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Europeanisation and Dynamics of Continuity and Change: Domestic Political Economies in the ‘Southern Periphery’

Canan Balkir, H. Tolga Bolukbasi and Ebru Ertugal

This article provides the framework for some case studies on the dynamics of Europeanisation in South European political economies. It summarises the key features of the common template each case study adopts. Following a discussion on political economy as it is conceptualised in this volume titled “Europeanisation and the Southern Periphery” in Retrospect: Another Decade of Dynamism, Asymmetry, and Fragmentation?, the article elaborates the defining attributes of the Europeanisation research programme by focusing on its theoretical core, research design and method of conceptualising and operationalising domestic continuity and change centring on the troika of ‘ideas’, ‘interests’ and ‘institutions’ in unpacking the dynamics therein. It concludes by providing a summary of the contributions to this volume.

Keywords: Europeanisation; Comparative Political Economy; Comparative Public Policy; South Europe

This volume presents six case studies exploring dynamics of Europeanisation in South European political economies by tracing changes in the constellation of ideas, interests and institutions. It is inspired by an earlier volume edited by Kevin Featherstone and George Kazamias titled ‘Europeanisation and the Southern Periphery’ which appeared as a special issue of *South European Society and Politics* more than a decade ago. While it builds on some of the insights of this earlier special issue (as will be clear in direct references below), it hopes to reflect the theoretical refinements in what we term the ‘Europeanisation research programme’ (Bolukbasi, Ertugal & Ozcurumez 2010 and see below). It also aims to provide a fresh empirical look into how the European Union

(EU) shapes the unfolding substantive developments across Europe's 'Southern Periphery', in particular in the domestic political economies of Southern Europe in the first decade after the publication of the original special issue by Featherstone and Kazamias (2000). It surveys the dynamics of continuity and change in domestic political economies by focusing on particular public policy areas in six case studies on Greece, Italy, Malta, Portugal, Spain and Turkey.¹

The contributions in the present volume are designed as case studies within the Europeanisation research programme. To that end, each case study follows what we view to be the epistemological core of this research programme by relying on its common conceptual tools and the research design template. They address a set of key questions stemming from this research programme: What are the EU's key formal and informal rules, procedures, frames of reference, mechanisms and governance structures that may potentially bring about change at the domestic level? How can we portray the direction, extent and dimensions of domestic change (as well as continuity) in Southern European political economies over the course of the last decade? Once we have a picture of outcomes in different policy and governance domains at the domestic level, what are the different manifestations of Europeanisation in different public policy areas? How are the respective constellations of ideas, interests and institutions representing these domains evolving? How does the EU play a role in the evolution of these constellations over time?

In the rest of this framing article we discuss the key features of the common template each country case study has adopted by elaborating the main elements of research design and key conceptual threads. We, first, delineate the substantive scope of the volume by briefly discussing what we understand from the term 'political economy' as conceptualised in the comparative political economy literature and how this literature typically focuses on domestic public policies. In terms of its geographical scope, the volume focuses on differentiated processes of transformation across three clusters of countries in Southern Europe classified according to their actual or potential timing of accession. Second, we review what we consider to be the defining attributes of the Europeanisation research programme. Here we summarise the theoretical core (new institutionalism), the particular mode of designing research and the method of conceptualising and operationalising domestic continuity and change which is increasingly characterising new generations of empirical studies relying on the Europeanisation research programme. Third, we summarise our research strategy of using the troika of 'ideas', 'interests' and 'institutions' that comparative political economists rely on in unpacking the dynamics of continuity and change in Southern European political economies and the role that the EU plays in these processes. We survey how comparative political economists generally use ideas, interests and institutions as alternative explanatory principles representing different research programmes. Then we briefly describe our strategy of analysing the interplay of these categories in explaining the extent to which different public policy domains in the six Southern European political economies have been Europeanised. Finally, we conclude by providing a summary of the contributions of this volume.

Substantive and Geographical Scope: Domestic Political Economies of Southern Europe

In terms of its substantive scope, this volume explores the dynamics of Europeanisation in the domestic political economies of Southern Europe. While the scope of the earlier special issue by Featherstone and Kazamias (2000) was wider, focusing on institutional adaptation within government, transformation of structural power of domestic actors, adjustment of domestic macroeconomic policy regimes, changes in domestic party systems, redefinitions of national identity and foreign policy interests, this volume explores a narrower dimension of Europeanisation centring on the adjustment processes, or lack thereof, in selected public policy and governance domains in domestic political economies. Thus 'the domains where the effects of Europeanisation are supposed to materialise' (i.e. 'the objects of Europeanisation') are traced at the level of public policy and governance (Radaelli 2003, p. 35 and 30). We felt that a concentrated focus on continuity and change in domestic political economies would produce a rich set of findings amenable for comparisons across Southern European political economies through studying specific public policy areas.

While there does not exist a generally accepted definition of 'political economy', in our analyses we follow the conventional understanding of the term in the comparative political economy literature. A leading exponent of this literature summarises the conventional understanding by claiming that any domestic political economy 'consists of several institutions, such as those governing finance, labour-management relations, corporate governance, labour markets, and more' (Campbell 2010, p. 91). As another leading figure in the literature puts it, these institutional structures, which represent the interdependent pillars of the architecture of any domestic political economy, encompass 'organisational relations among economic actors, the policy regimes supporting those relationships, and the international regimes underpinning them' (Hall, forthcoming, p. 1). These institutional matrices are generally conceptualised as nationally specific while showing similarities across diverse varieties existing within capitalism, broadly defined.

In our accounts, we also subscribe to the view that comparative political economy is indeed an exercise in comparative public policy. As a classic review article puts it: 'much of what passes for comparative political economy ... remains an exercise in comparative public policy in the sense that the dependent variable is government policy (some kind of economic policy) and variations on the dependent variable are explained by governmental institutions or processes' (Pontusson 1995, p. 120). In this spirit, therefore, the case studies in this volume focus on various public policy domains representing different pillars of the domestic political economic architectures in exploring the extent to which South European political economies are Europeanised. It should be added that these case studies are authored by political scientists/political economists who carry out their assessments with an explicit emphasis on the qualifying adjective of 'political economy', i.e. on the 'political'.²

In terms of its geographical scope, in studying the impact of the EU in processes of continuity and change in different public policy areas the volume focuses on political economies of Southern Europe for a number of reasons. Although the existing literature on Europeanisation is showing signs of maturity, breeding a rich and variegated set of findings, this literature has disproportionately focused on ‘older’ member states of northwestern Europe and more recently on new member states of Central and Eastern Europe. With the exception of Italy (and, to a lesser extent, Spain), South European countries (especially the new Southern member states and candidate countries for accession to the EU) have received less attention. In addition to this gap in the geographical focus of the Europeanisation literature, there are substantive and theoretical reasons that justify a focus on Southern Europe as a region. When they focus on Southern European countries, scholars in the Europeanisation literature implicitly have come to take these as ‘most likely’ cases, expecting a high degree of EU impact. Summarising the developments in the region, Featherstone and Kazamias (2000, p. 2) identified the region as the EU ‘periphery’ where ‘the challenge of “Europeanisation” can be expected to be set more starkly.’³ In fact, the authors (2000, p. 3) emphasised that processes of Europeanisation in Southern Europe are central to the dynamics of transformation in this region. Accordingly, they concluded that Europeanisation itself ‘represents a process of major structural transformation within the region; indeed, perhaps it is *the prime focus of change* that these states have in common’.

Aside from the Featherstone and Kazamias special issue that was the inspiration for the present volume, more recently, in another special issue of *South European Society and Politics*, on the financial crisis, Verney (2009, p. 3) referred to popular concerns over how Southern Europe was seen as the ‘Achilles heel’ not only in the processes of Europeanisation but also in the European integration project in general. It seems that even a decade after the original assessment of Featherstone and Kazamias (2000), Southern Europe is still capturing popular intellect as a region that does not quite fit the European model. Categorically characterised by a series of ‘misfits’ between their domestic structures and those of the EU in the academic, practitioner and public debates, Southern Europe is still assumed to be facing intense ‘adaptational pressures’ in processes of Europeanisation. These qualities render the members of this ‘flaky fringe’ (Verney 2009) as ideal test cases whereby the impact of Europeanisation is generally presumed to be potentially strong, *ex ante*.

Although the existing literature hints at differentiated mechanisms of the impact of the EU in different categories of states, we still do not have a full-fledged, differentiated examination of the intra-regional variations in ‘Europeanisation’. Therefore, this volume aims to study the differentiated processes of transformation across three clusters of countries in Southern Europe, classified according to their actual or potential timing of accession: ‘old’ member states (Italy, Portugal, Spain and Greece), a ‘new’ member state (Malta) and a candidate country (Turkey). These three clusters constitute ideal cases for testing the often suggested but rarely systematically verified impact of ‘differentiated Europeanisation’ within a broader area of Southern Europe.

In addition to studying the differentiated impact of the EU across different clusters within the region, this volume also aims to evaluate the empirical validity of the more implicit proposition that Southern Europe—as a regional category—continues to be characterised by categorically quintessential misfits, ever inviting adaptational pressures.

Europeanisation as a Research Programme

Europeanisation emerged as a research field starting from the mid-1990s and has quickly become well established in EU integration studies in particular and in political science in general. While the definition of Europeanisation differed across the early works on the issue, it has conventionally come to be conceptualised *tout court* as the impact of the EU on domestic policies, politics, and polities across not only member states, but also candidate countries and more recently, beyond. This volume builds on a classic conceptualisation of Europeanisation by Radaelli (2003, p. 30), who sees it as ‘processes of (a) construction (b) diffusion and (c) institutionalisation of formal and informal rules, procedures, policy paradigms, styles, “ways of doing things” and shared beliefs and norms which are first defined and consolidated in the making of EU decisions and then incorporated in the logic of domestic discourse, identities, political structures and public policies’. This conception of Europeanisation contains three key elements—*research design*, *theoretical core* and *operationalisation of domestic change*—which, when considered together, constitute the epistemological pillars of the Europeanisation research programme. It should be acknowledged that the domestic politics of member states, as different from candidate countries, shape the formation of EU level interactions, rules, policies or norms in the first place, as illustrated in the concepts of ‘uploading’ and ‘downloading’ to indicate the interrelated but analytically distinct processes of Europeanisation (Bulmer & Radaelli 2005; Börzel 2002). The focus of this volume is on the latter, i.e. on the ways in which and the extent to which downloading takes place.

In terms of *research design*, which is an integral component of the Europeanisation research programme, existing research can be categorised into three types with respect to their overall design. In a recent volume, Radaelli succinctly summarises (2012, p. 9) these design types with the help of the equation $Y = f(X)$ where X denotes the cause (i.e. the EU input), Y denotes the effect (i.e. domestic change) and f denotes the causal relationship between X and Y . The first type of Europeanisation research focuses on X (read, the EU input) as its point of departure and adopts a top-down research design whereby the degree of compatibility or distance between EU practices, inputs or frameworks on the one hand and domestic practices in policies, politics or polity on the other leads to ‘adaptational pressure’ (Heritier et al. 2001; Cowles, Caporaso & Risse 2001; Börzel 1999). In this type of research, analysis starts from the supposed cause (i.e. the EU input) and traces its impact all the way down at the domestic level, engaging in a search for ‘effects of causes’ (Exadaktylos & Radaelli 2009).

The second type of Europeanisation research focuses on Y (or domestic change) as its point of departure and adopts a bottom-up research design that aims to overcome the inbuilt bias of top-down research design, tending to find the EU input as *the* cause driving domestic change (Radaelli 2006; Quaglia & Radaelli 2007; Bulmer & Radaelli 2005; Radaelli & Franchino 2004; Bull & Baudner 2004). The criticism against top-down research design is that the incompatibility between the EU and domestic levels is taken as a structural variable, whereas ‘the actualisation of this structural property (i.e. fit or misfit) requires agency. Agents give meaning to the objective structure and strategically choose an action to accomplish a project (not exogenously defined as material gains)’ (Bache, Bulmer & Gunay 2012). In adopting a bottom-up approach to research design, this second type of Europeanisation studies starts its analyses at the domestic level where the impact takes place and trace the possible causes, be they at the national or international level, including the EU, thus engaging in a search for ‘causes of effects’ (Exadaktylos & Radaelli 2009).

The third type of Europeanisation research to which this volume aims to contribute is the one that treats f as its research focus. In order to do so, the contributions in this volume explore the relationship between the EU input and domestic change in their chosen public policy domains in terms of the constellation of ideas, interests and institutions characterising the political economies of their respective country case studies. In this genre, the contributions in volume identify both the relevant EU-level inputs, frameworks or agendas in the policy area they have chosen (X), on the one hand, and the magnitude and direction of domestic change (Y), on the other. They do so, however, only to lay the ground for the next analytical stage of unpacking the relationship between X and Y through analysing the interaction among ideas, interests and institutions (f), concepts deeply embedded in the new institutionalist literature as discussed below. In doing so, the contributions make a conscious effort to capture not only ‘reactions’ but also ‘more complex and creative’ uses of, and adaptation to, the EU (Radaelli & Pasquier 2007, p. 38). By focusing on f , the contributions in this volume aim to go beyond following the bottom-up research designs characterising the second type of Europeanisation research. Therefore, most of the contributions in this volume remain alert to possible causes (at the national or international level) other than the EU in their analyses of the relationship between the EU and domestic change.

In terms of *theoretical core*, the new institutionalisms that have dominated political science as well as sociology and economics during the past three decades or so constitute the theoretical underpinnings of the Europeanisation research programme (Bulmer 2007). As one recent survey of the literature observes, studies on Europeanisation ‘have mobilised all strands of the “new institutionalist approaches”—historical, rational choice and sociological’ (Graziano & Vink, forthcoming, p. 11). What unites institutionalists in general is the view that ‘institutions matter’ and institutionalists working within the Europeanisation research programme concur. They are, however, divided in emphasising different factors explaining dynamics of continuity and change at the domestic level and the role that the EU plays therein. Rational choice institutionalists identify veto points and facilitating institutions

(Börzel 2005; Börzel & Risse 2007), while historical institutionalists emphasise historical legacies and temporality (Brusis 2002; Bulmer 2009; Goetz 2009) and sociological institutionalists highlight the role of norm entrepreneurs (epistemic communities and advocacy coalitions) and resonance of ideas (Checkel 2001; Börzel 2005; Börzel & Risse 2007) as key intervening variables mediating the impact of the EU at the domestic level. The differentiated emphases by scholars subscribing to different variants within new institutionalisms on what may be summarised as ideas, interests and institutions are consistent with the comparative political economy literature that also uses this triptych in portraying dynamics in a given public policy domain, as we elaborate below.

In *operationalising domestic change*, which involves ‘a change in the logic of political behaviour’ (Radaelli 2003, p. 30), as implied in the definition of ‘Europeanisation’ quoted above, contributions to this volume follow a combination of the set of categories introduced by Radaelli (2003, p. 37) and Börzel and Risse (2003, pp. 69–70). Bache (2008, p. 12) elaborates on these categories of change as follows:

- ‘Transformation’ refers to a situation in which existing domestic practices, policies, rules or preferences are replaced ‘with new ones’ so that the degree of change is high.
- ‘Accommodation’ is observed if existing domestic practices, policies, rules or preferences ‘adapt’ to the EU without involving a change in ‘their essential features’.
- ‘Absorption’ is a situation where EU practices, policies, rules or preferences are ‘incorporated’ ‘without substantially modifying’ existing domestic practices, policies, rules or preferences.
- ‘Inertia’ is a situation where there is no change which can be in the form of ‘lags’, ‘delays’ and ‘sheer resistance’ (Radaelli 2003, p. 37).
- Finally, ‘retrenchment’ occurs when the incompatibility between EU practices, policies, rules or preferences and existing domestic practices, policies, rules or preferences expands even further from before interaction with the EU begins.

These categories, which are the possible ‘outcomes of Europeanisation’, gauge the ‘magnitude’ and ‘direction’ of change (and, by implication, continuity) in public policy and governance (Radaelli 2003, p. 37).

Unpacking Continuity and Change through Ideas, Interests and Institutions

In addressing the dynamics of domestic change in Southern Europe during the 1990s, Featherstone and Kazamias (2000) focused on the interplay of structure and agency in painting broader substantive landscapes as their point of departure. Given the limited focus on comparative political economy in the present volume, however, we follow the research strategy of the ‘new generation of political economists’ as depicted in a recent survey of this literature (Blyth 2009, p. 196). Following this strategy, contributions in this volume survey the unfolding empirical terrain of South European political economies through the ‘troika of concepts’—ideas, interests and institutions—that is

now generally taken to define ontologically ‘what political economy is’ (Blyth 2009, p. 193).

In this literature, *ideas* are generally conceptualised as roadmaps, strategic ‘weapons’ in the battle for control, and narratives that shape understandings of events (as ‘frames of reference’). Ideas that are exemplified in the literature are presented at three different levels ranging from the more specific (at the policy level) to the more general (at the philosophy level). At one extreme, scholars focus on specific, concrete ‘policy ideas’ (i.e. ‘policy solutions’) presented by policymakers at the policy level. At the other extreme, at the philosophical level, are the all-encompassing, general ‘worldviews’ comprising ‘public philosophies’, ‘public sentiments’ or ‘deep core’ which underlie the more specific policy and programmatic ideas. In between these two extremes at the programme level remain ‘programmatic ideas’ which take the form of ‘policy paradigms’, ‘frames of reference’, ‘programmatic beliefs’, ‘policy cores’ or ‘problem definitions’ (Schmidt 2008, pp. 306–307). Conceptualised at these three levels, ideas are of two types. Cognitive ideas (which may be referred to as ‘causal ideas’) define policy problems as well as methods with which to solve them. They ‘provide the recipes, guidelines, and maps for political action and serve to justify policies and programmes by speaking to their interest-based logic and necessity’ (Schmidt 2008, p. 306). Normative ideas speak to the appropriateness of policies and provide legitimacy by attaching values to political action. In this way, they address ‘how ... programmes as well as ... policies resonate with a deeper core of ... principles and norms of public life, whether the newly emerging values of a society or the long-standing ones in the societal repertoire’ (Schmidt 2008, pp. 306–307).

Interests are generally identified in the comparative political economy literature with the (generally fixed) preferences, material interests and dominant strategies of major actors (either individuals or groups) in domestic political economies. They are the main building blocks of the literature on distributive coalitions. The coalitions depicted in this literature include organised functional interests (employers and trade unions), class-based coalitions (upper classes, middle classes, working classes), factor-based coalitions (abundant-factor coalition vs. scarce-factor coalition), producers’ groups or sectoral interests (including those engaged in industrial, financial, domestically oriented, export-oriented sectors), workers (high-skilled vs. low-skilled or white-collar vs. blue-collar), political parties (with given ideological positions for whatever reason), policymakers (bureaucrats vs. politicians) and diverse (and often competing) interests within bureaucracies (such as treasury officials vs. central bankers). In the comparative political economy literature, these actors’ preferences and hence interests are generally shaped through their ‘class positions, what assets they have, how fungible those assets are, how exposure to particular economic shocks impact agents’ resource portfolios’ (Blyth 2009, p. 197).

In the comparative political economy literature, *institutions* are generally defined as conventional systems of formal and informal rules constraining and enabling human behaviour and structuring social interactions by, for example, allocating power among actors, and structuring policymaking and procedures of how decisions are adopted

(adapted from Bache [2008] and Hall [1997]). Given their primary interest in public policy, the types of institutions that comparative political economists focus on are those which are ‘fundamentally shaped by and through processes at the level of the nation-state’ (Morgan et al. 2010, p. 2). Such a conception of institutions in the literature builds on an influential definition whereby institutions represent ‘the political dimensions of economic management’: ‘the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and the economy’ (Hall 1986, p. 19). In a broader definition that transcends the limited contours of comparative political economy, institutions are conceived as ‘the rules of the game in a society or, more formally, . . . the humanly devised constraints that shape human interaction’ which ‘structure incentives in human exchange, whether political, social, or economic’ (North 1990, p. 3).

Let us now turn to how comparative political economists use these concepts. As Blyth (2009) shows, scholars of diverse traditions identify *one* of these three concepts as the explanatory principle having primary (if not exclusive) independent impact on their particular *explananda*. Different approaches, each emphasising one of these concepts, in time amounted almost to ‘research programmes’ in and of themselves as depicted by Hall (2005, p. 131): ‘the field of comparative political economy has seen successive research programmes focused on the role of interests, institutions, and ideas in politics, each with important insights’. Hall continues, ‘[b]ecause these developed *seriatim*, however, they speak to each other only occasionally, and . . . [a]ll too often, the literature counter-poses explanations based on interests, ideas, or institutions as if they were alternatives’. Among the explanatory alternatives in the comparative political economy literature, the point of departure for scholars who emphasise actors’ interests underlying (or as prior to) any other variable is asking, ‘in whose benefit would it be for outcome X to pertain over outcome Y?’ (Blyth 2009, p. 196). These scholars typically take actors’ preferences as exogenous and explain outcomes relying on deductive reasoning. Other scholars who see ideas as the explanatory principle start their analyses by identifying ‘social constructions agents use to decode and navigate the political economy’ (Blyth 2009, p. 197). These scholars reject the view that ‘agents know their preferences and know the appropriate strategies for advancing them’ (Eichengreen 1998, p. 999). Seeing actors’ preferences as entirely endogenous, it is ideas that ‘construct’ actors’ interests and thereby determine strategies and choice. Still another group of political economists focus on institutions as the chief explanatory principle. In these accounts, scholars suggest that institutions come prior to interests in that interests are ‘refracted through institutions’ (Blyth 2009, p. 197) and therefore it is the institutional contexts that actors find themselves that determine action. In all of these alternative narratives, ideas, interests and institutions are each conceptualised as what comes prior to the others; and in this respect they are presented as competing variables chasing after the outcome to be explained. In these narratives, ‘one of the three I’s pushes the process at the expense of the other two factors’, aiming to establish a ‘hierarchy of variables’ (Palier & Surel 2005 cited in Jenson 2010, p. 8). Therefore,

each of these three I's constitutes the dominant explanatory principle in alternative research programmes with their own ontological foci and epistemological foundations.

The present volume, however, aims to part ways with this literature by exploring ways of harnessing ideas, interests and institutions for reaping the benefits of combinative causality. In formulating our research questions, we follow Heclo (1993 cited in Jenson 2010, p. 8), who advises that, 'in trying to account for change and continuity, these are categories that need each other'. In exploring the 'co-dependency' among ideas, interests and institutions, therefore, this volume aims to 'follow the strands of ideas, interests and institutions as they intertwine and enfold in dynamic processes' (Heclo 1993 cited in Jenson 2010, p. 8). In this way, contributions in this volume strive to show how the relationship between ideas, interests and institutions is reflexive (i.e. how each is constitutive of the others) in dynamic political economic processes in different public policy domains.

The Structure of this Volume

The case studies that follow are theoretically informed empirical surveys, analysing processes of transformation in Southern European countries. They are designed to follow a common theoretical and methodological template in order to be able to reach a set of comparative conclusions. Each case study identifies EU input (key formal and informal rules, procedures, frames of reference, mechanisms and governance structures) and discusses the degrees and dimensions of (mis)fit between the EU and domestic levels. The case studies portray the interplay of the specific ideas, interests and institutions in explaining continuity and change at the domestic level during the 2000s. In doing so, each contribution aims to trace the extent to which the dynamic processes of continuity and change in domestic political economies are in fact shaped by the EU models, frameworks, structures, rules and policies.

The case study on Greece by Blavoukos, Caramanis and Dedoulis (2013) focuses on the foundation of the Accounting and Auditing Oversight Board (ELTE) in 2003. The authors see this institutional development as a turning point in formal accounting and auditing practices in Greece. Prompted by EU pressure, this development, as in other areas of public policy, exemplifies the introduction of formally independent bodies and agencies in policymaking in Greece. However, this institutional development maintained a highly politicised mode of governance in this policy area, in particular through the political appointment of experts. Such politicisation has effectively undermined the purpose of ELTE's *raison d'être*. The authors conclude, therefore, that although the nature of the EU input suggests that the degree of change should be policy transformation, empirical evidence points to mere absorption or accommodation at best. Although the EU may have promoted the independence of regulatory institutions, pressures stemming from the EU in that direction failed to bring about a transformation in terms of the role of the state in public policymaking in this policy domain. The authors also add that the establishment of ELTE owed as much to EU

pressures as to the government's preferences towards polishing its tainted reputation following the Athens stock exchange crisis. In this domestic context, the authors concluded that the government instrumentally used the EU pressures in the area of accounting and auditing to legitimise policy preferences that were subsequently embodied in ELTE.

In the Italian case study, Quaglia (2013) asks to what extent, how and why two key domains of domestic political economy, namely, macroeconomic policies and financial services regulation, have been Europeanised in Italy over the course of the 2000s. The author assesses the impact of the European Monetary Union's (EMU's) macroeconomic framework and the EU's financial services regulation by tracing the changing interests, ideas and institutions in these policy areas in search of identifying the causal mechanisms through which change came about (or was resisted). The author concludes that over the last decade the changes in the Italian political economy that were reflected in these policy domains can be characterised by varying degrees of Europeanisation. The extent to which these domains were Europeanised depended on the level of institutionalisation in each of the policy domains at the EU level. The Europeanisation outcomes ranged from transformation to retrenchment. The unfolding domestic interest constellations in many cases reinforced the institutional change prescribed by the EU. These changes often went hand in hand with the emergence of policy entrepreneurs sponsoring domestic change who were keen to exploit at the national level the external constraints imposed by the EU. Quaglia underlines two main findings of the Italian case study that feed into the broader literature on the Europeanisation of domestic political economies, especially in the case of Southern Europe. First, the general trend is to foster the convergence of the Southern European model towards an EU model, largely informed by a German-inspired stability-oriented approach to macroeconomic policies and Anglo-Saxon-inspired market-friendly regulation in financial services. Second, despite such convergence across the EU towards these dominant models, some distinctive domestic features remain prevalent, as confirmed by the chronic problems marring Italian fiscal policy.

The Maltese case study by Azzopardi (2013) investigates the changes in the labour market within the context of Europeanisation processes. The author evaluates formal and informal structures of the economy by relying on the dynamic interaction of ideas, interests and institutions to analyse whether and how Europeanisation of the Maltese labour market has occurred. The findings indicate that changes have occurred in the legislative framework, language and values about work, but resistance and continuity were evident in other areas, such as practices of flexicurity, undeclared work and a low level of female labour force participation. The author indicates that in the Maltese case study there were different forms of limited change (inertia, retrenchment and absorption) with no incidence of transformation indicating wholesale change. She concludes that on the whole there appears to be a shift in ideas, interests and institutions in the Maltese political economy as a result of EU pressures. Europeanisation is more evident on the formal policy level, but was not so clear on

the informal societal level in terms of, for example, how people structure their relationships with the labour market. The author concludes by presuming that this is mainly due to the persistence of the traditional family roles and the informal structures that tend to be stronger than formal ones in everyday societal relationships.

The case study on Portugal by Royo (2013) identifies the basic changes in the Portuguese economy that occurred as a result of European integration. It focuses, in particular, on the country's fiscal policies and performance during the period 1999–2008, the decade prior to the global financial crisis. While mapping the limits of convergence, the author focuses on institutions, ideas and interests to account for the difficulties that Portugal experienced in complying with the Stability and Growth and Pact. The author argues that one of the fundamental reasons for the under-performance of the Portuguese economy prior to the current crisis was the lack of fiscal discipline and the adoption of ad hoc measures for controlling the rampant budget deficit. The Portuguese case study demonstrates that the impending EU pressures themselves cannot produce change; the process of economic reform has to be owned by domestic actors who will be willing to carry them out. The Portuguese experience of Europeanisation, the author contends, shows that countries wishing to join the Eurozone need to have a sound budgetary position, which is supposed to provide some fiscal space for manoeuvring once the country is inside the Eurozone. The author concludes that otherwise, as in the case of Portugal, the opportunity for sustained structural reform and the improvement in fiscal discipline afforded by the introduction of the euro will effectively be lost.

In the case study on Spain, Moreno (2013) focuses on processes of Europeanisation of the Spanish welfare political economy, which experienced decades of international isolation and ideological and economic autarchy prior to EU membership. The Spanish case study constitutes an example of a country graduating from peripheral to core status within the EU as well as in the international economic order. During the period analysed (2000–10), the Spanish welfare political economy was reformed in line with the country's aspirations to develop a mature welfare state similar to those that exist in other EU members. To this end, policies were implemented in all pillars of the welfare edifice. The author discusses a series of significant policy changes including the adoption of the EU recommendations in labour activation policies, the increase in female participation in the formal labour market and the establishment of a national system for long-term care. The Spanish case study confirms the general claim that 'benchmarking' and 'best practices' can induce socio-economic convergence towards the EU average. The author questions the sustainability of the post-1945 European welfare state model, due to the ongoing realignments in the world economy and the shortcomings in EU governance mechanisms. The concluding remarks underline the fact that domestic actors in Spain will continue to closely watch the developments at the EU level as the main point of reference in reforming their welfare political economy.

In the case study on Turkey, Bolukbasi and Ertugal (2013) analyse the extent to which the accession process prompted a transformation in the area of employment

policy, which, like many others, they perceive to be the most salient problem in the country and which at the same constitutes *the* policy area with the greatest misfit between the EU and Turkey, in terms of both policy performance and institutional structure. The authors' overall finding is that there were varying degrees of change across different components of employment policy in Turkey in response to the EU pressures with no incidence of inertia and retrenchment contrary to theoretical expectations. They also claim that domestic change is a result of policy learning, pointing to the significance of ideas. These changes take place, however, only when they are in accordance with the preferences of powerful domestic actors. In the domains characterised by a medium to higher degree of change (i.e. transformation in labour law and accommodation in Active Labour Market Policies (ALMPs), objectives and instruments), the framing effects of the European Employment Strategy (EES) policy paradigm and the selective usage of ideas by these dominant domestic interests become causally significant. In cases of lower degrees of change, however, it is the path-dependent institutional factors that account for the policy outcomes, as in the cases of lifelong learning and social security systems and procedures in governance.

These case studies are followed by a framing article. The article by Balkir, Bolukbasi and Ertugal (2013) summarises the comparative findings from the cases examined. It provides answers to the key questions that are raised in the first section of this introductory article. After reviewing the wide range of EU inputs (frames, models, policies, etc.) that the case studies focus on, the authors trace domestic continuity and change in South European political economies by use of the categories (i.e. transformation, accommodation, absorption, inertia and retrenchment) used for operationalising domestic change. They then summarise the significant ideas, interests and institutions that feature in the case studies to unpack the relationship between the EU and domestic political economies. The article concludes by specifying the conditions under which the EU has an impact on South European political economies.

Notes

- [1] While the workshop that led to this volume also incorporated a case study on Cyprus, focusing on the differentiated impact of the EU on environmental policies in the divided island, the author in the end withdrew the article.
- [2] We thank Susannah Verney, who invited us to explicitly emphasise the 'political' in political economy.
- [3] The authors use the term 'periphery' in a descriptive sense where they identify Southern Europe with 'the economic inequality compared to northern EU states; the historically distinctive mode of the region's economic development and social stratification as a consequence of "late industrialisation" and the relatively greater importance of agriculture and services; the financial dependence on EU development aid; the structural power of Germany in shaping the EU's policy agenda in many areas; and the lesser bargaining strength of the "south" in EU treaty negotiations' (Featherstone & Kazamias 2000, p. 2).

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