

Can North American learn from  
Europe about market-building?

How the Eu has surpassed the US  
single market

Leif Hoffmann  
Lewis-Clark State College  
lshoffmann@lcsc.edu

Presentation  
May 6, 2014  
University of Victoria

# What would a free internal market look like?

*A little tale of two polities ...*

*Shark Reef*

AT MANDALAY BAY

Open Daily 10 am to 10 pm

Last Admission at 10 pm

Admission Prices

Adults - \$15.95

Children Ages 5 to 12 - \$10.95

Reduced Prices for Nevada Residents

No smoking, food or drink permitted inside exhibit

***This law “prevent[s]  
EU citizens being  
charged different  
entry fees to  
museums on the basis  
of their nationality”  
(EU Commission  
2006).***

# General Assumptions

- United States of America -

- Epitome of a commercial republic (Brooks 2009)
- Restraints of trade = political tyranny (Dobbin 1994)
- Absence of restrictive labor practices (Benjamin Friedman 2008)



# General Assumptions

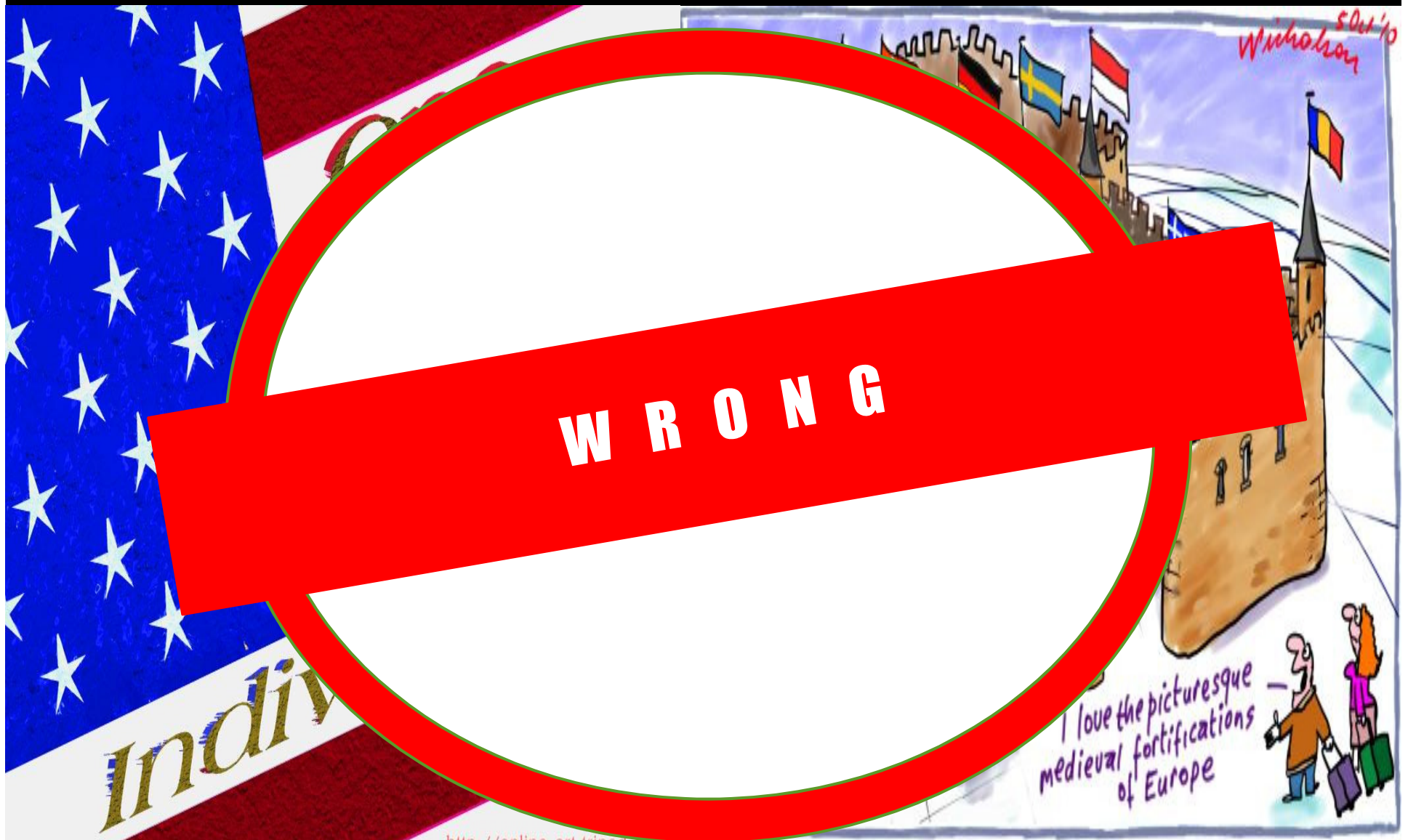
## - European Union -

- Many firewalls against all-out competition à l'américaine (Nicolaïdis 2007)
- List of national champions (The Economist 2006)
- Epitome of protectionism, "call it the Europe Syndrome" (Murray 2009)





# General Assumptions



# Why have scholars missed this?

- Myopic view of present day scholarship shunning comparisons due to *sui generis* concerns
- Theories of market integration in the EU and the US built in isolation

*“[B]oth systems have been typically analyzed in a ‘ghetto’, comparing them would advance the scholarship on both.”*  
(Sbragia 2006)

***BUT***

Logic of arguments applicable to both polities

# Three Theoretical Schools

## 1) Structuralist-materialist & rationalist-functionalist

- Chandler (1977); McCurdy (1978); Garrett (1992); Moravcsik (1991; 1998)

## 2) Institutional

- Haas (1958; 1961); Skowronek (1982); Stone Sweet and Sandholtz (1998)

## 3) Ideational and cultural

- Dobbin (1994); Bense (2000); Berk (1994); Hartz (1955); Jabko (1999)

# My Argument

## Findings:

EU market substantially MORE legally integrated than the US market

## Why?

- 1) Federal-level entity specifically charged with creating a common market (key actor: European Commission)
- 2) Public attitudes towards federal interventions in markets

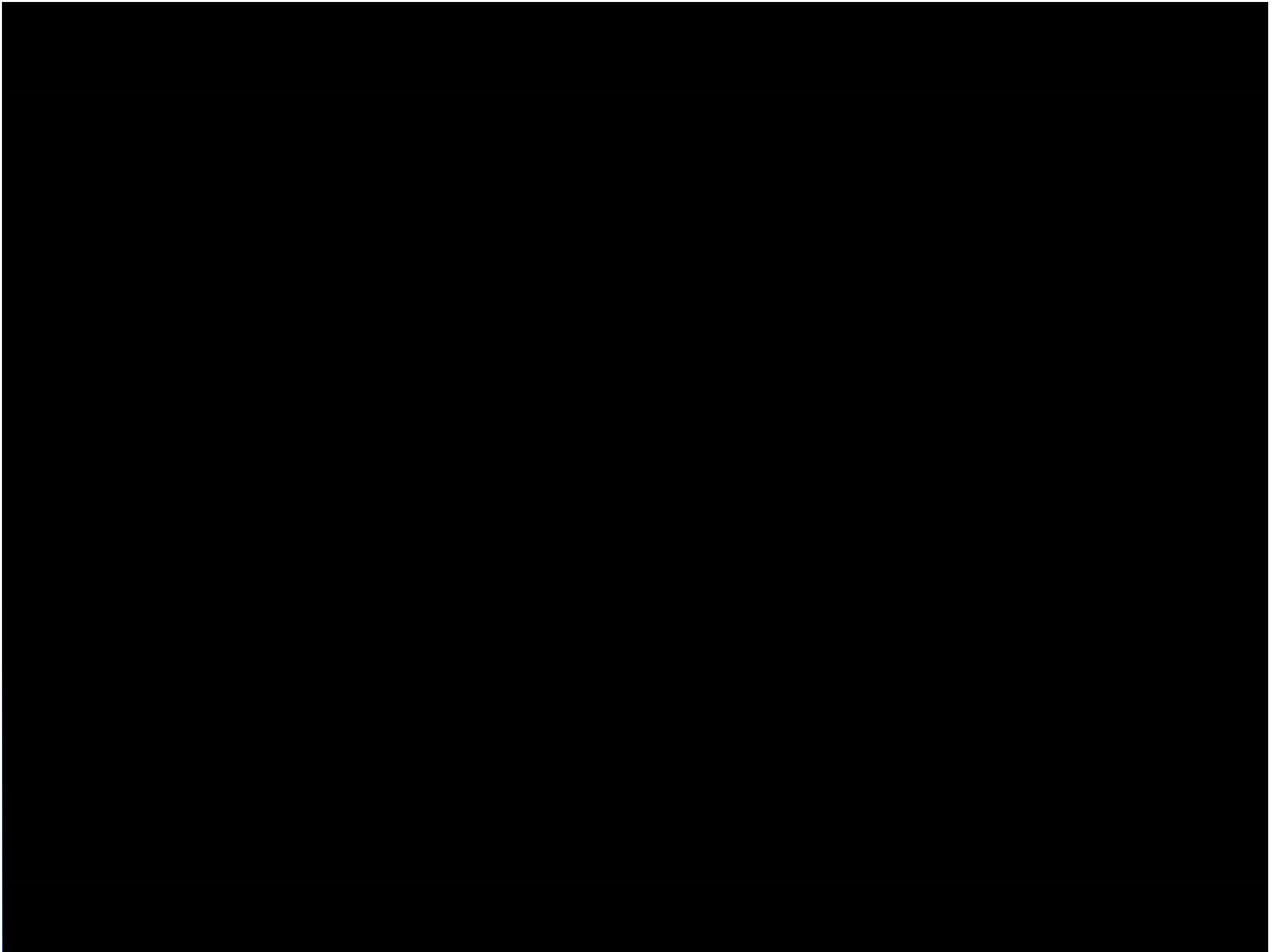


The nine most terrifying words in the English language are:

**"I'm from the  
GOVERNMENT  
and I'm  
HERE  
to HELP."**







# Research Design

- Three case studies:
  - public procurement (15 – 20% GDP)
  - services (70%+)
  - regulated goods market
- Qualitative methods approach:
  - primary sources
  - secondary literature
  - series of interviews in the EU & US

# Services: Shaving Barriers to Trade

- EU services market more liberalized than the American
- Amended Services Directive underestimated:
  - “unambitious” (Chang et al. 2010)
  - “relative failure” (Schioppa 2007)
  - only “better than no directive at all” (Barnard 2008)



# Europe: Free to cut, color, curl

- Legal framework:
  - Directive 2006/123/EC (services)
  - Directive 2005/36/EC (professional qualifications)
- Focus on temporary provision of services
- Example: hairdresser => regulated profession in 13 of 30 EEA countries

## *Simplified Market Access Description:*

Not Regulated



Can offer  
services right  
away

Regulated



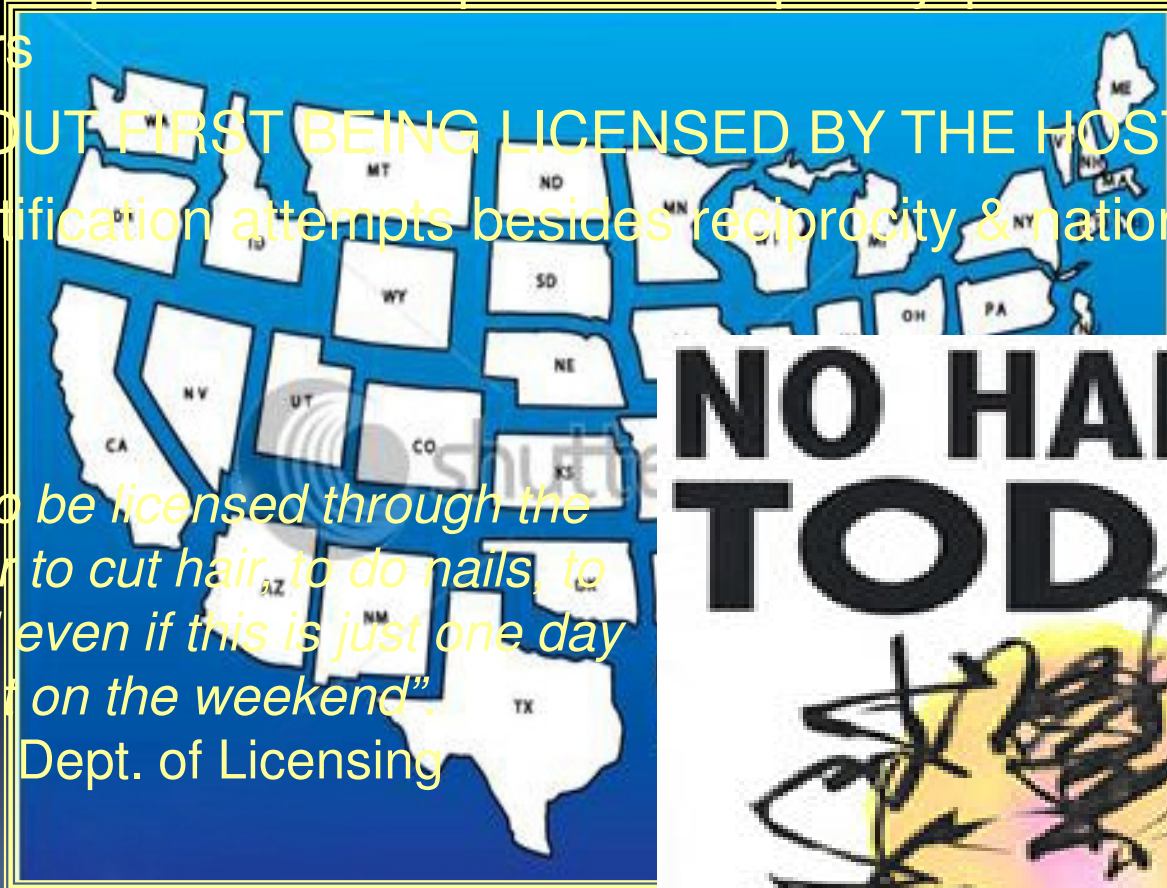
Needs first BUT  
ONLY fill out form  
on-line (free)





# US: No single services market

- 50 different regulatory regimes
    - Absolute prohibition to provide temporary provision across state borders
- WITHOUT FIRST BEING LICENSED BY THE HOST STATE
- No rectification attempts besides reciprocity & national testing



*“You need to be licensed through the state in order to cut hair, to do nails, to do facials [...] even if this is just one day or just on the weekend”.*  
Texas Dept. of Licensing

# NO HAIRCUT TODAY!



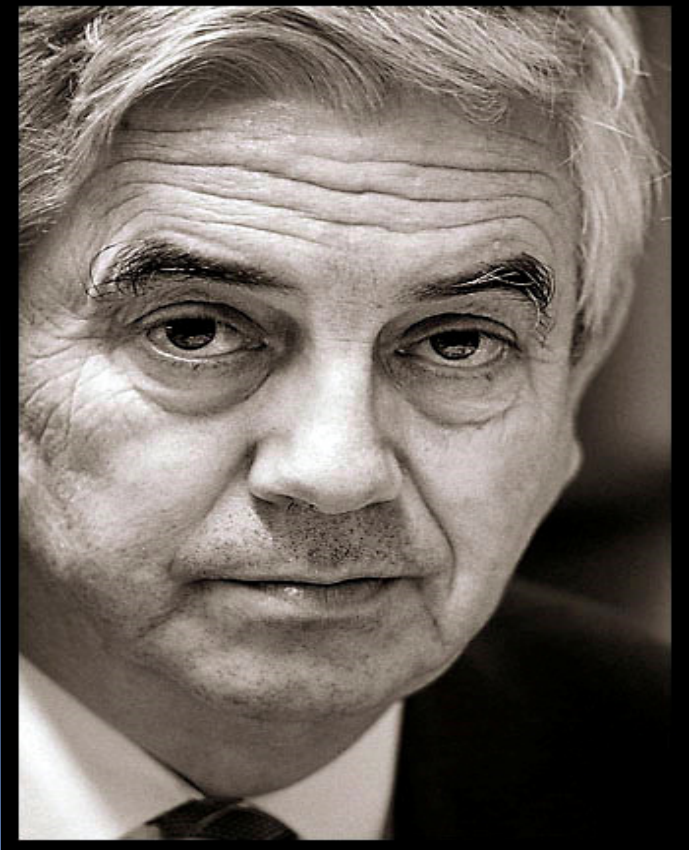
# Commission pushing liberalization

- Bolkestein Draft => radical in combining home country rule ('country of origin principle') with horizontal directive



Strong and vocal opposition and ironically fear of Americanization of Europe leads to an amended version

*BUT*



# Commission pushing liberalization

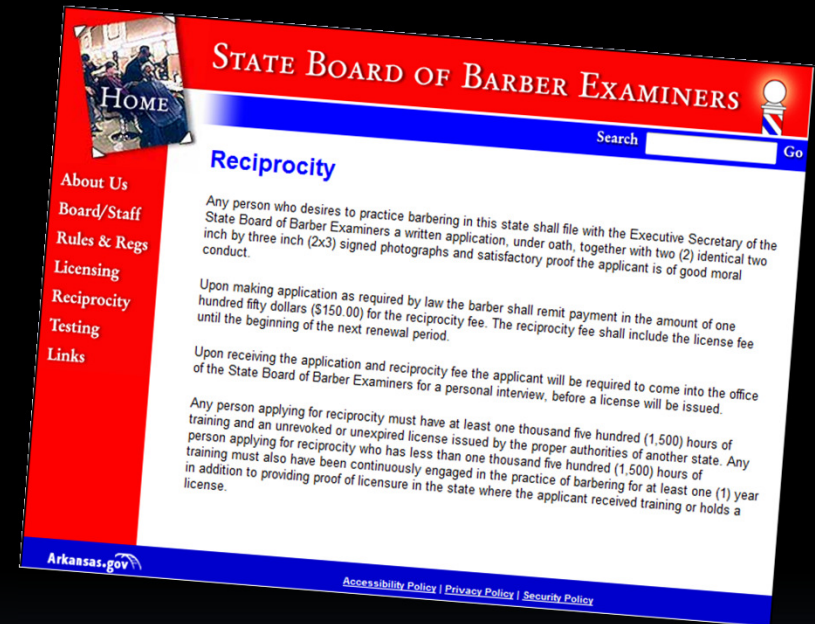
## ➤ MINIMAL CHANGES



- Commission pushed beyond ECJ rules & member states' original position
- Business failed to mobilize

# US: No federal-level agent

- No economic studies
- Perception that fees, laws, etc., are not barriers
- Rules becoming *more* restrictive over time
- Limited perception of a national market; state rights focus



“They [need to] do it for every licensing in the United States. That’s where it needs to come from. [...] *If somebody went from a national level and said that all licensing boards in the United States, optometrists, pharmacists, everybody.* But I don’t think [it’s going to happen]. [People] say that it worked all these years, It’s fine, that’s what they want.”

President of Nat. Assoc. of Barber Boards, interview 2010

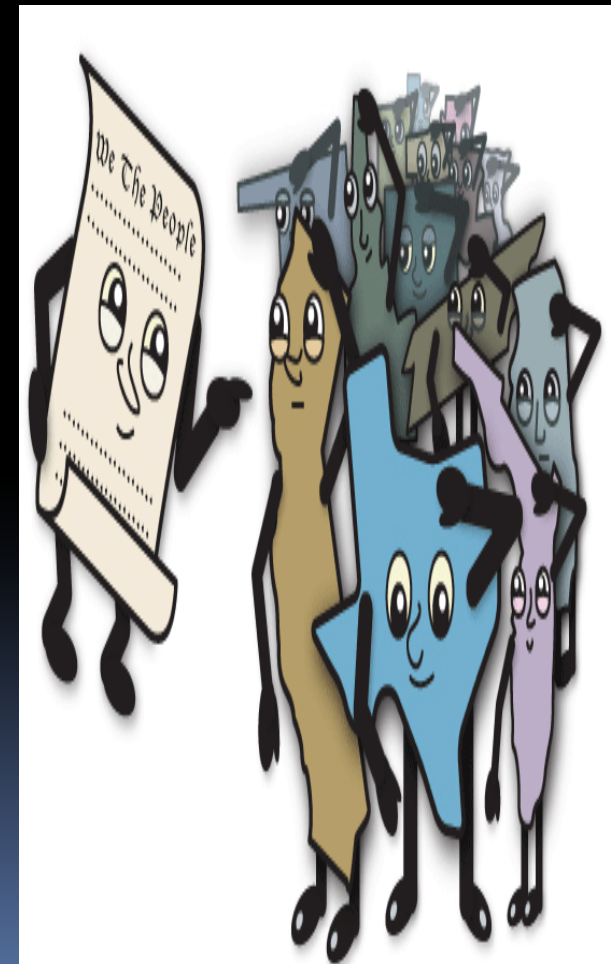


# Different Ideological Mindset

- Americans don't perceive a single market

*"If you went to school in Pennsylvania or in Mexico or India or China or wherever, and you only had a 1000 hours, it would not be fair in Ohio to Ohio Barbers to give this person a license, because they have 1000 hours, they don't know anything about our sanitation nor health rules or our laws."*

(Member of Ohio Barber Board, interview 2010)



# Different Ideological Mindset

- Europeans (EU bureaucrats) push for one single market focusing on market efficiency instead of state rights

*“[I]f you are trained as a German lawyer, the important [thing] is not so much that you know German law only, but that you are trained as a lawyer, [then] you will adapt to French law very rapidly.”*

(Petite, former Director General of Legal Service, interview 2009)



# Different Ideological Mindset

## ➤ US citizens want less federal-level involvement on average and over time

- Presently only 22% trust federal government; only once since 1972 over 50% right after 9/11 (Pew Research 2010)

*“There is less of an appetite for government solutions to the nation’s problems – including more government control over the economy.”*  
(Pew Research 2010)





YOUR  
MONEY  
YOUR  
VOTE

★ THE REPUBLICAN PRESIDENTIAL DEBATE ★

TE) 18.37 ▼ 0.60 Integrys Energy (TEG) 51.12 ▼ 1.70

UP THE BIG BANKS. DID A CHECK NOT CLEAR?



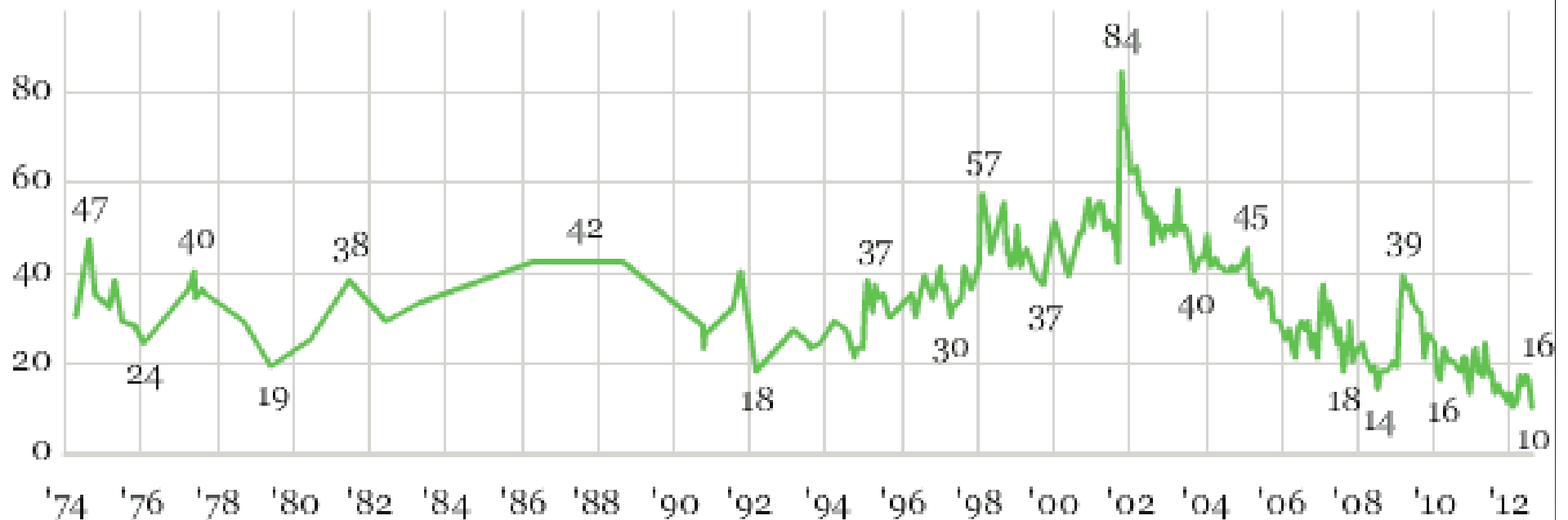
LIVE



# Different Ideological Mindset

*Do you approve or disapprove of the way Congress is handling its job?*

■ % Approve



GALLUP®

Source: [http://www.huffingtonpost.com/2012/08/14/congress-approval-rating-all-time-low-gallup-poll\\_n\\_1777207.html](http://www.huffingtonpost.com/2012/08/14/congress-approval-rating-all-time-low-gallup-poll_n_1777207.html); published August 15, 2012

# Different Ideological Mindset

- EU citizens want more federal-level involvement on average and over time

*“An absolute majority of respondents believe that more decisions in a number of areas should be taken at the European level. Support for taking more decisions at European level has risen over the years and in all the areas discussed.”*  
(Eurobarometer 71: 2009)



# Different Ideological Mindset

*“far more people continue to trust the EU than their own parliament (31%; +1) or their own government (29%; unchanged)”*

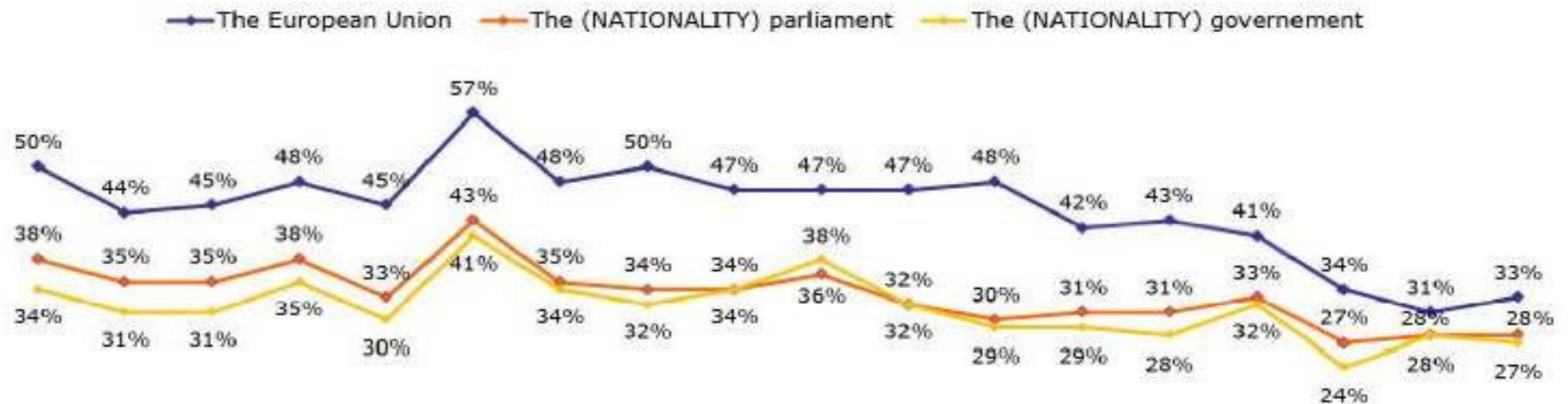
- (Eurobarometer 73: 2010)

*“the majority of Europeans favor joint decision-making in the policy areas that were traditionally regarded as the core of national sovereignty”*

(Caporaso and Kim 2009)

# Different Ideological Mindset

QA11 I would like to ask you a question about how much trust you have in certain institutions. For each of the following institutions, please tell me if you tend to trust it or tend not to trust it.



Aut. 2004	Sp. 2005	Aut. 2005	Sp. 2006	Aut. 2006	Sp. 2007	Aut. 2007	Sp. 2008	Aut. 2008	Jan.-Feb. 2009	Sp. 2009	Aut. 2009	Sp. 2010	Aut. 2010	Sp. 2011	Aut. 2011	Sp. 2012	Aut. 2012
EB62	EB63	EB64	EB65	EB66	EB67	EB68	EB69	EB70	EB71.1	EB71	EB72	EB73	EB74	EB75	EB76	EB77	EB78



# Different Ideological Mindset

**Table 3: Average trust in institutions by EU countries and families of the legal system**

Country	Average trust in national institutions	Average trust in EU institutions	Type of the legal system
(1)	(2)	(3)	(4)
Austria	0,54	0,38	German
Belgium	0,46	0,67	Roman f
Bulgaria	0,14	0,55	Post-socialist countries (*)
Cyprus	0,66	0,66	German
Czech Republic	0,23	0,55	Post-socialist countries (*)
Denmark	0,71	0,55	Scandinavian
Estonia	0,50	0,59	Post-socialist countries (*)
Finland	0,69	0,50	Scandinavian
France	0,36	0,46	Roman
Greece	0,44	0,59	German
Ireland	0,45	0,57	Roman
Italy	0,21	0,46	Roman
Latvia	0,19	0,54	Post-socialist countries (*)
Lithuania	0,18	0,39	Post-socialist countries (*)
Luxembourg	0,54	0,54	Roman
Hungary	0,22	0,54	Post-socialist countries (*)
Malta	0,54	0,60	Roman
Germany	0,45	0,43	German
Netherlands	0,57	0,59	Scandinavian
Poland	0,25	0,54	Post-socialist countries (*)
Portugal	0,36	0,61	German
Romania	0,25	0,56	Post-socialist countries (*)
Slovakia	0,34	0,64	Post-socialist countries (*)
Slovenia	0,30	0,60	Post-socialist countries (*)
Spain	0,55	0,61	Roman
Sweden	0,57	0,47	Scandinavian
United Kingdom	0,33	0,25	Roman

*Out of 27 member states, 19 member states have a higher trust in EU institutions than national institutions (in two member states it is equal)*

Source: Primožic and Bavec 2009:  
Personal values and trust of  
Europeans in national and EU  
institutions

# Different Ideological Mindset

**Table 1: Trust in European and national institutions, percentages**

	OLD MS		NEW MS		Total		F
	Mean	S.D.	Mean	S.D.	Mean	S.D.	
<b>EU</b>							
EP	48.57	49.98	52.06	49.96	50.03	50.00	351.15*
Commission	45.10	49.76	48.46	49.98	46.51	49.88	324.57*
Council	31.57	46.48	36.89	48.25	33.80	47.30	906.82*
Court	30.44	46.02	27.10	44.45	29.04	45.40	388.09*
Central Bank	42.57	49.45	39.42	48.87	41.25	49.23	293.83*
<b>National</b>							
Parties	20.82	40.60	11.35	31.72	16.84	37.42	4660.67*
Parliament	45.91	49.83	26.28	44.02	37.67	48.46	12245.98*
Government	42.95	49.50	33.15	47.08	38.84	48.74	2925.50*
Judiciary	40.04	49.00	26.05	43.89	34.16	47.43	6360.68*

Arnold, Christine, Eliyahu V. Sapir and Galina Zapryanova (2012): 'Trust in the institutions of the European Union: A cross-country examination', in: Beaudonnet, Laurie and Danilo Di Mauro (eds) 'Beyond Euro-skepticism: Understanding attitudes towards the EU', *European Integration online Papers (EIoP)*, Special Mini-Issue 2, Vol. 16, Article 8, <http://eiop.or.at/eiop/texte/2012-008a.htm>.

# Conclusion

- EU: more regulatory authority in the fields of services
- US: no remedial actions, besides reciprocity agreements, to achieve a genuine internal market
- Scholarship does not cope well with this observation, expecting the US to be more centralized, and the EU less
- Key: a) EU Commission's role & the absence of a similar organization in the US
  - b) Different attitude towards federal market intervention

# Conclusion

- The EU model in the area of services as well as public procurement and regulated goods presents a teachable moment for the United States' internal market.
- Practical and theoretical lessons





**Thank you all for  
listening!**

# Q & A



# Quotes

*“In the United States, restraints of trade were associated with political tyranny, and policies adopted to guard liberty by precluding restraints of trade were soon cast as positive measures to promote growth.”*

*(Dobbin 1994: 225)*

*“US is “born as a commercial republic”, “addicted to the pace of commercial enterprise”, which “will never be Europe”.”*

*(Brooks 2009)*

*“Do we want the United States to be like Europe? [...] the answer to this question is “no”. [...] They are countries where jobs are most carefully protected by government regulation and mandated benefits are most lavish. [...] Call it the Europe Syndrome”.*

*(Charles Murray, AEI, in The Washington Times, 2009, p. B02)*

*“France, Italy and Luxembourg have little lists of national champions they think should be immune from foreign ownership. [...] the merger of two French or two Spanish energy firms is acceptable, but a takeover of a French or Spanish firm by a German one is not.”*

*(The Economist 2006, p. 50)*

# Quotes

*“Most people consider the United States to have been a sovereign nation since 1787 and consider the states of the European Union to be sovereign nations today”.*

(Leslie Goldstein in Constituting Federal Sovereignty, 2001, p. 12)

*“Given that it does not have even the state apparatus and the administrative capacity which the United States undoubtedly possess, the EUs dispersal of power is even greater than it is in the United States.”*

(Sbragia 2006: 26; cf. Kelemen 2004: 164)

*“Placing the EU in historical comparative context has rarely been attempted [...] because scholars have been reluctant to draw comparisons between a highly decentralized European Union and what are widely regarded as relatively centralized established federations.”*

(McKay 2001: 3)

# Different Ideological Mindset

*“the government has gone too far in regulating business and interfering with the free enterprise system”*

(Pew Research 2010)

*“Distrust of government is an all-American activity. It's something we do as Americans and there's nothing wrong with it.”*

(Senator Claire McCaskill, D-Missouri, 2010)

*“If we took all the identity out of each state that is not, I think, what people want. [...] In this country right now it appears that there is too much federal government and the American people would like less. And I think if we push on a national level for national testing, I think that probably would be entirely up to the barber administrators, but I think if you went right down to the barbers and ask them, they would still like to see it controlled to where they go to barber school, they cut hair in their state and everybody has to have the same requirement to do it”*

- *(President of Nat. Assoc. Barber Boards, intw. 2010)*