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Idiosyncrasy and integration: suggestions from comparative political economy

Erik Jones[1]

ABSTRACT There is a growing consensus in comparative political economy that 'globalization' is not eliminating the distinctive character of specific nation-states. Even in Europe, where formal integration between countries is most profound, nation-states remain idiosyncratic. Starting from this consensus, the questions I ask are: (a) how can we explain the coincidence of national idiosyncrasy and international integration; (b) what does our explanation tell us about processes of European integration? The answers, I argue, lie in two theoretical traditions – one stemming from Karl Polanyi's (1957) insistence on the social embeddedness of market institutions and the other from Gunnar Myrdal's (1956) interpretation of the cumulative causality behind integration at the national and international levels. Although well received in other areas, neither tradition has played much of a role in the study of the European Union. The article concludes by suggesting a research program that could develop from the interface between idiosyncrasy and integration.

KEY WORDS Convergence; divergence; globalization; integration; Myrdal; Polanyi.

INTRODUCTION

Students of comparative political economy have reached a consensus that the world's advanced industrial societies are not growing any more alike – at least not necessarily. Globalization, technological development, de-industrialization, demographic change, and a host of other factors all press upon welfare states and social institutions. Nevertheless, the result of this pressure is little or no necessary convergence on some common set of norms, institutions, or practices across countries.[2] Of course, parallels do emerge from one case to the next. Yet these are more incidental than indicative in nature. The subtitle of Scharpf and Schmidt (2000b) captures the essence of the argument: 'diverse responses to common challenges.'

The absence of necessary convergence is nowhere more surprising than in Europe, where the remarkable development of the European Union (EU) must

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be added to the list of exogenous and endogenous challenges to national distinctiveness. The countries of Europe nevertheless provide the richest source of empirical support for the persistence of differences. For comparative political economists this juxtaposition of European integration and national distinctiveness underscores the relative importance of other causal factors affecting the varieties of capitalism in evidence. For students of European integration, the confluence of factors is more fundamentally significant: if integration in Europe does not coincide with some form of necessary convergence between the member states, then what does 'integration' really mean?

The purpose of this article is to reflect the consensus in comparative political economy against the backdrop of European integration. My goal is not to survey the application of new institutionalist approaches to the study of the EU; nor is it to provide some deep methodological critique of the competing frameworks used for analysis. Such arguments have already been pursued comprehensively by authors like Aspinwall and Schneider (2000) and Peterson (2001). In contrast with these authors' efforts to survey the breadth of the literature, my ambitions are limited more to illustrating some of the principal causal mechanisms at work and to suggesting some of the implications of focusing attention on those mechanisms. The questions I ask are two: How can we explain the persistence of national diversity within the common institutional framework of the EU? What does the explanation tell us about the process of European integration? The answer to the first question conforms closely to the consensus view (albeit in simplified form): using Karl Polanyi's (1957) analysis of the 'double movement' behind the social embeddedness of market institutions it is possible to suggest both why countries differ and how European unity might contribute to national diversity.

The answer to the second question represents a departure from the existing consensus in comparative political economy. Rather than bracketing national diversity as something to be explained, it opens up the possibility that the idiosyncratic character of this diversity may be part of the explanation for the pattern of integration witnessed in Europe. The challenge is to develop a framework for analyzing the interaction between idiosyncrasy and integration. Gunnar Myrdal's (1956) interpretation of the cumulative causal forces behind integration at the national and international level offers one possible solution. More important, Myrdal's analytic framework provides a basis for research on Europe that is different from the canon of integration theory and yet consistent with the consensus view in comparative political economy.

The article is developed in five sections. The first surveys the comparative political economy consensus in order to explain the idiosyncratic nature of national diversity. The second demonstrates the use of Polanyi's 'double movement' in explaining the causality that runs from integration to idiosyncrasy. The third introduces Myrdal's cumulative causality as a means of bringing idiosyncrasy and integration into dynamic interaction. The fourth suggests a research program that could develop at the interface between idiosyncrasy and integration. The fifth section concludes.

FROM DIVERSITY TO IDIOSYNCRASY

The consensus among comparative political economists is at the same time deep and eclectic. It is deep insofar as most comparative political economists agree that countries have remained distinctive despite the many common forces acting upon them. Yet it is eclectic in the sense that different authors tend to highlight different areas of distinctiveness. Hence any broad survey of the literature would turn up a host of resilient 'differences' between countries that are important to economic performance, international competitiveness, institutional adaptiveness, or democratic stability.

The variety is most easily evident when viewed in terms of horizontal strata. Wage-bargaining institutions, monetary authorities (including central banks), distributive policies, tax regimes, political ideologies, and patterns of party-political competition constitute the focus of concern for macro-analysis. Corporate governance, supply networks, infrastructure, labor organization, labor market regulations, and skills development provide a meso-layer for attention. Social capital, interpersonal trust, popular values, and the economics of the family lie at the micro-layer.

The vertical concerns cutting across these strata are less immediately tangible and yet fundamentally no less diverse. For example, prevailing conceptions of distributive justice and patterns of distributive conflict necessarily stretch from the micro- to the macro-level of aggregation. Yet how are we meant to translate 'the spirit of co-operation' or 'the notion of fairness' or even 'social democracy' from one national context to the next without pointing to specific combinations of stratified characteristics – this type of family, this level of interpersonal trust, this pattern of industrialization, this form of corporate governance, these skills, this infrastructure, these policies, these policy institutions, and so forth? The easy answer is to invoke some essential characteristic – Asian values, German inflation aversion, Dutch consensus, and the American work ethic. The more difficult (and yet fortunately more common) answer is to bracket a set of necessary or indicative features for analyzing particular problems. Wage bargaining and unemployment, central banks and inflation, social capital and democratic stability, and so forth. Such work has undoubtably enriched our understanding of why difference matters. Yet it has also had the inadvertent effect of creating a set of functionally specific vertical pillars that are every bit as diverse in content as the horizontal strata they intersect.

The eclecticism at the heart of the comparative political economy consensus derives not from the observation that countries are diverse but from the reality that this diversity is idiosyncratic. It is possible to connect a particular structure of the family with a particular form of corporate governance and a particular pattern of party-political competition – as is often done in studies of French industrialization during the Third Republic. Yet the connections are historically contingent or, more generally, sensitively dependent upon initial conditions. So, for example, if we hoped to recreate French bourgeois capitalism in one of the transition countries in Central Europe, we would have to control for much more than the structure of the family, the form of corporate governance, or the pattern of party-political competition. Indeed, we would have to control for so many factors that inevitably the effort would prove futile. This was the lesson learned by Soviet economists in Central Europe during the 1950s and rediscovered by Western economists in Central Europe during the 1990s. Countries will develop idiosyncratically or not at all.

The use of the term idiosyncrasy in this context is deliberate. My point is not simply that countries are different in certain respects. Rather it is that even similarities across countries are likely to have arisen for different reasons, along differing trajectories, and with different implications or effects. The scale of these differences need not be tremendous and in metaphorical terms it is easy to imagine that countries will bear family resemblances. However, the significance of the family metaphor should not be overestimated. Even two countries with a long heritage in common – such as Belgium and the Netherlands – should not be expected to resemble one another or even to hold common features – such as consociational democracy – for the same or similar reasons.

The idiosyncratic basis of national distinctiveness is unsurprising insofar as it reflects another deep and yet eclectic consensus in comparative political economy (and elsewhere) known broadly as the 'new institutionalism'.[3] The consensus is that institutions matter. The eclecticism lies in how institutions matter and why. Without digressing too far, suffice it to say that the new institutionalism constitutes a cross-hatch of direct and circular causal mechanisms implicating institutions both in particular outcomes and in their own reproduction. Moreover, this cross-hatch of causal mechanisms is every bit as complicated as the horizontal strata and vertical pillars for national difference suggested above. Institutions matter in ways and for reasons that both reflect and impact upon their broader environment including actors, other institutions, and themselves.

The link between the new institutionalism and the consensus on resilient national distinctiveness is analytic and not accidental. Countries remain different *because* institutions matter. And national differences are idiosyncratic because institutions matter for reasons and in ways that are sensitively dependent upon initial conditions, on context, on timing, and on the beliefs or attitudes of the actors that interact through them or within them. At a macro-level this explains why the notion of diverse responses to common challenges has such appeal. The alternative would be inconsistent with the new institutionalist consensus. In order to anticipate that common challenges should engender common responses, it would be necessary to assume that any response to globalization, demographic change, and so forth, could be fashioned as though differences in institutional context (and therefore institutions) do not matter.

The implications here extend beyond the notion of diverse responses to common challenges and encompass the correlation between institutional form and institutional function. In order to insist that only one institutional configuration can guarantee a particular economic outcome it would be necessary to assume that some institutions matter and yet others do not. For example, an equivalent assertion might be that a politically independent central bank can guarantee price stability no matter how politics or markets may be organized. Even the framers of Europe's economic and monetary union could not make that leap of faith and so invested considerable resources in flanking the European Central Bank with a variety of institutional and procedural supports.

The link between the consensus on national diversity and the consensus that institutions matter extends all the way down to the micro-motivational or cultural level as well. In order to regress any type of performance – such as economic growth or political stability – back to some prior or fundamental characteristic – such as interpersonal trust – it would be necessary to assume that institutions matter in some areas but not in others: continuing with the same example, institutions can reflect or channel interpersonal trust but they cannot shape it, create it, or diminish it.

The reason for highlighting the interconnections between the consensus on resilient distinctiveness and the consensus on the new institutionalism is not to suggest that countries are idiosyncratic and therefore there is no basis for a comparative analysis of institutions, performance, or the link between the two. Nor can my argument be read in any way as some comprehensive survey of new institutionalism and the convergence–divergence debate in comparative political economy. Rather my goal is to suggest only that idiosyncrasy matters as a persistent feature for analysis both in its own right and with reference to the impact it has on institutional arrangements which cross national boundaries. Recognition of idiosyncrasy offers insights both as an effect and as a cause.

IDIOSYNCRASY AND POLANYI'S 'DOUBLE MOVEMENT'

In order to illustrate the analytic significance of national idiosyncrasy, I need first to resuscitate Polanyi's (1957) 'double movement' as an explanation for the emergence of distinctively national political economies. The reason for going back to Polanyi is that his analysis of *The Great Transformation* which ushered in the welfare state has had a seminal influence on the study of comparative political economy generally and on the development of institutionalism in particular. Not every comparative political economist agrees with Polanyi in every detail and few regard him as holding the last word. Nevertheless, Polanyi's argument lies at the foundation of the current consensus. Hence, for example, Hollingsworth and Boyer (1997) dedicate their collection of essays to Polanyi, while Scharpf and Schmidt (2000a) invoke his argument in the first sentence of their introduction. In this sense, Polanyi's 'double movement' is a greatest common denominator among comparative political economists who might otherwise differ on the specifics of how they believe the welfare state has developed subsequently or what they hold to be the most important explanatory mechanisms behind that development.

As an empirical claim, Polanyi's 'double movement' is descriptive and refers to the observation that:

> While on the one hand markets spread all over the globe [during the nineteenth century] and the amount of goods involved grew to unbelievable proportions, on the other hand a network of measures and policies was integrated into powerful institutions designed to check the actions of the market relative to labor, land, and money.
>
> (Polanyi 1957: 76)

The vast spread of markets was the globalization of the nineteenth century. The emergence of the welfare state was the response. And, in this cause–effect relationship, the paradox for Polanyi (p. 141) was that: 'while laissez faire economy was the product of deliberate state action, subsequent restrictions on laissez faire started in a spontaneous way.' To paraphrase closely (but anachronistically) the next sentence in Polanyi's argument, the globalization of markets was planned but the structure and functioning of the welfare state was not. From an empirical standpoint, then, it is possible to anticipate the idiosyncratic origins of the welfare states as a prior expression of Scharpf and Schmidt's 'diverse responses to common challenges'. The point to note, however, is that to some extent at least the common challenges were a result of state action.

But Polanyi's 'double movement' is more than just an empirical claim. It is also a theoretical proposition about the politics of economic adjustment. The mechanism at work behind the double movement develops from the logic of distributive politics. Any economic adjustment imposes costs as well as providing benefits. And the distribution of costs and benefits is often inequitable across different groups in society. Hence we should anticipate that groups adversely affected by a change will mobilize in search of redress. As Polanyi explains:

> Sectional interests are thus the natural vehicle of social and political change. Whether the source of change be war or trade, startling inventions or shifts in natural conditions, the various sections in society will stand for different methods of adjustment (including forcible ones) and adjust their interests in a different way from those of other groups to whom they may seek to give a lead; hence only when one can point to the group or groups that effect a change is it explained *how* that change came about.
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> (Polanyi 1957: 152)

Moreover, Polanyi is insistent that the motives of these sectional groups cannot be reduced to some objective economic calculation. Rather distributive politics takes place within cultural and institutional environments wherein the values attached to particular strategies or outcomes have a strong subjective component. 'To employ a metaphor, the facts of the economy were originally embedded in situations that were not in themselves of an economic nature, neither the ends nor the means being primarily material' (Dalton 1968: 120).

The implication of Polanyi's argument is that sectional interests necessarily reflect at least some of the idiosyncrasy of their local environment. '[In] any given case, the societal effects of individual behavior depend on the presence of definite individual conditions, these conditions do not for that reason result from the personal behavior in question' (Dalton 1968: 150). In this way, Polanyi's argument does not collapse into a tautology within which societal difference is the necessary product of its own creation. Rather it suggests only that environmental factors influence any calculation of 'rationality'. The more diverse these factors are from one context to the next, the more likely we should expect differences to emerge in separately 'rational' responses to common challenges. Of course there is an element of path dependence leading from difference in one time period to difference in another as the institutionalized responses to one challenge influence the calculation of rationality in responding to another. However, the mechanism behind this path dependence derives from calculations (and understandings) of rationality and not from history per se.[4]

History matters for our interpretation of Polanyi more in the structure of the argument than in its content or implications. The force of Polanyi's claim about the strong subjective component of sectional motivation lies in opposition to the 'class-based interests' that predominated in the Marxist political economy of his day. His assertion that sectional interests are the natural vehicle of social and political change underscores that class interests are not. Crucially, the distinction between a 'section' and a 'class' lies in the sensitive dependence of sectional interests on local institutional, social, and cultural factors. Where Marxists might claim that class structures transcend national boundaries, Polanyi would counter that sectional interests resist strong categorical aggregation or extrapolation from one context to the next.

The politics of economic adjustment working behind the double movement is distributive, and yet the rationality at its basis is contextually specific. Moreover, the context of distributive politics encompasses more than market institutions to include a range of institutions without explicit economic rationale. In this way, Polanyi not only explains the institutional reaction to the emergence of world markets but also the growing diversity of responses to the common challenges that world markets represent. In Polanyi's empirical account, this diversity ultimately spells the demise of world markets and so ushers in the Great Depression. And, in turn, the collapse of the world economy facilitated the 'rise of a variety of new societies' (Polanyi 1957: 252).

However, that great transformation that culminated in the 1930s was but a transitory phase in history. In Polanyi's theoretical account, the diversity of national institutional environments constitutes the defining characteristic of political economics. 'Nothing is more obvious to the student of social anthropology than the variety of institutions found to be compatible with practically identical instruments of production' (Dalton 1968: 71). Moreover, the ubiquity of such variety constitutes the link for Polanyi between idiosyncrasy and integration. The problem of integration is not to ensure a strong form of mechanistic determinism in the form of comprehensive market rules or laws of economic behavior, nor is it to impose institutional conformism around a single set of structures or principles. Rather Polanyi invokes the term 'integration' to describe the use of institutions to structure patterns of behavior so as to create a sustainable and self-propagating balance between collective interdependence and individual freedom in a given context (Dalton 1968: 139–74). Moreover, his use of the term is explicitly normative and contingent: political actors *should* strive to strike a balance between interdependence and freedom; they should do so in full awareness of the contextual specificity within which they operate; and they should accept that it is possible to fail.

Polanyi's empirical claim about the origins of the welfare state clearly antedates the process of European integration. However, Polanyi's theoretical argument has both positive and normative implications for our understanding of the integration process. In positive terms, European integration lies behind a new double movement for Europe's welfare states. It is a common impetus to which the countries of Europe should be expected to respond differently, contingently, even idiosyncratically. Hence from Polanyi's perspective, the consensus among comparative political economists concerning the resilience of national differences is unsurprising. Indeed, the link between integration and idiosyncrasy in Europe is causal.

In normative terms, Polanyi's theoretical argument suggests that European integration *should* result in the achievement of some dynamic and yet sustainable balance between interdependence and freedom for the participating member states. Once Europe's heads of state and government accept the social embeddedness of institutions (including market institutions), they must also accept variation across societies as a necessary constraint on the use of power to 'ensure . . . that measure of conformity which is needed for the survival of the group' (Polanyi 1957: 258).

The challenge for theorists of European integration is to reconcile the tension between the positive and normative implications of Polanyi's argument. If the effect of integration is to encourage diversity, and the effect of diversity is to constrain the inducement of that measure of conformity which is necessary for the survival of the group as a group, then how is the dynamic balance at the heart of 'integration' to be achieved? Moreover, what will be the impact of efforts to balance integration at the European level (which is not actually the focus for Polanyi's analysis) on efforts to balance integration at the national or societal level (which is)? These are not questions for which Polanyi has a clear answer. The answers are not manifest in the comparative political economy consensus on resilient diversity or on the new institutionalism. And the answers are almost entirely absent from the theoretical canon concerning European integration. Almost.

INTEGRATION AND MYRDAL'S 'CUMULATIVE CAUSALITY'

One theorist who has addressed the dynamic balance implicit in Polanyi's conception of integration both generally and in relation to Europe is Gunnar

Myrdal (1956). In his book, *An International Economy: Problems and Prospects*, Myrdal sets out a framework for analyzing integration as a process that is at the same time cumulative, causal, multi-level, and reversible. Moreover, Myrdal's framework builds explicitly upon the normative contrast between conformity and diversity that is analyzed by Polanyi. The tension between conformity and diversity exists and the goal of integration is to move toward a particular understanding of balance between these competing forces.[5]

The complementarity between Polanyi and Myrdal is as much analytic and empirical as normative. Both writers are institutionalists who accord a central role in all accounts of social development and political reform to the interaction between individual values and collective institutions. And both predicate much of their analysis on the overwhelming significance of the Great Depression of the 1930s as an episode of international disintegration. The difference between them is that where Polanyi posits the Great Depression at the end of his narrative account, Myrdal places it at the beginning. Both agree that the development of national economic institutions fragmented world markets. Polanyi's focus is on how this came about. Myrdal's is on what should be the appropriate response. Hence where Polanyi reserves his normative arguments until the end of *The Great Transformation*, Myrdal posits his normative emphasis up front. Economic integration, he asserts, is 'the realization of the old Western ideal of equality of opportunity', and ' "international economic integration" is the realization of the same ideal of equality of opportunity in the relations between peoples of different nations' (Myrdal 1956: 11, 13).

The overtly normative emphasis in Myrdal's conception of integration is likely to put off many contemporary analysts of Europe. Nevertheless, it is important not to be distracted by Myrdal's own insistence on the normative or ideological basis of his claim. In the context of more contemporary analysis, the force of Myrdal's normative claim derives from his analytic dependence on the interaction between values and institutions. For Myrdal, institutional reform cannot have effect unless it is somehow accompanied (or even preceded) by a change in values. Hence it makes little sense to analyze processes of institutional development – like integration – without identifying the normative framework within which they are embedded. The resonance here between Myrdal and Polanyi is acute.

Nevertheless, readers familiar with Polanyi and not with Myrdal may anticipate a contradiction in their respective normative frameworks. As a further point of introduction, therefore, it is useful to note that Myrdal's reliance on 'equality of opportunity' and classical Western liberalism does not contradict Polanyi's own rejection of liberal market ideology. Indeed, the similarities between the two authors are striking – particularly given the absence of cross-reference. Myrdal (1956: 25) suggests that 'a purely liberal – i.e. nondiscriminatory and "impartial" – national community is almost a contradiction in terms'; that 'in all advanced countries the secular trend has been away from a free market economy governed by the interplay of market forces'; and that:

> It is a paradox that only a well-integrated community can abide by the rules of economic competition; but that an integrated community will modify the rules if changes in prices impose too drastic a decline in the income of any one sector, or require too sudden shifts of resources or, more generally, if the community favors a course of economic development other than the one that would result from the free play of market forces.
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> (Myrdal 1956: 25)

Indeed, Myrdal (1956: 32–3) even has his own version of Polanyi's double movement, within which a principal (though not exclusive) stimulus for the elaboration of many of the institutions of the welfare state can be found in the reaction of social groups within national communities to the risks and adjustments implied by world market forces. For Myrdal as for Polanyi, the result is that 'cultural differences between populations on different sides of state boundaries, which were originally minor, are steadily accentuated as interests are focused on national issues and increasingly institutionalized within the state framework' (1956: 35).

The value that Myrdal adds to Polanyi's argument lies in his elaboration of the 'cumulative causation' behind processes of integration and disintegration. As already indicated, much of the causal force in the argument derives from the relationship between values and institutions. In turn, this linkage is underpinned by Myrdal's assessment of the structure of distributive conflict within conditions of relative scarcity and relative surplus. And, it is in the assembly of institutional, attitudinal, and economic forces that the utility of Myrdal's liberal emphasis becomes apparent.[6]

The origins of integration for Myrdal are predominantly attitudinal. Actors choose to equalize opportunities within a group through the elimination of barriers, the redistribution of resources, or (more usually) some combination of the two. The choice may be motivated by collective or complementary self-interest, and yet it must also be underpinned by some more general commitment to the virtues of collective action (in what readers may recognize as an early form of the argument for social capital [p. 22]). Once the choice for equalization becomes institutionalized, the success of the reform measure is contingent upon an identification with the institutions and a willingness to abide by the new rules they imply – two factors which Myrdal describes as comprising 'solidarity' within the given context. Actors must accept to participate in a competitive market and they must agree to contribute to redistribution.

Beyond this point, Myrdal's emphasis shifts from attitudes and institutions to economics and back again. The economic effect of the equalization of opportunity within a group should be welfare enhancing – this is the liberal premise. In turn, the effect of welfare enhancement should be to mitigate the obstacles to a further extension of equality of opportunity while at the same time reinforcing the appeal of engaging in collective institution-building. Distributive conflict is less disruptive and collective action is more attractive in conditions of relative surplus. This is how Myrdal closes the cycle for cumulation. However, given the central significance of attitudes and institutions in the process, the end result is idiosyncratic and not economically (or ideologically) predetermined: 'From this point of view of their cumulative effects upon attitudes and, therefore, possibilities for further advance, even small institutional accomplishments become potentially important' (Myrdal 1956: 55). Processes of integration are path dependent.

A similar cumulation lies behind processes of disintegration. However, the origins of disintegration are predominantly economic rather than attitudinal. Unexpected economic hardship or dislocation undermines the willingness of groups to engage in institutional commitments to equality of opportunity and heightens the significance of distributive conflict. Instead of solidarity, different groups come to struggle over the control of institutions, whether in the form of markets or redistributed resources. Such conflict in turn impacts upon aggregate welfare and accentuates the unwillingness of groups to commit to equality of opportunity. Here too the process manifests institutionally and so exhibits idiosyncratic path dependence.

The cumulative element of these processes is only part of the story. The other part is the fact that the process of integration and disintegration can exist independently in different areas of institutional activity and that it can play out across many different levels of aggregation at the same time. Within a given level of analysis – an individual welfare state, for example – the existence of an institutional arrangement that integrates some members of society while disintegrating others presents no necessary paradox. There may be a normative contradiction between the equalization of opportunities to one group simultaneous to the exclusion of another, but there is no logical or empirical obstacle to such coincidence. The same is true across levels of analysis. A trade union may integrate its own members even if this has adverse implications for other workers outside. And the elaboration of the welfare state can disrupt the functioning of the world economy. Indeed, for Myrdal as for Polanyi that is precisely the point. As Myrdal explains:

> I do not imply the existence of logical elements in conflict between the ideals of national and international integration. I am more convinced than ever that, on the contrary, national economic progress can reach the highest possible levels only in a well-integrated world. But in the severely disintegrated world in which we actually live, there is an obvious lack of institutional balance that works forcefully against international solutions that would satisfy people's cravings for economic progress, equality, and security.
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> (Myrdal 1956: 33)

The locus for this tension between integration at the national and international levels lies in the interaction between economic institutions – macroeconomic, regulatory, and market. As different social groups have turned to the state in defense of their welfare, the result has been to elaborate a wide variety of different institutional structures in response to specific problems. And given the territorial boundaries of the state, these institutions have tended to operate only at the national level. Internationally, the effect of these various regimes has been to create obstacles to interaction and to exchange – both institutional and attitudinal – regardless as to the explicit intentions behind the original institutional design. Hence the problem is not nationalism or protectionism per se. Rather it is the idiosyncratic manner in which national political communities have addressed shared and complementary values. Hence, 'the ordinary citizen is apt to believe – and very largely with good reason – that the national policies by which [national integration] has been brought about are good, even if they are exactly those which are here pictured as the causes of international disintegration' (Myrdal 1956: 44).

Resolution of the tension between integration at the national and international levels depends upon the reconciliation of institutional regimes and the preservation of values. In this way, 'international integration becomes ... a matter of coordination', wherein '[what] is needed is *an internationalization of these national policy structures themselves, preserving the essential values they represent to the several nations*' (Myrdal 1956: 50; italics in original). In this way, Myrdal anticipates the 'new approach' to voluntary industrial standards that operates at the heart of the internal market program of the late 1980s as well as the 'open method of co-ordination' around which the Lisbon European Council built its strategy for welfare state reform in the late 1990s (Hodson and Maher 2001). For Myrdal, such developments should not constitute a departure from the pattern of international integration – they are the pattern, at least insofar as integration is identified with the equalization of opportunity between the member states. Some measure of conformity may be essential, but a wide element of diversity cannot be avoided.

The next phase in Myrdal's analysis of *An International Economy* uses this understanding of integration to explain why efforts to unite Europe during the early to mid-1950s failed to yield the desired result. For Myrdal, the tension between national and international integration was only part of the problem. The other part lay in the excessive ambition of his contemporaries in their efforts to force the pace of integration ahead of the development of popular attitudes and beyond the reconciliation of institutional regimes. Such efforts, he suggests, were doomed to failure. Only a more specific, practical, and incremental project could hope to succeed.

With the benefit of hindsight we might be tempted to agree. The dramatic proposal of a European defense community and its concomitant European political community could never hope to overcome the attitudinal and institutional obstacles that were present during the first decade of the Cold War. By contrast, a more specific, practical, and incremental pursuit of economic integration might, however, succeed. And it did. But we do not need to appeal to Myrdal to know that. The evidence of the success of European economic integration is all around us. What Myrdal adds to this empirical record is an understanding of the coincidence between the progress of European economic integration and the persistence of national distinctiveness. For Myrdal, the one could not have been possible without the other.

IDIOSYNCRASY AND INTEGRATION

The insights taken from Polanyi and Myrdal can be drawn together in a research program that complements the existing work on European integration by emphasizing some of the analytic strengths of comparative political economy – strengths related to the analysis of institutional effects, distributive coalitions, and dynamic systems. The purpose of this section is to suggest how such a research program could come about and it is organized along some of the guiding themes suggested in the work by Polanyi and Myrdal.[7]

From Polanyi, the emphasis in the research program can be summarized in terms of reactive diversity and distributive politics. When examining any particular facet of European integration, the first step is to look where reactions differ across member states and the second is to attempt to analyze plausible distributive accounts for these differences in reaction. The point is not that integration and idiosyncrasy covary in some direct or linear sense. Rather it is that any aspect of integration may give rise to reactions that differ from one member state to the next for distributive reasons which are strongly influenced by the local structural environment.

Consider, for example, the effects of capital market integration and monetary integration. The predominant expectation in the literature is that these will have a strongly convergent influence on Europe's member states. However, the implications of Polanyi's double movement are that the effect will be divergent and will depend upon domestic distributive politics. In part, this line of reasoning is already well documented in Garrett (1995, 1998), who analyzes the flexibility afforded to left-wing political groups under conditions of high capital mobility. What Garrett (2000) has tended to avoid is the impact of monetary integration, which he concedes will have a convergent influence on fiscal policy.

By contrast, Jones (2003) finds the differential responses to monetary integration anticipated in the logic of Polanyi's 'double movement' in comparative national performance on international current accounts. Simply, the variation in current account performance across countries increases first with capital market integration and again with monetary integration. In turn, this variation in current account performance can be explained with reference to the adoption of differing macroeconomic policy mixes which are possible only under conditions of capital market liberalization and which are reinforced (rather than undermined) by monetary unification. Finally, these differing macroeconomic policy mixes have important distributive consequences which can be traced back to underlying policy coalitions. In the language of Polanyi, we can regress this story about diverse reactions to capital market integration and monetary union through the macroeconomic data and back into those sectional interests that are the natural vehicles for social and political change.

The identification of diverse reactions to common policies or common institutions should not be taken as a challenge to assertions of 'commonality'. With the previous example, my point is not that capital market integration and monetary union have no convergent impact. Rather it is to suggest that they have divergent implications as well. This change in emphasis is important to help round out debates about European integration. For example, where the predominant emphasis in discussions of capital market integration and monetary union is on the convergent features of these policies, the addition of rules governing fiscal behavior as in the Stability and Growth Pact can only be viewed as an added constraint. When the emphasis shifts to focus on divergent reactions – and so highlights, for example, the fact that Portugal has run a current account deficit of approximately 8 percent of gross domestic product for each of the past five years on top of a consistent run of deficits stretching back to the late 1980s – the importance of agreeing standards for fiscal performance increases.

In Polanyi's analysis, distributive politics is mediated not only by institutions but also by ideas. Moreover, the ideational influences on distributive politics are at least partially endogenous insofar as they change over time and as a result of the evolution of political competition. This point is slightly complicated but can be illustrated in the contrast between two prominent accounts of the role of ideas and preferences in the process of European monetary integration. In McNamara's (1998) account, preferences converge across countries under the influence of capital market liberalization. States (or governments) become aware of the implications of high capital mobility for monetary policy autonomy and so come to accept the inevitability (in structural terms) of a neoliberal turn in macroeconomic policy-making. In Moravcsik's (1998) account, the result is much the same and yet the process is more highly contested in the form of distributive negotiations between countries and between competing interest groups within countries. Viewed together, these two accounts suggest differing degrees of endogenous influence and therefore differing degrees of convergence across countries: McNamara's account is dominated more fully by the lessons learned from the collapse of Keynesianism; Moravcsik's account incorporates a series of smaller lessons learned by individual countries or groups within countries from myriad events that take place throughout the integration process including the process of negotiating over institutional design.

If we follow the path of contestation to its logical conclusion, multiplying the actors involved and increasing the endogenous influences of past conflicts on current perspectives, it is possible to restructure much of our understanding of the stability of monetary integration. The predominant assumption in the theory of optimal currency areas is that the choices for entering and leaving a monetary union are symmetrical. Countries (or governments) opt for irrevocably fixed exchange rates when the distributive consequences are favorable – as when trading relations between prospective members are preponderant. But countries (or governments) may also choose to leave the monetary union and opt for flexible exchange rates when the distributive consequences of membership become unfavorable – as under the influence of an asymmetric exogenous demand shock. Assuming that Polanyi is correct in his analysis of the 'double movement', however, this expectation of symmetry in the choices to join and to leave a monetary union should not hold.

Joining a monetary union represents the choice for an exchange rate regime with important consequences for monetary policy. Leaving the monetary union represents a choice for monetary policy with important consequences for the exchange rate regime. The distinction is more than just a semantic one for three reasons implicit in the 'double movement': First, domestic actors will have changed their institutional environments in order to adapt to the consequences of participation in the monetary union. Second, these actors will have reordered their prioritization of policy instruments by ease of use, with efforts to seek fiscal redress always proving easier than efforts to reestablish a national currency. And third, actors will face a completely different set of distributive calculations – although still difficult, it is far easier to establish the distributive consequences of changing the exchange rate regime than to identify the distributive consequences of changing either the direction or character of monetary policy. Each of these three reasons is endogenous to the process of monetary integration. And what is important is not only recognizing the precise mechanisms for this endogenous influence of integration on institutions and ideas, but also recognizing the implications of its existence for our understanding of integration as a process.

This discussion of endogenous influences helps to move the research program from Polanyi to Myrdal, and from the distributive politics of institutionally bounded arenas (like national polities) to the distributive implications of interactions across levels of analysis. What Myrdal emphasizes is the importance of the competition between national and international forms of integration. In practical terms, we should look for this competition to play out in the interaction between systems. As policy-making competencies become institutionalized at the European level, what is the impact on national performance?

One example of research posited in answer to a question like this can be found in Peter Hall's analysis of the implications of monetary integration for German price stability. Hall's (1994) argument is that German price stability during the post-war period is not solely a result of policies of the German central bank – the Bundesbank – but rather results from the complex signaling between the Bundesbank and those actors engaged in wage bargaining. The force of this claim is that price stability derives not from some readily identifiable institutional attribute like political independence, but rather from a more ambiguous distributive equilibrium between powerful forces in German society, namely labor and capital. By implication, Hall speculates as to whether attempts to replace the Bundesbank with a European central bank would somehow eliminate the signaling between monetary authorities and those actors engaged in wage bargaining and thereby disrupt the distributive equilibrium behind Germany's stable prices (Hall 1994: 17). In turn, such speculation has fed into a well-spring of analyses that have looked at the implications of monetary integration for domestic patterns of distributive conflict, policy-making and policy adjustment both in Germany and elsewhere.[8] As Hall and Franzese (1998: 526–30) point out, such analysis holds the key to understanding the future of European economic integration.

Myrdal's emphasis on the dynamic interactions between levels of analysis provides a useful window for analyzing the relationship between unity and diversity. Not only does it highlight systemic interdependence – such as between the stability of an exchange-rate or monetary regime and the interaction between domestic institutions – but it also suggests the importance of identifying operational constraints. As the pattern of European integration adapts to accommodate ever greater diversity among its member states, the importance of such constraints can only be expected to grow. Hence, for example, it is not enough to acknowledge that enlargement will take place on the basis of a 'principle of differentiation', that welfare state reform will be undertaken within an 'open method of co-ordination', or that the EU may evolve along lines of 'enhanced co-operation' between subsets of participants. What is also required is more general analysis of where differentiation ceases to facilitate progress, where open co-ordination ceases to encourage reform, and where enhanced co-operation exacerbates conflict rather than mitigating it (Jones 2001). These are the types of questions which Myrdal encourages us to analyze, and in ways that retain our focus on the importance of distributive conflict as influenced by domestic political and economic institutions.

SUGGESTIONS FROM COMPARATIVE POLITICAL ECONOMY

Students of comparative political economy have arrived at something of a consensus that national economic institutions are embedded in complex and interdependent networks which differ both historically and constitutionally from one country to the next. Moreover, even though countries are integrating within the world economy and within regional groupings such as the EU, such integration does not entail that the countries themselves are necessarily becoming less distinctive. Existing research on European integration (and globalization more generally) has focused on the conditions within which convergence does take place, on the institutional features that underwrite specific forms of distinctiveness, and on the conditional nature of convergence across national systems. Such research has added much to our understanding of integration in Europe. However, taken as a whole, this body of research also highlights the idiosyncratic character of national political economies.

The persistence of national idiosyncrasy forces us to reconsider processes of integration, particularly within the context of the EU. Using the insights of authors like Karl Polanyi and Gunnar Myrdal it is possible to construct an interpretation of events in Europe within which idiosyncrasy and integration are two elements in the same larger process of interaction. The great virtue of such an interpretation is that it focuses attention on the diverse reactions of groups within countries to common features at the European level. The interpretation suggested by Polanyi and Myrdal highlights the significance of distributive politics to understanding the forces behind Europe and it underscores the role of specific environmental factors in shaping this distributive politics. Finally, this interpretation signals the need to analyze the complementarity between levels of integration and it does so in a manner which should allow us to structure case studies that will not only answer discrete questions but that can be relied upon to inform future research. These focal points are all present in the existing research and yet they are not unified within a common understanding of the basic causal mechanisms at work. The suggestions I draw from comparative political economy are about how such insights can be unified and researched on the basis of the standard causal patterns described by Polanyi and Myrdal.

The vice of this interpretation of the political economy of European integration is that any acceptance of idiosyncrasy invites complexity into the analysis. For most comparative political economists this tension between parsimony and complexity is a longstanding feature of research design. And there is no reason why it should not be the same for students of integration. Indeed if we accept the framework posited here, there is a certain poetic justice to the plight of the analyst. For analysis, as for integration, the challenge is to ensure that conformity necessary for survival without sacrificing the diversity which is manifest in the world around us.

Address for correspondence: Erik Jones, Johns Hopkins Bologna Center, via Belmeloro 11, 40126 Bologna, Italy. Tel: +39 051 291 7833. Fax: +39 051 228 505. email: ejones@dnsville.com

NOTES

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2 See, for example, Berger and Dore (1996); Esping-Andersen (1999); Hall and Soskice (2001); Hollingsworth and Boyer (1997); Kitschelt *et al.* (1999); Scharpf and Schmidt (2000a, 2000b).
3 See, for example, Goodin (1996); March and Olsen (1989); Peters (1999); Weaver and Rockman (1993).
4 Note here the contrast between Polanyi and Pierson (2000: 264–5).
5 Note here the contrast with Puchala (1975) who argued that the concept of 'integration' should be understood explicitly in terms of harmonization.
6 See particularly Myrdal (1957: 1–55).
7 See also Jones (2002).
8 See, for example, Franzese (2002); Iversen (1998, 1999); McNamara and Jones (1996); Soskice and Iversen (1998).

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