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SOCIAL DEMOCRATS CHOOSE EUROPE: COMPARING THE EUROPEAN POLICIES OF THE BRITISH LABOUR AND FRENCH SOCIALIST PARTIES

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Social Democrats Choose Europe: Comparing the European Policies of the British Labour and French Socialist Parties

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A striking feature of the "1992" process has been the embrace of the Single Market by left-wing parties previously hostile to the European Community's integrationist initiatives. Comparing the cases of the British Labour and French Socialist parties, the paper suggests a common strategic calculation arising from the defeat of the left-Keynesian responses to the crises of the 1970s. Faced with refusal of private capital, both domestically and internationally, to adjust market strategies to "national" priorities, social democrats, following the dictates of electoral advantage, retreated toward the center, a shift facilitated by a pro-European policy. Support for greater economic and monetary union has offered party leaderships, which have abandoned the left's traditional insistence on a positive link between social equity and economic efficiency, a modernizing image, while at the same time diminishing domestic political accountability for policy choices unpopular with their labor and public-sector constituencies.

A curious feature of the movement to relaunch European integration in recent years is the extent to which social democratic parties have promoted it. In all European Community (EC) countries, with the possible exception of Denmark, social democratic parties have been in the vanguard of support for Single European Act(SEA), which sets the 1992 deadline for completing the Community's internal market, and the related proposals for monetary and political union. For some of these parties, the British Labour Party for example, this support represents a dramatic change from previous opposition to European union. Others, like the French Parti Socialiste (PS), have been more favorably disposed toward the European Community in the past, but not as enthusiastic and uncritical as they have become in the 1980's. With center and moderate right parties strongly supportive of current EC initiatives, opposition hesitation and misgivings have been largely confined to the Communist left, such as the French PCF, and the anti-supranationalist right, such as the Thatcherite wing of the British Conservative party.

The social democrats' enthusiasm for 1992, unlike the pro-integrationist stance of their right of center allies, is puzzling given the project's neo-liberal character. The construction of a "single Europe" is defined almost entirely in terms of the deregulation of markets and relaxation of constraints on private business. A Social Charter, added as an afterthought to the 1992 program, is a weak document providing little mandated protection of social standards. As it stands now, the 1992 program calls for decisive enlargement of decision-making prerogatives and free movement of capital and only feeble acknowledgement of the hazards of unregulated market adjustments. Many observers fear that the competitive dynamic of a single market will encourage employers to "dump" their social obligations to employees, and greatly increase the pressure on national governments to restrain social spending. If this is the case, 1992 will make it more difficult for social democratic parties to abide by their traditional commitments to combat unemployment and social inequity. Why, then, are social democrats so eager to embrace--to use the French shorthand for the new Europe--"the big market"?

We believe a comparative analysis of the British Labour and French Socialist parties suggest a common pattern of calculation. In recent years, these parties have occupied radically different political situations. The French Socialists have been the party of government for much of the past decade, while the Labour Party has been confined to opposition. Despite these differing experiences, we believe a similar strategic calculation has led both to accept and embrace market-led European integration. This calculation grows, as we will show, out of the inability of social democratic parties to cope successfully with the collapse of the Keynesian/Welfare state consensus of the 1960s. While both the French and the British attempted initially to address the discrediting of Keynesian policy with shifts to the left, these efforts failed due the refusal of private capital, both domestically and internationally, to adjust market strategies to "national" priorities. Faced with the hostility of employers and the adverse reaction of financial markets, social democrats, following the dictates of electoral advantage, retreated toward the center, a shift facilitated by a pro-European policy. Although this moderate and pro-European strategy compromises traditional social-democratic policy commitments, it seems, over the short term, to be successful in improving the parties' electoral standing. Given the ground that is conceded in the process, however, we seriously question whether this will permit a return, in the longer term, to a distinctive social democratic agenda.

In developing this argument we look first at the collapse of the Keynesian/Welfare State consensus and the failure of the left strategies developed in response to it in both France and Britain. We suggest that the emphasis which most observers place on the external market as a constraint on left-Keynesian policy obscures a more fundamental crisis in the political strategy of the left. Second we note the new interest which emerged in both the PS and Labour in the mid-eighties in projecting key elements of the left program at the European level. Left-wing hostility to the Community was cooled by the alluring promise of coordinated reflation and an "upward harmonization" of social standards. Third, we assess the failure of this vision of a "Social Europe" to emerge in the 1992 program. Looking beyond the highly publicized British veto in the European Council, we observe that dialogue between European-level industry and labor representatives reached the same impasse that had frustrated the left in the design of national policy. Finally, we suggest how greater European integration, especially the opportunity to evade responsibility for critical policy choices, can help the PS and Labour succeed electorally while accommodating the austerity enforced by the Community's evolving neo-liberal regime.

The Crisis of Social Democracy

At the beginning of the 1980's, European social democracy was entering its second decade of ideological crisis. A movement which, twenty years before, had provided the means of humane management of class and social conflict within advanced capitalist countries was "in a period of disarray" (Patterson and Thomas 1986, 16). Tested policy formulas, credited with sustaining the unprecedented post-war economic boom, failed in the 1970's to cope with an unfamiliar combination of decelerated growth and price inflation. By the end of the decade, parties of the right, most notably in Britain and the U.S., were launching a confident counter-offensive against Keynesian orthodoxy and offered an alternative vision of future prosperity built upon a return to unfettered, laissez-faire, free market capitalism.

The economic disruptions of the 1970s called Keynesianism into question as profoundly as the great Depression challenged pre-Keynesian orthodoxy. With governments unwilling, in the face of the highest levels of unemployment since the 1930s, to lower interest rates and boost spending for fear of the reaction on financial markets, Keynesian policy provided no basis for a way out of stagflation. Yet for left social-democrats, this appeared true only of Keynesian policy narrowly conceived--Keynesianism in the "bastardized" form that had served as a bridge to conservative and business opinion (Robinson 1980, 120-122). The fundamental argument concerning the inherent tendency of investment decisions in a capitalist economy to produce recurrent unemployment, upon which Keynesian policy rests, did not warrant the assumption that demand management will serve to counteract the tendency indefinitely and under all circumstances. On the contrary, the underlying analysis pointed to a much broader conception of the role of the state. In this conception, "full employment can ultimately be maintained in a political economy in which the state remains democratic and trade unions retain their autonomy only through forms of intervention that successively reduce the dependence of employment on private investment by an increasing 'socialization of investment'" (Martin 1978, 89). Seen in this light, the economic crisis was, in the words of the left-Labour leader Tony Benn, "the occasion for fundamental change and not the excuse for postponing it" (quoted in Forester 1979, 74).

Within many social democratic parties, full employment policy unfolded in a new direction linking Keynesian reflation to a strategy that combined an expansion of the welfare state with radical (and to appropriate the jargon of the 1980s) "supply-side" reforms. Taken up were demands for worker participation and effective control of private investment largely forgone in the social compromises of the early post-war years. In West Germany, Strukturpolitik, investment "guidance," and co-determination beyond coal and steel; in France, the emphasis on nationalization and autogestion in the Common Program of the Left; and in Britain, the Alternative Economic Strategy(AES) embracing planning agreements, extensive state-holding, and industrial democracy: all these represented dramatic shifts to the left. Together with renewed commitments to social security, these reforms, levelled at "capitalist inefficiencies" in production and investment, were at the heart of economic programs intended to reflate economies on terms that would ease, if not dissolve, the apparent trade-offs between employment and inflation and social equity.

In Britain, a version of this Keynes-plus strategy was attempted when Labour returned to power in 1974. Its "Industrial Strategy" was presented as, not only compatible with but intrinsic to, the promise of greater social equity. In the judgement of the **Guardian** "little short of an industrial and financial revolution," it was to be the centerpiece of a program that would bring about, in the resounding phrase of **Labour's Programme 1974**, "a fundamental and irreversible shift in the balance of power and wealth in favor of working people and their families." The Strategy would repay wage restraint and secure for home producers the benefits of a socially-redistributive reflation, by channelling both public and private capital into industrial expansion (Forester 1979; Brown 1979). As laid forth by Harold Wilson, the "central instrument" was the National Enterprise Board acting as "a means to further substantial expansion of public ownership through its powers to take a controlling interest in relevant companies in profitable manufacturing industries" (quoted in Forester 1979, 77). Acting from this base the Government would engage private industry in "sector planning agreements," negotiated on a tripartite basis with the unions. As Secretary of State for Industry, Tony Benn (who was rapidly to emerge as the **bete rouge** for a hostile press) envisaged these covering "price control, the level of home and overseas sales, the regional distribution of employment, domestic investment levels, industrial relations practices and product development" (quoted in Forester 1979, 80)

Analyses of the failure of the Industrial Strategy tend to focus on the external constraints: the dependency of the UK on world trade and its penetration by international capital, factors which, combined with Britain's "industrial senility," ensure that growth pulls in imports far in excess of exports. It is certainly not difficult to read the course of economic-policy of the 1974-79 Labour government in these terms. The Wilson cabinet faced a balance of payments crisis within months of taking office. While it had been anticipated that a surge in the economy, particularly in the light of soaring oil prices, would create problems on the foreign payments account, the failure of most of Britain's major trading partners to abide by a January 1974 agreement not to deflate domestic demand in response to the oil price hike, created a problem that was more than usually acute. Britain's "go it alone" policy triggered an import boom, precipitating a run on the pound. Coupled with a domestic pay explosion, the result compounded a rapid rise in inflation. This initial crisis, along with the terms imposed for borrowings that were made in 1976 from the International Monetary Fund and the European central banks, were a pretext for turning to a policy of almost continuous deflation. In effect, the government was committed to "the crude expedient" of rationing imports by "cutting living standards so people who had less money to spend on everything" (Cripps and Morrel 1979, 101). The continuing de-industrialization caused by this policy was such that when North Sea oil came on stream in 1976, Britain's loss of manufacturing trade entirely offset the oil benefits. By 1978 industrial output in Britain had barely recovered its 1973 level, and unemployment had more than doubled. The Callaghan government eventually collapsed in the wake of a massive strike wave (the 1978-79 "winter of discontent") as workers balked at the prospect, under the government's pay guidelines, of further and substantial losses in real pay.

For the Labour left, the conclusion that the Industrial Strategy had been the victim of foreign economic policy--that a less hostile economic and monetary economic environment might have permitted it to succeed tended, initially, to heighten, rather than diminish hostility, toward the EEC. While Labour's original opposition to Britain's membership of the Common Market had focussed on the price which Britain pays for the Common Agricultural Policy (CAP) in higher food prices and net contributions to the Community budget, the EEC was now condemned for its failure to make effective provision for sharing the costs and reducing the risks of an expansionary policy. The anti-Market case, reaffirmed at the 1980 Party conference, was further strengthened by intimations of a non-EEC international option. For a time it seemed that the United States might bring about international conditions more favorable to reflation.

Under the terms of the 1957 Treaty of Rome, a member state experiencing the stagflationary consequences of a chronic trade deficit would seem to have every reason to anticipate support from its Community partners for extraordinary measures to restructure its economy. Article 2 of the Treaty contains a general statement of the Community's intention:

> It shall be the aim of the Community by establishing a Common Market and progressively approximating the economic policies of Member States, to promote through-out the Community a harmonious development of economic activities, a continuous and balanced expansion, and increased stability, an accelerated raising of the standard of living and closer relations between Member States.

As the Cambridge Economic Policy Group (CEPG), architects of the AES, remarked, "if this is the primary aim of the Community it is most emphatically not what it is achieving as far as Britain is concerned" (CEPG 1980, 33). The Treaty does contain provisions which explicitly address action to deal with balance of payments problems. Article 108 envisages measures of mutual assistance and, ultimately, safeguard action by a state in difficulty, all under the authorization of the European Commission and Council of Ministers. To this extent the Community would appear to have an obligation to initiate remedial action. Article 109 allows unilateral action by a member state where a sudden balance-of-payments crisis occurs and the Council fails to a make immediate decisions, although such action can be suspended or abolished by the Council. But obviously, "the real issue," as the CEPG argued, was "more political than legal" (CEPG 1980, 30). Within the Community, Britain and other balance-of-payments constrained member states are in an unequal alliance with the world's premier exporter and a leading international creditor, Germany, which, in consequence of its position, is relatively indifferent to the employment aspects of trade, monetary adjustment, and liquidity creation. Given the ultra-cautious attitude of Germany and its general presumption against policy instruments that might serve to correct the widening regional and social imbalance accompanying expansion (see Lankowski, 1982), the CEPG considered the prospect of beneficial policy changes "remote" (CEPG 1979, 30). The Cambridge economists noted that the anti-Bennite cabal in the cabinet had used the 1975 referendum result in favor of continued British membership of the EEC to "rule out any possibility of Britain adopting import controls or tough industrial intervention" (Cripps and Morrel 1979, 99). However, if there was little prospect of Britain winning the cooperation and understanding of her trade partners within the EEC, for a period in the late 1970s it seemed that this might not be the case outside of the Community.

In 1976, the new Carter administration appeared sympathetic to reflation, expressing impatience with the Germans' unyielding preoccupation with monetary "stability" and orthodox counsel of higher taxes, lower wage settlements and cuts in government spending. Indeed, reacting to the relatively novel experience of finding itself constrained by a growing trade imbalance, the United States was becoming the loudest (within the limited community of the leading industrial nations--the "G7") in protesting the deflationary bias of an international payments system that restricts access to liquidity and provides no mechanism to force adjustment on surplus countries.

At western economic summits following the 1974-75 recession the Americans endorsed the so-called locomotive strategy for world economic recovery which, in recognition of their burgeoning trade surpluses, called on the Germans and Japanese to lead a general reflation. After two year of bitter wrangling, in 1978, both Germany and Japan agreed to boost their economies with new tax-cut packages. But these were clearly reluctant, and in scale modest, concessions. Despite the huffing and puffing, the locomotives never left the station (Lewis 1979).

In 1979-80 the U.S. itself opted for deflation pulling the world economy into the recession of 1981-82. Taking advantage of their exceptional drawing capacity on international financial markets, the American led the subsequent recovery but on terms that did nothing to relax the constraints on their trade partners which the growing tendency of Germany and Japan toward surplus continued to represent. The blow delivered the social democratic left was especially acute since it was at this decidedly unfavorable juncture that the French Socialist Party launched its own left-Keynesian venture.

As the crisis of social democracy developed in the 1970's, the French Socialist party was formulating its own distinctive response to the crisis. Their analysis faulted social democratic parties for acquiescing to capitalist economic structures. The 1972 Common Program of the Left (developed in conjunction with the French Communist Party[PCF]) advocated a "break with capitalism" and realization of a democratic socialist society. According to this view, the economic and social problems of capitalist society could not be solved within capitalist structures. A broad coalition of industrial and white collar workers, professionals, farmers, and small business would elect a democratic socialist government to transform capitalist society. The PS agenda (outlined in both the Common Program and the Projet socialiste of 1980) called for nationalization of the "commanding heights" of the economy (financial institutions and key industries) and the introduction of new mechanisms for worker participation in management (autogestion) (Brown 1982). This turn to the left would bring about a new example for the world, as Mitterand foretold in his first presidential inaugural, of how liberty and socialism could be united (Kesselman 1982, 428).

The Projet Socialiste, the program of the Left-unity government which took office in Paris in May 1981, pursued broadly the same objectives as Labour's AES: domestic expansion, financed in part through a more egalitarian distribution of incomes, and a heavily interventionist industrial policy turning on government-union participation in the investment choices of the private sector. The government nationalized a significant portion of the economy and enacted a series of labor laws, les lois Auroux, to encourage worker participation. It also stimulated the economy by expanding public employment, raising the incomes of the less affluent sectors of society, and increasing public investment in the nationalized sector.

As with Labour's 1974 program, the fate of these policies is easily read in terms of the unanticipated severity of external economic constraints. The Left-unity strategy had gambled on the French economy leading a world-wide recovery in 1982. When 1982 brought recession instead, the government's policies produced a deteriorating balance of trade, capital flight, inflation and a disappointing rate of growth.

In the French case, this crisis had a particularly acute European dimension. Noting that "the perspective of socialism is not the hallmark of the [Rome] Treaty," the PS, in adopting its program in 1980, had suggested that "the realization in France of a socialist project will be a shock within our European environment" and emphasized the need to avoid further supranational entanglements in the Community (Parti Socialiste 1980, 352-353). However, it was France not Europe which was delivered a shock. Foreign trade represented about twenty per cent of France's GDP and most of this was with EEC partners (Hall 1987). Whereas the British, less heavily committed to European trade in the 1970s, had looked across the Atlantic for support for reflation, France looked to her neighbors. Mitterand attempted to convince Britain, Italy and, above all, West Germany to reflate along with France in 1981-82. When they refused to go along, the French government was forced to devalue the franc several times to attempt to rectify the trade balance and reduce inflation.

Because France was a member of the European Monetary System, Finance Minister Jacques Delors had to negotiate these devaluations with the European Monetary Committee (Cameron 1988, 35-57). In 1982, the Committee led by the West Germans, began to demand a shift in French domestic policy. At this juncture, the government was forced to choose between continued openness in Europe, which required shifting to a deflationary policy, or continued "redistributive reflation," which would have required withdrawal from the EMS. The PCF recommended the most radical solution, withdrawal from the EEC and imposition of high tariffs. A more serious option, pressed within the government and the PS, was to withdraw from the EMS to permit a more radical devaluation. After long debate and shifts of position, Mitterand finally opted in March 1983 to remain in the EMS and adopt a new policy of "riguer" advocated by Delors, Prime Minister Mauroy and his chief economic advisor Jacques Attali--"socialist" reflation gave way to "socialist" austerity.

It was not immediately clear, however, that in this U-turn Mitterand had chosen Europe over his party's ideological agenda. For, as we shall explain below, he appeared to choose a Europe restructured to serve as the vehicle for a redistributive and interventionist strategy. Nonetheless, we believe that the decision in favor of Europe, in which the British Labour Party was eventually to join, disguised a fundamental ideological crisis for social democracy. One posed, not so much by the strength and complexity of international trade and capital flows, as by the evident limits to social compromise. In both the French and earlier British case, a closer review of the sequence of reversals and disappointments that overwhelmed the left-Keynesian agenda suggests that the lack of international cooperation and understanding was matched by, and no doubt intimately linked to, the hostility and resistance of domestic capital.

The Socialists' retreat in France was widely regarded as a "sobering lesson for advocates of 'alternative' strategies," proof of the increasing difficulty, if not impossibility, of directing the course of an "interdependent economy" (Wright 1983, 303). Indeed, for many it was final proof that the days of national economic planning were over. With the end of Bretton Woods and American international hegemony, the stable monetary environment and readily available American capital support that had facilitated the growth of European welfare states in the post-war period was gone (Keohane 1984, 22). As long as domestic economies remained relatively open to the international marketplace, Keynesian policies of whatever scope could not succeed without international concertation. As Robert Keohane has pointed out, "the internationalization of capital flows--the ease with which financial capital can be transferred across national boundaries--makes it more difficult for any country to institute measures that change the distribution of income against capital and in favor of labor, if this implies a marginal rate of profit significantly below that for the world as a whole" (1984, 24).

In France, the Socialist policy of reflating in a deflationary world inevitably led to balance of payments problems, and downward pressure on the exchange rates and rising inflation. Yet, as Finance Minister, Delors does not seem to have had any problems in financing either France's internal or external debt. Throughout 1982, France had remained credit worthy on the international financial markets. There was not, as in the otherwise parallel experience of the British Labour government in 1976, a recourse to the IMF and there was not specific package of deflation suggested in order to secure funds from an external body. Rather the key element in the government's decision to reverse course, appears to have been its own political calculation that the accumulation of a growing external debt, the counterpart to the balance of payments deficit, could not be allowed to continue (McShane 1986; Tomlinson 1988).

While original projections obviously had to be discarded in the face of international recession, the Socialist's "project" admitted no prospect of stabilizing France's external accounts in the absence of a strategy to regenerate domestic manufacture - one which implicates the private sector. The hope that French workers might capture benefits from the additional spending of French consumers, rested on the belief that capital could be induced to compromise its market strategies and surrender managerial prerogatives in favor of "national" priorities. No such cooperation, however, was forthcoming. Prime Minister Mauroy's invitation to industrialists to join with government and labor representatives in a Permanent Council of Industrial Development drew no response. As Singer reports, Mauroy, in his first months of office, was "astonished" that even when talking to French employers about the carrots of an industrial policy such as tax deductions or credit incentives, "all they wanted to know was 'What do you think of profit, the break with capitalism, the authority of the boss in the enterprise'" (Singer 1988, 131).

Given that the inducements were to cooperate in arrangements that would have subjected to government-union scrutiny everything from product development to prices, Mauroy's surprise, as Singer remarks, "is surprising" (131). But it points to a basic paradox of social democratic praxis. Left-Keynesian strategies may seek to strengthen the bargaining position of labor and the state, but the basic unit within the "mixed economy" remains the individual firm. The ability of an enterprise (public or private) to stand up to international competition and exploit market forces (regarded as the decisive characteristic which justifies supporting a company as a long-term national asset) is understood to depend critically on its managerial and commercial independence. As a result, the more radical the demands of social-democratic policy on capitalist enterprise the more dependent is the policy's credibility on the possibility and suggestion of "social partnership"--an essentially voluntary accord implicating employments with labor and the state in a "national strategy."

This had been the case as well with Labour's Industrial Strategy, whose authors perceived no contradiction between the promise of a "fundamental and irreversible shift in the balance of power and wealth" and policy dependent on extensive agreements with the private sector. But again, as in France, this was not a contradiction that escaped the business community. Well before the IMF stepped in to help resolve the balance-of-payments crisis, the Industrial Strategy met with a barrage of criticism in the media and threats from industry leaders. The director-general of the Confederation of British Industry, Campbell Adamson, recalls that members discussed, in addition to "an investment strike" and "not paying various taxes," a "list of things which in themselves would not have been legal" (quoted in Whitehead 1985, 131). Even in the scaled-down version of the Industry Act of 1975, with all the sticks (as opposed to carrots) removed, the discussion of the proposed planning agreements were effectively boycotted by employers with but one exception. In return for 162.5 million pounds in government assistance, Chrysler (UK) actually signed an agreement, but then following the traditional business practice of "take the money and run" promptly laid off 8,000 workers and sold its operations to Peugeot-Citroen without even telling the government until the agreement was signed! (Cliff and Gluckstein 1988, 325).

On the far Left it was standard criticism that social-democrats were wading beyond their constitutional depth (Gamble 1981, 194-197). To overcome the combined opposition of capitalists, vigilant in the face of policies that would effectively "politicize" profits, requires far more than simple parliamentary majorities. It implies an immediate and direct challenge to the sources of class power in society and, in particular, the class character of the existing state. A government attempting to implement an alternative economic strategy, which was not prepared to organize and base itself on an extra-parliamentary mass movement to mount such a challenge, could only go one of two ways. Either it would be "forced to submit to the prevailing realities of power, and therefore to policy orthodoxies not of its own choosing, or it would collapse or be toppled by the weight of resistance and sabotage from the capitalist class and the state machine, like Allende's Popular Unity government in Chile" (196). Indeed, critics of social democracy on both the Left and the Right would appear to agree that the post-war welfare state attempts the impossible: "to perform its various tasks (stimulating capitalist investment, recognizing trade unions, maintaining full employment, providing for various collective needs) by simultaneously limiting **and** respecting the power of private capitalist firms to invest, create jobs and, thus, to support and undermine government policies" (Keane and Owens 1987, 23, emphasis added).

By effectively externalizing the difficulties encountered in attempting to pursue an "alternative" course (emphasizing problems arising from the international economy), the PS and Labour leadership evaded the more fundamental contradiction between their social democratic policy aims and their dependence on business co-operation. This evasion, in the context of a reassessment of their European options, led them to search for a plausible cover for a forced retreat from their domestic economic and social policy commitments.

The Shift to Europe

In the French case the Socialists' enthusiasm for promoting greater European integration followed almost immediately their U-turn in domestic policy. Deriding those who would seek to direct temporary nationalist dikes to the flow and dictation of multinational capital, Mitterand devoted his presidency of the EC Council of Ministers in 1984 to relaunching Europe and his interventions within the European Council to securing agreements critical to the completion of the internal market (Moravcsik 1989, 15-20). French willingness at the Fontainebleau Summit to come to terms with British demands on Common Agricultural Policy subsidies and the calculation of Britain's budget share, two items that had bedeviled the EEC for several years, opened the way a new integration initiative (Moravcsik 1989, 21). These concrete concessions signaled the eagerness of French Socialists to restart "the European process" which, despite the addition of new members, had been effectively stalled since the mid-1970s .

At this initial stage, the interest in renewing European integration was explicitly linked to the objectives of the Socialist's original domestic agenda. Addressing the European Parliament in May 1984, President Mitterand argued that "a new situation calls for a new treaty." The French government would "examine and defend" the European Parliament's proposed Draft Treaty on European Union, "the inspiration behind which it approves." Introduced by Altiero Spinelli, an Italian MEP allied to the Communists (PCI), the Draft Treaty, a conscious effort to seize the initiative on Europe from the Right, sought a simultaneous advance of the supranational jurisdiction and democratic accountability of EC institutions. It would have abolished the right of national veto in the Council of Ministers, and joined the Council in partnership with a European Parliament granted new powers to act in areas extended to include monetary policy.

"Europe" in this context was clearly more than a "free exchange zone"--a "businessman's Europe." The common "Appeal to the [EC] Electorate" issued in March by the Confederation of Socialist Parties of the EC (CSPEC) explicitly linked the call for more effective and democratic union to demands for reflationary measures to create jobs and a 35 hour week. Against a Community "paralyzed and dominated" by liberal (laissez-faire) forces, the PS manifesto for the June 1984 European elections promised a real "community" which would act to overcome the recession. A return to tolerable levels of employment could be achieved only through a concerted European recovery program involving a key role for the public sector and a truly unified Community market, restoring "Community preference." The EC must be given the necessary resources to support more substantial common policies, and in a period of economic "rigor," this would involve a greater "financial solidarity between member states" (Parti Socialiste, 1984).

The Labour Party was also quick to shift its position on Europe to take account of the presumed lessons of the unfortunate Mitterand-Reagan conjuncture, although in arriving at definite pro-integrationist position it had greater ground to cover (Featherstone 1988, 62-66). While only the year before it had affirmed that "British withdrawal from the Community is the right policy for Britain" (Labour Party 1983), Labour felt able sign the CSPEC's 1984 manifesto, albeit with significant caveats on the question of the EMS and the power of the European Parliament. Labour, however, stressed its strong support for the manifesto's call for measures to create new jobs.

Significantly, those associated with the AES in the 1970s led the way in pressing a reconsideration on the party's European policy. Already in 1982, Stuart Holland, on behalf of the party, had participated in the "Out of Crisis" project prepared by socialists from nine European countries. Citing the dangers of Reaganism, the project called for a coordinated response to the recessionary crisis from left-wing parties across Europe (see Holland 1984). At the same time, Francis Cripps and Terry Ward of the CEPG pointed to the potential benefits of a stronger European Monetary System which would "seek to regulate European financial markets in support of reflation." Labour should agree to accept the Common Agricultural Policy--a heresy for traditional Labour anti-Marketeers--"provided it was accompanied by a common industrial policy which allowed and assisted member countries to control trade and investment so as to develop or regenerate manufacturing industries" (The Economist, October 9, 1982).

If the United States, notwithstanding its mounting trade deficit, could not be relied upon to help force adjustment upon Germany, if, as was the case under Reagan, it was positively hostile to progressive reform of international trade and monetary arrangements, then a long march through the institutions of the European Community ("reform from within") appeared the only practical alternative. Should a more unified and democratic Community succeed in rendering German fiscal and monetary policies responsive to the employment needs of her European neighbors, the campaign for reflation and international monetary reform could be carried back across the Atlantic. If this was the objective, the "crystallizing" of European markets into a regional bloc would advance rather, than as had been feared, hinder a global management of trade consistent with sustained expansion (Cripps and Ward 1983, 93-95).

Negotiating 1992: The Neo-Liberal Outcome

While it continued to appear unlikely in the early 1980s that the EC would drop its free-trade principles--especially with a right-of-center cabinet taking office in West Germany--the EC Commission did appear willing to countenance modifications of a free-trade system which, of itself, might have been thought to lend some credibility to the Euro-socialist agenda. The EC's policy on trade had already become more protectionist, notably on steel and textiles, and the Commission, generally, was vaguer about banning subsidies to industry. In October 1982, Gaston Thorn, the Commission president, said in a speech in Bruges:

> At a time when the number of EC jobless is approaching 11 million, no government can afford to act in line with theoretical models of perfect competition and indulge in free trade at any price. What is important

> is to find, along with our trade partners, an acceptable balance between the advantages of free competition and the social and political constraints which at times require protectionist measures.

As The Economist (October 9, 1982) remarked, "the Cambridge school could hardly have put it better." In November 1982 there seemed to be recognition that a more balanced Community policy implied some form of bargained corporatism implicating both employers and the unions. A joint meeting ("Jumbo Council") of the social affairs, economic and finance ministers of the EEC underlined "the importance of close and continued cooperation between the social partners and their participation in the process of social and economic decision-making at the Community level" (Social and Labour Bulletin, 1, 1985, 15-16)

It was, however, with Delors accession to the presidency of the Commission in 1984 that the project of a "Social Europe" appeared to take definite form. Delors raised the prospect of a European coordination of monetary policy, under democratic control, which would allow greater influence over the world monetary system and counteract pressure from the yen and the dollar. European Monetary Union would provide, in Delors words, "maneuvering room" (les marges de manoeuvre) for social democratic policies (Delors 1990, 17). With improved coordination and international clout, monetary conditions could be established permitting the pursuit of the sort of redistributive reflation the French had tried in 1981.

At the same time, Delors sought to engage European industry and labor representatives in a "social dialogue" convened in a series of formal meetings between the ETUC and European employer associations. As Delors originally conceived them, these meetings were sufficient to persuade the ETUC of the possibility of peak-level bargaining with employers for the purpose of reaching binding collective agreements and as the basis for Community legislation on social and labor matters, Europe-wide collective bargaining and tripartite planning at the industry or sector level, and structures for worker participation and collective bargaining within multinational companies (Baun 1990).

However, while both the Labour and the PS may have hoped that Europe union would create conditions for renewing social democracy, the political dynamics for negotiating the Single European Act (SEA) and other aspects of "1992" have issued in a market-led process of integration likely to inhibit rather than foster social democratic development. The neo-liberal character of 1992 is largely the consequence of two complementary political dynamics: the necessity of negotiating within a European Council in which conservative governments are powerful actors (especially Germany and Britain) and the implacable resistance of European business to the development of a meaningful "social dimension."

Given the differing ideological orientations of governments within the European Council, early in the renewed negotiations for European union agreements were concluded through a "minimum common denominator" strategy (Moravscik 1989, 12). This meant identifying those policy objectives all governments held in common and using them as the basis for pushing forward on integration. This approach provided the conservatives, especially Mrs. Thatcher, considerable leverage to hold progress on Europe hostage to their ideological objectives. As a consequence, among all the features of 1992, the internal market has taken the most concrete form, with the implementation of nearly 300 specific measures to liberalize the transnational economy proceeding nearly on schedule. The procedures set out in the Single European Act to facilitate agreement--qualified majority voting and mutual recognition of standards--are largely dedicated to achieving the neo-liberal objectives of clearing the regulatory obstacles to the free circulation of goods, capital and labor and to cross-border business mergers (Cockfield 1990).

A similar dynamic has produced plans for European Monetary Union (EMU) that is not likely to be sympathetic to social democratic policy goals. Departing from Delors's earlier vision, the report by the Delors Committee on monetary integration in 1989 (EC 1989) proposed the creation of a European Central Bank System which would manage the Dollar and other external reserves of the monetary union and a Council of European Central Banks with responsibility for a common monetary policy to be operated jointly by all its national components, arrangements modeled to a considerable extent on the system and governing board of the U.S. Federal Reserve (hardly a social democratic institution) (The Economist April 28, 1990, 51). The central bank would be composed of the heads of the twelve European central banks, politically "independent", and legally bound to pursue price stability. In other words, its design intends it to be a tight money, inflation fighting institution in line with German preferences (Cameron 1990, 50-51). It is highly improbable that a "Eurofed" organized along these lines would be responsive to social-democratic policy preferences. Indeed, if it really operates in the fashion of the US Federal Reserve, it will likely act as permanent restraint on redistributive economic and fiscal policies (Grieder 1987).

While the negotiating dynamics between governments in the European Council has defined a neo-liberal agenda for both the internal market and monetary union, the intransigence of European business and the weakness of labor has directly contributed to undercutting any hope for a meaningful social dimension. Business associations have consistently showed no enthusiasm for concertation practices within EC (Schmitter and Streeck 1990). In the mid-1970s there had been a series of "Tripartite Conferences" with a content which paralleled that of the national concertation efforts of the same period: full employment, inflation, wage restrain, fiscal policy, worker training, productivity measures. But these had ended in 1978 when, protesting the lack of progress, the ETUC withdrew.

It is not immediately clear why the prospect for social partnership between the unions and industry, which must have appeared remote to those on the front lines of intensifying industrial conflict, should have been thought any greater in the early 1980s. The national experiences suggest that it is only where labor is well organized and capable of mounting a credible threat to capital through industrial struggles and, with a "friendly party" in government, via state allocation, that employers are willing to consider limited corporatist concertation (Panitch 1981; Lange and Garrett 1983). While these were conditions approximated in the early 1970s, for workers a period of industrial victories punctuated by defeats, clearly they were not present ten years later when workers saw defeats punctuated by only partial, short-lived victories. Rising unemployment and structural crises in major sectors of European industry threw labor onto the defensive. While employers pressed for concessions, labor rights and social protections were coming under both administrative and legislative attack (Grahl and Teague, 1989).

Despite this inauspicious context, meetings in November 1985 between EC officials and representatives of the ETUC and European-level employers groups did lead to the establishment of two tripartite working groups. In November 1986 the "macro-economic" policy group managed a joint statement, but one which avoided concrete policy proposals in favor of an endorsement of the very broad guidelines set forth by the Commission in its 1987-88 annual report (Marin 1988, 8). Thus the dialogue proved "less a framework for collective bargaining than an instrument of legitimation and support for Commission policy" (Baun 1990, 11). In the "microeconomic" working group no statement was agreed: divisions over the meaning of labor flexibility proved intractable (Marin 1988, 7-8). But more broadly, beyond substantive issues, the dialogue revealed fundamental differences over its essential purpose. While the unions favored the development of binding collective agreements and the translation of consensus positions into Community law, the employers insisted that the joint agreements be confined to establishing guidelines for enterprise-level negotiation within the context of established national laws and procedures. They had no wish to see the social dialogue evolve into a European-level collective bargaining (Social and Labour Bulletin, 1, 1989, 33-34).

With the failure of European industry and labor representatives to achieve a significant consensus, the 1992 social dimension was reduced to the "positive" references in the SEA to the need for "improvements in the working environment and health and safety" (Article 188A) and "dialogue between management and labor at the European level" (Article 118B) and with the equally pallid provisions of the European Social Charter, the subject of a "solemn declaration" at the Paris summit meeting in December 1989. Serving notice that the new unity is "not only for bankers and entrepreneurs," the Charter, according to Delors, is intended to "associate workers with the construction of Europe" (Delors, 1989). But the commitments to labor are vague ("an equitable wage shall be established"), conditional (it is understood that the right to join a union is subject to exigencies of overriding national interest) and at least in one important instance disingenuous (the commitment to worker participation is effectively nullified by admitting employee involvement on the "British model").(The Economist July 8, 1989, 39) The Charter provides no guarantee for European-wide collective bargaining or a right to strike, but provides for these issues to be regulated at the national level. (Commission of the EEC 1990, 6) More important, the document endorses the position of employer organizations that business and social regulation should occur at the lowest geographic level of government possible (the principle of "subsidiarity"), thus excluding in principle European jurisdiction over most social and labor matters. The Charter, as Delors (1989) concedes, "imposes no new obligations." The Commission does propose supranational European labor regulations on matters of occupational health and safety, areas in which member states, under the terms of the SEA, have accepted the principle of majority voting. But its Action Program in pursuit of the rights encoded in the Charter otherwise consists of fairly low-key non-binding proposals suggesting measures of concerted action by member states on such things as vocational training and equal opportunity, the most obvious thrust of which is a liberal-market commitment to maximum labor mobility. As currently written, the Charter provides the perfect formula for social competition among states within the unified market.

Nor have expanded commitments to the structural funds offered much hope that 1992 will reduce social and regional imbalances within the Community. Recognizing that "assistance will be needed for the Community's declining regions and labor affected by industrial restructuring" (Cecchini 1988, 105), the Council of Ministers, to the applause of the Socialist Group in the European Parliament, approved, over earlier British objections, the Commission's proposal to double the size of the EC's structural fund from 7.4 billion ECUs in 1988 to a total of 13 billion ECUs in 1992. For British Labour Party leader Neil Kinnock, the commitment of resources is tangible evidence of a "social Europe" (Kinnock 1988). It does represent a significant shift in the direction of Community expenditure, raising the share of the overall budget committed to regional development from 18 to 30 per cent. Brussels, however, commands less than one per cent of the Common Market GDP. This means that in the Single Market the combined regional and social fund allocations will represent a mere 0.3 per cent of total output. It is hard to imagine that this figure alone could even begin to reverse the disruptive effects of market consolidation.

There is, in any case, reason to question whether the priorities of the Regional and Social funds, infrastructural improvement and job training, are the keys to industry location. Much investment in infrastructural improvement is double-edged. While better communications may facilitate exports from a region of country, they may also facilitate imports, which may reduce regional employment and incomes. As for vocational training, ideally its responds to skill shortages which would not, typically, seem to be the problem for regions of industrial decline. The failure in manufacturing trade means that employment is increasingly generated in a service sector that has a low skill requirement (Cutler 1988, 83-85). At the very least, accepting that the Community's approach to regional development is compromised by limited resources, a socialist endorsement of the structural funds initiative would seem to involve a considerable leap of faith.

With such weak protection for labor and social rights within the 1992 program, the social democratic vision in now wholly dependent on the economic growth benefits promised in the in the internal market program. Yet some analysts of the likely economic effects of the internal market question whether these benefits will ever materialize and, more particularly, whether they will offer concrete economic benefits to workers. While the European Commission advertises the completion of the internal market as the source of substantial benefits in lower production costs and moderated consumer prices, it is evident from the basis on which these have been calculated that the "harmonization" of 1992 will almost inevitably mean a greater harmonization of redundancies, speed-ups and factory closures. Intensified business rationalization and associated economies of scale involving "the disappearance of the smallest or least efficient companies" is identified as the source of more than half of the anticipated welfare gain.(Cecchini 1988, 78) Within the first year of the unified market the result, according to a confidential Commission report, could be the net loss of as many 2 million jobs.(Palmer 1989, 24) Real employment growth is a prospect only in the medium term, which is to say, toward the end of 1990s and the beginning of the next century. On the assumption that the "supply-side shock" of comprehensive trade liberalization brings in its train very substantial dynamic benefits the official prospectus looks to the creation of between 1.3 and 4.4 million new jobs.(Emerson 1988, 212-221) This implies both that displaced workers will have to wait for some time before they are re-employed and that unemployment, presently affecting in excess of 17 million workers in the Community, will remain a chronic feature of the EC economy.

Against this background of continued high unemployment, EC documents recognize that in certain labor-intensive sectors the mobility both of low-wage southern workers and of cost-burdened northern capital may result in a competitive devaluation of wages, social protections and labor rules. They discount, however, the danger of a broader pattern of "social dumping," stressing that much of advanced European industry is tied to specific locations by complex, non-wage factors such as the presence of well-educated and skilled labor forces, regional subcontracting arrangements, the quality of financial and administrative services, cultural amenities, etc.(Social Europe 1990, 98-99) Rather than a shift of production to poorer regions, these are advantages that will tend to favor a further concentration of investment on sites within the "golden triangle"--northern Italy, south-east England, western Germany. Summarizing a cursory discussion of the regional impact of market unity (Emerson, 1988, 180-81), the official "Cecchini report" on "The Benefits of a Single Market", expresses the confidence that such "redistributive effects in the wake of freer trade need not be excessive."(Cecchini 1988, 105)

But the conclusions reached in studies which, in contrast to the official pro-1992 literature, explicitly include issues of equity in their brief, are much less sanguine. A report undertaken at the behest of the Commission by an independent group of experts headed by Tommaso Padoa-Schioppia of Banca d'Italia (Efficiency, Stability and Equity) finds "serious risks of aggravated regional imbalance."(Padoa-Schioppia 1987, 5) The unregulated movement of people, capital and goods between the Community twelve will have redistributive effects that are likely to be stronger and more disruptive than those experienced by the Common Market Six in the 1960s when trade integration took place among less heterogeneous countries and in the context of faster economic growth. The disparities between regions which have increased since the mid-1970s could now be seriously exacerbated with an uninterrupted flow of resources into the centrally-located areas of greatest economic activity.

On the whole these imbalances appear to favor precisely those member states in which labor and the "social safety net" remains comparatively strong. But in terms of national employment and social security regimes they are features of a potentially de-stabilizing trend both because they are site and sector-specific and because of associated tendencies toward greater labor-market inequity. EC Social Affairs Commissioner Vasso Papandreou is persuaded that cut-throat business competition and intensified rationalization in the post-1992 unified market will further splinter working patterns and job contracts in the higher wage economies.

Since the 1960s part-time and temporary contract work, particularly in the service industries and often performed by women, has boosted the flagging job-creation component of economic growth. Sharing the alarm with which the development has been viewed by the trade unions, Papandreou finds that these "flexible" work patterns tend to benefit employers at the expense of workers who often have no choice but to accept "atypical," generally lower-wage and less secure, employment. (The Financial Times October 16, 1989, 5) Given that the model of full-time, regular and permanent employment continues to underlie current labor and social security arrangements, this is a development which threatens crisis-ridden losses in welfare and equity.

Socialist and Labour Support for a Neo-Liberal Europe

Given the foregoing analysis, suggesting that the internal market will not deliver the European-level conditions for social democracy, why do the Parti Socialiste and Labour Party continue to promote the 1992 program? We believe that the answer to this question, set against capital's decisive rejection of corporatist accommodation with European labor, lies in three inter-related factors: first, the desire of the current leadership of both parties to project a modernizing image to their electorates, an image which does not, as in the 1970s, rely on the presumed capacity to broker joint employer-union cooperation in policy but rather on a direct government-business partnership; second, calculations of short-term electoral advantage over their right-wing election opponents who appear to have greater difficulty in digesting the supranational implications of the single market; and third, having embraced market-oriented domestic policies, the opportunity to evade some measure of the responsibility for choices that impose considerable costs on their traditional labor, public sector, and working class constituencies.

Since its U-turn away from the left-Keynesian policies of the early 1980's, Mitterand has led the French Socialist Party in a transformation of its image. Beginning with the all-Socialist government of Laurent Fabius in 1984, the Party has adopted "a moderate, managerial image" which has been fairly popular with the French public.(Machin 1989, 68) The current Rocard government has continued this "new technocratic realism" (Ross 1987,) strategy with renewed vigor adopting a series of market oriented policies aimed at modernizing French business and society. In light of this domestic strategy, the support of a neo-liberal Europe is consistent with Socialist Party program which has endorsed neo-liberalism at the national level.

Beyond simple consistency with domestic policy, Europe has become a central component of Mitterand's vision of a Socialist led France. According to Jack Hayward(1990, 29), Mitterand has used the 1992 program to unify the French people and provide "a sense of national purpose in economic modernization so as to become competitive." In his "Letter to the French "(1988) published prior to the 1988 presidential election, Mitterand emphasized the 1992 program as essential to France's technological modernization and its ability to be competitive with the US and Japan. Although this modernization and pro-European strategy has critics within the Party (especially from the **tendance** of J-P Chevenement), Mitterand has maintained Party support for both Europe and the technocratic realism strategy. (Machin 1989, 68; Howell 1991, 35) This forward-looking centrist, European strategy remains popular as well with the public which consistently places Jacques Delors among the most popular PS leaders.(L'Express 1991, 20)

As long as the Socialist Party's centrist image and pro-Europe stance remains popular, calculations of electoral advantage will override any internal misgivings about the ideological thrust of the 1992 Program. Also, Europe in the current context seems to pose more difficulties for the political Right in France, opening the possibility of another division of the kind Mitterand has exploited so skillfully.(Guyomarch and Machin 1989, 201-207) The neo-Gaullists(RPR), in particular, remain sensitive to the potential for the loss of French "sovereignty" in the 1992 program, and this has added Europe which now along with personality clashes divides the RPR from its chief coalition partner, Giscard D'Estaing's UDF (Subtil 1991). To the degree that Right voters are susceptible to nationalistic appeals, the anti-Europe stance of the National Front further divides the electoral base of the Right and compounds the problem of forming a Right governing coalition. Viewed in this light, Europe fits nicely into Mitterand's electoral strategy of leading a majority coalition of the Left-Center against an isolated "pseudo-revolutionary Left" (the PCF) and a "posturing counter-revolutionary Right" (Hayward 1990, 29).

Although Mitterand has been quite adept up until now at maintaining PS support for his center strategy, rumblings within the Party about its loss of identity and abandonment of socialist ideals remain a problem. Interestingly, the commitment to Europe has become a standard excuse in internal Party debates to deflect rumblings about the loss of ideologically purity. Last summer, for example, a rather large conflict occurred among the various PS factions over evidence of growing inequality in French society. According to a recent analysis of this conflict, what was remarkable about it was its ideological narrowness with none of the Rocard government's critics offering any plausible alternatives to current market oriented policies. Why? Because the government justified them as required by international economic constraints and the Europe 1992 project (Howell 1991, 35). In fact, in the midst of the inequality debate, Rocard's Finance Minister announced lowering corporate taxes to bring them in line with the rest of the EEC (Howell 1991, 36).

The impact of the European commitment applies not just to internal Party conflict but it affects how the Party now portrays its policies to the electorate. Europe now drives a whole range of economic and social policies, most reinforcing policy austerity and some likely to be unpopular. Soon, for example, the French will need to shift more to the income tax, a direct and highly visible tax, rather than the more indirect TVA as a source of revenue, a development which voters will not like and which will make raising government revenue more difficult (Vernholes 1991). In carrying out these policies, the Party can justify them as dictated by the "discipline" imposed by the EEC rather than a consequence of the government's own preference. In a recent article in a Party journal, Rocard used precisely this argument to explain why, in spite of continued commitment to the ideal of reducing inequality, his government could not resort to too much state intervention as a way to address the issue (Rocard 1990, 39-40).

From the point of view of the current PS leadership, Europe has largely removed economic and social policy as a central political conflict at the national level (Howell 1991, 37). This is advantageous to this leadership at a time when it feels compelled to follow market oriented policies unpopular to a large portion of its traditional electoral constituency. From this perspective, the high visibility given to the French government's and Delor's efforts on behalf of the Social Charter become clear, even though they resulted in only a weak document. The stand for the Charter shows the PS battling on behalf of social democratic ideals at the European level, even if it fails to achieve these ideals because of British and German intransigence. The Party takes credit for standing up for European social democracy while pursuing domestic austerity.

Under the leadership of Neil Kinnock, the British Labour Party has followed a similar course. In the mid-1980s Labour's policy moved decisively away from the strategy of attempting to implicate private capital with the unions in "democratic planning," toward direct encouragement of private industry. Citing the experience of Japan (Kinnock 1984, 26,86-94), rather than the American model lauded by the Conservatives, the emphasis is on the merits of the state as a partner in research and development not, it is clear, as the engineer of "irreversible" shifts in power and wealth.

The party's highly publicized "Policy Review," initiated in the wake of Thatcher third electoral triumph in 1987, rejected Bennite interventionism in favor of what Peter Jenkins identifies as "continental-style social democracy," defined as "a social market approach with the stress on the social." In sharp contrast to the philosophy of the AES, which insisted on a direct and positive relationship between social equity and economic efficiency, the "economic regime is that of the market while the thrust of politics is towards welfare and justice, a division of labor between wealth creation and its distribution" (The Independent, May 16, 1990, 21).

"The Final Report" on the Policy Review issued in May 1990 in passages is interventionist ("the market can be a good servant but it is often a bad master") and corporatist ("Britain needs a partnership between public and private interests") in tone, but confines itself to such banal generalities as "We also believe in a more informed approach to tackle inflation and propose to develop forums to discuss the economy" (Labour Party 1990a). For editorial and business opinion, which for the first time in more than a decade professed itself willing to consider the merits of a Labour government, of far greater importance than these seemingly obligatory references to past Labour tradition was the party's resolve that Britain "negotiate positively with EC partners to achieve further economic and monetary integration" (Labour Party 1990b, 8) and, in particular its increasingly unqualified support for British accession to the ERM.

Clearly, the temptation for the Labour leadership was to exploit divisions over the Exchange Rate Mechanism in the Thatcher cabinet. The prime minister's rearguard defense of sterling as the symbol of British sovereignty ("How can I possibly go to the Queen and tell her that her head is no longer to appear on our banknotes") (New York Times, November 4, 1990, E3) and the anti-Brussels invective of the supporting "Up Yours Delors!" (Sun, November 2, 1990, 1) British tabloids had precipitated an open split with colleagues in the her government and party, and placed her, in the overwhelming opinion of business leaders on the wrong side of an issue fundamental to the interests of capital. Kinnock pursued the opportunity to effect a role reversal, to paint the Conservatives as the defender of out-dated doctrine and Labour, aligned with all but the most hidebound elements of British industry and finance, as offering pragmatic, forward-looking leadership. By the same token, however, support for entry to the ERM was the key signature of Labour's "new realism."

Reciting objections he believed should have been obvious to a party of the Left, Thatcher loyalist Brian Walden (The Sunday Times, July 2, 1989) suggested that Labour had talked itself onto "a monetarist minefield." Effectively "an attempt to force German monetary discipline on the European Community," the ERM could be "subtitled a mechanism for making sure that a Labour government cannot carry out its favorite policies and the British trade unions are brought to their cake and milk." Tying the pound still more closely to the Deutsch Mark, the ERM creates "an inbuilt sanction forcing British governments towards deflation . . . The government could not finance its programme by borrowing, but would have to increase taxes" for which there could be no compensating hikes in pay. As Walden, and other decidedly more sympathetic commentators appreciate, the ERM, in this sense, fills a whole at the heart Labour's program previously occupied by incomes policy. Providing a Labour government "the perfect excuse" for reneging on its employment and social security pledges, it helped remove the fear that under Labour incomes will once again be made subject to political negotiation which must inevitably revive "Bennery"--the demand for control over profits and investment.

Conclusion

Conceivably, Labour and the PS are taking a longer term, more strategic, view of the new Europe. The Social Charter and action program can be seen as laying "the first foundations for a European system of labor market regulation" (Grahl and Teague, 1990, p.213). Certainly for those who joined Thatcher in urging a decentralization of the EC so as to pre-empt "restrictions upon individual freedoms, especially private property rights" implicit in "bureaucratization and social regulation," there is no question but that the Social Charter is a product of "social democratic reasoning" and that it will "generate more extensive opportunities for the 'political plunder'" associated with demands of labor unions (Lingle, 1991, pp. 129-130). Similarly, inasmuch as its acknowledges a growing problem of trade imbalance and centralization of production, the doubling of the structural fund sets the precedent for future additions the scale, and possibly the scope, of regional policy.

Yet even with Thatcher removed (and leaving aside the suspicion that her sensitivity to the smallest token of social re-regulation was convenient to her Community colleagues), trust in a future "social Europe" must contend with a serious political and institutional obstacle. Within the governance of the Community there remains a serious "democratic deficit." As John Palmer remarks, unaccompanied by popular struggle, the nascent European state lacks many elementary "bourgeois" features, not least rule through parliament (1990, 59; see also Minc 1989, 199-203). The Left's current majority in the European Parliament (EP) gives it no legislative, and only limited budgetary, authority. The SEA does grant the parliament a new capacity to delay and amend legislation before the EC Council of Ministers, but even with a proposal wholly rejected by the elected assembly, the Council, which conducts its business in camera, retains the power to legislate by unanimous consent.

Extending the powers of the EP, its ability to hold the Commission to account and control the Community budget, has been a long-stated objective of the Parliament Socialist Group. Yet without explicitly reasserting the connection, broken in the acceptance of the 1992 program, between efficiency and equity (between employment and the distribution of wealth and income) socialist parties would seem to have little basis on which to seriously object to development in the Community merely because they are undemocratic. The comparative weakness of the Parliament, the limited and indirect accountability of the Council and Commission, and the political independence of the new system of central banks, all can be regretted as obstacles to social reforms or expenditures that might be advanced as matters of "fairness" or regional solidarity but they cannot be characterized as critical barriers to the realization of the essential economic goals upon which general levels of social welfare in the Community presumably depend. As George Ross remarks, "[For Delors], 1992 involves first and foremost, freeing up market space to allow Europe to win new international competitiveness ... Desirable social consequences, including the care and feeding of a 'European model of society,' come only second" (1990, 54). In other words, having conceded the essential market-first priorities of the Single Market, social democrats risk consigning democracy as well as social justice to a "dimension" that is by implication superstructural and incidental to the dynamics of the new Europe.

Even if the EEC "democratic deficit" could be overcome or, if at some future time, the unlikely conjuncture of social democratic governments in power simultaneously in major European states were to occur, the newly emerging European institutions are not likely to encourage social democratic policies. In fact, it would seem they will exacerbate the very political and economic forces which have placed social democracy in crisis in the last two decades. As was argued in the first section, this crisis rests on a fundamental contradiction between redistributive goals and the need for cooperation from private capital to achieve them. As long as business faces no pressure to induce it to engage in "concertation" or negotiate with labor and the state to achieve greater social equity, there is no reason to expect it to do so. Since the neo-liberal Europe of 1992 seems to strengthen the power of business vis à vis both labor and the state, the political prospect of social democratic policies is also weakened. Moreover, the structural dynamic of an open internal market within which national governments compete for business investment may well undermine left politics throughout Europe. Certainly, a similar dynamic in the American federal system has had this effect in producing very conservative social policies and an almost non-existent left (Robertson and Judd 1989, 58-89).

In the short term, Labour and the PS may achieve the electoral gains their leaders expect from their European enthusiasm. Their strategy of claiming credit for any economic growth resulting from 1992 while blaming concomitant austerity and greater social inequity on "European discipline" will work for a while. But, eventually, these parties must face the social consequences of a neo-liberal Europe. French and British voters, accustomed to looking to the left for protection from capitalism's rough edges, will not for long entrust the management of capitalism to a left which no longer plays this role. At that point, building a European internal market, while ignoring its social consequences, will not help Labour and the PS avoid facing their ideological dilemma. They will have to either find a way to pursue their traditional policy commitments within Europe or abandon them to the logic of the "big market."

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