

EUROPE 1992: FREE MARKET OR FREE LUNCH?

BY PAUL CRAIG ROBERTS



For the socialists running the European Parliament in Brussels, the move to a single market is the pretext for 'social harmonization,' a set of policies that essentially undermines free trade

PAUL CRAIG ROBERTS HOLDS THE WILLIAM E. SIMON CHAIR OF POLITICAL ECONOMY AT THE CENTER FOR STRATEGIC & INTERNATIONAL STUDIES IN WASHINGTON

By the end of 1992, Europe is supposed to have a single internal market permitting the free movement of goods, services, capital, and people. However, under the leadership of Jacques Delors and his socialist allies, who have an overall majority in the European Parliament in Brussels, this admirable goal of the European Community is being shoved aside.

In place of the Common Market, there is emphasis on political unification and the expansion of social regulations designed to protect the vested interests that 1992 was supposed to abolish. The British, accused of being anti-European for resisting political integration, actually lead in implementing the economic directives that are essential to the Common Market. But this contribution toward free trade counts for little in Brussels, which now emphasizes "social harmonization" as a necessary step to equalize competitive conditions among the Common Market countries. Social harmonization means requiring countries with lower labor costs, such as Portugal, Spain, and Greece, to adopt the expensive social-welfare policies of Germany, France, and the Netherlands. Otherwise, European socialists argue that countries with the lowest social benefits will have a comparative advantage once trade barriers are removed.

COUNTERREVOLUTION? The socialists' device for equalizing EC social regulations is known as "the Social Charter." It seeks to mandate labor participation in management decisions, a "fair" minimum wage, paid holidays for educational purposes, and other social policies that would raise the cost of labor relative to productivity in these capital-poor countries, thus causing unemployment. Member countries that refuse to adopt policies designed to equalize labor costs would be accused of "social dumping," and their products would be subject to sanctions. Thus, the Social Charter reintroduces protectionism in the guise of harmonization. The main beneficiaries are the trade unions in the welfare democracies and the French and German business combinations.

The original Common Market document—the Treaty of Rome—relies on market forces to harmonize national economic differences. However, this aim is being subverted by the old-line collectivists, who have been exiled from the national politics of their respective countries to the European Parliament in Brussels, and by an opportunistic EC bureaucracy seeking to expand its power. The single European market has become a pretext for political and social centralization. It remains to be seen whether the Social Charter will be the last hurrah

of hard-line socialists or a successful counterrevolution to the privatizations of the 1980s.

While individual Common Market countries have become less socialistic in their outlook, socialism is making a comeback in the European Parliament. A 1989 Gallup Poll reported that only 41% of Italians, 33% of French, 21% of Germans, and 19% of the Dutch express pride in their nationality. In this climate, the idea of a powerful united Europe may appeal to citizens in search of a "higher nationalism."

GROUND RULES. The Bruges Group, an association of influential Britons committed to the original idea of the Common Market, and an association of prominent European economists (known as the European Group at the Frankfurt Institute) have formed to prevent the single-market impulse from being transformed into a program for political centralization. Their problem is that real political power still resides in the national capitals, and few politicians want to leave the national stage in order to chase socialism out of Brussels. But if the complexion of the European Parliament isn't changed, it might succeed, through devices such as the Social Charter, in laying down rules that courts could use to gradually divest national legislatures of sovereignty. British Prime Minister Margaret Thatcher's concern about this growing threat may prove to be prescient.

In view of the recurrent breakups of multiethnic political entities, from the Austro-Hungarian Empire to the Soviet Union and Yugoslavia (Czechoslovakia is now the Czech and Slovak Federal Republic), it is difficult to take the political integration of Europe seriously. *The Wall Street Journal* recently asked rhetorically whether "the grand history of British governance" and "the glorious tradition of French sovereignty" are going "to culminate in some boxlike room in the Berlaymont" in Brussels.

The political formula for supranational government remains undiscovered. However attractive the ideal, multinational federations have proved in practice to exacerbate national resentments. That is why it is rather surprising that a scheme that has a history of being inherently divisive is being touted as the path toward harmonization.

The Treaty of Rome calls for a free internal market. It says little for European credibility that as the deadline for this achievement approaches, European politicians, with the exception of Thatcher, are pushing political integration to the fore and seizing on the Social Charter as the vehicle for keeping protectionism in force. ■