civil society. On the other hand, Levy rejects the overwhelming significance of inherited institutions, values, and norms. Such things are important. However, they are also mutable. For Levy, the state can play a direct role in altering the adaptive capacities of the political economy. The state is not omnipotent, but it can be supportive.

Levy ends his analysis on an altogether downbeat note with respect to France. Having failed to nurture civil society, he suggests, the French state has squandered its opportunity to develop a more robust social apparatus for adaptation to change. In this sense, Levy's argument anticipates Cohen's. However, to focus too much attention on such pessimism is to miss the larger importance of all three works — by Cohen, Ziegler, and Levy. Starting with Cohen's emphasis on adaptation, the key is to add in Ziegler's appreciation for non-state actors and social values as well as Levy's emphasis of relations between state and society.

Taken together, successful adaptation to the knowledge-based economy is not a fixed endowment that can be readily identified in a single institution. Rather it is a more amorphous combination of diverse actors, values, and institutions. Such factors are 'soft' not only in the sense that they can exist in multiple combinations but also insofar as they are susceptible to change — both intentional and unintended. If Cohen, Ziegler, and Levy are correct in emphasizing these softer elements of the political economy (rather than hard institutions such as independent central banks or large military forces), then perhaps our estimation of 'Old Europe' should not be as dire as it is often made to seem.

Soft Power and the Regional Milieu

The growing importance of 'soft power' constitutes a unifying theme for the works by Katzenstein (1997), Anderson (1999), and Bulmer *et al.* (2000). (Indeed, it is worth noting that both Anderson and Bulmer are contributors to Katzenstein's volume and the larger project from which the volume emerged.) As with the books by Cohen, Ziegler, and Levy, the notion of soft power deployed in these volumes centers on the influence of ideas, institutions, and non-state actors. Where the volumes by Katzenstein *et al.* differ is in their emphasis on Germany and European integration. These volumes do not inquire about national (read French) adaptation to the more generic problem of economic change. They are specific analyses of German adaptation to the shock of unification.

Despite the specific focus of their attention, the books by Katzenstein, Anderson, and Bulmer *et al.* can be synthesized into a general claim: as



relations within and between countries become ever more highly institutionalized or structured, the 'constitutive' influence of those relations on the interests of the countries involved and on their perceptions of those interests increases. Indeed, the constitutive force of structured or institutionalized relationships has an impact even on the identity of the countries involved. Unified Germany in an integrating Europe is not 'Germany' in the way that De Gaulle imagined 'a certain idea of France'. Rather — borrowing from Katzenstein's subtitle — it is 'Germany-in-Europe.'

This claim about the changing identity of Germany — or any state in such a highly structured context — is non-trivial. If Germany is constituted by its institutional environment, then we should expect the exercise of German power to focus on influencing or shaping those defining institutions. Where German identity derives from Europe, German power should flow into European endeavors. Katzenstein refers to this as a 'taming' of German power. However, his point is not that Germany does not exercise power or even that it only exercises power in a 'gentle' fashion. Rather it is that the German exercise of power operates through the rules and institutions that constitute 'Germany in Europe.' To paraphrase, the exercise of power remains central but the meaning of the power that is exercised has changed (p. 33). Power is tamed, but Germany is not.

Building on such claims, both Anderson and Bulmer *et al.* focus on the 'milieu' objectives of German policymakers — that is, their aspirations to influence their surrounding institutional context. As Anderson (1999, 7) suggests: 'Each member government conducts its European foreign policy . . . with an eye to surrounding the national political economy with a supranational environment that is facilitative, or at a minimum not hostile.' In effect this adds a further dimension to the problem of adaptation to technological or economic (or any exogenous) change. First, the country must adapt its own internal structures to the new environment and then it must adjust its external relationships to facilitate or at least not work against its own internal adaptations.

The point for Anderson, however, is that the increase in complexity does not necessarily imply an increase in rigidity. Adaptation at the European level may help to overcome stickiness in the domestic arena and the reverse (pp. 204–206). Such reinforcement is not tautological and it is possible for reform to fail on either or both levels — the national and the European. The overlapping framework of institutions is nevertheless more robust than a simple survey of the domestic political economy would suggest.

Bulmer *et al.* (2000) echo Anderson's suggestion of mutual reinforcement across levels. What they add is a sense of the importance of having national policymakers assume a constructive approach to the problem of institutional adaptation. Where policymakers accept that adjustment is a multilevel game



played across diverse institutional arenas they are more likely to succeed than where they prioritize one level over another. By embracing Europe, Germany has a greater impact on its 'regional milieu' than the United Kingdom has when it emphasizes the essential significance of national sovereignty.

Of course embracing Europe means accepting the constitutive influence of European entanglements. However, rejecting Europe does not insulate domestic politics from the effects of European relations on Britain (or any other country within the ambit of the EU). The soft power influences emphasized by Katzenstein, Anderson, and Bulmer *et al.* may be 'soft' but they are not optional. Governments cannot choose what relationships will have a constitutive role on their national interests or identities any more than they can root markets out of their embeddedness in specific social institutions. Moreover, government attempts to ignore the influence of the outside world will likely transform a potential source of empowerment into an inexorable source of constraint.

Evolution of the Franco-German Relationship

The governments of Western Europe are well aware of this fact. The problem is that none is able to influence its surrounding environment by acting alone. Britain has responded to this effective powerlessness by turning to its special relationship with the United States. France and Germany turned to each other and to 'Europe', which in this context means the institutions created to foster regional integration.

The volumes by Hendriks and Morgan (2001), Cole (2001), and Webber (1999), focus on the French and German response. What they describe is a bilateral relationship born out of 'perceived necessity' (Hendriks and Morgan, 2001, 176). Both countries entered into the relationship with an explicit awareness both of the desire to shape Europe in an accommodating image and of the impossibility of achieving their national objectives by working alone. As all three volumes demonstrate, the structure of the relationship does change over time. At times it is formal, but it is also informal. It is negotiated. It is continuous. It is uneven. And it is evolutionary. Nevertheless, it remains grounded in 'a measure of convergence of ideas and interests, a joint management of projects and an institutionally embedded existence' (Cole, 2001, 152).

Moreover, the institutions that surround and reinforce (embed) the Franco-German relationship are the institutions of Europe (Webber, 1997, 178). In this sense, the constitutive emphasis of Katzenstein, Anderson, and Bulmer *et al.* is preserved. The more France and Germany succeed in achieving their joint 'milieu objectives', the more they are locked into patterns of cooperation. The



Franco-German relationship is the motor for European integration in the present because it has been the motor for European integration in the past.

This 'virtuous circle' of Franco-German leadership is path dependent rather than tautological or hegemonic. All three volumes — by Cole, Webber, and Hendriks and Morgan — qualify their assessments of the influence of France and Germany by noting points of difference, dissent, and even conflict. Moreover, each of the volumes concludes on an open-ended note, questioning whether, despite the past, the Franco-German relationship will continue to maintain its comparative advantage in guiding European integration in the future. The new challenges caused by deepening the competencies of Europe (particularly in the foreign policy domain) and enlarging its membership all indicate that the Franco-German relationship will have to continue to evolve and adapt.

The challenge of adaptation remains in the economic sphere as well. The books by Cole, Webber, and Hendriks and Morgan were published before either France or Germany came into conflict with their obligations under the Stability and Growth Pact (SGP). Nevertheless, all three volumes note how the SGP was itself a product of conflict within the Franco-German relationship (in Webber, see the chapters by Jonathon Story and Patrick McCarthy). At the time, the Germans insisted that only strict rules could maintain discipline, while the French averred that only flexibility could foster adjustment. Subsequent events suggest that France may have had the more viable approach. By January 2003, both Germany and France faced reprimands for their fiscal performance in the Council of Ministers. Germany accepted the Council's decision and France resisted. Nevertheless, both concurred that some greater flexibility in the rules governing fiscal policy would be needed in the future.

Despite their qualifications about the need for future adaptation, the volumes by Cole, Webber, and Hendriks and Morgan all agree that the Franco-German relationship is stronger within Europe than it would be without Europe. They also agree that France and Germany are stronger working together than working alone. By implication, the exercise of soft power in Europe predominates over any realist pretension to return to a political arena constituted primarily by the interaction of hard power resources — including open coercion and the like. Indeed, the net virtues of cooperative milieu shaping, both domestic and foreign, are almost too obvious to be worth mentioning.

Old Europe and the New World Order

Such virtues are too obvious only in Europe and not elsewhere. Despite the pervasive impact of technological change and despite the growing importance



of soft power resources — non-state actors, ideas, institutions — in shaping domestic political economies and international environments, there is a strong temptation in the United States to regard the world in the stark terms of hard power. As Kagan (2002) argues in his analysis of the contrasting strategic cultures across the Atlantic — ‘Americans are from Mars and Europeans are from Venus.’ Kagan explains American focus on hard power as a function of its unprecedented relative strength. US administrations rely on foreign military intervention — and other acts of coercion — because they can. By contrast, Europe’s emphasis on soft-power betrays a psychology of weakness. Rules, norms, and conventions are the instruments of choice in international politics when the use of force is not an option.

Kagan’s analysis has strong appeal in the US case. However, the books under review here imply an alternative reading of Europe’s new political dynamics — one borne out of the need for flexible adaptation and not relative weakness *per se*. The advantage of this interpretation is that it places both sides of the Atlantic on Earth (and not Mars or Venus). Like Europe, the United States also needs to adapt flexibly to a changing environment. The danger for American politicians is that the temptation to celebrate the awesome military potential of the United States through a recurrent resort to hard power may be overwhelming this environmental imperative.

The suggestion to be drawn from the books surveyed here is that yielding to the temptation to focus on the exercise of hard power is bad economics and it is bad politics. Rather than fostering national interests, excessive emphasis on hard power resources threatens to block adaptation to change. Rather than fostering a supportive national environment, a too easy dismissal of international institutions threatens to transform possibilities into constraints. And rather than entering into a virtuous circle, a too heavy reliance on ‘leadership’ at the expense of cooperation will lead to a situation where the United States is trapped into being the motive force not only for its own interests but for the rest of the world as well. One of the most striking aspects of the books under review here is that none argues that the Franco-German relationship remains essential for the future of Europe. French and German leadership may have been indispensable in the past, but it is no longer so important to Europe as Europe is to France and Germany. Were it otherwise, how could anyone doubt the continuing success of the Franco-German relationship in a changing European environment?

Of course, it may be that the Bush administration fears such obsolescence of its world leadership role. That attitude is not unique. Clearly, France and Germany fear the obsolescence of their own leadership in Europe. The difference is that the French and the Germans have a clearer view of their long-term national interest. Given the inevitability of change and ever-present need for adaptation, it is more important for ‘Old Europe’ to benefit from a



supportive international institutional environment than for France and Germany to sacrifice themselves on the altar of national pre-eminence. Whatever the US Secretary of Defense may suggest, this is a new dynamic for Old Europe — and one that is directed toward the future and not the past. The question is whether the Bush administration can lay claim to the same foresight. The implication emerging from this clutch of books on France, Germany, and the Franco-German relationship is that it does not.

Notes

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