

# Chapter 1: Historical Background

## Introduction

- Hostile global environment implies even greater role for EU today?
- Authoritarianism and aggressive nationalism of the 1930s on the rise again
- Impossible to understand EU today without knowledge of the past

- We start in 1945 but could go back to WWI or further for full understanding

## 1.1 Early Post-War Period

- Europe in 1945 after War (Dresden Fig 1.1, concentration camps)
- Scale of death almost unimaginable (Table 1.1 and text): 20m in USSR, 6m Germans, 6m Poles, 0.5m French, 0.6m Austrian, 0.3m British, 0.25m Dutch

Brandenburg Gate, Berlin



- Economic destruction (similar to Syria today)

Dresden



- Starvation: political instability
- 14m Germans had to face long migration from Poland and elsewhere: parallels with migration from Africa to EU today
- Europe needed racial change.
- 'Blame Germany' v 'proof that Marx was right' (communism best as capitalism inherently self-destructive) v 'end nationalism'

(populism v liberal democracy today has similar overtones)

- Germany and Austria divided into 4 zones (Fig 1.2): to prevent re-emergence of a strong Germany (common theme in evolution of EU)
- End nationalism won out: but communism taking hold.
- Also, Communist support in West: 1946 elections, 19% in Italy, 29% in France (parallel with far-right fear in parts of EU and US today)
- USSR the new threat: occupied most of Eastern Europe before end of War.
- Feeling in Russia that huge sacrifices of USSR in defeating Hitler never properly recognised
- Adenaur (1876-1967), Chancellor when aged 73 to 87 (do personalities

matter for history? Merkel a modern-day example?)

Founding father of post-war Germany

Konrad Adenauer



- Franco-German alliance: to provide a counter to too strong a US/UK influence in Europe. True to this day.
- First steps: OEEC and European Payments Union (Box 1.1)
- Communist take-over of Czechoslovakia, Estonia, etc caused 'alarm' bells in US: these countries 'taken over' until 1990

- OEEC created under Marshall Plan 1948: key US input. 'Marshall Plan' for Greece and Portugal requested in 2013 after financial crisis



- US strongly behind EU integration: until Trump
- OEEC influence waned in 1952: US then switching to NATO funding, the key plank of European and US defence since then: now under attack from Trump
- Contrast to 1930s. Dramatic economic recovery (Fig 1.3)

- Austria and Germany back at pre-war GDP levels by 1951 (huge input by female workers): took more than 40 years though to replace infrastructure (Germany however won Football World Cup in 1953)
- Strong and large but 'constrained' Germany (by being part of Europe)
- Italy also keen on Europe to combat fascism and communism.

## **1.2 Federal v Intergovernmental View**

- Persist to this day and at core of European disputes. Fear for some of a European Super state



- Countries most affected by War strongest on federal approach (i.e. Germany, France and Italy). Ultimate target here perhaps a 'United States of Europe'.
- UK, Denmark, Norway, and Switzerland against and favour just a loose confederation of states: UK about to leave EU, Norway and Switzerland not in, and Denmark not in euro zone. Eight countries waiting to join EU today.



- OEEC, Council of Europe and Court of Human Rights all intergovernmental
- ECSC (1952) major federalist move (see Box 1.3). 'Six' joined ECSC (merged coal and steel production): Belgium, France, Germany, Italy, Netherlands and Luxembourg. Amazing for countries at war for over 100 years.
- Schuman and Monnet the driving forces (see Box 1.2): both French.
- Major success and paved way for Treaty of Rome.
- Germany joined NATO in 1955 and Warsaw Pact formed in response; start of 'Cold War'.
- Europe 'needed' more integration: Monnet plan for USE. Treaty of Rome March 1957. UK stayed out.

- EDC (Defence) and EPC (Political) did not happen though: Monet the driving force.

Citizen of Europe: German recognition of French 'Founding Father' of Europe



- Treaty extraordinary in its scope (see Ch 2); 'ever closer union' a key objective
- Also set up European Court of Justice and European Parliament.
- Response of 'non-Six' OEEC members: EFTA (Free Trade) in 1960,

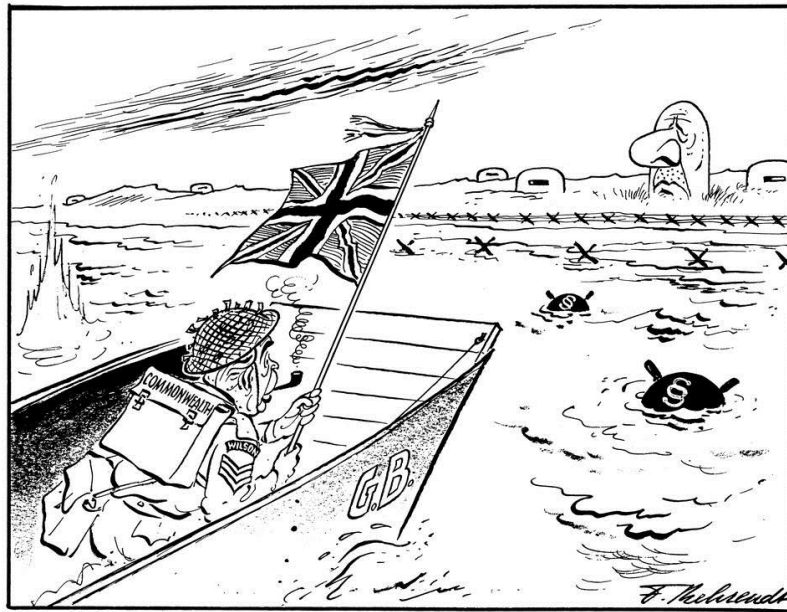
- led by UK (Box 1.4 and Box 1.5). (EEA today and UK might join after Brexit.)
- Non-overlapping trade circles: EFTA and EU (EEC) (Fig 1.4)

### 1.3 Regional Domino Effect



- Common market the 'magnet'.
- Domino effect and euro in later decades. Fear of *reverse* domino effect if UK leave on favourable terms

- UK applied to join in 1961. Also, Ireland, Denmark and Norway. UK falling behind in terms of GDP/capita
- De Gaulle Non! 1963 and 1967.



1967 — Die Landung in 1944 war auch nicht gerade einfach

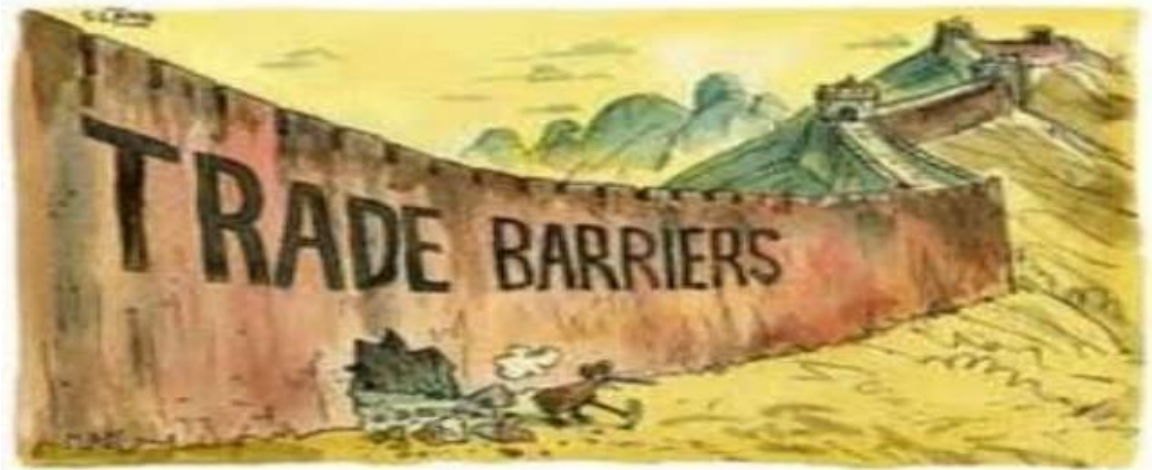
- Three (UK, Denmark and Ireland) joined in 1973.
- Irish referendum in 1972 (needed under Constitution), UK referendum in 1975 (not required under law, as in 2016)

- Last EFTA members signed special trade agreements with EU. UK negotiations today similar.
- Two concentric circles. (Fig 1.5)

## **1.4 EU-Pessimism (a recurring theme over the decades!)**

- Booming European economy 1950 to 1973 ('Golden Age').
- But, dangers of nationalism and War soon forgotten.
- De Gaulle. 'Empty chair' policy. Took France out of NATO also. Reversed later by Sarkozy.
- 'Luxembourg compromise' of unanimity.
- Slowed down decision-making in EU until 1986, if not 2010.

- Despite this, Werner report in 1971 and EMU by 1980. Monetary union always envisaged.
- US profligate funding of Vietnam War a worry. Dominance of \$ today still a worry, as can be used as an economic 'weapon'.
- Oil crises of 1970s put paid to this. Reversion to national policies. Non-EU immigration the parallel issue today.
- Also, emergence of non-tariff or 'technical barriers to trade (TBTs). Arising again in Brexit talks, US/EU and US/China trade talks



- Major setbacks to European 'project'.
- Yet, remarkably Spain, Greece and Portugal joined in 1981 and 1986. To escape perhaps from dictatorship.
- EMS started in 1978, direct elections to Parliament in 1979.
- Thatcher 'revolution' in Europe. Mitterand followed. Drive on to form a Single Market, not just a Customs Union.

## 1.5 Single Market Programme

- Economic recovery in late 1980s.  
Emergence of Delors.



- Single European Act in 1987. Signed by Thatcher, an icon of the Conservative Party in UK
- TBTs, capital controls etc addressed (see Ch 2). Finally implementing Treaty of Rome in these areas.
- New majority-voting rules adopted (see later).



- Focus on capital mobility: new development. Start of euro project.
- The 'Four Freedoms': goods, people, services and capital.
- 'Outsiders' even more excluded now.
- Led to EEA (European Economic Area) agreement in 1989.
- Accepted EU rules, present and future, but did not shape them.
- Austria, Finland, Sweden joined in 1995.
- Why not Norway and Switzerland?
- Collapse of USSR a huge factor in change.

## **1.6 Collapse of Communism**

- Huge gaps in economic well-being between East and West.
- Shocking state of East Germany.

- *Perestroika* (pro market reforms) and *Glasnost* (openness) in USSR in late 1980s. Gorbachev and Kohl.



- *Solidarity* and Walesa in Poland in 1989: not resisted by USSR



- Reform in Hungary and opening of its borders to West.
- Leipzig peace marches



- Berlin Wall torn down



- All risings from *within* country
- Estonia, Latvia and Lithuania in 1990 declared independence from USSR.
- USSR itself split up.
- United Germany welcomed.
- Response was more European integration to 'tie' in Germany.
- Huge economic consequences for Germany for 20 years.
- Kohl and Mitterand supported Delors plan for EMU by 1999.
- Maastricht Treaty 1992 set the agenda

Mrs Thatcher's handbag and EU Rebate Controversy



- EMU but also many other changes.
- For example, free movement of capital, stronger Parliament, Social Chapter.
- UK opted out of EMU and Social Chapter.
- Denmark rejected, later accepted (with opt outs on currency and other areas).
- Just passed in France. Warning signs ignored.

## **1.7 Reuniting East and West**

- What was to happen former soviet-controlled East European states?
- Europe Agreements on trade the start.
- Adoption of EU law and practices: same applies to new members today
- Reluctance to offer membership.

- Burden on EU budget and concerns about democratic principles: democracy, free markets and media, rule of law and respect for human rights (Hungary and Poland today)
- Copenhagen 1993: criteria for EU membership set down.
- 10 new members accepted, but only joined 2004 (a new wave of members in 2020s?)

## **1.8 Enlargement: Amsterdam, Nice and Lisbon Treaties**

- Going from EU15 to EU25 needed major institutional change.
- Adjusted voting rules and composition of Commission and Parliament in particular (Ch 3).
- Nice Treaty 2001 flawed.



- Nice 'sold' as ending war and tyranny in East and got through.
- But needed two referenda in Ireland.

Kildare St, with Trinity in background



- Laeken Dec 2001 established the European Convention.
- Dominance of d'Estaing. Led to Constitutional Treaty in 2003.
- Treaty accepted in Dublin in June 2004. ALL member states signed.
- French and Dutch rejected it in 2005.

- Fear of enlargement and globalization at heart of rejection.
- Revised Lisbon Treaty accepted again by ALL governments June 2007



- Too many concessions to France, UK and Poland ('bully' tactics work)?
- Rejected in referendum in Ireland in 2008 but accepted in 2009.
- Czech difficulties with Klaus in 2009. German Constitutional Court.
- UK Conservative Party attitude. Referendum in 2016, used partly to try to reverse parts of Treaties



- Making workings of EU more efficient and increasing global projection of Europe (G3 not G2).
- Also increasing powers of European and National Parliaments.

Lisbon Treaty: tram that was used to transport the leaders



- Financial crisis 2010-13 (most of Module B and see Section 1.9).
- Led to further integration of EU.
- Banking, fiscal and political union next? Monet's vision to be realized?
- Fiscal Stability Treaty 2012. Outside EU framework

- Multi-speed Europe emerging?



- Germany, France, Italy and Spain around 250m people.
- Combined also won Olympics 2016 medal count!
- Economic sovereignty a myth in age of globalisation? Only together can states counter multinational companies, terrorism, climate change and so on
- Collapse of euro predicted in 2012 and 2013: could recur if financial crisis in Italy in 2020
- Also bicycle theory 'dusted off'.

- Federalist v intergovernmental debate in full swing again.

## 1.9 Global and Eurozone Crises

- Convergence of interest rates and credit splurge (Fig 1.6)
- Collapse of Lehman Brothers in 2008 in US led to panic in financial markets



- Eurozone crisis in 2009 and collapse of Anglo-Irish Bank



- 'Meltdown' in Greece, financially and socially



- Short-term emergency responses
- Deeper euro zone integration the only stable solution

## 1.10 Rise of Euroscepticism

- Rise of far-right in various forms in Italy, Hungary, Romania, Poland, UK, France and so on following financial crisis
- Migration crisis in 2015 aided this greatly



- No agreement or coordinated response
- False information campaigns and social media



- 2019 EU Parliament elections though saw reversal of far right in some countries
- Brexit: of vital importance to Ireland but less so for other countries
- Has absorbed so much valuable time in UK, Ireland and to a lesser extent rest of EU in last two years
- Strong anti-EU lobby in UK since 1950s: driven by parts of media



How do they deal with this though?

- Three years on from referendum and UK withdrawal plans still unresolved
- Complexity of supply chains not understood, NI problem and global instability
- Emergence of Trump: threats to EU, NATO, WTO, UN



- Fraught US/China and US/Iran relations threaten global security and stability
- Changes in global power balance: China, India, US, Russia, Africa

- Global climate change: dangers of major water supply problems and extreme weather conditions
- What role for EU now?
- Franco/German 'engine' reignited? Macron rising in influence, Merkel to be replaced



- Migration from non-EU countries controversy not gone away
- Continuing potential crisis in Ukraine and reliance on Russian gas and oil supplies





- Catalanian independence issue not gone away either



## 1.10A Key Institutions and Personnel (see Chapter 2 also)

- Major changes underway in terms of who is to head up the key institutions, three to five years ahead.

### European Council



Tusk and Michel

- Heads of State, with a Chairman for three years (can be renewed). Tusk former Polish PM at present. Michel, former PM Belgium, to succeed.

Location for meetings rotates every six months.

- The key decision-making organ of EU
- Also, a High Representative or 'Foreign Minister' appointed by Council for three years renewable to represent EU in dealings with Rest of World. At present Mogherini, former Italian Finance Minister. To be succeeded by current Spanish Foreign Minister, Josep Borrell
- Barnier, former French Minister, appointed by Council, on one-off basis, to represent them in Brexit negotiations.



## European Commission

- The 'Board' which oversees the EU public service/administration in Brussels. Very unusual as no parallel at national levels.
- Council chooses President of Board: at present Juncker, former PM Luxembourg. Term finishes in 2019, to be replaced by von der Leyen (Minister for Defence, Germany)

Von der Leyen and Juncker



- Each country then nominates a Commissioner, subject to approval of Parliament. Each given a portfolio (e.g. finance, or energy) by Juncker.

- Best known at present, in Competition DG, is Vestager, former Danish Minister



- Commission has right, and is expected to, propose legislation to sustain the EU 'project'. 'Guardian' of EU role.
- Board must be approved by Parliament before appointment and can also, in its entirety, be dismissed by EU Parliament.

### ***European Parliament***

- Elected directly from each member state.

- Initially symbolic but power increased over time. Now co-decision maker with Council.
- Key person in relation to approving Brexit, Verhofstadt.
- Very different to US and other national parliaments, with much less power (see Ch 3)

## **Councils of Ministers**

- Lower level to Heads of State: consists of relevant elected government ministers from each member state. For example, Ministers of Agriculture or Finance
- Most decisions made here, once broad principles made by Council of Heads of State.

## **European Court of Justice (ECJ)**

- Supreme Court equivalent at EU level



- Judge appointed from each member state
- Is there an alternative to ECJ?



## **European Central Bank (outside EU)**

- For euro zone.
- Crucial to monetary policy in EU: similar to Fed in US
- Draghi or 'Super Monti' the President. Formerly Governor CB of Italy. Next Lagarde, former Chief IMF and Minister for Finance France

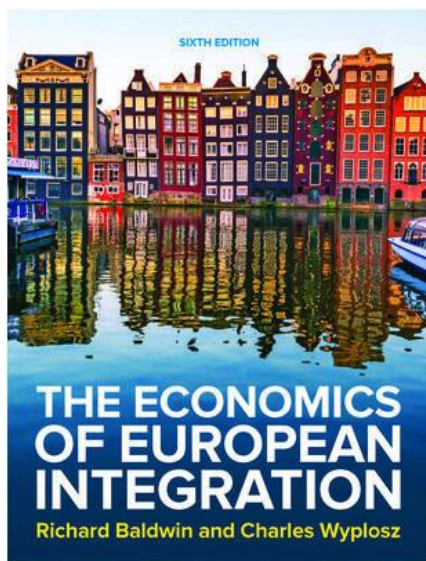


Draghi speaking in Trinity College Dublin in 2018

G7 Summit 2018: Merkel, Lagarde and Trump







# Chapter 2: Facts, Law, Institutions and Budget

## 2.1 Economic Integration

### Stages of European Integration

- Preferential Trade Area
- Free Trade Area
- Customs Union
- Single Market
- Monetary Union
- Fiscal Union
- Full Economic Union/Integration

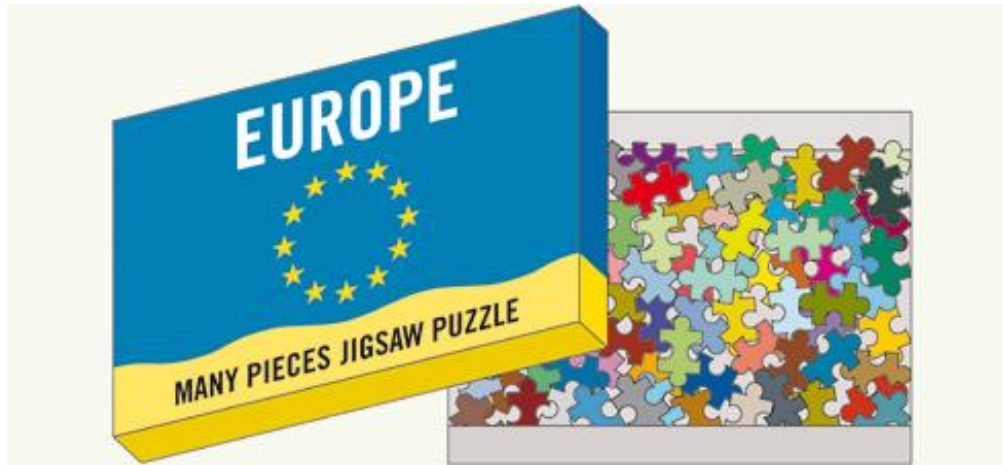
- Focus on economic integration as stepping stone
- Treaty of Rome Articles far reaching (Box 2.1, Box 2.2, Box 2.3)
- ‘Ever closer union’ the underlying objective: UK objections



Signing of Treaty of Rome 1957

- US type economic model the target
- Free trade in goods: no tariffs, quotas or TBTs.

- Common trade policy: CET implies pooling of sovereignty.
- Ensuring undistorted competition.
- No state aids, harmonization of regulatory laws. (Implies for example no preferential treatment for Apple or Google today)
- Harmonization of tax bases.
- Competition policy central: no price fixing, no preferential treatment of national industries, etc.
- Standardise regulations blocking competition (i.e. remove TBTs for example safety standards favouring domestic suppliers).
- Unrestricted trade in services (e.g. legal, medical, retail services). Not yet achieved.
- Capital mobility: rights of establishment; physical investment.



- Macroeconomic co-ordination: reduce exchange-rate fluctuations.
- EMS in 1979, locking exchange rates, and euro in 1999.
- European Semester in 2013: much more mutual co-ordination of fiscal policies
- CAP: Huge sector in 1950s. Part of German/French pact. (Ch. 9)
- Social policies (e.g. working hours, pensions, labour law)
- Political agreement difficult and perhaps EU policies not needed?

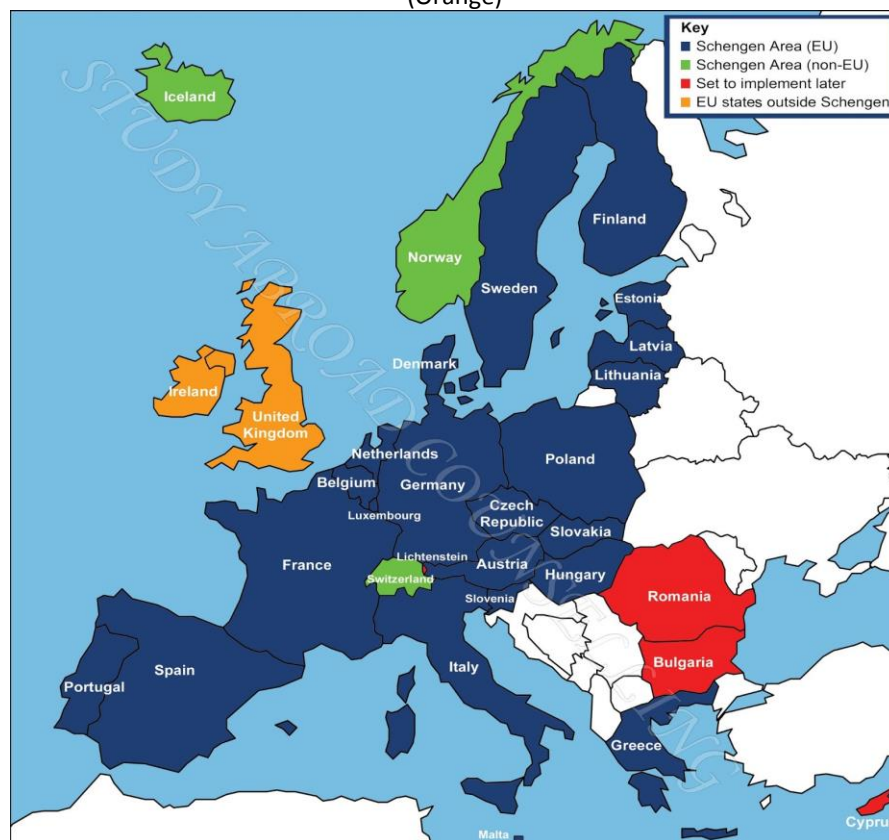
- Regional Policy; need balanced growth in EU for it to survive and prosper (Ch. 10)
- Taxation; common base v common rates. Apple decision related to former and NOT latter
- Progress to date? Counterfactual problem (i.e. not knowing what would have happened if EU did not exist)

## 2.2 EU Structures pre- and post-Lisbon

- Federalists v intergovernmentalists again: or vanguard v 'doubters'
- Brexit has brought all these issues 'centre-stage'.
- Worries re creeping competences and 'community method'.
- European Court given power to interpret Treaty of Rome.

- Confusion in UK with European Court of Human Rights (not part of EU)
- Court could introduce/clarify laws to achieve Treaty objectives.
- Worry also of multi-speed Europe or 'variable geometry'.
- Allowed some to proceed in certain areas (e.g. Schengen Accord, euro zone). Defence the next such area?

Schengen: EU members (Blue), non-EU members (Green), May join (Red) and non-members (Orange)



- Also, association status with EU; for example, Norway and Switzerland. Not in EU but still de facto part of it.
- UK to be in similar position in future?
- Fiscal Stability Treaty for euro zone outside EU framework also
- Three Pillars but one 'roof'. (Fig 2.1)
- Pillar 1 relates to Single Market and EMU and majority voting applies.
- Pillar 2: Foreign and Security policy. Unanimity required.
- Pillar 3: Justice and Home Affairs. Now in Pillar 1. Opt-outs though. (Fig. 2.2)
- Many grey areas still and law not clear often until tested in courts.
- Response to euro crisis and Brexit could dramatically change whole structure.



- Implications of UK exit: others follow and EU collapses or new impetus to greater integration? Or domino effect in reverse?

## 2.3 EU Law

- Court of Justice unique in world



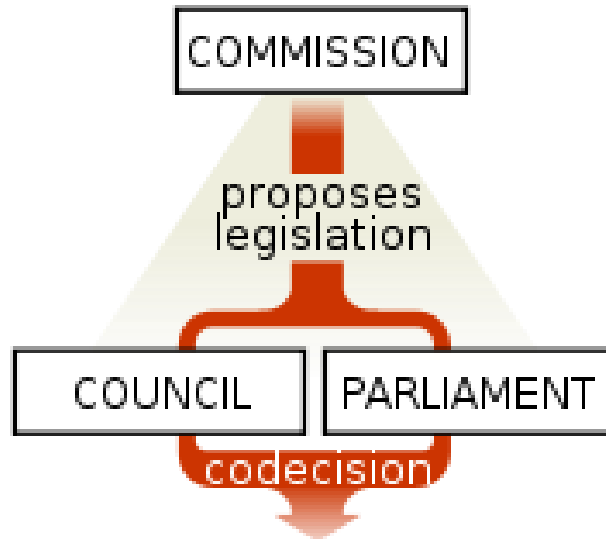
- Can overrule national courts and often does, especially in relation to trade and competition issues
- Uses case law to establish principles

- EU now has enormous mass of laws, rules and practices: as for all individual countries
- Three principles: direct effect, primacy of EU law and autonomy of EU legal system.
- EU law applies automatically and *directly* to EU citizen.
- Primacy. Overrules national law where latter contravenes EU law.
- Autonomy. Can hear cases without having to go to any national court.

## 2.4 'Big 5' Institutions (see earlier)

- *European Council*: President (Tusk) former PM Poland; successor?
- Heads of state and deals with broad parameters of EU policy
- 'Conclusions of Presidency' document at end of each meeting.

- Put into legal format though only after Council Meetings.
- Council of European Union or *Council of Ministers*
- All elected officials. Main task is to adopt new laws.
- QMV for 80% of decisions
- Approval Parliament also required for most new laws (see Chap 3).
- Decides also on foreign and peace-keeping issues.
- Presidency of the EU: Commission V Council v country PM.
- ‘Foreign minister’. Mogherini: successor?
- *European Commission*: propose and initiate, administer/implement (see Fig 2.3 and Fig below).



- And provides surveillance and enforcement of competition law
- ‘Guardian’ of EU and ‘Standard-bearers’ for EU integration
- Membership and Size of Commission an issue in Lisbon Treaty
- Chosen together and for five years
- Must be approved by EU Parliament.
- Commission nominated by national govts but not as representatives.
- Juncker had no role in who appointed but had power to allocate briefs

- Ministries or DGs. About 17,000 employed, less than Vienna city council.
- Right of initiative crucial. Huge consultation though (see Figs 2.3 and 2.4)
- Executive powers in Competition; biggest trading block in world
- Brussels the ‘world capital’ of competition and regulatory policy.
- Others follow when it sets standards
- Consensus decision making (Fig. 2.4)
- *European Parliament* (Fig 2.4 and Table 2.1). Increased legislative power and ‘check’ on Commission.

Brexit party members turn their backs on EU anthem, Beethoven's 'Ode to Joy', at opening of new Parliament, July 2<sup>nd</sup> 2019



- 'Conscience' of EU.
- Smaller nations over represented
- Not organized on national but EU party basis.
- Location rows. Strasbourg v Luxembourg v Brussels.
- Council and Parliament the democratic controls.
- Low turnout and fought on local issues. Change in 2019: turnout up from 41% to 50% and fought partly on EU issues



- *Court of Justice*. Settles disputes.
- Unexpectedly large impact on EU integration.



German Constitutional Court



- Courts v parliament also in every country.
- Legislation v case law

## 2.5 Legislative Processes (see also Chapter 3)

- Co-decision procedures (Box 2.6 and Fig 2.4).
- Interaction between Commission, Council and Parliament.
- Role of national parliaments: ‘yellow’ and ‘orange cards’.
- Enhanced co-operation or ‘variable geometry’. (Box 2.7 on divorce)
- May be way forward in future, especially dealing with euro crisis and Brexit.
- Better all on board? Or just key players like France, Germany, Italy and Spain?

- 260m in these countries alone. Why not form a new EU with just these four? Or with five or six?

## 2.6 Some Important Facts about EU (important for later)



- Huge variation by country (Fig 2.5).
- Big six: Germany, France, UK (still!), Italy, Spain and Poland
- Medium-sized countries: 8 – 11 m.
- Ireland not much bigger than greater Barcelona or Milan.
- Same story with incomes. Small, tiny and miniscule economies. (Fig 2.5)

- Huge variation in income per head (see Ch. 10)
- Link to Regional Policy. Fears of 'Golden Triangle'
- EU similar in size but larger than US: EU v US the valid comparison? Sports (Olympics, tennis and golf) science, Nobel Prizes, military. EEA v AEA)

## 2.7 Budget

- Spent on what? Sources of finance? Which countries get most? How is budget decided?



- Expenditure. Agriculture (37%), poor regions (35%), R&D, training, infrastructure (14%), development assistance (6%) and other things (8%). (Fig 2.6)
- Spending on farming 40 times that on foreign aid.
- Administration (6%): all EU institutions employ only around 30,000, tiny really.
- Just 1 % of EU GDP: less than 2% of total EU PSE (Fig 2.8)

- Net payments by member state rarely exceed 0.1% of GDP.
- Per capita v total expenditure in each country. Former better.
- Big variation but totals tiny.
- Main benefits by far are free trade and economic stability and growth: which increase GDP maybe by 5% over several years.

### *Revenue sources*

- Historic evolution.
- Proportion of VAT receipts and GNP based contributions the key now.
- Contributions by state (gross v net).
- German net contributions. UK net contribution calculations (see Box 2.8)
- Budget process (a 'pillow' fight)

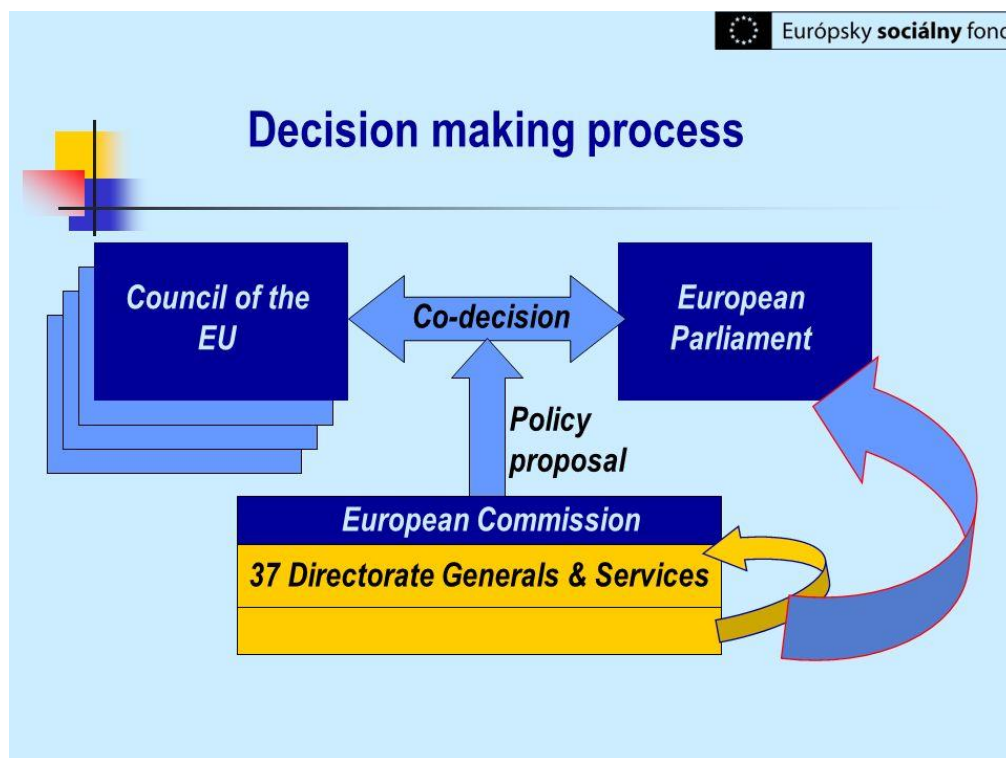


Pattern for all EU decisions?

- Seven-year budget plans: 2022-2029:  
look out for many more 'pillow'  
fights!



## Chapter 3: Decision Making



- See also Fig 2.4 for more detailed picture

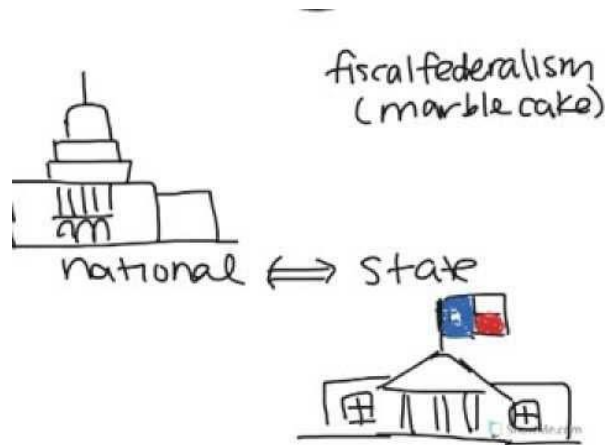


### 3.1 Task Allocation and Subsidiarity

- Different levels of government: decision making AND voting rules
- Within a country also, e.g. US, Germany, Spain, Belgium or Switzerland.
- Subsidiarity principle: decision making as close to the people as possible
- Within countries again: Scotland v UK, Catalonia v Spain, California v US
- Individual sovereignty v state (e.g. wearing helmets on bikes, planning laws, same-sex marriages, illegal drugs)
- Proportionality principle: action should be minimal.
- Burden of proof on proposers not opponents.

- National parliaments the ‘watchdogs’ re subsidiarity.
- Need flexibility, or else Treaty votes every few months.
- Competences in practice (list in Table 3.1).
- Exclusive to EU, shared, support/coordination/advisory.
- Lisbon made clearer the boundaries.
- Often though only decided in courts.
- Co-ordination is ‘soft’ power and has only peer-effect force.

## 3.2 Fiscal Federalism or At What Level of Government Should Decisions be Made?



### 3.2.1 International v National v Regional v Individual: Similar Issues arise in each case.

- EU v Nation States: US Federal v State Governments
- Nation States v Regions: for example, Catalonia v Spain, Lombardy v Italy, Wallonia v Belgium, Scotland v UK

- Individual v State: which freedoms should be restricted? For example, not wearing seat belts, selling body parts, obeying traffic signals and so on.

### 3.2.2 EU v Nation States: Arguments for Centralised Decision Making



### Common Rules of Engagement

- Sports Analogy: for international sport you need rules of engagement

decided on centrally and accepted by all. For example, number of players and subs allowed, common jersey colour, same size of goal, plus a host of rules of play such as off-side, no handling of ball and so on.

- Exactly same for trade in goods and services, and even more the case for free movement of people and capital. All must trade using commonly agreed rules, such as no tariff barriers, hidden or otherwise to trade and fair competition (as in sport).
- Also need common health, safety and information standards to apply. For example, no GM food, common

labelling on food (see later), noise levels in cars and lawnmowers, and so on.

- But where is the divide line? Take for example, road travel: do we need across the EU common speed limits, common road signage, drive on same side of road in all countries, all buses the same colour? Some of these important, others almost ludicrous.

### **Economies of Scale (see later)**

- Applies much more at industry level but also at government level
- For example, publicly-funded research, rail systems, energy supply, defence

## **Spill-over or Externality Effects across Countries**

- Environment: for example, Rhine flows through several countries and needs collective action to avoid pollution; nuclear accident in one country will have major consequences for other countries; preservation of fish stock, as fish do not recognise national boundaries!
- International terrorism and illegal trafficking of people: need Europe-wide response, as terrorists and criminals not bounded by national borders.

### **3.2.3 EU v Nation States: Arguments against Centralised Decision Making**

#### **Diversity and Informational Arguments**

- Huge diversity across EU not suited to a 'one size fits all' policy. For example, Finland v Sicily, Ireland v Hungary
- Local information required also for effective policy in many areas.
- Many large areas of policy where the concerns are purely local, with no international implications: for example, health and education provision, domestic policing, social welfare standards, local road systems, and so on.



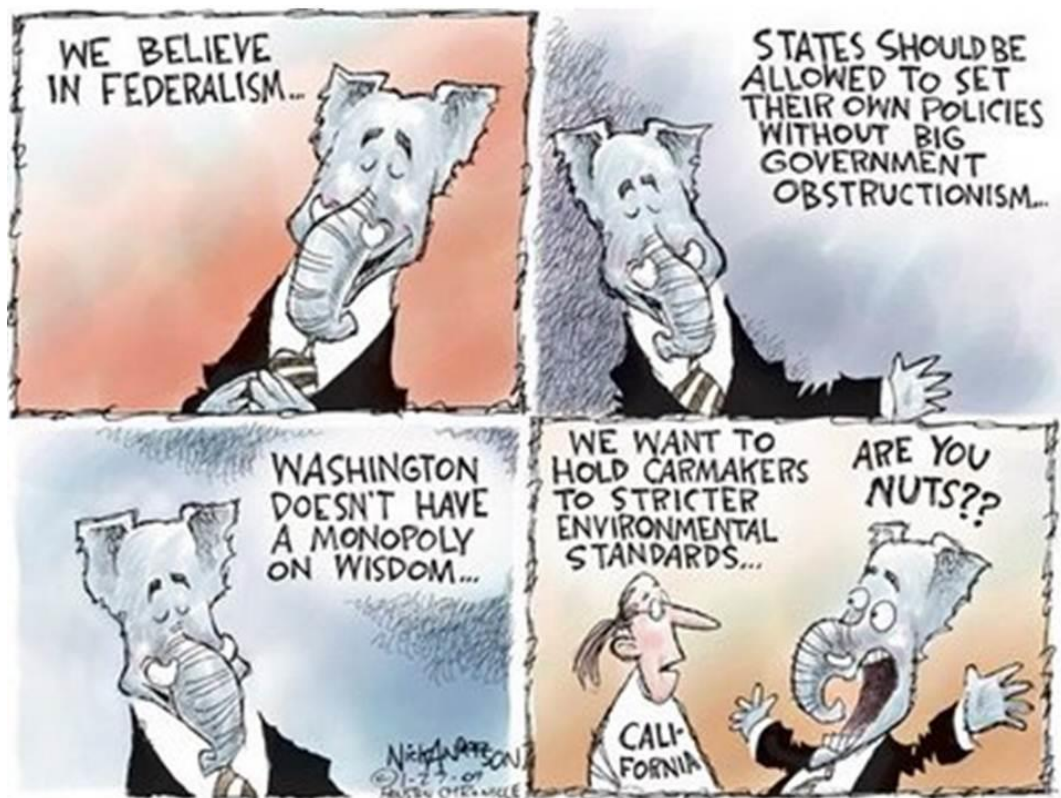
## **Democracy as a Control Mechanism**

- The closer to the people the democratic check is the better, for most matters.
- The further away is the level of government, the vaguer are the election promises. And hence politicians less held to account.

## **Benefits of Jurisdictional Competition**

- Difference in policies between states gives people more choice. For example, Florida or Lanzarote might want to attract retired people with attractive incentives; or Boston more academics, or Ireland MNCs. Another example, different levels of

- schooling in different areas of London.
- These policies cost money though, so less of other incentives must apply, but give states/regions this choice.
  - Tibout Model for US



### 3.3 Efficiency of EU Decision Making

#### *Qualified majority voting (3.3.1)*

- QMV. Decisions require approval of 55% of all states and 65% of population ('double lock')
- Voting weights by country (Fig 3.3). Malta for example, has tiny power in relation to 65% of population check but has same power as Germany for example in relation to 55% of all states check.

#### *EU ability to act: decision-making efficiency (3.3.2)*

- Need precise definition
- Inability to act though caused euro crisis, the refugee crisis and dealing with Russia, Poland and Hungary issues

- Inability to act caused by member states NOT by 'Brussels'
- Concept of 'passage probability' (Table 3.2)
- 80% of EU legislation by 'co-decision'.
- Qualified majority (65%) Council of Ministers and simple majority in Parliament
- Assuming Parliament always votes on national lines and with only simple majority needed, then Council decision the crucial one
- Probability depends on:
  - Number of countries (1, 6, 15, 25, etc),
  - Distribution of votes by country, and
  - Majority threshold (51% or 60% or 71% for example): 100% if veto.

- Simple example (see Table 3.2)
- Fig 3.4 charts effect of number of countries on probability.
- 21.9% in EU 6, 7.8% in EU15, 2.3% in EU 29! Under Lisbon up to 12.2%.
- Is passage probability a useful measure though?
- EU has and does work: usually at last minute and in response to a crisis though: see all-night 'pillow fights' cartoon earlier
- Role of Commission and Parliament (see Fig 2.3 and 2.4 again).
- What about 'horse trading'?
- Also, intensity of preferences, agenda fixing, and 'moral suasion'.
- Veto power the most serious blockage to decision making.
- But not covered in book!

### 3.4 Distribution of Power between Member States

- The 'populist' version of the story is in image below, but soon to be without UK flag!



- See also Figs 3.3
- How to measure power though?
- Veto the ultimate power.
- Share of Council vote v share of budget a good indicator?

- Cannot ignore Parliament any more though especially since Lisbon: remember it is the conscience of the EU (e.g. Apple decision)
- Budget must be 'sold' to each national electorate.
- But budget just over 1.1% of EU GDP.
- Major benefits by far may be through increased GDP.
- Other limitations: three countries with 20, 40, 40 shares of vote.
- All have same power to block (i.e. if 50% the threshold). Always need two countries to support.
- If threshold raised to 75%, first country has no power.
- Luxembourg Case (Box 3.4)
- Branzhaf Index (Box 3.5) measures 'probability of a country being able

- to block a decision. Same results as with 'crude' measure.
- Power shifts following Brexit (Fig 3.5). Overall negligible.
  - Huge political reaction: in Poland and Spain in particular to change in votes following Lisbon Treaty

### 3.5 Legitimacy in EU decision making



'taking back control'

- Each country puts on a display of protecting the national interest



against 'Brussels', whatever latter means.

- EU an extraordinary enterprise: *voluntary* pooling of sovereignty
- Experience of two wars, and perhaps now banking, migration, terrorist and climate crises the keys.
- Is voting distribution in Council fair or legitimate though?
- Citizens v nations.
- Former or latter, or some combination of both?
- Power of veto in certain areas was critical to joining EU.
- Yet, veto means Ireland (1% of EU pop.) can block wishes of 99%.
- US Congress example: Senate (same number of members by State regardless of size, e.g. Rhode Island v California, but Rhode Island does not

have power of veto) and House of Representatives (strictly according to population). German example more complicated.

- Fair power distribution by citizen: but only where veto does *not* apply.
- Nor problems with referendums (for example, Lisbon in Ireland, Brexit vote).
- In some countries regional parliaments have an effective veto (e.g. Belgium)
- Misleading blame aimed at European Commission

Mr Monti (a predecessor of Mr Juncker) in firing line

