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Budgeting for Success

How a Series of Budgetary Breakthroughs Underpinned the EC/EU's 1980s Boom

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The current standard explanation of the remarkable revival or *relance* of the European Community (EC) in the latter half of the 1980s – a transformative moment that paved the way for the establishment of today's European Union in the early 1990s – highlights institutional reform and emerging policy consensus as the two main drivers of process. Different authors, it is true, highlight somewhat different causal links and identify different individuals as the key protagonists. Some accounts are hence more supranational in focus, singling out the role of the incoming European Commission President Jacques Delors in particular, while others adopt a more intergovernmental approach, emphasising the importance of key actors amongst the member states, and the vital significance of an emerging consensus amongst the national governments about what the Community should do.[1] But virtually all construct an explanation that centres on the adoption by the European Economic Community (EEC) of the Single Market programme in 1985, and the decision, also taken that year, to convene an intergovernmental conference (IGC), which would lead to the first major new European treaty since the Treaty of Rome: the 1986 Single European Act.[2] This last, it is widely claimed, had a transformative effect on the manner in which the Community functioned, thereby making it much better able to attain its bold new policy target of constructing a

[1] For a Delors-focused account see eg Ken Endo, *The Presidency of the European Commission under Jacques Delors: The Politics of Shared Leadership* (Basingstoke, Macmillan, 1999). A newer, but equally Commission-centred version, is in Nicolas Jabko, *Playing the Market: A Political Strategy for Uniting Europe, 1985–2005* (Ithaca, NY, Cornell University Press, 2006). The classic intergovernmental case remains Andrew Moravcsik, 'Negotiating the Single European Act: National Interests and Conventional Statecraft in the European Community' (1991) 45 *International Organization* 19.

[2] The first concerted attempt by historians to explain these developments is constituted by Michael Gehler and Wilfried Loth (eds), *Reshaping Europe: Towards a Political, Economic and Monetary Union, 1984–1989* (Baden-Baden, Nomos, 2020).

truly functioning internal market by the end of 1992.[3] A new sense of purpose and a new manner of operating thus lie at the heart of the 1980s *relance*.

Budgetary matters, by contrast, do not loom large in the traditional account. To the extent that they figure at all, it is usually to argue that the 1984 resolution of the divisive and controversial row over the British budgetary contribution constituted a precondition for the subsequent revival. A few studies also note the wider budgetary problems that the Community faced in the early 1980s, with the massive and volatile expenditure on the Common Agricultural Policy threatening to outstrip the EEC income from the so-called 'own resources', ie the sources of revenue which automatically accrued to the Community.[4] But while this budgetary noose and the deadlock over Britain's share of Community expenditure are presented as symptoms of the EEC's malaise in the first half of the 1980s, little detailed scholarship has been devoted to the manner in which these problems were overcome. Instead the focus of most of the literature shifts elsewhere as the 1985 acceleration began.[5]

The purpose of this chapter will be to suggest that this neglect of the budgetary dimension is a mistake. To be sure, this is not the same as claiming that neither the renewed policy consensus, centred initially around the creation of a Single Market then later on Economic and Monetary Union (EMU) nor the institutional revolution brought about by the Single European Act were important. They clearly both were. But it is to suggest that the budgetary breakthroughs not just of 1984 but still more that of 1988 were absolutely crucial components in the revival of Community fortunes. There is, to put it differently, a really important budgetary dimension to the 1980s *relance*, and the intention of this chapter is to bring it back into focus.

1. The Problem

At the heart of the Community's budgetary difficulties in early 1980s – and indeed at the heart of its wider problems during this most crucial of decades – was the fundamental mismatch between the largely undynamic income from the so-called 'own resources' and the all too dynamic expenditure, centred on the Common

[3] See eg the comments by Riccardo Perissich, the Commission official responsible for the Internal Market programme, in Vincent Dujardin et al (eds), *The European Commission 1986–2000: Histories and Memories of an Institution* (Luxembourg, Publications Office of the European Union, 2019) 193–94.

[4] Dinan does acknowledge the wider problem, although the British Budgetary Question (BBQ) is presented as the core obstacle to progress. Desmond Dinan, *Europe Recast: A History of the European Union* (Boulder, Lynne Rienner Publishers, 2014) 177–80.

[5] Moravcsik is typical of this tendency, moving straight from the negotiation of the Single European Act to the push for Monetary Union and the road to the Maastricht Treaty. Andrew Moravcsik, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (London, UCL Press, 1999) chs 5, 6.

Agricultural Policy (CAP).[6] In an EEC that was obliged by Article 199 of the Treaty of Rome to run a balanced budget, this mismatch quickly became a serious brake on the Community's ability to grow and develop. On the income side neither of the first two own resources that the Community received from 1971 onwards, customs receipts and agricultural levies, seemed likely to grow substantially. In fact in the early 1980s the amount coming in from the latter shrank as often as it rose – a reflection of the way in which the EEC grew ever more of its own food and hence imported less. As a result, the EEC budget became progressively more reliant on the 1 per cent slice of national Value Added Tax (VAT) takes that it had begun to be paid from 1979 onwards. By 1982, just three years after it had started to receive this source of revenue, over half (54.3 per cent) of the Community's income came from VAT.[7] The 1 per cent ceiling on such income could only be raised, however, with the unanimous consent of all member states – something that could not easily be obtained. Expenditure, by contrast, was all too prone to rise. Although by the early 1980s the total spent on the CAP had fallen somewhat from the peaks it had reached in the previous decade, it still consumed the bulk of the Community's budget. It was 68.6 per cent of the total in 1980; 59.7 per cent the following year; and back up to 68.4 per cent in 1985.[8] As these figures rather emphasise, furthermore, the exact sums needed each year for the CAP were extremely hard to predict, given the vagaries of both agricultural prices and production levels. There was hence little room for other Community policies to grow, despite the professed intention to increase EEC expenditure on structural policies and research. Instead, the Community found itself in an increasingly restrictive financial straitjacket, uncertain of being able to meet its existing commitments, let alone take on any substantial new ones.

This budgetary squeeze had a number of damaging knock-on effects. First, it led to a severe deterioration of intra-institutional relations within the European Community. The new directly-elected European Parliament was already keen to exploit the leverage that it enjoyed through the budgetary process to pursue its quest for additional powers. This was something that had become apparent with its rejection of the budget in December 1979, for instance. But it also showed mounting annoyance at the way in which the obligatory nature of CAP expenditure, over which it could exercise no control whatsoever, all but squeezed out any spending priorities favoured by parliamentarians. The limitations of Strasbourg's ability to shape the Community's expenditure thus became yet another example of the powerlessness to which the newly elected members of the European Parliament

[6] Roy Jenkins had used this formula when having his final conversation with Valéry Giscard d'Estaing as Commission President. Tickell Papers, All Souls College, Oxford, File 18, 'Record of a conversation between the President of the European Commission and the President of the French Republic, Elysée', 26 November 1980.

[7] European Commission, *The Community Budget in Facts and Figures* (Brussels, European Commission, 1994) 38.

[8] ibid 31–32.

objected so strongly.[9] The Commission meanwhile was always the first affected by the unreliability of the budgetary decision-making process, restricted in its ability to plan ahead, constrained in engaging new staff on long-term contracts, and obliged to resort to ever more questionable accounting techniques to honour its existing spending commitments.[10] And the Council itself saw budgetary disagreement worsen the pre-existing log-jam of draft legislation. The increasingly tetchy relationship between the Commission, Parliament and Council that characterised the first half of the 1980s revealed much about the Community's malaise.

Second, the wider budget problem aggravated the ongoing row amongst the Community member states about national contributions and receipts from the EEC budget. This dispute is of course most famously associated with Margaret Thatcher's vociferous campaign during 1979 and early 1980s 'to get her money back' from the EEC.[11] But alongside the high-profile British assault on what they perceived as the unfairness of EEC financing, there was also lower-key but still potentially hazardous grumbling on the part of the Germans and Italians too.[12] Other member states, by contrast, regarded any attempt to alter the Community's budgetary system as a dangerous retreat from an important part of the *acquis Communautaire.* The British case for change, seen from such a viewpoint, risked introducing the dangerous notion of *juste retour*, or the idea that member states' receipts from the EEC budget had to remain fully in line with each country's contribution. Accepting this principle would strip the Community budget of any redistributive capacity and seriously limit the range of common policies which could be pursued. Resisting Thatcher's demands was thus not simply a way of protecting a budgetary system that worked well for some member states; it was also a way of protecting the idea and the potential of a genuinely common budget. Bridging this divide of both financial interest and underlying philosophy would be no easy task. Deep-seated disagreement about how the budget should function was certainly not the only source of division and discord amongst the Ten in the early 1980s, but it was a significant contributing factor.

[9] For an insider's view of the Parliament's struggle to assert itself within the EEC's budgetary process, see Julian Priestley, *Six Battles That Shaped Europe's Parliament* (London, John Harper, 2008) 6–22.

[10] For a discussion of Commission staffing trends in this period, which makes it clear that numbers could grow only slowly, despite the enlargement towards Greece, see Éric Bussière et al, *The European Commission 1973–86: History and Memories of an Institution* (Luxembourg, Publications Office of the European Union, 2014) 63–65.

[11] For a detailed look at Thatcher's motivations and underlying approach, see Charles Moore, *Margaret Thatcher: The Authorized Biography*, vol 1 (London, Allen Lane, 2013) 485–95. And for an exploration of why the problem had arisen and why it was so difficult to resolve, see N Piers Ludlow, *Roy Jenkins and the European Commission Presidency 1976–1980: At the Heart of Europe* (Basingstoke, Palgrave Macmillan, 2016) 207–16.

[12] The lingering Italian discontent at the budgetary situation was very apparent in the conversation between Franco Maria Malfatti, the Italian foreign minister, and Roy Jenkins, the President of the European Commission. Tickell Papers, 'Record of a Conversation between the President of the European Community [*sic*] and the Italian Foreign Minister, Villa Madama, Rome', 9 September 1979.

Third and perhaps most seriously, the budgetary impasse cast doubt over the Community's ability to expand either its activities or its membership. In the early 1980s there was no shortage of ideas about how the integration process could be further developed. Landmarks like the 1983 Stuttgart Solemn Declaration on European Union suggested furthermore that the Ten were edging towards the required level of intergovernmental consensus about the need for greater integration.[13] But fine words could only be followed up with new policies if the budgetary constraints were overcome. Nor was the planned expansion of Community membership to include Spain and Portugal likely to be possible under existing budgetary provisions. Both of the Iberian countries were certain to become major net beneficiaries of the EEC budget rather than contributors, with Spanish agricultural production likely to be especially expensive to subsidise on a par with the farmers of the existing member states.[14] There was hence absolutely no prospect of the Community being able to honour its promise to admit both applicants without a budgetary breakthrough being achieved.

2. The Breakthroughs

The first double step towards resolving this situation was taken in 1984. Crucially, it involved both a resolution of the British budgetary problem *and* a more general financial settlement, even though this last would prove only to be a short-term solution. The higher profile of the two – and the longer lasting – was the Fontainebleau deal on the UK budgetary rebate, an accord that would bring to an end the long-lasting and deeply damaging row over Britain's contribution to the Community budget. The details of what was agreed and how so acrimonious a dispute was eventually resolved need not detain us here.[15] But what mattered is that an issue that had been poisoning debate within the EEC, and especially perhaps at European Council level where Thatcher had pursued her objective in particularly abrasive fashion, had at last been cleared away.[16] Equally crucial was the wider budgetary advance, with agreement reached to raise the slice of VAT returns that accrued to the Community from 1 per cent to 1.4 per cent. This at a stroke ended

[13] The text of the declaration is available at www.cvce.eu/en/obj/solemn_declaration_on_european_union_stuttgart_19_june_1983-en-a2e74239-a12b-4efc-b4ce-cd3dee9cf71d.html (*Centre Virtuel de la Connaissance sur l'Europe*, 18 December 2013).

[14] For a revisionist take on the path to Spanish membership see Marta Alorda Carreras, 'Europeanisation à la Carte: Negotiating Spanish Accession to the European Community, 1979–1985' (PhD thesis, Florence, European University Institute, 2022).

[15] For my own analysis of how the deal was reached, N Piers Ludlow, 'A Double-Edged Victory: Fontainebleau and the Resolution of the British Budgetary Problem, 1983–1984' in Gehler and Loth, *Reshaping Europe* 45–71.

[16] François Mitterrand used the terminology of poisoning in his May 1984 meeting with Helmut Kohl, Daniela Taschler and Tim Szatkowski (eds), *Akten zur Auswärtigen Politik des Bundesrepublik Deutschland 1984* (Berlin, De Gruyter Oldenbourg, vol 1, 2015) 705.

the imminent budgetary crisis within the EEC of which the European Commission had been warning. And this too gave Europe's leaders valuable breathing space to begin to think about more generalised European advance.[17]

Importantly the two agreements were linked, politically as well as chronologically. For one of the key difficulties confronting Britain's leaders in their campaign to get the budgetary redress that they believed themselves to deserve, had been persuading their partners, upon whom the costs of any British rebate would fall, to recognise the urgency of the problem and the need to act. In 1980 and again in 1982 they had tried to do this by linking progress on the British budgetary question to the annual setting of CAP prices. Without progress on the former, UK ministers would not permit the much-needed price agreement to be finalised.[18] On the second occasion that this tactic had been tried, however, British threats to veto the CAP prices as they were agreed had been overridden, the nine other countries disputing the UK's claim that its vital interests were in play and that the Luxembourg Compromise thus applied. With the UK in midst of an actual war with Argentina over the Falkland Islands, and keen to preserve the Community economic sanctions that had been imposed upon General Galtieri's regime, the British government had been compelled to accept this reverse.[19] But this left it requiring a new lever with which to force its fellow member states to address the issue of Britain's budgetary contribution. And this in turn made the Community's wider budgetary problems absolutely crucial, since in order to resolve the general lack of money and to raise the VAT ceiling, unanimity amongst member states would be required. Britain could therefore make its assent to the proposed 1.4 per cent VAT limit conditional on a deal also being struck on its own budgetary problem. This is what happened at Fontainebleau.

Also of importance was the fact that the increase of the VAT ceiling to 1.4 per cent was nothing more than a temporary fix. Even so, it was still of great political significance, since it would provide the Community's leaders with the budgetary headroom to take the first crucial decisions of what we now refer to as the *relance*. The push for a Single Market and the IGC leading to the Single European Act would thus take place during a period when the Community was not greatly preoccupied with its budget.[20] It also meant that Spain and Portugal could take their place around the Community table in 1986 without immediately

[17] This was the aspect emphasised most by Mitterrand in his post-summit press conference. See www.cvce.eu/en/obj/press_conference_by_francois_mitterrand_fontainebleau_26_june_1984-en-b28bbf91-7fd4-4274-a7a1-49f8576cfff8.html (*Centre Virtuel de la Connaissance sur l'Europe*, 8 November 2016).

[18] The 1982 decision is outlined in Stephen Wall, *The Official History of Britain and the European Community*, vol 3 (Abingdon, Routledge, 2019) 216.

[19] Michael Butler, *Europe: More than a Continent* (London, Heinemann, 1986) 99–100. On the intersection between the Falklands War and British European policy, see N Piers Ludlow, 'Solidarity, Sanctions and Misunderstanding: The European Dimension of the Falklands Crisis' (2021) 43 *The International History Review* 508.

[20] For the latest historical research on the *relance*, see Gehler and Loth, *Reshaping Europe*.

bankrupting the EEC. But given the inexorable rise of Community expenditure, even without enlargement or the new policy priorities that the ambitious Delors Commission was beginning to set, it was entirely predictable that a new round of budgetary negotiations would be necessary. Indeed the temporary nature of the wider budgetary deal agreed in 1984 almost certainly made it much easier to settle the British budgetary rebate too, since most of the UK's partners, in agreeing to cut Britain's contribution to the budget, (wrongly) assumed that they were doing so only for four or five years, and would be able to revisit the issue once a new budgetary settlement was required.[21] Had they known that they were in effect allowing an arrangement for the UK which would endure, more or less unscathed, until Britain's departure from the EU in 2020, it is much less likely that they would have granted so generous a deal. But British diplomats and politicians would prove highly adept over the years and decades ahead at preventing a reopening of the British budgetary question. Unpleasant memories of how disruptive an issue it had been, meant moreover that few of the other member states were inclined to try too hard to revisit the issue. There was always a better time to discuss this question.

No such stay of execution applied to the general Community budget however. In fact by 1987 the Community was facing a budgetary squeeze even more daunting than that of the early 1980s. It was a 1987 Commission report, after all, that opened with the blunt observation: 'The Community is a present faced with a budgetary situation which can only be characterised as being on the brink of bankruptcy.'[22] A key part of maintaining the Community's new momentum hence became the identification of a new budgetary deal. This would become the Delors I package of 1988.[23]

The key to this second and much more transformative budgetary breakthrough was the combination of ambition and the favourable context. Jacques Delors, the President of the Commission and the main architect of the plan, was certainly ambitious. But then so too had his predecessor Gaston Thorn been in his attempts to respond to the May 1980 mandate and to initiate a budgetary revolution seven years earlier.[24] What made the difference in the late 1980s was the dramatic change in the mood of nearly all senior European decision makers, whether in the Commission or in the member state governments. Whereas in 1981 the backdrop had been highly gloomy, with many doubting Europe's capacity to succeed, the atmosphere in 1987–88 was much more positive, the economic and

[21] Mitterrand was very clear on this point: www.cvce.eu/en/obj/press_conference_by_francois_mitterrand_fontainebleau_26_june_1984-en-b28bbf91-7fd4-4274-a7a1-49f8576cfff8.html (*Centre Virtuel de la Connaissance sur l'Europe*, 8 November 2016).

[22] Commission, 'Report by the Commission to the Council and Parliament on the financing of the Community budget' European Commission Historical Archives, Brussels (henceforward ECHA) COM (87) 101 final.

[23] Michael Shackleton, *Financing the European Community* (London, Pinter, 1990) 9–22.

[24] It is usually argued that Thorn's over-ambition on the budgetary settlement contributed to his lack of success as a Commission president. Klaus Schwabe, 'Gaston Thorn (1981–1985): A Forgotten President' in Jan van der Harst and Gerrit Voerman (eds), *An Impossible Job? The Presidents of the European Commission, 1958–2014* (London, John Harper Publishing, 2015) 151–72.

political context significantly more benign. Therefore while reaching agreement proved difficult, with a failed summit at Copenhagen in December 1987 underlining the risks still involved, this time, unlike in the early 1980s, a deal was reached.[25] Furthermore Delors' determination to hold fast to his ambitious plans, despite failure at Copenhagen, enhanced his growing reputation – a stark contrast with Thorn whose reputation had never really recovered from the failure of his 1981 budgetary scheme.[26]

In substantive terms furthermore, the 1988 package was much more significant than the 1984 accord had been. This time it was not simply a matter of raising the VAT ceiling further. Instead, the package agreed had four main elements which cumulatively transformed the budgetary process and politics of the EEC.[27] The first was a move away from self-standing annual budgets towards five (and later seven) year Multiannual Financial Frameworks. The second, was a doubling of the structural funds, designed to boost the redistributive functions of the Community budget and help the poorer regions of the EEC prepare themselves for the completion of the Single Market in 1992. Third, this new expenditure would be in part covered by a newly introduced 'fourth resource': a new member state contribution to the Community budget linked to each country's gross national product (GNP), and designed to increase as the budget itself increased. And fourth, the Delors I package included a series of so-called 'stabiliser mechanisms' designed to rein in CAP expenditure. These last highlighted the Commission's intention to use its new revenue streams responsibly. But the other three mechanisms between them would revolutionise the Community's budgetary process – and with it clear the way for the most productive period of the integration process.

3. A Transformed Budgetary Landscape

So what had changed? And what justifies claiming that the budgetary alterations brought about by the 1988 Delors I package were as vital for the Community's successes of the late 1980s and early 1990s as the much better-known institutional and policy related breakthroughs had been? This chapter will point to three vital consequences of the new budgetary procedure, and then flag the way in which the deal reached and the manner in which it was secured, point to a fourth fundamental

[25] Dujardin et al, *The European Commission* 212–15.

[26] Ross lists the Delors I package alongside the Single Market programme, the Single European Act and EMU, as the key examples of the Commission President's 'astounding success', George Ross, *Jacques Delors and European Integration* (Oxford, Oxford University Press, 1995) 12.

[27] For the text of the agreement, see www.cvce.eu/en/obj/conclusions_of_the_brussels_european_council_extract_concerning_own_resources_budgetary_discipline_and_budget_management_11_13_february_1988-en-eeec6f42-3251-44b0-9749-0dcc4bf64931.html (*Centre Virtuel de la Connaissance sur l'Europe*, 6 September 2012).

evolution in the political leadership of the Community. Taken together these four changes were essential components of the EC's golden years.

The first and the most basic consequence of the Delors I package was that the Community, and later the European Union, could press forward without regularly encountering a financial ceiling on its ambitions. The great merit of the fourth resource introduced in 1988 was that it was flexible and could adjust upwards as and when EC/EU expenditure rose. As a result, the Community and then Union was able to embark upon a period of extremely rapid development, involving both a significant widening of its policy agenda, and, somewhat more slowly but ultimately even more impressively, a huge increase in its membership without periodically finding its progress restricted by the danger of imminent bankruptcy. To put some figures on this change, in 1988, the last budgetary year before the new regime came into force, total EU expenditure had been €42495.2 million; by 1992 this had risen to €60844.1 million; and by 2000 it had more than doubled at €92253.6 million (a rise of 117 per cent).[28] A comparable rise in an earlier period with a finite set of own resources would have necessitated a succession of decisions – almost certainly fraught decisions at 'crisis' summits given the usual politics that surround any EC/EU decision about money – to raise the expenditure ceiling. But the new fourth resource had been able to expand automatically to accommodate the new costs, in the process becoming the single biggest source of EU income. By 2000 42.3 per cent of the overall budget came from this revenue stream, compared to 38.1 per cent from VAT, and 15.3 per cent from the two original 'own resources' (ie agricultural levies and customs receipts) combined.[29] Given that the new fourth resource was directly tied to each member state's share of EU GNP, this new financial regime also made much less likely any recurrence of the type of problem that had lain at the heart of the British budgetary question, namely the significant mismatch between the UK's status in the early 1980s as one of the biggest net contributors to the Community budget, and its position as a country with a per capita GNP that was significantly below the then Community average.[30]

This loosening of the financial strait jacket within which the Community had previously been obliged to operate also allowed the Community and then Union institutions themselves to expand as their duties broadened. The inability to hire significant number of new staff had been one of the more insidious effects of the previous regime. That same 1987 report which had spoken of the EEC being on 'the brink of bankruptcy' had also denounced the staffing level consequences.[31] It was therefore important that over the 1988–2000 period Commission staff numbers

[28] European Commission, *The Community Budget* 30–31.
[29] ibid 42–43.
[30] Britain's subsequent strong economic growth during the mid-to-late 1980s means that this aspect of the British budgetary question is often forgotten, but in 1979, when the Thatcher government began agitating about the issue, only Ireland and Italy had lower per capita GNP amongst the then nine member states.
[31] Commission, 'Report by the Commission to the Council and Parliament on the financing of the Community budget' ECHA COM (87) 101 final.

would rise from just over 14000 to 21729, with the other structures within the EC/EU institutional system enjoying comparable increases.[32] The expansion of Europe's new duties could thus be accompanied by a commensurate expansion in the numbers of those tasked with implementing the new activities – although as the scandals that would befall the Santer Commission as the twentieth century drew to its close would demonstrate, it would take some time for the European Commission fully to develop the administrative and management structures needed to oversee its significantly larger work force.[33]

The second major change was the way in which the move to Multiannual Financial Frameworks (MFFs) made the use of the EC/EU budget for long-term transformative expenditure much easier. Both structural funds and the Community's research budget, it is true, predated the move to MFFs. Both had indeed been amongst the fastest growing spending priorities of the early to mid-1980s.[34] But the effectiveness of each had been somewhat held in check by the delays and uncertainty that surrounded each round of annual budgetary bargaining between the Commission, Parliament and Council. This was all the more so because one of the features of the 1979–88 period had been the frequency of breakdowns in this bargaining process, with knock-on effects on all Community expenditure. As that same 1987 report noted, none of the preceding three budgets had been agreed in the normal time frame.[35] So any form of EEC expenditure that required financial commitments that stretched over a period longer than 12 months was constantly at the mercy of the ill-tempered and crisis-prone negotiating process that surrounded each annual budget.

Under the new system, by contrast, there was much less drama and uncertainty, and far more chance of European moneys being used to effect long-term change. This mattered greatly given the way in which the fastest growing categories of Community/Union expenditure over the subsequent period would continue to be structural spending and research, as well as external action, each of which depended upon the predictable and steady flow of funding to the projects earmarked for development.[36] Structural funds indeed would grow so significantly during the subsequent period that they would begin to challenge agricultural subsidies as the biggest category of EC/EU expenditure. By 2000, the European Agricultural Guarantee and Guidance Fund (EAGGF)'s share of the total budget had fallen to 45 per cent (compared to the 60–70 per cent of the total which had been the norm in the 1970s and 1980s), whereas structural funds now accounted for 34.6 per cent.[37] The trend towards the toppling of the CAP as the Union's most

[32] Dujardin et al, *The European Commission* 113.
[33] ibid 97–106.
[34] European Commission, *The Community Budget* 37.
[35] Commission, 'Report by the Commission to the Council and Parliament on the financing of the Community budget' ECHA COM (87) 101 final.
[36] European Commission, *The Community Budget* 37.
[37] ibid 33–36.

expensive policy was unmistakeable. And in this context the avoidance of major controversy each year over the EU budget made this new distribution of expenditure much more effective than it might otherwise have been.

The third consequence, also closely connected to the move away from annual budgets and towards MFFs, was the improvement of inter-institutional relations. This of course was a much broader phenomenon than just the alteration of the budgetary procedure. Multiple other factors fed into the easier rapport between the Commission, the Parliament and the Council, including the changed voting rules brought in by the Single European Act, the rediscovery of shared purpose around the objective of establishing a working internal market by 1992, and the virtuous circle of high expectations and tangible results.[38] In the late 1980s those discussing European integration did so with a real belief that the process could deliver that had been notable by its absence only a few years before. Such self-belief and the expectation of success, then made it much easier to succeed, since all of those involved in the policy-making process adjusted their tactics and approach for an advancing Community rather than travelling to Brussels with negative instructions designed to protect national positions come what may.[39] Similarly institutional change helped create an environment where further institutional change could more easily be contemplated. It could in fact be argued that the European Parliament would only have been prepared to surrender its annual hold over the other two partners in the budgetary process in a context where it was beginning finally to be granted the additional powers it had longed for and was hence able to demonstrate some trust in the European Commission in particular. But it remains the case that had the budgetary process continued in its pattern of acrimonious and time-consuming confrontations each year, this would have constituted a significant brake on the growth of trust between the three main European institutions and a major distraction from the torrent of other legislation that needed to be processed were the ambitious targets that the Community had set itself to be attained. Removing this source of annual tension was thus another important ingredient in the Community's most successful period.

Finally, the budgetary breakthrough also highlighted a major change in the political dynamics of leadership within the EC which would be central to Community politics for several years to come. The central factor in allowing the Brussels summit of February 1988 to succeed in reaching a deal on the budget, where the Copenhagen Council of December 1987 had failed, was the willingness of German Chancellor Helmut Kohl to accept that the Federal Republic would need to accept an increase of its budgetary contributions.[40] It was hence the first of what would become an important sequence of Community breakthroughs linked to Kohl's readiness to get out his chequebook at crucial moments. This constituted

[38] Dujardin et al, *The European Commission* 183–210.
[39] See the comments by Riccardo Perrisich cited in Dujardin et al, *The European Commission* 193–94.
[40] Ross, *Jacques Delors* 42.

a vital change. One of the surprises, to me at least, of several recent pieces of historical research done on the Community in the early to mid-1980s, is the way in which Kohl's government was initially associated by its partners not with budgetary largesse but instead with a penny-pinching attitude more in line with the UK than with his later reputation. Kohl's pro-European rhetoric was not, in other words, initially matched with a readiness to accept the costs of more Europe. This in turn led both the French and Italian governments to harbour serious doubts as to whether Germany could be fully trusted to work for greater integration. Instead, both Paris and Rome, grumbled to each other about the seeming emergence of a London–Bonn axis designed to minimise Community expenditure and choke off any policy advantage that cost money.[41] This would be a feature not just of the difficult first years of Kohl's Chancellorship, ie 1982–84 when the whole Community was struggling somewhat, but also of 1985–86 as the deadlock in Brussels appeared to ease. Kohl's change of heart in 1988 and his willingness to rescue Delors' budgetary package by accepting that Germany would need to shoulder a significant portion of the additional costs thus represented a really important change of direction.

It was a change furthermore with huge implications for the pattern of EC politics over the next half-decade or so. For a start, it helped cement the personal rapport between Kohl and Delors that would lie at the heart of so much of the Community's dynamism – and the dynamics of the European Council itself – in the years ahead. The Commission President acknowledges the vital importance of Kohl's changed position in his memoirs, drawing a particular contrast between the manner in which agreement on the budgetary package at Copenhagen had been sunk by German opposition, and the altered circumstances two months later in Brussels.[42] Even more importantly it would confirm Kohl's personal centrality to the workings of Europe's top decision-making body, the European Council, and the centrality of his country to virtually all of the key advances that would follow over the subsequent four or five years. Germany's new position was not of course something that all were entirely comfortable with. Indeed the politics of the European Community in the run-up to 1992 would be impossible to understand without the realisation that virtually all of the Federal Republic's partners had misgivings about German power.[43] But it is also the case that the confirmation that the Federal Republic was fully committed to the integration process, and prepared to dig into its own pockets to see it advance, became a highly positive

[41] Giovanni Lella, 'La Francia di Mitterrand, l'Italia e il rilancio della costruzione Europea (1981–1986)' (PhD thesis, Rome, La Sapienza/Université Sorbonne Nouvelle, 2022); Alorda Carreras, *Europeanisation à la Carte*.

[42] Jacques Delors, *Mémoires* (Paris, Plon, 2004) 238–41.

[43] French misgivings, but also the way in which the French turned these misgivings into a spur for closer Franco-German and European cooperation, are central themes of Frédéric Bozo's analysis. See Frédéric Bozo, *Mitterrand, La Fin de La Guerre Froide et l'unification Allemande: De Yalta à Maastricht* (Paris, O. Jacob, 2005); Frédéric Bozo, 'In Search of the Holy Grail: France and European Monetary Unification, 1984–1989' in Gehler and Loth, *Reshaping Europe* 283–330.

factor in the years that followed. Kohl would use his and his country's centrality to push Europe forward rather than hold it back.[44] And to the extent that France and many of the other member states were worried about German dominance, their response tended to be to seek to strengthen the European framework within which Germany could best be contained. The European politics that would surround the unification process in 1989–90 would underline this important reality.[45] The one leader who bucked this trend – Margaret Thatcher who liked the idea of more Europe even less than she liked the idea of more Germany – would eventually lose her job in large part because this stance made her so isolated as to be largely ineffective in collective European decision-making.[46] And the importance of a Germany that was committed to Europe and willing to pay for the privilege would be further underlined by the rather changed fortunes that the integration process would experience in the post-1992 period, when the costs of German unification seriously sapped the willingness of Germany and its Chancellor to resort to the same type of cheque book diplomacy which had been so important in the late 1980s.

All four of the consequences of the budgetary deal identified were hence of real importance to the development of the European Community during the late 1980s. The budgetary dynamic did not eclipse the institutional and policy agenda level changes that loom so large in most existing accounts of the period. But they were a vitally significant complement to these changes. The conclusion of the Delors I package in particular therefore merits a place alongside the start of the Single Market Programme or the signature of the Single European Act in the list of major milestones in the making of Europe's most dynamic decade. There is thus a major budgetary component in the European revival of the mid-1980s.

[44] Hans-Peter Schwarz, *Helmut Kohl: eine politische Biographie* (München, Deutsche Verlags-Anstalt, 2012) 397–419.

[45] N Piers Ludlow, 'Not a Wholly New Europe. How the Integration Framework Shaped the End of the Cold War in Europe' in Frédéric Bozo, Andreas Rödder, and Mary Elise Sarotte (eds), *German Reunification: A Multinational History* (Abingdon, Routledge, 2017) 133–52.

[46] For a fairly charitable analysis of Thatcher's position, Patrick Salmon, 'The United Kingdom and German Unification' in Frédéric Bozo et al (eds), *Europe and the End of the Cold War. A Reappraisal* (Abingdon, Routledge, 2008) 177–90. A rather less generous view is given by George Robert Urban, *Diplomacy and Disillusion at the Court of Margaret Thatcher: An Insider's View* (London, I.B. Tauris, 1996) 118–59.