

Future Of Europe

Twelve Into One Will Go

1992 will further weaken national sovereignty within the European Community. It remorselessly points in the direction of political union. **David Marquand** argues the case for a federal Europe

Slowly, belatedly and rather grudgingly, British political and economic leaders are beginning to realise that something rather important is happening in the European Community, and that the 'something' is connected with 1992. So far, however, few have grasped the full significance of the 1992 project, which has provided the central theme of Community politics since the mid-80s. Until last summer, the government saw it as an exercise in trade liberalisation and little more. Since Mrs Thatcher's *démarche* at Bruges, some of the wider political implications have entered its calculations as well. But the real nature of the exercise still eludes it. In particular, ministers still seem to think that they can pull out what are, for them, the plums of trade liberalisation and deregulation without sacrificing any of the powers and prerogatives traditionally associated with the sovereign nation-state. They do not realise that the transfer of sovereignty which the Bruges speech was designed to prevent lies at the heart of the whole programme.

The fact is that the 1992 project is a response to a complex set of pressures which have called the traditional concept of national sovereignty into question. The first is the growth of international economic interdependence, which has made it increasingly difficult for the medium-sized nation-state (and

perhaps even for the super-state) to make its will prevail in the economic sphere. Four developments have played crucial parts in this process. Thanks to the extraordinary growth in international trade which has been one of the most marked features of postwar economic history, all developed countries live by taking in each other's washing. This means that the levels of output and employment in country A depend on the level of demand not only in country A itself, but also in countries B, C and D, to whom it sells its exports; and that, by the same token, *their* levels of output and employment depend in large part on the level of demand in country A.

Associated with the growth of international trade, moreover, has been a marked growth in the role of multinational companies, owing allegiance to no national state and, in many cases, disposing of resources so great that they are almost immune to the sticks and carrots of national policy. The third development is the growth of an increasingly-globalised capital market and the deregulation of many national capital markets. Last, but not least, come the effects of accelerating technological change, and the growing ease of technology transfer. The net effect of these changes is to make it more difficult for medium-sized Western nation-states, with open-market economies, to operate economic policies significantly out of line with those of the rest of the

developed world.

The Keynesian revolution of the 1940s was designed to make the nation-state master in its own economic house: to give national governments a battery of regulatory mechanisms which would enable them to maintain full employment in the face of recessionary forces of the sort that baffled the governments of the 1920s and 1930s. In medium-sized nation-states, at any rate, the changes just mentioned have undone the Keynesian revolution. Keynes' fundamental insight that the level of employment depended upon the level of demand may still be true in principle, but it is no longer possible for a medium-sized nation-state to put that insight to work in the real world, unless it can persuade other medium-sized nation-states to do the same.

If it cannot, if it seeks unilaterally to reflate its own economy so as to raise the level of demand and employment within its own frontiers despite continuing recession outside them, it is likely to achieve only higher levels of inflation, a depreciating currency and a deteriorating trade balance. Sooner or later (and in most cases sooner rather than later) these will force it to bring the whole experiment to a halt, probably before a significant improvement in output and employment has taken place. This, of course, was the experience of the Labour government in Britain between 1974 and 1976; and also

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of the French Socialist government after its victory in 1981. In both these cases, governments committed to high levels of employment, and anxious to use the traditional instruments of Keynesian demand management in order to maintain full employment, were overwhelmed by a worldwide bias towards deflation, reflecting the determination of the 'stronger' economies to give higher priority to the conquest of inflation than to growth or full employment.

These developments have posed hard questions. If the nation-state is no longer master in its own economic house, what has become of national sovereignty? If democratically-elected governments are no longer sovereign in the economic sphere, how can economic forces be subjected to democratic political control? Is there still any role for public power at all? Or is the currently-fashionable neo-liberalism correct in thinking that resources will have to be allocated through the market alone? If there is still a role for public power, how is that role to be played? Plainly, it can no longer be played at the level of the nation-state. Can it be played at a supranational or international level instead? If so, how? In principle, the answer is straightforward enough. The globalisation of economic forces requires a corresponding globalisation of political institutions to cope with them: since the nation-state can no longer exercise sovereignty in many crucial economic spheres, it will have to share some of its power with supranational bodies. In practice, however, the road to such a destination is full of pitfalls. The central question confronting the democratic nation-states of Western Europe is how to cope with them.

Defence considerations point in the same direction. As a juridical concept, sovereignty has nothing to do with war-waging capacity, but even so the emergence of the sovereign nation-state on to the stage of history was closely related to the growth of war-making capacity — notably to the invention of gunpowder and to answering advances in the science of fortification. By and large, states which successfully established their claim to statehood, and thereby to sovereignty, did so, in part, through their ability to wage war more successfully than other would-be states.

In this perspective, the second world war marks as profound a break in European history as did the collapse of the Holy Roman Empire's claims to suzerainty over the rest of Christendom in the early modern period. For the first time, none of the sovereign states of Europe has possessed genuinely independent war-waging capacity. *Vis-a-vis* the super powers, all of them have been in a position of clienthood, reminiscent of Belgium's position *vis-a-vis* the United Kingdom in the 19th century. Hence, of course, the creation of the North Atlantic Treaty and the Warsaw Pact in the immediate postwar period; and hence the effective hegemony of

the two superpowers over the alliances formed around themselves at that time — hegemonies underlined in a peculiarly painful way in the crisis year of 1956, when Soviet tanks crushed the Hungarian uprising, and American pressure brought the Anglo-French invasion of Egypt to a halt.

Latterly, however, new trends have called into question the hegemonic relationships which have characterised the two power blocs for most of the postwar period. The United States and the Soviet Union have both begun to suffer the effects of what the historian, Paul Kennedy, has called 'imperial overstretch'. In each case, the economic costs of maintaining superpower status have begun to cut into the industrial base, upon which that status ultimately rests. In each case the effects of overstretch have been magnified by the escalating costs of defence associated with the ever more sophisticated weaponry spawned by the arms race — itself a concomitant of superpower rivalry and hegemony. The result is a paradox. In absolute terms each of the superpowers possesses unimaginable military power. Each can destroy the world several times over; the armouries of each tower above those of their allies. Yet, in the economic sphere, each has suffered acute relative decline *vis-a-vis* those allies; and each is groping for ways to minimise, to share, or in some way to disembarass itself of the burdens of superpower status.

That, in turn, has obvious implications for the defence of Western Europe. Since the end of the second world war the nation-states of Western Europe have responded to their loss of independent war-waging capacity by alliance with and dependence upon a hegemonic United States. If, as seems increasingly probable, we are now coming to the end of the period of American hegemony, they will have to find some other response. Instead of relying on the United States, they will have to rely on each other. It is hard to see how they can do this without much more surrender of formal sovereignty in the defence field than they have been prepared to make so far.

The evolution of the European Community must be seen against this background. Though it was concerned with economics, the aims of its founding fathers were political. They hoped to transcend national sovereignty within a supranational union; and they assumed that if national economies were knitted together a supranational union would develop of its own accord. Economic integration would lead sooner or later to political integration: by solving the practical problems of 'low politics' in the mundane areas affected by the creation of a customs union, the process of integration would gradually 'spill over' into the glamorous areas of foreign, defence and monetary policy, which were the stuff of 'high politics'. Little by

little, an irresistible momentum would be set up, which would sweep away the obstacles to full-scale political union. The Commission would evolve into the executive of this union. The Council of Ministers would become the 'upper house' of its legislature, and the directly-elected European Parliament the 'lower house'.

As everyone knows, events belied these expectations. In the areas of low politics with which it was concerned, the EEC was triumphantly successful. Partly because of this, its attractive power for states on its periphery — revealed in the enlargements which have increased its membership from the original six to 12 has been formidable. Yet, success in low politics did not spill over into high politics. In the 1960s, France and West Germany — the two major powers of the original six — differed sharply over foreign and defence policy. Though these differences became less acute in the 1970s, Italy and (after her accession to the Community in 1973) the United Kingdom followed sharply different monetary and macro-economic policies from those of West Germany, with shattering results for the relative exchange rates of the major Community currencies.

Meanwhile, the institutional development of the Community had been stultified by the so-called Luxembourg compromise, which President de Gaulle forced on his partners in 1966, and which had the effect of perpetuating national vetoes even in areas which, under the Treaty, should have been covered by majority voting. Worse still, it was beginning to look as though the divergences in economic performance which were both cause and consequence of the differences in economic policy might jeopardise the *acquis communautaire* in the areas of low politics where integration had been comparatively successful in the past. The old notion that the route to high politics lay through low politics had, in short, turned out to be misconceived. If the member states of the Community wished to tackle high politics at all, they would have to tackle them directly. At the same time the collapse of American hegemony, and also the US dollar, together with the strains which these developments set up within the Western world, forced issues of the highest high politics on to the European agenda.

The response of the member states of the Community was illuminating. Attempts were made to strengthen the 'supranational' elements in the Community's institutional structure. The European Parliament was given certain powers over the Community budget, and after a delay of more than 20 years the treaty commitment to its direct election by the people of the Community was finally honoured. But these developments, however encouraging they might be to those who hoped for an eventual political union, had only a limited impact on Community decision-

'What is underway with 1992 is a massive exercise in national de-regulation and Community re-regulation'



What's What In The European Community

The European Community (EC) binds together its 12 member states through a complex set of central bodies:

Council of Ministers The key decision-making body for all EC policy. Comprises government ministers from all member states, the exact representatives changing with the subject under discussion. Every six months, the presidency of the Council rotates among the member states: currently Spain, next France. Based in Brussels.

European Council The twice-yearly summit meeting of all 12 heads of state or government, assisted by their foreign ministers, plus the Commission president. Key political forum for setting parameters of the EC's work, but it has no formal power, and must implement its wishes via the Council of Ministers.

Commission Has 17 members, appointed by member governments, to serve a four-year term. Supported by a large civil service based in Brussels, divided into 20 'directorates-general' (DGs). Commissioners act independently of governments and of the EC Council, and may only be removed en bloc by the Parliament. The Commission has wide executive powers to initiate EC legislation and issue regulations, directives and so on — which it then polices. It also administers the money.

Parliament Also called Assembly. Directly-elected since 1979, for five-year terms. Number of members (MEPs) increased significantly under the Single Act (SEA), to 518. The largest countries, Britain included, have 81 seats each, Luxembourg gets six. Powers are strictly limited, despite a beefing-up under the SEA. Crucially, Parliament lacks powers to originate legislation. Has the exceptional power to demand, by a % majority, the Commission's resignation. Parliament has limited say in the budget. May reject the budget as a whole, which it did in 1979, 1982 and 1985.

Court of Justice Interprets European treaties and laws, directives, regulations etc. Comprises 13 judges, appointed every six years, by agreement with member states. May overturn national judicial decisions and legislation found to be incompatible with the provisions of EC law.

Economic and Social Committee 189 representatives of mainly trade-union, consumer, farming and professional bodies; a consultative forum.

making.

The most significant developments of the 1970s took place outside the institutional structure set up by the treaties. In the first place, the governments of the Community established a systematic process of 'political co-operation' to co-ordinate their foreign policies. Secondly, and more ambitiously, they established the European Monetary System (EMS) to provide a zone of 'currency stability' in the Community by aligning exchange rates more closely together. Thirdly, they created a more or less formalised 'European Council', consisting of the heads of government of the Community, meeting at periodic intervals.

These developments were all pragmatic adaptations to felt needs. They sprang from no vision of the Community's longer-term future, and corresponded to no explicit doctrine. All of them were essentially inter-governmental in character. They depended for their success on the co-operation of sovereign states, each jealously guarding its formal sovereignty in the policy areas concerned. They enabled the member states of the Community partially to offset the disintegrative tendencies which had started to make themselves felt so acutely when the long boom of the 1950s and 1960s began to peter out, and to tackle potentially divisive issues of high politics which the founding fathers failed to touch. But they did nothing to make Community decision-making more transparent or more accountable, or to push the Community further along the road to a political union.

The Community has developed in a way quite unlike that envisaged when it was set up. Its institutional structure contains federalist elements — notably, the Court of Justice, whose role in the evolution of Community law recalls that of the Supreme Court in the early days of the American union. But, despite some developments of a quasi-federalist character, it is not a federation; indeed, by focusing on low politics, while high politics are left to the member states, it has reversed the normal pattern of a federal system. Nor is there any reason to believe that it is bound to evolve into a federation merely by continuing along its present path. The nation-state, not the Community, remains by far the most important focus for the political loyalties of Europeans; Community decisions are taken by a complex process of bargaining and compromise, in which the most important actors are the governments of the sovereign states which make it up.

Yet it is much more than an association of sovereign states co-operating only when they feel inclined — a *Europe des patries* of the sort envisaged by Charles de Gaulle. By virtue of its very existence, the states who compose it are becoming ever more interdependent, and that fact imposes ever more severe constraints upon their freedom on ac-

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tion. Juridically, they are as sovereign as they ever were, but the language of sovereignty is as remote from the realities of the system in which they are enmeshed as is the language of federalism. That system is, moreover, dynamic, not static: a process rather than a structure. And, as it has evolved, the language of sovereignty — whether of the sovereign nation-state or the sovereign national parliament has become less and less apposite to it, while institutions based on the assumption that that language corresponds to economic and political realities have become less and less able to manage it satisfactorily.

This, then, is the background to the 1985 decision of the member governments to complete the so-called 'internal market' by 1992. The logic of the decision deserves some discussion. The Commission white paper setting out the steps needed to make it a reality proposed a programme of formidable scope and complexity. It listed 300 actions necessary to create a genuinely single market covering the whole territory of the Community. These were grouped into three categories — those needed, respectively, to demolish 'physical' barriers to free trade and free movement; to demolish 'technical' barriers; and to demolish 'fiscal' barriers. Despite these complexities, however, the underlying logic was simple enough. In essence, what is at issue is a new version of the founding fathers' original project. The objective plainly belongs to the sphere of high politics; the means have to do with low politics. The aim is to strengthen the Community's competitiveness in world markets, particularly in the area of high technology where European companies seemed to be losing ground to their Japanese and American competitors, so as to prevent a relative decline in the economic and ultimately political power and influence of Western Europe vis-a-vis Japan and the United States. The assumption is that the chief obstacles to greater competitiveness lie in the barriers to genuinely free competition within Europe, and that the way to reach the goal is to remove these barriers. Free competition internally is assumed to be a necessary (and, in some interpretations, perhaps even a sufficient) condition of competitiveness externally.

On one level, there is nothing particularly new in this. After all, the central objective of the Rome Treaty was to establish a common market, with no barriers to the free movement of goods, services, capital and labour. Looked at in that perspective, the Single European Act is merely a belated decision to carry out the Rome Treaty prospectus — a decision made necessary because, in the intervening 30 years, the prospectus was frustrated by the emergence of a host of non-tariff barriers to free competition, of a kind which the founding fathers did not foresee. On another level, however, there is far more to it than this. What is underway is a massive

Europe's Coming Of Age

1950: French foreign affairs minister Robert Schuman proposes the pooling of West European steel and coal production under a single authority.

1951: Treaty of Paris signed by France, West Germany, Italy, Belgium, Netherlands and Luxembourg, setting up the European Coal And Steel Community (ECSC). Its purpose: 'to promote improved working conditions and an improved standard of living for the workers in each of the industries for which it is responsible.'

1957: Treaties of Rome signed by the six ECSC countries, setting up the European Economic Community (EEC, but now normally referred to without the 'economic' as the EC), and the European Atomic Energy Authority (Euratom — aimed at co-operation in civil nuclear research and training). Over time Euratom and ECSC become subsumed within the overall EC structure.

Founding EEC aims: to create a common market and in the long-term, political union. Harmonisation of member sta-

tes' economic policies to be achieved by eliminating customs duties and trade restrictions, ensuring free movement within the Community for people, services and capital, and developing common approaches to agriculture and transport. Provision also made for movement towards common living standards for workers, including equal pay for women.

Britain, though part of the preliminary talks, feels constrained by Commonwealth commitments and does not join the EEC.

1961: Britain (under Tory pro-European Harold Macmillan), Denmark and Ireland apply to join the EEC, followed by Norway in 1962. Their applications are vetoed by France's de Gaulle.

1962: Common agricultural policy (CAP) established.

1967: Britain's second try at membership, now under Labour's Harold Wilson. Along with the other three countries, her application is again vetoed by France.

1968: Completion of the customs union within the Community. This removes direct barriers to trade, eg, tariffs or quotas on imports. But it leaves untouched the multitude of other barriers, such as national administrative borders,

technical standards, employee qualifications etc.

1972: Britain, Denmark and Ireland sign treaties of accession making them members of the EC from January 1, 1973. In Norway, a national referendum rejects membership.

1974: The British Labour government is elected on a pledge to renegotiate the country's terms of entry.

1975: British referendum confirms continued EC membership by a 67% vote in favour following renegotiation of terms.

1979: First direct elections to the European Parliament gives a right-wing majority, but the socialists form the single largest group. Only one third of British voters bother to vote.

1980: The British Labour Party conference votes for a policy of withdrawal from the EC.

1981: Greece joins the Community.

1986: Spain and Portugal join the Community.

1987: The Single European Act comes into force, providing for the completion of the internal market by 1992.

1989: The British Labour Party agrees to contest the European elections on the common European socialist manifesto, explicitly assenting to the future development of the EC. •

exercise in national de-regulation and Community re-regulation. This exercise applies, not just to the movement of goods, services, capital and labour across national boundaries, but to the behaviour of governments, subordinate public authorities and private economic actors within the member states of the Community as well. For, whereas tariffs operate, by definition, at national frontiers, the non-tariff barriers, which it is the object of the internal-market programme to eliminate, operate behind frontiers and within the national economies bounded by those frontiers. Public procurement, merger policy, company law, health and safety at work, tax rates — all these will be intimately affected, and in respect of national as well as cross-national transactions.

This must entail a substantial further transfer of competence and power from national to Community authorities. The object of the exercise is to liberalise markets and demolish barriers to competition. But past experience shows that a free market cannot be created, once and for all, by a single act of will. As Adam Smith knew well, markets do not remain competitive if they are left to their own devices. If they are to stay free, someone has to ensure that market actors do not protect themselves from the pains of freedom by resorting to new protectionist devices of one sort or another. A

Community-wide free market therefore implies a Community-wide political authority to police it. In practice, this will have to be done partly by the Commission and partly by the Court of Justice both supranational rather than intergovernmental institutions. Even on fairly conservative assumptions about the scope of the 1992 programme, in other words, further economic integration necessarily implies substantial further political and legal integration.

That is only the beginning of the story. If the barriers which have so far impeded free trade and free movement are to come down and stay down, governments must lose much of the freedom of action they now enjoy. If fiscal frontiers are to be abolished, VAT rates will have to be brought much closer together — either as the Commission has proposed, by deliberate decision, or, as the British government prefers, by the pressure of market forces. In either case, governments will have less freedom of manoeuvre in the fiscal field than they have had hitherto. The abolition of physical barriers impinges on matters like immigration and counter-terrorism policy, which are currently outside the Community framework. The abolition of technical barriers — particularly, perhaps, in the highly-protected markets for services — will deprive member governments of important regulatory powers, and make necessary the establishment of Com-

munity regulations instead of national ones. Opening up public procurement to free competition will weaken the ability of national public authorities to influence the economy.

The longer-term implications go still wider. Economic changes as far-reaching as those foreshadowed by the internal-market programme are bound to have profound distributional consequences. There will be gainers, but there will also be losers. Who will allocate the gains and losses? In a pure market order (not that a pure market order has ever existed in the real world) gains and losses are allocated by the market. In the welfare states of Western Europe, however, it is accepted that public power should intervene to alter market outcomes. So far, this process of redistribution has been left, by and large, to the member states; the Community as such has had little to do with it. By a curious paradox, however, the Thatcher government's long campaign against Britain's 'unfair' budgetary contribution forced distributional issues on to the Community agenda; and the 1992 programme has done the same. The decision taken at the 1987 Brussels summit to double the structural funds dedicated to the Community's weaker regions is a sign that the Community has now accepted at least a partial responsibility for the distributional consequences of its economic policies. Precedents of that sort tend, sooner or later, to be followed. And, if national redistribution is supplemented by Community redistribution, that too will extend the scope of Community decision-making.

Much the same is true of industrial policy, monetary policy and even macro-economic policy and certain aspects of labour-market policy. Few now advocate the kind of industrial policy which France followed, with some success, in the 1950s and 1960s, and which Britain tried, much less successfully, to emulate in the 1960s and 1970s. But it does not follow that there is no need for an industrial policy of any kind. Still less does it follow that it should sit back and allow predatory competitors from outside the Community to take advantage of the market liberalisation implied by the 1992 programme to kill off Community producers. Yet the 1992 programme will demolish many of the instruments through which member states have implemented industrial policies in the past, and will make national industrial policies virtually impossible. Increasingly, the choice will lie between no policy and a Community policy. Here too the logic points unmistakably to more action on the Community level — and therefore to Community institutions capable of taking action.

The position on monetary policy has been put best in a contribution by Professor Krugman to the influential Padoa-Schioppa report: 'As a simple

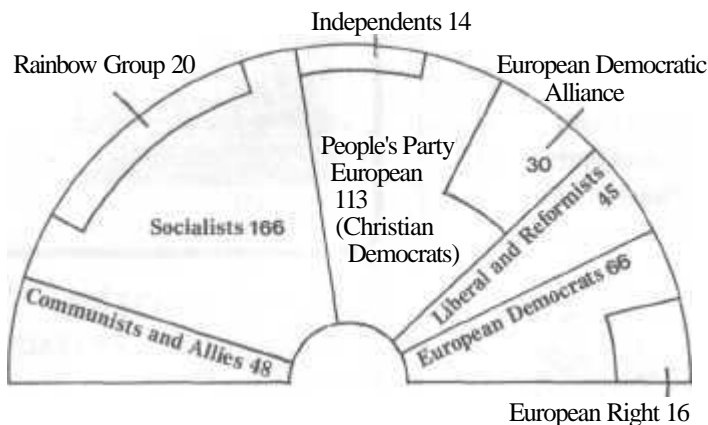
**'Federalism
does not
mean
centralisation'**



Europe's Political Spectrum

The European Parliament meets for one week each month (except August) in full session at Strasbourg, and additionally operates 18 standing committees. Euro MPs (MEPs) form groups along political, not national, lines, shown in left-to-right order in the diagram. Not all the European political categories are familiar. The 81 UK MEPs divide up like this: 33 Socialists (Labour Party and one SDLP, Northern Ireland); 45 European Democrats (Conservative Party); one Northern Ireland MEP in each of the European Right (OUP) and Independent (DUP), and one Scottish Nationalist in the European Democratic Alliance. •

Political Groups In The European Parliament



matter of feasibility, Europe cannot have at the same time (i) stable exchange rates, (ii) integrated capital markets and (iii) independent monetary policies. The experience of the post-1973 period seems to indicate that (i) is not something that can be dispensed with. Given the already-close integration of European markets for goods and services, large exchange-rate fluctuations associated with divergent monetary policies seem to be unacceptable. Thus, creation of a unified capital market will also require adoption of a common monetary policy.'

The need for exchange-rate stability is now accepted; and it will become greater, not smaller, as and when the 1992 programme becomes a reality. An important part of the point of the programme, moreover, is precisely to eliminate controls on capital movements, and thereby to create the 'unified capital market' of which Professor Krugman spoke.

The conclusion he drew is inescapable. If national authorities follow divergent monetary policies once the capital market has been unified, exchange rates will not remain stable. If they do not, much of the point of the 1992 programme will have been lost. This does not mean, of course, that there has to be a single monetary authority, explicitly designated as such. Nominally-independent national authorities could all tacitly agree to follow the monetary policy laid down by the Bundesbank. This is approximately what has happened in the EMS up to now. That, however, makes the Bundesbank the arbiter of the entire Community's monetary fate; and, to put it at its lowest, it is not clear that the other member states will be happy to allow it to play that role for ever. The only alternative is a Community monetary

authority of some kind.

On macro-economic policy, the position is less straightforward. Macro-economic policy is, and will remain, a matter for the member states - another crucial difference between the Community and a federal system. Yet it is worth remembering that the Rome Treaty provided for the co-ordination of macro-economic policies. So far that provision has hardly bitten in the real world, but here too the 1992 programme creates new constraints on the ability of member governments to follow policies of their own choosing. Given a common monetary policy, much less divergent VAT rates and the need to keep rates of direct taxation fairly close together if the free movement of labour is not to produce damaging 'brain drains' from high to low-tax countries, there will be little scope for variety in macro-economic policies in any case. Quite apart from that, the Commission's calculations suggest that if the Community is to realise all the potential gains from the extra micro-economic efficiency which the 1992 programme is designed to generate, macro-economic policies will have to change - a change which, in practice, would have to be co-ordinated. And even co-ordination requires co-ordinating institutions.

On labour-market policy - in some respects, the most controversial area of all - the issues at stake have to do with Community regulation, not national co-ordination. Other things being equal, the market liberalisation implied by the 1992 programme may give a competitive advantage to countries with weak trade unions, poor standards of health and safety, scanty protection against unfair hiring and firing practices and poor or non-existent provisions for worker consultation. How, then, to prevent a kind of 'social dumping': a race for the bottom? The only possible

answer is that the Community will have to step in; that Community-wide market liberalisation will have to be accompanied by Community-wide politics to protect labour from these dangers. That answer is vigorously contested by the present British government, but it has strong support from the Commission, and also from a number of member states. It is too soon to say how the question will be decided. To put it at its lowest, the decisions are bound to impose further constraints on national decision-making and make the language of national sovereignty even less applicable to Community affairs.

All this raises profound questions of political principle. The 1992 programme is almost certainly irreversible. It has captured the imagination of the Community's private sector; and most of the member governments are solidly behind it. Some of it may not become a reality by the due date - though it is worth noting that most qualified observers have been surprised by the speed with which progress has been made. Some of it may never become a reality. But there is little doubt that the great bulk of the programme will be in place quite early in the next decade.

The language of national sovereignty will have even less to do with the real world in which the Community's citizens live and work, and in which its governments seek to promote the interests of those citizens, than it does already. In some fields, those governments will be nominally free to act as they wish, but in practice more tightly constrained than they were before. In many, they will have lost even their nominal freedom. Supranational Community institutions will have acquired formidable new powers of control, supervision and intervention. The Community will not have become a federal state, but its member states will be far more tightly enmeshed with each other and with the Community than they have been hitherto.

'How, then, to prevent a kind of "social dumping": a race for the bottom?'



The trouble is that the processes of Community decision-making are so opaque, so hard to scrutinise, so difficult to understand and so technocratic in character that it is extraordinarily difficult to hold the decision-makers to account. The Commission, which plays a critical role in Community politics as policy initiator, manager and honest broker, is elected by nobody. In law, it is responsible to the European Parliament, but in political reality, the relationship between Parliament and Commission is not that of controller to controlled. They are allies, supporting each other against the over-mighty Council of Ministers; and of the two, Parliament is the weaker. The national ministers who make up the Council are, of course, responsible to their national parliaments. But national parliaments find it hard to hold them to account for their actions in the Council, or even to discover what those actions are. Com-

munity Europe consists, in practice, of a web of interlocking technocracies — of Commission officials, negotiating and arguing with each other; of the officials of organised interest groups negotiating and arguing both with national and with Commission officials. Into that web, parliaments hardly break.

o be sure, the Single European Act has changed the balance of Community decision-making. The Council will decide most of the policies needed to complete the internal market by majority vote, while the so-called 'co-operation procedure' has given the European Parliament a bigger role than it has had hitherto. In the policy area covered by the Single European Act, it has acquired some legislative leverage. It is, at last, a player in the legislative game rather than a spectator. It can at least be argued that it has moved part of the way towards co-decision with the Council at some time in the future.

But whatever may be true of the future, it would be wrong to exaggerate the significance of these provision here and now. If the 1992 policy works, power, and therefore, responsibility, will be diffused much more widely than before. Member governments will lose important regulatory powers, and firms will become increasingly cross-national

in structure. It will no longer be possible to make crucial strategic choices, essentially social in character — for example, the appropriate trade-off between growth and environmental protection or between productivity and employment — on the national level, since the relevant national institutions will not be able to make their wishes effective. Who will make them instead? One possible answer, of course, is that such choices do not have to be made consciously at all: that it is best to allow them to emerge from the interplay of individual choices in a competitive market. That answer, it hardly needs to be said, would be bitterly contested. It is consistent with the reborn classical economic liberalism which has figured so largely in the politics of the Atlantic world in the last decade or so, but it is alien to other political traditions; and it would not be accepted by the social forces which adhere to those traditions. But if that answer is rejected, what other answers are on offer? The truth is that at present, there is a hole at the heart of the internal market programme; and, welcome though they may be, the new powers given to Parliament have not filled it up.

Is there a way forward? If so, what is it? The key to accountability is transparency. Decision-makers can be held to account only if their identity is known. Community decision-making is insufficiently accountable because it is not transparent: because its processes are hidden from view in a fog of overlapping jurisdictions. The first essential, then, is to clear the fog; and in order to do that, it is necessary to understand

how and why it descended in the first place. Contrary to the received wisdom of much of the British political class, it is not the product of power-hungry Eurocrats, unnecessarily extending the frontiers of their Brussels empires. The chief reason why Community jurisdictions overlap is that the member states (and, in particular, the administrations of the member states) have been unwilling to accept the full implications of the interdependence which Community membership has brought with it: that they have insisted on clinging to the habits and assumptions of national sovereignty, while building a system in which those habits and assumptions are being transferred back-wards into successive measures of integration-transferring functions from the national to the Community level, but refusing to transfer authority to match.

The result is that committees of national officials proliferate in the Community system like the tentacles of an octopus, hanging on to every protuberance it comes across. If the Community is to develop transparent and accountable decision-making processes, it must overcome the octopoid tendencies of its national bureaucracies.

The only way to do that is to establish clear lines of demarcation between Community institutions and national institutions, to separate the functions and powers best exercised and held on the Community level from those best exercised and held on the national level. That, of course, is another way of saying that the member states of the Community should move from intergovernmentalism to something much more reminiscent of federalism, or at least pre-federalism.

In Britain, such suggestions are apt to seem both impractical and dangerous — impractical, because they run against the grain of British tradition of gradual evolution; dangerous, because they would lead to excessive centralisation. The first objection draws false conclusions from true premises. The British tradition is indeed one of gradual evolution; and, as we have seen, the Community is most unlikely to evolve gradually into a federation without a decisive act of political will. But it does not follow that a federalist approach should be ruled out. Britain's are not the only traditions in the Community and it is not self-evident that they are the best. Gradual evolution has left this country with fewer safeguards against the abuse of power than any other in Western Europe.

It would be absurd to suggest that the Community should leap from intergovernmentalism into federalism in one bound. But if its member states so wished, they could perfectly well agree to adopt a federalist or pre-federalist model at some stage in the future, and decide to move towards it over a specified period.

The member states of the Community should move to something much more reminiscent of federalism'



The second objection rests on a false premise. Federalism does not mean centralisation, any more than intergovernmentalism means decentralisation. It is merely a technique for separating powers. A Community decision to reconstruct its institutions on federal or pre-federal lines would not entail giving them the kinds of powers available to the federal governments of the United States, West Germany or the federations of the British Commonwealth. Indeed, it can be argued that because the member states have eschewed first principles, clung to intergovernmentalism and left the Community to evolve higgledy-piggledy in response to the pressures of the moment, it is, at present, *more* centralised than it needs to be. To take one obvious example, it is far from self-evident that a federal or pre-federal Community would need a common agricultural policy. In a well-designed federal Community, functions would be allocated to the lowest possible level of government compatible with the efficient discharge of the function in question.

There is no doubt that that would give important functions to the centre. But most of them would be standard-setting functions. Implementation would be left to the members states. Indeed, on the principle that decisions should be taken on the lowest possible level, implementation might often be left to regional or local authorities; and, if that principle were accepted, the upward transfer of functions from the national to the Community level might well be matched by a downward transfer to the regions.

Only in a comparatively small number of areas would Community institutions themselves have to implement the decisions taken at Community level. The decisions in question, we must remember, will be taken at Community level in any event. That is the logic of the Single European Act. What is needed is a system should be more centralised than the cumbersome network of technocracies we know today. It would, however, be more open and more democratic. The Council of Ministers would have to conduct its law-making activities in public. The European Parliament would have to enjoy full powers of co-decision with it. The Commission would have to be made accountable to the people in whose name it acts, either through the direct election of its president or by making it fully responsible to Parliament.

It is easy to see that the technocrats, both European and national, who currently dominate the Community system might oppose a programme of this sort. That is not a reason for the Left to agree with them. For more than a century its central purpose has been to make democratic politics the master, rather than the servant, of market forces. That purpose can no longer be achieved on the national level only be democratising the Community. •