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“The Political Economy of Europe’s Social Policy”

The signing of the Single European Act in 1986 was a historic step forward in the institutional development of the Union. Apart from modifying the Treaties that had created the European Communities, it also ‘brought major cooperative arrangements more firmly within the framework of what may be termed the Community process’ (Swann, 1992: 3) and granted new decision-making powers to the Council of Ministers and the European Parliament thereby expanding their institutional prerogatives (Swann, 1992: 3). In addition, the SEA incorporated into the Rome Treaty the concept of cooperation in economic and monetary policy and paved the way for EMU (Mehnert, 1991: 83). Even more importantly, the SEA signalled the willingness of Europe to reform and expand its institutional machinery so as to face off the economic challenge of the United States and Japan, whose competitive advantage had grown over the previous decade (Allen, 1992: 37). In all these respects, the SEA proved the crucial turning point in the history of European integration.

Nevertheless, no automatic readjustment process took place in a Community that had suffered from prolonged periods of internal strife and divergent policy responses during the oil shock of the 1970s (Martin & Ross, 2004: 5). Instead, institutional reorganisation and development was promoted by transnational business elites who campaigned for the creation of a genuine single European Market through bodies such as the European Roundtable of Industrialists (ERT), a lobby group first brought together by the Volvo chairman Pehr Gyllenhammar (Tsoukalis, 1993: 51; Holman & van der Pijl, 2003: 80). Van Apeldoorn (2002) has shown how the ERT has been able to spur on the Common Market and economic integration by influencing the EU public policy debate in a comprehensive way ‘at the level of ideas and ideology formation’ (Van Apeldoorn, 2002: 83).

The creation of the European Strategic Programme for Research and Development in Information Technology (ESPRIT), a French initiative actively supported by the Commission and involving major European manufacturers, small firms and universities, confirmed the widespread consensus among policy-makers and business on the need to expand the notion of European economic competitiveness (Dinan, 1999: 94). What is more, the idea of creating a Single Market in the EU could also count on British support, which had traditionally remained sceptical over other forms of European integration. Though normally unimpressed by reference to the EU’s ‘Founding Fathers’, Prime Minister Thatcher did not have qualms in evoking the founding Treaty of the Union when endorsing the plans that the Commission was sketching out: ‘if the problems of growth, outdated industrial structures and unemployment which affect us all are to be tackled effectively, we must create the genuine common market in goods and services which is envisaged in the Treaty of Rome and will be crucial to our ability to meet the US and Japanese technological challenge’ (Thatcher quoted in Dinan, 1999: 96). Closer market integration and institutional evolution was premised on the active support of ERT; as technological change was gathering pace and a series of mergers and acquisitions was altering the landscape of European business, Gyllenhammar launched his idea of a “Marshall Plan for Europe” in 1982 calling for a European strategy to face off US and Japanese competition and reinvigorate the fortunes of European economies by use of new technologies.

Aware of the limited influence of UNICE, the Union of Industrial and Employers’ Confederations of Europe, the chairman of Volvo sought to create a group with political influence and affect the process of policy-making at European level by courting the Commission and leading politicians.

Green Cowles (1995) has shown that the strategy was particularly successful, with the Commission President Davignon and close aides of President Mitterrand frequently meeting with Gyllenhammar. The first ERT Conference in 1983, attended by the Commission, brought together, among others, the chairmen and chief executives of Fiat, Olivetti, Unilever, Siemens, Volvo and ASEA. In 1984, the ERT initiated its first project, the European Venture Capital Association (EVCA) and ran the first pan-European venture capital group called Euroventures. In March 1985, the new Commission President Jacques Delors outlined his plan for the creation of a Single Market to facilitate the realisation of earlier European Council declarations regarding the four freedoms of movement for goods, services, capital and persons (Tsoukalis, 1993: 59). Underlining the salience of the ERT in bringing about that document is the fact that in January of the same year, the CEO of Phillips Wisse Dekker, presented the plan entitled "Europe 1990" calling for a unified European market by that year (Green Cowles, 1995: 514). After an Intergovernmental Conference in 1985 and 1986, the Single European Act (SEA) was signed by EU member states in 1987 introducing qualified majority voting on all issues related to the Internal market and enhancing the powers of the European Parliament (Gstöhl, 2002: 148).

Once it became an institutionalised part of policy making, the influence of business lobbying in the development of the EU remained undisputed. In fact, the signing of the Maastricht Treaty in 1991 confirmed the shifting of a delicate balance between labour and capital, whereby the former had maintained a salient role as part of the decaying but still resilient Keynesian socio-economic model prevalent in most EU states (Gray, 2004: 61). In the 1990s, that model was undermined by constant attempts to reduce the public sector and throw the burden of labour market adjustment to employees instead of their bosses or the state (Gray, 2004: 61) in an apparent attempt to face the challenge of competitiveness. The Maastricht Treaty, kick starting the EMU process and setting strict limits on inflation, public deficit and public debt levels to member states, institutionalised the new approach to economic and social policy minimising state interference with market transactions only to the extent they facilitate the creation of a level playing field for capital. For its part, the ERT continued to press for more deregulation and its resources were devoted to satisfying its agenda. In 1993 and 1994 the ERT proposed the creation of a European Competitiveness Advisory Group to subject all new EU policy proposals and regulations to the test of international competitiveness. A year later, the group came to being (Holman & Van der Pijl, 2003: 82).

Moreover, in the run-up to the next Intergovernmental Conference, different ERT delegations met with Commission President Jacques Santer to stress the importance of business competitiveness to the economic recovery of the EU. Although the centre-left had acquired government status in most EU states by the time of the Amsterdam Treaty, the ERT played a decisive role in the final Treaty by becoming ever more prominent in UNICE (Gray, 2004: 68) and managed to limit the European Employment Strategy (EES) created in Amsterdam to the need for more 'flexibility' and 'adaptability' on the part of employees (Gray, 2004: 68). The strategy was part of a broader pattern of reforms calling for a reduction of taxes on labour and loosening of labour protection laws to make hiring and firing easier for employers (Gray, 2004: 68). Having succeeded in setting the context within which any future discussion of social policy and the Social Dialogue would take place, the ERT and UNICE have had little difficulty in blocking the evolution of EU social policy towards a more balanced direction.

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