

Mayer, Otto G.

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## Europe '92: Conflicts coming to the fore

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# Europe '92: Conflicts Coming to the Fore

The aim of the EC's project to complete the internal market by the end of 1992 is to bring about a fully integrated economic area encompassing the entire Community as a prerequisite for continued prosperity in all member states. The removal of all barriers to the free movement of persons, goods, services and capital is to enable Europe to make effective use of its "common resources" and above all by improving the allocation of production factors to raise growth and create millions of additional jobs.

Whether and how fast to proceed beyond this free internal market – a slightly simplistic expression – i.e. whether it is to act as the "main engine" of a European Union (Jacques Delors), is seemingly a bone of contention amongst the twelve member states. This is plainly the case as regards the role of the European Monetary System (EMS) and its advancement to a Monetary Union, and disagreement is even heftier when it comes to the many and varied facets of the "social dimension" or the "European social area". The associated issues and problems are compounded by the reciprocal relationship between the two areas. Progress, i.e. more concerted, uniform or harmonized action, in one area has repercussions, especially on possible plans for greater harmonization, in the other.

That pegging exchange rates would cut transaction and forward cover costs, hence further facilitating trade and capital movement, is undisputed. A European currency and a European central bank, however, are far from being necessary economic appendages to the European internal market, which can manage perfectly well without a common currency. Delor's conviction that "to get maximum advantage out of the creation of the big new market we need to go beyond the present European Monetary System" is not shared by all member states, at least at present.

"Merely" fixing exchange rates between EC member states to a large extent is far more than a simply technical matter. It would mean that pressure for real adjustment expected to be generated by liberalization in general and by tougher competition after 1992 in particular would have to be shouldered by each country internally in the areas of wages and prices and these adjustments would have to take place faster and more forcefully than if the exchange rate were to continue to act as a buffer. This is no doubt a major reason why Mrs. Thatcher is loath to entertain the idea of British participation in the European Monetary System, let alone a Monetary Union.

Mrs. Thatcher's disinclination towards closer monetary policy ties does not stem solely from her wish to avoid the attendant narrowing of national autonomy in economic policy under present conditions. More fundamentally, she would seem to have a basic aversion to Brussels "centralism", as she so unmistakably put it in her Bruges speech. In the final analysis therefore, the above-mentioned goal of European Union seems to be in doubt; at least the form it is to take is certainly an open question.

The Prime Minister is backed by a group of well-known British economists, the so-called Bruges Group, whose stance can be summed up under the motto: "for free trade, against political union". The underlying fear here is that the ground gained by British victories over "trade union and social policy collectivism" will be lost and "collectivism" reinstated with the help of Brussels directives. It would certainly be an exaggeration to posit that the trade union legislation of 1980, 1982, 1984 and 1988 drastically curtailing union power should take sole credit for Britain's above average growth compared to its European neighbours since 1980; nevertheless, it has unquestionably played a substantial part in Britain's upswing over recent years.

It should thus come as no surprise that Britain's voice has also become particularly voluble in the recent debate on social policy at European level. A measure of its deep-seated reticence towards social regulation at Community level is its share of votes against the EC Economic and Social Committee's opinion on basic social rights in the EC, 14 out of 22, bearing in mind too that the opinion had already been watered down. The EC Commission along with the German unions wanted to propose an EC directive with legislative character, providing amongst other things for individually enforceable regulations.

What "social attainments" actually are and which of them ought to be the rightful due of all the citizens of the European Community is an eminently suitable topic for debate, particularly in view of the disparate values and lifestyles and widely divergent systems of social security in the EC's assorted nations and regions. Nevertheless, according to Article 118a of the EEC Treaty, the Community is already committed to improving working conditions via a framework directive to safeguard the safety and health of workers and the Commission has already taken action in this area.

Here, opinions already differ though as to how broadly or narrowly this Article should be interpreted. The German unions in particular are pressing for the adoption of many high social standards by the European Community, from the collective bargaining prerogative itself to detailed substantive specifications on working conditions.

Implicit in such demands or in their rejection is, on the one hand, the fear harboured by the more prosperous nations (specifically the Federal Republic of Germany) of so-called "social dumping" on the part of the poorer ones; an additional consideration for the German unions is the hope of enlarging their scope for action: the right to strike for example is far more tightly regulated in the Federal Republic of Germany than in the majority of other EC member states. Others, especially the United Kingdom with its own special experience in this area, fear just this, but at a more basic level they are also apprehensive of having to surrender their social autonomy to European interventionism. Here, too, the nation state would then be unable to take corrective action of its own where social and economic policy goals clashed.

Such conflicts can occur at the European level as well, however, starting off problematic developments. The higher uniform social standards are set for instance, the more difficult can the attainment of fixed exchange rates become, considering the extreme regional disparities in levels of prosperity in the Europe of the Twelve. The higher the level of harmonization and the more rigid the system of exchange rates, the greater will be the need, or at least the more vociferous will be the call, for huge resource transfers to the less-favoured regions. The European social area would then truly take on another dimension, whether desirable or not – a question about which not only the Britons might have justifiable misgivings.

So, it is hardly astonishing that the British delegation to the informal EC meeting of the ministers of labour and social affairs in early March of this year insisted on placing the topic of the "social dimension" on the agenda of one of this year's EC summits. This is also quite correct, since there is an obvious lack of consensus on ultimate goals, the paths leading to their attainment – centralization of, versus competition between, the differing social systems (and other institutional arrangements) – and the time span in which all this is to unfold.

*Otto G. Mayer*