

# TERRITORIAL COHESION AND THE

# European Model of Society



EDITED BY ANDREAS FALUDI



# Territorial Cohesion and the European Model of Society

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## Chapter 1

# The European Model of Society

ANDREAS FALUDI

Europeanization is fascinating as an alternative to the American way, not the least to Americans critical of America.

—ULRICH BECK,

“An Empire of Law and Consensus,” *International Politics*, 2005

The absence of large-scale planning in the United States stands in contrast with Europe and its “bold plans and investments designed to integrate the economies of and reduce the economic disparities between Member States and regions, and to increase the competitiveness of the continent in global markets” (Carbonell and Yaro 2005, 1). At a meeting in February 2005 of the Green/European Foreign Alliance group in the European Parliament, the American public policy analyst Jeremy Rifkin even saw the European vision of the future as “quietly eclipsing the American Dream” (EuActive 2005b), and the British foreign policy analyst Mark Leonard (2005) pointed out why Europe would run the twenty-first century.

Is there a specifically European model of society? At the informal meeting of the European Council of Heads of State and Government of the European Union member states at Hampton Court in October 2005, the issue was discussed. In his position paper, the Belgian economics professor André Sapir (2005) claimed that there is not one European model but four, and in his evaluation of the models’ efficiency and equality, he found that only the Nordic model—everybody’s darling at present—scored high on both criteria.

Sapir discussed practical arrangements, but the European model is also a normative concept standing for moderating the pursuit of economic growth and competitiveness with concerns about social welfare and equity; sustainability and governance also are factored in for good measure. These concerns overlap with those articulated under the flag of territorial cohesion such as equity, competitiveness, sustainability, and good governance (Faludi

2005, 5). The concept of territorial cohesion is found in Article 16 of the Treaty establishing the European Community on services of general economic interest (Official Journal 2002). The Commission of the European Communities (the European Commission) links such services to the European model of society (Berrod 2003). But the Convention on the Future of Europe has gone beyond this linkage, proposing territorial cohesion as one of the objectives of the European Union (EU) on a par with economic and social cohesion. After all, “people should not be disadvantaged by wherever they happen to live or work in the Union” (CEC 2004a, 27). Territorial cohesion also relates to the Lisbon Strategy under which the EU has set itself the goal—now receding into the future—of “becoming the most competitive and dynamic knowledge-based economy in the world” (European Council 2000; see also Faludi and Waterhout 2005 and chapters 3 and 6 in this volume). This Lisbon Strategy aims to achieve sustainable economic growth, with more and better jobs, greater social cohesion, and respect for the environment.

Reconciling competitiveness and equity has already been central to the European model as conceived by Jacques Delors, president of the European Commission from 1985 to 1995, but the meaning of the European model remains contested. Recognizing the variety of relevant arrangements, Hemerijck and Ferrera (2004, 249) nevertheless see a common approach “built around a solidaristic commitment that society should not abandon those who fail. . . . Institutionally, the model is marked by high degrees of interest organization and comprehensive negotiation between governments and social partners over conflicts of interest. Patterns of social partnership based on trust encourage social capital to overcome particularistic interests.”

Other authors emphasize diversity. Esping-Andersen (2002, 25) thinks it is “fruitless to contemplate a single design for all nations even if they face similar problems. . . . [A]ny realistic move towards common objectives must presume that such, if accepted will be adapted to national practice.” Even so, the European model is playing a prominent role in the struggle over the development of the EU, in particular where Europe rejects the U.S. model. As Portugal’s secretary of state for European affairs, Francesco Seixas da Costa, said in the European Parliament in 2000, “We are not sure that the American model, which is a radical model, one of deep injustices, one which has introduced factors of great social injustice and great marginalization and exclusion, is the model for the future. We do not want this model for Europe” (as quoted by Martin and Ross 2004, 326).

Indeed, the outcomes of the French and Dutch referendums that stopped ratification of the Treaty establishing a Constitution for Europe in its tracks are said to have stemmed in part at least from the fear that the constitution does not do justice to the European model (Lamy 2005; Lang and Majkowska 2005; Ricard-Nihoul 2005), but perhaps one should not make too much of this observation. Harvard scholar Andrew Moravcsik has commented wryly that engaging European citizens “will not necessarily



create rational (let alone supportive) debate, because those with intense preferences about the EU tend to be its opponents” (as quoted by Boucher 2005, 7).

## ■ Taking Sides on the European Model

Advocates of the European model wish to strengthen the EU’s powers to match the entrenched market-making policies such as removing barriers to free trade. Others see little reason to go beyond the creation of a level playing field. This “ultraliberal” view is often associated with Britain, regarded by many Europeans as “a virtual Trojan Horse in Europe”; the “more *dirigiste* attempt to create a new European order” is associated with France (Siedentop 2000, 140, 151). The issue has erupted around the European Constitution and the “Financial Perspectives 2007–2013,” the multiannual budget of the EU (Menon and Riseborough 2005; on the EU budget, see Begg 2005 and chapter 6 in this volume).

According to Siedentop (2000, 156), the ultraliberal view forgets that any truly liberal capitalist government “will always have to address itself to social arrangements which impede mobility, both social and geographical. . . . The creation of a single European market implies, therefore, coordinated state action to foster reasonable equality of opportunity.” Delors, too, thought the “*laissez-faire* approaches of Anglo-Saxon liberalism missed an essential matter. Markets existed within specific broader ‘models of society’ which moralized individuals and structured preferences” (Ross 1995, 46). Not concerned with the EU, Etzioni (1990, 182) makes the same point: “The question hence, is how to provide a context that is strong enough to contain competition but not so powerful to undermine it.” Esping-Andersen (1990, 14–15) describes this point of view as the institutional approach, insisting “that any effort to isolate the economic from social and political institutions will destroy human society. The economy must be embedded in social communities in order for it to survive.” Hemerijck and Ferrera (2004, 249–250) claim that, in fact, the European model contributes to competitiveness in that it “can reduce uncertainty, mitigate social conflict, and enhance adjustment capacity and readiness to accept change, bear more risks, acquire specialized skills, and pursue investment opportunities” (see chapter 3 in this volume).

This notion of a humane social order based on a mixed economy, civilized labor relations, the welfare state, and a commitment to social justice has its roots in the Social Democrat–Christian Democrat mainstream of continental European politics. Indeed, the

conviction that European capitalist societies both were and ought to be different was shared by the mainstream. It was also the core of the political project to which Delors had devoted most of his life. In it societies were more than markets, citizenship more than consumption, and government

more than an economic traffic squad. People belonged to moralized collectivities which negotiated with one another for the good of all. Citizenship involved solidarity with others. Government, beyond stimulating economic activity to provide welfare, should craft a wide range of public goods, not only because of market failures and “externalities,” but in response to demands for solidarity. (Ross 1995, 46)

This view is in contrast to the neoliberalism of, for example, former British prime minister Margaret Thatcher, who quipped that she did not know society, only individuals. Her view is an individualistic one. Individualism is one of the principles that, according to Huntington (2005, 41), constitute the “American Creed.” The ultraliberal charge against the European model is that with its emphasis on welfare it is costly, among other reasons, because it does not give incentives for people, especially those at the lower end of the labor market, to work and is thus detrimental to competitiveness. A Swedish report—quoted by Republicans with glee during the U.S. election campaign of 2004—puts the American competitive advantage in stark relief (Bergström and Gidehag 2004). It found that only tiny Luxembourg in the EU could rival the richest of the American states in terms of gross domestic product (GDP) per capita. The authors admit that GDP is a crude measure that misses the output of the black economy, which is said to be significant in Europe’s high-tax states. GDP also overlooks the value of leisure or a healthy environment or the way in which prosperity is spread across a society. Still, higher GDP per capita allows Americans to spend \$9,700 more a year than Europeans on cars, TVs, computers, and other goods.

Exchange rate changes make such comparisons difficult, according to Haseler (2004, 70–71). His claim is that “by 2002, a rough calculation would place the per capita incomes of Luxembourg, Denmark, the Netherlands, and Sweden slightly ahead of the USA, those of the reunited Germany, France, the UK, Belgium, and Finland at roughly equal, and the rest lower.” Esping-Andersen (2002, 11) casts more light on the comparison of incomes by pointing out that the average American is likely to spend more on health care than do Europeans. This only goes to show that such comparisons are difficult to make. While otherwise defending the U.S. record, Huntington (2005, 30–31) admits that “more Americans . . . work longer hours, have shorter vacations, get less in unemployment, disability, and retirement benefits, and retire later, than people in comparable societies.” Indeed, the fact is that according to “‘quality of life’ indicators used by the UN Development Programme . . . all the EU countries rank extremely highly, alongside the US and Japan. And in the UN’s Human Development Index . . . the EU countries also do extremely well” (Haseler 2004, 71).

Rifkin (2004, 71) duly mentions the reasons given by economists for Europe’s alleged poor performance as “the governments’ inflexible labor policies, anti-entrepreneurial biases, overtaxation, and burdensome welfare

programs—so-called ‘Euroschlerosis,’” but he points out that economists forget that America’s recent economic growth has not come without a steep price tag in the form of record consumer and government debt. Similarly, Schubert and Bouzon (2005, 33) offer the reminder that “Europe . . . has a positive financial balance sheet with respect to its development. Both the external (balance of payments) and internal balances (public finances) are good. . . . While the US, in contrast, has recorded higher economic growth in recent years, its growth has come at the cost of financial sustainability.” Todd (2003, 179) is even more scathing: “The American system is no longer able to provide for its own population. More seriously from a European perspective, the constant attempts to foist the liberal model onto the strongly rooted and state-centred societies of the Old World is in the process of blowing them apart. . . .” Indeed, some, not only in France where Todd comes from, but also in the rest of Europe, see the American system as a menace to European ways of doing things.

The magnitude of the actual differences between European social and political thought and that of the United States is, however, a moot point. As Peyrony points out in chapter 4 of this volume, Henri de Saint-Simon, a supporter of the colonies in the American Revolution, was greatly impressed by the fledgling United States. Moreover, ever since the writings of political observer Alexis de Tocqueville, Europeans have drawn inspiration from American political thought and practice. Siedentop (2000, 199) even asserts that “the universalism of the Declaration of Independence and the Constitution . . . captures the character of European civilization more successfully perhaps than any political document that Europe itself has produced.” Finally, in contemplating the future of Europe, Haseler (2004, x) draws on American federal history, because “the basic similarities are too striking to be set aside . . . [:] a continent-wide system, similar issues of federal-state relations, similar population size, similar level of economic and cultural development, similar ethnic divisions and, notwithstanding recent divergences . . . similar ideology and values.”

Based on these and other similarities, the American judge Mark C. Christie (2005) holds up the “Madisonian federal model” for Europe to follow. Indeed, when preparing for the Convention on the Future of Europe, former French president Valéry Giscard d’Estaing went to Washington to study the history of the U.S. Constitution (Norman 2003), and at the opening of the Convention on the Future of Europe he stated in a reference to the events of 1787 that the convention was “Philadelphia.” Likewise, the drafters of the U.S. Constitution drew on the European Enlightenment, and so Europe and the United States have much in common. In fact, the Oxford historian Timothy Garton Ash (2004) points out that the differences between America and Europe are less than one may be inclined to think and that the two have a joint interest in promoting the values of the free world.

Further complicating matters is the complexity of the political landscape of the United States as pointed out by Ash (2004, 67). Europeans may be at odds with the current U.S. administration, but there is passionate opposition to it from within an increasingly polarized United States as well. Reacting to statements made by the U.S. political analyst Robert Kagan (2003) about Americans being from Mars and Europeans from Venus, Reid (2004) and Rifkin (2004) invoke the European model as a wake-up call for America. They ventilate that ultimately its “soft” power will prevail over the “hard” power of the United States, and European authors claiming to have deep sympathies for the United States but also misgivings about its current course—authors such as Haseler (2004) and Todd (2003)—agree. Siedentop (2000, 183–184) even suggests a kind of “Marshall Plan in reverse” that would reinforce American idealism to help the “old Northeastern Establishment in the United States to adjust to the movement of population and wealth South and West, while defending European values against excessive straying of American attention towards the Pacific basin.”

Yet in fact the European model is being invoked against the United States, with the French leading the way. French support for European arrangements “has always been accompanied by arguments and rhetoric designed to establish that only by organizing itself can Europe contain American influence” (Siedentop 2000, 171). Superficially, the aversion is to hamburgers and Hollywood as symbols of global capitalism and its recklessness toward people and their livelihoods, but also toward nature, cultural heritage, and regional identity. As a French chief planner has said, Europeans are rooted in the soil. They are not footloose, as are “the much more nomadic peoples of the North American Continent” (Guigou 2001, 4; see also Todd 2003, 178). Huntington (2005, 50) confirms that the “manifestations of territorial identity are weak or missing in America.” According to this author, Americans have generally not developed attachments to particular localities, nor have they linked themselves as a people with any particular national site or, to the same extent as other peoples, identified themselves with their overall territory. In chapters 2 and 4 of this volume, however, Robert and Peyrony demonstrate that territorial roots are important to Europeans. Resisting the decline of territorial integrity stemming from the migration foisted on them by economic disruptions is one of the rationales of French-style and, as far as the French are concerned, European planning as well.

Because of these roots of Europeans in their soil, it is not surprising that, as Robert claims in chapter 2, food plays a critical role in defining European culture and identity. By way of contrast, “Americans have a difficult time understanding the close cultural relationships Europeans have toward rural life, farming practices, food cultivation, processing and consumption,” which is one reason why Europe objects to genetically manipulated food (Rifkin 2004, 321). Rifkin (2004, 332) also claims that almost everyone he knows in Europe “among the professional and business

classes has some small second home in the country somewhere—a dacha usually belonging to the family for generations.” He thinks that this way of life helps to explain support for organic farming and sustainable development. Todd contends similarly that the deepest divergence between Europe and the United States is that European (and Japanese) societies have evolved from the labor of generations of miserable peasants experiencing wealth only belatedly. He goes on to observe:

All of these societies maintain as part of their genetic code, as it were, an instinctive comprehension of the notion of economic equilibrium. On the level of moral practice one associates it with the notions of work and compensation, on the level of accounting with the notions of production and consumption.

American society, on the other hand, is the recent outcome of a highly successful colonial experience but one not tested by time—it developed over three centuries, thanks to the importation of literate workers to a world rich in minerals and other natural resources, and agriculturally productive, thanks to its virgin soil. America seems to have understood that its success stems from a process of one-sided exploitation and expenditure of wealth that it did not create.

The strong understanding that Europeans, the Japanese, or any other people of Eurasia have about the necessity of an ecological balance and of a commercial balance is the outcome of a long peasant history. . . . America has always grown by playing out its soils, wasting its oil, and looking abroad for the people it needed to do its work. (Todd 2003, 177)

Support for global agreements such as the Kyoto Protocol is part of the same rhetoric, as is support for the United Nations. The discussion between the “unilateralist” United States and the “multilateralist” European Union has reached a stage at which there is concern about how to manage their mutual relations. Be that as it may, in Europe’s dealings with the United States the rhetoric of the European model is potent. In internal European discussions, however, it is less evident that a European model exists. Europe is diverse. Indeed, the opening sentence of the European Spatial Development Perspective reads: “The characteristic territorial feature of the European Union (EU) is its cultural variety, concentrated in a small area” (CEC 1999, 7). And Article 151.4 of the Treaty establishing the European Community cites preserving diversity as a Community concern. Thus in his Hampton Court position paper, Sapir (2005) identified four European models. One can argue, however, that synthesis is achieved by means of the process in which diverse models go through the sieve of European politics. For example, it is said that the European social model is not an extrapolation of the models of the EU member states; “rather, it is rooted in a set of constitutional policy principles, works with a floor of social guarantees, operates a regime that forces national systems to communicate with each

other and pursues a set of wider aspirations” (de la Porte and Pochet 2002, 290).

This process relates to how European arrangements come about. Under the “Community method,” the Commission has the exclusive prerogative to submit proposals for legislative acts to the Council of the European Union (also known as the Council of Ministers) and subsequently the European Parliament for approval, after which they become European law. Naturally, before all this comes to pass much mutual learning is required. European Commission president Jacques Delors was acutely aware of this learning process and is the subject of the next section.

### ■ The Influence of Jacques Delors

In her book-length examination of Jacques Delors, Drake (2000) demonstrates the continuity of Delors’s thinking. She paints a complex but attractive picture. Rather than seeking power, Delors invoked a “working model of society in which an enlightened (because educated) citizenry would fulfil its potential within rational (understandable, accessible and transparent) democratic structures.” He was “far more at home in the language of rational and expert diagnosis, prognosis and remedy than with the rhetoric of political promise” (Drake 2000, 26, 29). Likewise, Haseler (2004, 78) found him to be a “technocrat with a broad historical vision.” These observations call up the Saint-Simonian tradition in French politics, which Peyrony mentions in chapter 4 of this volume.

In the late 1950s, while Delors was laboring in the French Planning Commissariat, a “blueprint for a society began to take shape in his own mind and in the networks he was beginning to weave.” Although his political home was on the left, he became a member of the political cabinet of the Gaullist prime minister Jacques Chaban-Delmas with responsibility for, among other things, transforming industrial relations, a duty that “chimed well with . . . his desire to create and reinstate the role of social ‘intermediaries’ such as the trade union movements” (Drake 2000, 35, 38). It was at this point that he began to think in terms of a “new society.”

In 1979 Delors was elected to the European Parliament, and in the early 1980s he served as French finance minister. This service “represented a continuation of his activity and reputation as a ‘moderniser’ on the French left, acting within liberal capitalism, and standing aside from the class struggle of the traditional left.” However, his

experience of government office only served to underline the contradictions that he had always experienced between the desire to change society, and the constraints inherent in the political means of doing so, and in his own temperament. His forty years of professional life in France had been heavily skewed towards roles where he hoped to bring about change through influence in the form of ideas, expertly researched, effectively

communicated to the appropriate channels, and delivered by others. The flaw in this formula in France was that his ideas were often distorted or dropped in the political process. . . The same formula, in the very different setting of the EC, was to meet with greater success, before indirectly contributing to similar sorts of political constraints. (Drake 2000, 44–45)

Indeed, Delors “went to Brussels as . . . a ‘rational European,’ a pragmatist predisposed towards the neo-functionalist analysis of European integration, tempered with idealistic if not abstract hopes.” Some suspected him to have arrived with a ready-made plan for a European society. However, in his maiden speech to the European Parliament Delors recognized that both pragmatism and imaginative vision had their limits and that a combination of both was required (Drake 2000, 46, 99). He also began to refer to Europe rather than to the European Community, presenting it as a “polity in the making.” And this may continue to be the case now that ratification of the constitution aiming to finally settle the issues in European integration is being called into question (Milton and Keller-Noëllet 2005, 114).

Pragmatism and vision were Delors’s hallmarks. After watching Delors’s political cabinet in action, the American specialist on French politics George Ross observed that Delors and his Commission “were practiced in scanning their environment, seeking things that were malleable, avoiding those which were implacable, and moving step by step towards the goal of a sustainable ‘European model of society’” (Ross 1995, 11). The feeling was, however, that Europe needed to take dramatic steps to become more competitive—a theme slated to remain on the agenda. At the same time, Europe ought not to open itself up to the full floodtides of the international market. Instead, steps should be taken “to make the Community into a regional economic bloc whose synergies and economies of scale would stimulate European innovation. The fruits of new economic successes could then be directed towards perpetuating the ‘European model of society.’ Europe would then stand—practically—as a humane combination of institutions and ideas that could stimulate market success while simultaneously promoting social solidarities designed to ameliorate the harshness of market relations” (Ross 1995, 4).

This viewpoint implied that the European Community had to become like a state. And, in fact, Delors was leaning toward a form of European federalism. Although Delors’s spectacular achievement was the Single Market, he saw no contradiction between pursuing competitiveness and enhancing the European model of society. However, the Community would have to take on tasks normally performed by states. In describing this thinking, Ross invokes the metaphor of the Russian doll first used by François Lamoureux, Delors’s deputy *chef de cabinet*. Accordingly, the Single Market would make people realize that additional measures were needed, which is why adherents of the European model wish to give more powers to the EU. These measures would include doubling the Structural Funds and thereby

turning regional or cohesion policy into serious business, while bringing this policy at the same time under a unique “multi-governance regime” (Hooghe and Marks 2001). Cohesion policy is part of the state building that, according to this dialectic, follows from market integration—which is why it is anathema to ultraliberals.

These elements and the rest of the “Delors package” took shape in the wake of the Single European Act of 1986. Just after the package was made public, Delors said in the European Parliament,

It is self-evident that a large market without internal frontiers could not be completed or operated properly unless the Community had instruments . . . enabling it to avoid imbalances interfering with competitiveness and inhibiting the growth of the Community as a whole. . . [T]he ship of Europe needs a helmsman. . . . The large market without internal frontiers cannot, by itself, properly be responsible for the three main functions of economic policy: the quest for greater stability . . . [,] the optimum allocation of resources to obtain the benefit of economies of scale and to stimulate innovation and competitiveness and the balanced distribution of wealth allowing for individual merit. (As quoted by Ross 1995, 41)

In the early 1990s, after the signing of the Treaty on European Union (Maastricht Treaty), Delors presented a second package, Growth, Competitiveness, Employment (CEC 1993). The first Danish vote on the Maastricht Treaty had been negative, the French had accepted the treaty only with an almost imperceptible majority—far smaller than the percentage rejecting the Treaty establishing a Constitution for Europe in 2005—and the United Kingdom was still under the Conservatives with their Euro-skeptic wing. As the title suggests, Delors’s second package, also in the form of a white paper, focused on employment. Anticipating the birth of the EU’s Lisbon Strategy in March 2000, it identified the root of the employment problem: competitiveness, or rather the lack thereof. A remarkable aspect of this white paper was the launch of the Trans-European Networks (TENs), in the eyes of many a key to achieving territorial cohesion. However, for this initiative, like others, the member states refused to give the Community the necessary instruments.

Delors did succeed, though, in other measures—above all, the European Economic and Monetary Union (EMU). In his 1995 book, Ross described the evolution of this policy, and a more recent book coauthored with Andrew Martin builds on experiences with administering EMU since its introduction. According to Martin and Ross (2004, 1–2), the European Central Bank (ECB) has more autonomy than any other EU institution, whereas authority over welfare state and employment relation institutions remains in the hands of the member states. At the same time, there is “an EU polity that sharply separates authority over macroeconomic policy from



that governing social models. The two domains are highly interdependent, however. Macroeconomic policy significantly affects the burdens on and resources available to social policy.”

This relationship between domains is not unlike the relationship between the Single Market policies aiming to create a level playing field, on which the EU is strong, and the market-correcting policies, on which the EU is weak (Scharpf 1999; 2002). Thus, “the question is whether the macroeconomic foundations of the European social model will be maintained” (Martin and Ross 2004, 2). The theory is that the EMU will boost growth and thereby ensure the survival of the model, but in fact the EMU’s dedication to price stability may keep employment low. The outcome is not predetermined, however. “National politics of social model change may refract the pressures generated by EMU in directions that preserve high degrees of social protection and labor rights” (Martin and Ross 2004, 3).

In their conclusions, Martin and Ross paint two scenarios: one in which the Lisbon Strategy is succeeding and one in which it is not, leading to a “war of attrition” of the ECB against the European social model. However, the authors believe that “most Europeans are determined to stand by the social models that they built earlier. . . . But the central threats remain continuing low growth and high unemployment. . . . It therefore cannot be ruled out that these will create conditions . . . that would sap the European models by stealth” (Martin and Ross 2004, 329–330). In the end, then, Delors’s European model may fall victim to his other brainchild, the EMU.

Finally, it is impossible to understand Delors without taking into account his French roots. Siedentop (2000) credits the French élite with a vision of a Europe modeled on France—a vision it pursues with great effectiveness. Siedentop is concerned about the accumulation of power in Brussels, but he does not see it as the result of conspiracy, but rather “a matter of habit and attitude induced by the powerful administrative machine at the disposal of the French élite. When the French executive has decided that it wants something, it gets its way” (Siedentop 2000, 107). As Haseler (2004, 133) points out, “French governance has kept a meritocratic brake on mass democracy.”

Yet Siedentop acknowledges that there have been changes in French political culture. The reforms under way represent “an institutional move away from the fabled tutorship of the state” (Siedentop 2000, 111). However, “the process of decentralization initiated in France . . . testifies to what the French have long considered a weakness of their own bureaucratic and *dirigiste* form of politics. It has been a conscious attempt to create a wider political class and thereby give French public institutions a deeper anchor in local opinion and local interests—in fact, to promote the kind of intermediate associations that would work against the disjuncture of élite opinion and popular opinion which has, at frequent intervals since 1789, led to revolutionary upheaval” (Siedentop 2000, 129).

An example of decentralization is the insistence on stakeholder participation in French regional development policy and the influence such participation has had on EU regional policy (Faludi and Peyrony 2001; Faludi 2004). However, creating a wider, more open political class takes time. Meanwhile, the insider joke is that Brussels is the last refuge of the French centralizers, the *Jacobins*: “The slow work of decentralization in France may already look like ominous writing on the wall to the French élite. How tempting, then, to turn Brussels and the European Union into a refuge for *dirigiste* habits and attitudes which may at last have had their day in France itself” (Siedentop 2000, 143). “Over-integration” has contributed to the draining away of idealism from European integration (Siedentop 2000, 220), a reminder of the growing unease, not to say skepticism, about European integration leading to the rejection of the Treaty establishing a Constitution for Europe in 2005.

#### ■ The European Model After Delors

After Delors, European leaders had no stomach for another Commission president with his flair. But his successor, Jacques Santer from Luxembourg, and the Santer Commission resigned over allegations of cronyism, to be followed by a Commission under former and again present Italian prime minister Romano Prodi. During his term, the European Council adopted the Lisbon Strategy. When it fell on stony ground, Prodi set up various panels to find ways of resuscitating it, which was, according to Peuziat (2004), a common strategy of Commission presidents. The rest of this section describes briefly the findings of these panels.

##### *The Sapir Report*

In July 2002, Romano Prodi appointed a High Level Study Group to review EU-level economic instruments for their suitability for economic governance in the context of enlargement. The Belgian professor of economics André Sapir—the same one who later wrote the position paper for Hampton Court—was asked to chair the group.

The group’s report, which came out in July 2003, claims that the Single Market has been a success, the remit of competition policy has widened, and, even more remarkable, the European Economic and Monetary Union has resulted in the 12 (as from 1 January 2007, when Slovenia will have joined, 13) member states having the same currency, the euro (Sapir et al. 2004). Low inflation and lower budget deficits also have been achieved, but those achievements have been accompanied by lower growth. Moreover, the context has changed. Rather than economies of scale and an industrial structure dominated by large firms with stable markets and long-term employment patterns, today’s world requires greater mobility, more retraining, greater flexibility of labor markets, more external finance (in particular

equity finance), and higher investment in both R&D and higher education—themes that are receiving greater attention in the EU.

The report also points out that the present combination of low growth and high public expenditure is no recipe for success. Growth is of paramount importance for the sustainability of the European model. If anything, developments in demography and technology and globalization are increasing the demand for social protection. And enlargement poses additional challenges. The income gap between the new member states and the current EU is much larger than during any other round of enlargement. Convergence, then, is more than ever the key to success. The new member states have high levels of human capital, but they also have a legacy of old industries, environmental damage, and poor public administration.

The report recommends transforming the EU system of economic policy making and of modes of delivery. In that vein, the report also addresses transport infrastructure requirements. In commenting on the report, Pelkmans and Casey (2004) point out that the Trans-European Networks are a responsibility (a competence in EU parlance) shared by the Community and the member states. But the result falls short of expectations. They conclude

that the division of powers on cross-border infrastructure is wrong in the EU. The costs of a lopsided assignment . . . are very high, be it for the patchwork of “national” railways, the great inhibition of member states to invest in true transit systems of motorways with a European network in mind, the cross-border interconnectors in electricity and air traffic control networks. . . . The “need to act in common” is very strong for cross-border infrastructure . . . and bilateral cooperation is necessarily inappropriate in those cases where “missing links” ought to be identified in a European (transit and network) perspective. (Pelkmans and Casey 2004, 16)

Pelkmans and Casey also regard the argument—relevant to the conduct of cohesion policy—that the future convergence fund should be allocated to countries, not regions, as convincing. They view richer countries obtaining, as they do under current arrangements, financial assistance from the Community coffers which they have filled with their own contributions in the first instance under *juste retour* considerations (Begg 2005) as a useless form of pumping around money and castigate the swiftness with which Commissioner for Regional Policy Michel Barnier and his colleague from agriculture, Franz Fischler, condemned the recommendations as “a pure case of protection of turf and/or power, rather than the outcome of a reflection on what would be best for EU growth in the longer run” (Pelkmans and Casey 2004, 21). Regional representatives have criticized the Sapir Report as well. In fact, an impressive coalition has rolled into action (Peuziat 2004). Regional and local authorities recognize that not only will they benefit from an EU cohesion policy, but, because of the insistence on their involvement

as stakeholders, such a policy will also enhance their standing in relation to the national governments.<sup>1</sup>

### *The Strauss-Kahn Report*

This report is different from the much better known Sapir Report. The Prodi Commission established a roundtable, A Sustainable Project for Tomorrow's Europe, to examine the European model of development. The roundtable was chaired by Dominique Strauss-Kahn, former finance minister in the French Socialist government of Lionel Jospin. The report of the roundtable, issued in 2004, insists that a shared European model of society exists and that it is based on the inviolability of human rights, the humanist model of man, a view of culture as first and foremost an instrument for human development and not as a commodity, a model of sustainable development, and a multilateralist vision of the international order. The report recognizes that these concepts are not unique, but asserts that the European model expresses them in unique ways. It points out that Europe is thus a "community of values," but admits that it "is not yet fully formed: like the sense of national belonging . . . feeling European is a sense which is under construction. The community will be consolidated by the creation of a political Europe. . . . [A] political Europe and a European identity each stimulate the growth of the other. But the principle is clear: there can be no political Europe without a European community of values; a political Europe cannot be created unless a European people emerges" (CEC 2004b, 33).

This process is under way, and it is gradual. However, the Strauss-Kahn Report points out that because "there is no political embodiment of the European model by the European Union, the model is not properly defended." Thus, it is necessary to build a "political Europe": "the European Union is out to recreate a virtuous circle for the endangered European model. To do this, the report suggests changing paradigm and adding to the current approach of remedial action one of creating new opportunities. . . . The European model of justice now has to do more than simply correct unwanted effects caused by society . . . : it must attack problems at the root" (CEC 2004b, 16, 17).

To this end, the EU must be given a political arm: political institutions, public life, and a feeling of belonging. However, there "can be no democracy without a *demos*, without a European people" (CEC 2004b, 19). The report then boldly claims that, although Europeans are not always aware of it, this *demos* exists for the simple reason that it shares a model of society. This chimes well with Haseler's argument that a "European superpower would . . . offer a different western model for both the economy and

<sup>1</sup>The Sapir Report was the subject of a policy debate in the October issue of *Regional Studies*, with Hall (2005) presenting the Commission's case for the continuation of a comprehensive regional policy.

society. Europe's so-called 'sclerotic' welfare societies, so criticized by Wall Street . . . are proving more stable than the gyrating, raw, free-market American model. And Europe's social model—of capitalism with a social vision—could become the basis for a continent-wide ideology, a kind of 'European dream' every bit as successful in inspiring future Europeans as was the more individualistic 'American dream' in inspiring Americans" (Haseler 2004, 5). Elsewhere, Haseler (2004, 126) argues that Europe is breaking with the American *idée fixe* about the free market. What the Strauss-Kahn Report does not say—but Haseler does—is that America may thus serve as the "other," allowing a strong European identity to form.

### *The Reflection Group*

The Prodi Commission also formed a group to "reflect on the role that the most deep-rooted values of our shared historical background could play as the binding element of fellowship and solidarity"; it also referred to the "fundamental values at the core of the European venture" (Biedenkopf, Gemerek, and Michalski 2004, 2). The Polish philosopher Krzysztof Michalski who chaired the group talked as well about solidarity and Europe's self-image and how these factors influence Europe's role in the world.

The group concluded that the inspiration behind European integration had been lost and that it was now being identified with economic integration—the ultraliberal version of Europe. However, as a source of inspiration economic integration was "incapable of substituting for the political forces that originally propelled European integration and cohesion" (Biedenkopf, Gemerek, and Michalski 2004, 6). The Lisbon Strategy, too, could not "establish the internal cohesion that is necessary for the European Union; nor, indeed, can economic forces alone provide cohesion for any political identity. To function as a viable and vital polity, the European Union needs a firmer foundation" (Biedenkopf, Gemerek, and Michalski 2004, 6).

After a discussion of the role of religion, the group's report concludes with reflections on Europe's role in the world. This report has received less attention than its predecessors and in particular the Kok Report.

### *The Kok Report*

In 2003 the EU High Level Employment Task Force chaired by Wim Kok, a former Dutch Labour prime minister, published a report with the telling title *Jobs, Jobs, Jobs* (CEC 2003). A year later, at the invitation of the European Council, the Commission established another High Level Group, once again chaired by Kok, to "identify measures which together form a consistent strategy for the European economies to achieve the Lisbon objectives and targets" (CEC 2004c, 5). The group presented its report as the Barroso Commission took office in late 2004. The report pointed out that events had not helped the Lisbon Strategy, but that the European

Union and its members states had “clearly themselves contributed to slow progress by failing to act on much of the Lisbon Strategy with sufficient urgency . . . due to an overloaded agenda, poor coordination and conflicting priorities” (CEC 2004c, 6; see also Milton and Keller-Nöellet 2005, 136). Nevertheless, it found the Lisbon Strategy to be even more urgent than before, because economic growth and employment provide the means to sustain social cohesion and environmental sustainability. In turn, social cohesion and environmental sustainability properly conceived contribute to higher growth and employment.

Like previous reports, the Kok Report endorses the European model, but it expresses concern about its sustainability. In an attempt to assuage those concerned about alleged ultraliberal tendencies, the report states: “The Lisbon Strategy is not an attempt to become a copy-cat of the US—far from it. Lisbon is about achieving Europe’s vision of what it wants to be and what it wants to keep in the light of increasing global competition, an ageing population and the enlargement. It has the broad ambition of solidarity with the needy, now and in the future. To realise this ambition, Europe needs more growth and more people in work” (CEC 2004c, 12). The report also reiterates the Sapir Report’s concern about the state of infrastructure:

Europe’s level playing field remains cluttered with infrastructural obstacles. For too many companies, accessing areas of the internal market on the other side of the continent is effectively impossible. For others, the non-availability of broadband, either at accessible prices or at all, is an equally significant structural disadvantage compared with competitors elsewhere.

More urgently than ever in the light of enlargement, Europe’s internal market needs to be connected. Many of the new Member States are not only on the periphery of the internal market geographically; they are also in desperate need of expanded and modernised infrastructures. (CEC 2004c, 27)

The Kok Report also addresses environmental concerns: “Well-thought-out environmental policies provide opportunities for innovation, create new markets, and increase competitiveness through greater resource efficiency and new investment opportunities. In this sense environment policies can help achieve the core Lisbon Strategy objectives of more growth and jobs” (CEC 2004c, 35).

The report ends by addressing the delivery of the Lisbon Strategy. It points out that individual member states have made progress in one or more of its policy priority areas, but none has succeeded consistently across a broad front. The task is to develop national policies in each member state, supported by an appropriate European-wide framework, “and then to act in a more concerted and determined way. The European Commission must be prepared to report clearly and precisely on success and failure in each

Member State. National and European Union policies, including their budgets, must better reflect the Lisbon priorities” (CEC 2004c, 7).

As noted earlier, the Kok Report came out just as a new European Commission under José Manuel Durão Barroso, a former center-right Portuguese prime minister, was taking office. The European Council warmly recommended the report to Barroso.

## ■ The Barroso Commission

Once Barroso assumed office, Socialists in the European Parliament began to look on with dismay as the new Commission president formulated his strategy. During the Convention on the Future of Europe preparing the European Constitution, they had already vehemently defended the European social model. Now the Barroso Commission was said to have a liberal bias—liberal being a word with a distinctly different meaning than in the United States. The fear was that in an all-out effort to pursue the Lisbon Strategy, social and environmental concerns would receive short shrift. Elated by their success in forcing Barroso to withdraw his first proposed team of Commissioners, Socialists tabled a motion calling on him to uphold the European economic and social model. In the ensuing debate, echoing Sapir and Kok, as well as Delors, Barroso retorted that for the model to survive, the EU had to become more dynamic. At the same time, he assured Parliament that he did not want to throw the European model out of the window, but to modernize it—a claim that British prime minister Tony Blair also made in his speech before the European Parliament outlining the intentions of the U.K. presidency of the EU during the second half of 2005 (EuActive 2005b).

Meanwhile, the debate around the European model has become more heated in the wake of the revelation by the Barroso Commission that it intends to give priority to growth. Barroso claims that this priority is a short-term expedience. In doing so, he has invoked the metaphor of his three children. They are the economy, social Europe, and the environment. Each is equally close to his heart, but because the economy is in bad shape, he says it is natural for him to give more attention to the economy. The context for his invoking this metaphor was Barroso’s presentation in early 2005 of a “Communication to the Spring European Council” reviewing progress on the Lisbon Strategy. After a review of past achievements, including a “unique participative social model,” the communication, titled *Working Together for Growth and Jobs*, points out that progress on the Lisbon Strategy has been mixed at best, because there has not been enough delivery at the European and national levels (CEC 2005a, 4). However, it also points out member states

need a dynamic economy to fuel our wider social and environmental ambitions. This is why the renewed Lisbon Strategy focuses on growth and jobs. In order to do this we must ensure that:

- *Europe is a more attractive place to invest and work*
- *Knowledge and innovation are the beating heart of European growth*
- *We shape the policies allowing our businesses to create more and better jobs.*  
(CEC 2005a, 5, emphasis in the original)

The communication hastens to clarify that making growth and jobs the immediate target “goes hand in hand with promoting social and environmental objectives. The Lisbon Strategy is an essential component of the overarching objective of sustainable development.” The communication then adds for emphasis: “The Commission is fully committed to sustainable development and to modernising and advancing Europe’s social model. Without more growth and jobs this will not be possible.” It proposes giving Europe’s actions more focus in order to mobilize support for change and to simplify and streamline “Lisbon governance”: “There should be an integrated set of Lisbon ‘guidelines’ to frame Member State action, backed by only one report at EU level and only one report at national level presenting the progress made. This will significantly reduce the national reporting burden placed on Member States” (CEC 2005a, 6).

The communication then proposes that the Commission present a Lisbon Action Programme that integrates the existing Broad Economic Policy Guidelines and Employment Guidelines within a new three-year economic and employment cycle. In addition, member states would appoint a “Mr. or Ms. Lisbon” at the government level responsible for member states formulating their National Action Programmes within the framework proposed (CEC 2005a, 11–12).

The communication makes only passing reference to cohesion policy and to territorial cohesion. Territorial cohesion is not yet a recognized objective of the EU. Formal EU territorial cohesion policy will have to wait until ratification of the Treaty establishing a Constitution for Europe, a prospect that is now receding. However, economic and social cohesion are well-established concerns, and thus the Spring Council of Heads of State and Government insisted that cohesion policy be included in the remit of the Lisbon Strategy (European Council 2005a). Meanwhile, the Commission has outlined how cohesion policy will support the Lisbon Strategy (CEC 2005b), this against the backdrop of the Community financial framework for 2007–2013 (CEC 2004d). The European Council of December 2005 agreed with great difficulty on a reduced framework, but without any fundamental reform of either the Common Agricultural Policy (CAP) or the cohesion policy that some member states have worked toward (European Council 2005b).

It is clear that future cohesion policy will be conducted within the framework of “Lisbon governance.” But only the future can tell whether territorial cohesion policy will be a major concern. The Commission makes little play of the policy, but it has insisted on including a third objective for future Structural Funds, European territorial cooperation, which would



allow it to continue stimulating member states and regions to operate cross-border and transnational policies.

Meanwhile, the Eurobarometer—a kind of Gallup Poll—reports that the vast majority of EU citizens put the environment above growth. Thus, there is a groundswell of support for at least elements of the European model. Further evidence is the results of the French and, less clearly, the Dutch referendums on the constitution, where the desire to preserve a “social Europe” in the face of globalization was a factor contributing to its rejection. Yet this response may have been the wrong one, because, as Milton and Keller-Nöellet (2005, 122) show, the constitution would have preserved the balance between liberal economics and the European social model. But referendums have their own dynamics.

### ■ Conclusions: Implications for Territorial Cohesion Policy

Anyone concerned with European issues should take cognizance of the notion of a European model of society—as did the heads of state and government meeting informally at Hampton Court in October 2005. The position paper by André Sapir outlined for the heads of state and government the existence of four European models rather than one, but, somewhat in the vein of the Strauss-Kahn Report and the reflection group, the Commission in its contribution to the discussion claimed that “common European values underpin each of our social models. They are the foundations of our specific European approach to economic and social policies” (CEC 2005c, 4). The Commission then detailed the shared values: solidarity and cohesion, equal opportunities and the fight against discrimination, adequate health and safety in the workplace, universal access to education and health care, quality of life and quality in work, and sustainable development and the involvement of civil society. It also pointed out that European citizens have greater expectations than others of the state, that the European dimension reinforced national systems, and that there was a strong tradition of social dialogue and partnership. Thus, the European model operates as a normative concept. The Commission then documented the threats to this model, underlining Barroso’s message of the status quo being no option, but this is not the place to rehash the argument.

On a different but related level, the European model is a conceptual, or perhaps rhetorical, device invoked in discussing European integration. In this sense it does exist, and whoever is concerned with European issues, including those involved in territorial cohesion policy, had better take cognizance. As noted in the introduction to this chapter, shared concerns are equity, competitiveness, sustainability, and good governance. Territorial cohesion balances them with a view toward how they become manifest on various spatial scales where stakeholders face each other for the simple reason that their interests overlap. With this being Europe, stakeholders may also share the same memories of, and attachments to, their environment. The European model as such is more abstract, but animated by the

same moral convictions: that the market is not everything and that there are values beyond growth giving legitimacy to intervention by a strong but unobtrusive state “as the only way to create an environment (and food and drink) fit for humans” (Haseler 2004, 126). Neither territorial cohesion nor the European model can be sustained without such intervention.

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