

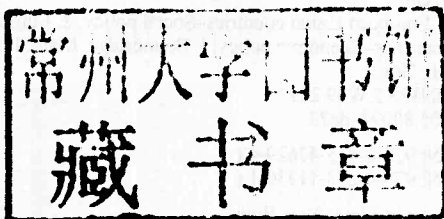
ROUTLEDGE STUDIES IN THE
EUROPEAN ECONOMY

The Political Economy of the European Social Model

Philip B. Whyman, Mark Baimbridge
and Andrew Mullen

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**Philip B. Whyman, Mark Baimbridge
and Andrew Mullen**



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The Political Economy of the European Social Model

This book seeks to analyse the development of the European Union (EU), which was founded upon the principle of the free movement of capital, goods, services and people in 1957. Its central thesis is that, from a practical and theoretical point of view, such a basis is fundamentally at odds with the creation of an interventionist regime that the construction of a Social Europe would require.

The authors argue convincingly that – economically: the EU does not currently possess the budget or the economic tools to pursue such a strategy; politically: close to none of the institutions of the EU have backed such a policy; practically: conservative and neo-liberal forces (among member states and the institutions of the EU) have repeatedly thwarted any moves in this direction. In reality, the single internal market, Economic and Monetary Union, enlargement, the Lisbon Agenda and European Constitution projects all prioritize supply-side measures and expanding the scope of the market rather than the boosting of demand and other economic intervention. Consequently, constructing a Social Europe in the face of this would appear problematic. Hence, in both theory and practice, the idea that there can be a Social Europe vis-à-vis neoliberalization is a contradiction in terms.

This controversial book will be an educating and refreshing read for advanced students and academics involved with European politics, the European Union, European economics and economic institutions.

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Preface

There are many people to thank for their input into making of this book possible. Most obviously, we must thank our commissioning editor at Routledge, Terry Clague, for his immediate support for this project and Simon Holt (editorial assistant – Economics). Second, we would like to thank our colleagues at the universities of Central Lancashire, Bradford and Northumbria for their comradeship and general support for our research on European economic integration. Finally, we owe a deep sense of gratitude to our families and partners for their forbearance during the preparation of this book. It is to them that this book is dedicated: PW: Barbara, Boyd and Claire; MB: Mary, Ken, Beibei and Douglas.

Any remaining errors and omissions we gladly attribute to each other.

Heaton Norris, Haworth and Gateshead

December 2011

European integration timeline

From its beginnings, half a century ago, in the immediate aftermath of the Second World War, through the expansion of the 1970s and 1980s and the great debate surrounding the Maastricht Treaty, here we highlight some of the key events which have shaped the development of the EU towards closer integration.

- 1948 The Organization for European Economic Co-operation (OEEC) is set up in Paris in April 1948, co-ordinating the distribution of the Marshall Plan financial aid which will amount to \$12.5 billion from 1948 to 1951. The OEEC consists of one representative from each of the 17 Western European countries which join the organization. In May 1948 in The Hague, the Congress of Europe (a meeting of delegates from 16 European countries) agree to form the Council of Europe with the aim of establishing closer economic and social ties.
- 1951 The European Coal and Steel Community (ECSC) is established by the signing of the Treaty of Paris in April 1951. Along with France and West Germany, Italy, Belgium, Luxembourg and the Netherlands also choose to join the organization. Members of the ECSC pledge to remove all import duties and quota restrictions on the trade of coal, iron ore, and steel between the member states.
- 1952 The European Defence Community (EDC) Treaty is signed by France, West Germany, Italy, Belgium, Holland and Luxembourg in May 1952. It includes the provision for the formation of a parallel European Political Community. However both initiatives are destined to founder since the French National Assembly never ratifies the EDC Treaty, finally rejecting it in August 1954.
- 1955 The process of further European integration is given fresh impetus by a conference of ECSC foreign ministers at Messina, Italy, in June 1955. The meeting agrees to develop the community by encouraging free trade between member states through the removal of tariffs and quotas. Agreement is also reached to form an Atomic Energy Community to encourage co-operation in the nuclear energy industry.
- 1958 The two Treaties of Rome are signed, establishing the European Economic Community (EEC) and the European Atomic Energy Community

(Euratom). As well as stipulating the eventual removal of customs duties on trade between member countries (over a period of 12 years) the EEC Treaty sets out allow the free movement of workers, capital and services across borders and to harmonize policies on agriculture and transport.

- 1960 At the Stockholm Convention in January 1960 Austria, Britain, Denmark, Norway, Portugal, Sweden and Switzerland form the European Free Trade Association (EFTA). The objective of EFTA is to promote free trade but without the formal structures of the EEC.
- 1961 The United Kingdom applies to join the EEC.
- 1963 British application for EEC membership fails.
- 1967 The United Kingdom submits second application to join EEC.
- 1968 Customs union completed and Common Agricultural Policy enacted.
- 1972 In October, following the recommendations of the Werner Report, the EEC launches its first attempt at harmonizing exchange rates. The mechanism adopted is the so called 'snake in the tunnel' whereby participating governments are required to confine the fluctuations of their currencies within a range of ± 1 per cent against each other. The value of the group of currencies (the snake) is also to be maintained within a range of ± 2.25 per cent against the US dollar (the tunnel). Countries requiring assistance to keep their currencies within the required band may receive help only in the form of loans.
- 1973 Denmark, Ireland and the United Kingdom join the EEC.
- 1975 A UK referendum supports staying in EEC.
- 1978 At a summit in Bremen in July, the French and West German governments announce their intention to create the European Monetary System (EMS). At the centre of the EMS is the European currency unit (ecu). The value of the ecu is to be derived from a weighted basket of all participating currencies with the greatest weighting against the West German mark.
- 1981 Greece joins the European Community (EC).
- 1986 Portugal and Spain join the EC.
- 1990 The United Kingdom joins the EMS.
- 1992 At a summit of the European Council in Maastricht, Holland, the Treaty on the European Union (TEU), also known as the Maastricht Treaty, is signed. Originally intended to include a declaration of an intention to move towards a federal union, at Britain's insistence this aspect is played down. Subsequent to the signing of the Maastricht Treaty, the EC is referred to as the European Union (EU).
The United Kingdom leaves the EMS.
- 1993 The Single European Market takes effect. Trade tariffs are scrapped, but duty-free shopping remains until 1999.
- 1994 Stage 2 of EMU is initiated on 1 January with the establishment of the European Monetary Institute (EMI) to oversee the co-ordination of the monetary policies of the individual national central banks. The EMI will also work towards the introduction of stage 3 by organizing the creation of the European Central Bank (ECB).

- 1995 Austria, Finland and Sweden join the EU, bringing membership to 15. The Schengen agreement comes into force and scraps border controls. The United Kingdom and Ireland stay out of the agreement.
- 1997 Heads of government draft a new agreement in Amsterdam which updates the Maastricht Treaty and prepares the EU for its eastward expansion. Qualified majority voting (QMV) is introduced into new areas, reducing individual countries' powers to veto new measures.
- 1998 At the beginning of May, at a summit of EU officials and heads of state in Brussels, the announcement is made as to which countries will participate in the launch of the euro the following January. In June the ECB is established in Frankfurt, Germany. The ECB together with the national central banks of the 15 EU member states form the European System of Central Banks (ESCB) which will be responsible for setting monetary policy for the euro countries and managing those countries' foreign reserves.
- The EU opens accession negotiations with Hungary, Poland, Estonia, the Czech Republic, Slovenia and Cyprus.
- 1999 Romania, Slovakia, Latvia, Lithuania, Bulgaria and Malta are invited to begin accession negotiations.
- The euro is adopted by 11 countries as their official currency (although national currency notes and coins remain in circulation), but Sweden, Denmark and the United Kingdom stay out.
- 2000 The Nice summit agrees to limit the size of the commission and increase the president's powers. QMV is introduced in new areas, but members keep their vetoes on social security and tax. A timetable for taking forward accession negotiations is endorsed.
- 2001 The Laeken European Council establishes the Convention on the Future of Europe.
- 2002 Euro notes and coins are introduced in 12 EU countries.
- The European Commission announces that ten countries are on course to meet the criteria for accession to the EU in 2004.
- 2003 The United Kingdom has been a member of the EU for 30 years.
- 2004 EU enlargement to 25 member states with addition of Slovakia, Latvia, Lithuania, Malta, Hungary, Poland, Estonia, the Czech Republic, Slovenia and Cyprus.
- 2005 EU Constitution ratification ended by referendum defeats in France and the Netherlands.
- The UK holds EU presidency, but fails to make progress on new 2007–2013 budget.
- Accession negotiations are opened with Turkey and Croatia.
- 2006 Slovenia's entry into the euro on 1 January 2007 is confirmed.
- Accession negotiations with Turkey are suspended.
- 2007 EU enlargement to 27 member states with the addition of Bulgaria and Romania.

- 2008 Slovenia becomes the first of the recent enlargement members to hold the presidency of the council of the EU.
Treaty of Lisbon ratification ended by referendum defeat in Ireland.
- 2009 Final year of the Barroso Commission.
Seventh series of elections to the European Parliament.
Second Irish referendum approves the Treaty of Lisbon.
Herman Van Rompuy is appointed first permanent president of the EU council.
- 2010 Spain takes over the rotating presidency of the council of the EU, the first under the Lisbon Treaty and the new 'trio presidency system'.
The European Parliament approves the Barroso II Commission.
EU leaders adopt Europe 2020 targets.
Heads of state within the euro area agree to deeper fiscal consolidation, stronger economic coordination and budgetary surveillance to defend the euro.
- 2011 Estonia adopts the euro as its currency, becoming the seventeenth member of the euro area.
Three new European financial supervisory authorities begin operating: the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.
The European Council agrees that the accession negotiations with Croatia should be concluded by the end of June 2011, paving the way for the country to become the twenty-eighth EU member in 2013.
The EU seeks to resolve the eurozone crisis centred on Greece through establishing the European Financial Stability Facility (EFSF) to become the European Stability Mechanism from 2013.
- 2012 Croatia vote 'yes' by 66 to 33 per cent in its accession referendum and so will become the twenty-eighth EU member on 1 July 2013.
The European Council proposed a new treaty on stability, coordination and governance in the economic and monetary union, which is agreed by all EU countries with the exception of the Czech Republic and the UK.

Abbreviations

AC	Accession country
AES	Alternative economic strategy
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BCC	British Chambers of Commerce
BWS	Bretton Woods system
CAP	Common Agricultural Policy
CBI	Confederation of British Industry
CC	Candidate country
CEEC	Central and Eastern European country
CFR	Council on Foreign Relations
CFSP	Common Foreign and Security Policy
CIA	Central Intelligence Agency
CPE	Critical political economy
CWO	Cold War Order
DWSR	Dollar–Wall Street Regime
EC	European Community
ECB	European Central Bank
ECJ	European Court of Justice
ECOFIN	Economic and Financial Affairs Council
ECSC	European Coal and Steel Community
ecu	European currency unit
EDC	European Defence Community
EEC	European Economic Community
EEP	European employment pact
EES	European Employment Strategy
EFSF	European Financial Stability Facility
EFTA	European Free Trade Association
EFTS	European Federal Transfer Scheme
EIB	European Investment Bank
EIF	European Investment Fund
EMI	European Monetary Institute
EMS	European Monetary System

EMU	Economic and Monetary Union
EPC	European Political Co-operation
EPU	European Political Union
ERM	Exchange Rate Mechanism
ERP	European Recovery Program
ERT	European Round Table of Industrialists
ESF	European Social Forum
ESM	European Social Model
ETUC	European Trade Union Confederation
EU	European Union
EWC	European works council
FDI	Foreign direct investment
FSB	Federation of Small Businesses
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GRP	Gross regional product
HICP	Harmonized Index of Consumer Prices
IGC	Intergovernmental conference
IMF	International Monetary Fund
IoD	Institute of Directors
IS-LM	Investment–saving/liquidity preference–money supply
JHA	Justice and Home Affairs
KWNS	Keynesian welfare national state
MCC	Maastricht Convergence Criteria
MEP	Member of the European Parliament
MTEPC	Medium-term Economic Policy Committee
NAFTA	North American Free Trade Agreement
NAIRU	Non-accelerating inflation rate of unemployment
NATO	North Atlantic Treaty Organization
NEC	National Executive Committee
NMD	National Missile Defense
NMS	New member states
NSC	National Security Council
NRU	Natural rate of unemployment
NMW	National minimum wage
NWO	New World Order
OCA	Optimum Currency Area
OECD	Organization for Economic Co-operation and Development
OEEC	Organization for European Economic Co-operation
OMC	Open Method of Coordination
PAC	Potential accession country
PCC	Potential candidate country
PCF	<i>Parti Communiste Français</i>
PCG	<i>Programme Commun du Gouvernement</i>
PS	<i>Parti Socialiste</i>

xviii *Abbreviations*

QMV	Qualified majority voting
R&D	Research and development
SAP	Structural adjustment programme
SEA	Single European Act
SGP	Stability and Growth Pact
SIM	Single internal market
SM	Single market
SPD	<i>Sozialdemokratische Partei Deutschland</i>
SWPR	Schumpeterian workfare post-national regime
TEU	Treaty on the European Union
TNC	Transnational corporation
TUC	Trades Union Congress
UNCTAD	United Nations Conference on Trade and Development
UNICE	Union of Industrial and Employers' Confederations of Europe
WTO	World Trade Organization