Schmieding, Holger

Working Paper

Maastricht: A dead end of European integration?

Kieler Diskussionsbeiträge, No. 192

Provided in cooperation with:
Institut für Weltwirtschaft (IfW)

Suggested citation: Schmieding, Holger (1992) : Maastricht: A dead end of European integration?, Kieler Diskussionsbeiträge, No. 192, http://hdl.handle.net/10419/48093

KIELER DISKUSSIONSBEITRÄGE

KIEL DISCUSSION PAPERS

192

Maastricht: A Dead End of European Integration?

by Holger Schmieding

CONTENTS

- Unlike previous steps in West European integration, the Treaty of Maastricht contains hardly any of the liberal elements which had so far kept the centralizing and bureaucratic features of the EC in check. The treaty embodies a vision of a uniform EC, to be modelled along the lines of an interventionist nation state.

- Maastricht is the culmination of an integration strategy which was designed for a small number of West European countries. At least since the fall of the Berlin wall, this inward-looking approach has been wrong for Western Europe. With respect to a European integration that goes beyond the Western half of the continent, Maastricht leads into a dead end.

- The interventionist provisions of Maastricht, the harmonisation approach to the completion of the single market and the general strengthening of the common redistributive policies are barriers to an enlargement of the EC. This runs directly counter to the overriding task of European policy for the coming years: the re-integration of the European post-communist countries into the European mainstream.

- The attempt to pursue the two separate goals of economic integration and political unification within a single and uniform institution, the EC, is at the root of the major problems of European integration. The frequent blurring of economics and politics makes for bad economics and bad politics at the same time: It strengthens the EC's bias towards interventionist and politicized solutions to economic problems. It also impairs a close and effective political cooperation between the core countries of the EC because other members are obliged to participate even if they are merely interested in a common market.

- To reconcile the parallel processes of economic widening and political deepening, European integration needs to be re-defined along classical liberal lines. Ideally , Europe should introduce a clear separation between politics and economics so that political goals such as an ever-closer Franco-German cooperation or the prevention of Serbian-style aggressions could be pursued effectively in a suitable political club, whereas economic integration could progress in a broader economic club.

- If the EC is to become deeper and wider without burdening itself with an ever-greater potential for internal conflicts, it will have to concentrate its common activities on fewer and more essential tasks. It will have to put less emphasis on harmonisation and economic interventionism, scale down its harmful and divisive redistributive activities and weaken the link between economic integration and political cooperation.

- In the Treaty of Maastricht, the subsidiarity principle is formulated in such general terms as to be almost useless. The principle needs to be clarified along liberal lines. To serve as an effective safeguard against excessive centralisation, it should then be elevated to a constitutional level so that it takes precedence over all existing and future Community legislation.

INSTITUT FÜR WELTWIRTSCHAFT KIEL · OKTOBER 1992

ISSN 0455-0420

Contents

Deutsche Bibliothek - Cataloguing-in-Publication Data

Schmieding, Holger:
Maastricht: a dead end of European integration? / by Holger Schmieding. Institut für Weltwirtschaft Kiel.- Kiel: Inst. für Weltwirtschaft, 1992
(Kiel discussion papers; 192)
ISBN 3-89456-031-2
NE: Kieler Diskussionsbeiträge

Printed in Germany
ISSN 0455 - 0420

I. Introduction

Ever since the fall of the Imperium Romanum, separate centres of power and diverse modes of organising human interaction have flourished and competed in the geographic and ethnic diversity of Western and Central Europe [Jones, 1981], ultimately giving rise to a Western civilisation based on a relatively deep respect for individual rights. Unlike some short-lived empires forged by force, the postwar attempt to create a supranational Western Europe by international contracts has not yet lost momentum. Thirty-five years after the Treaty of Rome established the European Economic Community, the governments of the twelve present member states stipulated further ambitious goals in the Treaty of Maastricht. If fully realised, Maastricht could invest the European Community with the major classical attributes of statehood and relegate the nation states to mere regions of a larger federal unit. At the same time, the rank of would-be members seems to be swelling by the month. Yet, this essay argues that a Maastricht-style European Union can hardly serve as a feasible institutional arrangement for the present twelve members of the EC. It is clearly unsuitable for a future commonwealth of some three dozen highly diverse countries. Maastricht substantially complicates the major task which the EC has to face in the coming years: the re-integration of Central and Eastern Europe's emerging market economies into the European mainstream.

In order to discuss the future of the European Community, I first list some driving forces of regional economic integration and present a stylised history of the EC. Thereafter, I deal with the external challenges for the EC and the EC's first inward-looking response, i.e. the Treaty of Maastricht. I conclude with some thoughts on how the EC could overcome the conflict between widening and deepening by thoroughly redefining European integration along classical liberal lines.

Slightly revised version of a lecture given at the General Meeting of the Mont Pèlerin Society in Vancouver, August 30 to September 4, 1992.

II. Driving Forces of Regional Economic Integration

On the most general level, regional economic integration in Western Europe continues to be driven by two major, albeit rather different, forces:

(1) Decreasing costs of transporting goods, supplying services, transmitting information, relocating production sites, switching high-skill jobs and moving capital across national frontiers have been undermining the petty regulations of small nation states. The power to impose capital controls, collect an inflation tax and temporarily boost employment by surprise inflation has also been impaired. Unwilling to simply liberalise their markets, governments are tempted to preserve their regulatory power by enlarging the geographic area to which regulations are applied, substituting harmonised supranational regulations for the previous national ones and abandoning national currencies in favour of a common monopoly money. As national redistributive policies are threatened by an increased mobility of capital and high-earning professionals, i.e. of tax bases [Wildasin, 1990], a common redistributive and social policy has an obvious political appeal.

(2) Liberal-minded governments have been trying to redress the skewed internal balance between protectionist lobbies and supporters of openness by a reciprocal liberalisation with close neighbours which confers noticeable benefits on an easily identifiable group of exporters. By making an international commitment to openness, governments may also be tying their hands and curtail the scope for protectionist negative-sum games.

These two driving forces correspond to two fundamentally different integration concepts for the EEC. Following Fritz Baade [1957, p. 4], the concepts can be labelled "liberal" and "authoritarian". The **liberal position** holds that economic integration should be nothing other than the removal of impediments to voluntary and hence mutually beneficial transactions between individuals who happen to live on different sides of a border. The liberalisation of markets need not and should not go along with a harmonisation of national laws and regulations, a fusion of bureaucracies and the creation of interventionist supranational institutions. Economic integration in the liberal sense reduces the role of the state and promotes the international competition of diverse institutional arrangements. The opposite holds for the **authoritarian position**. This position is based on the premise that international competition would produce desirable results only if it were not "distorted" by differences between the countries in the legal, institutional and social framework (in modern terminology: "playing fields" need to be "level"). Barriers to trade should only be lifted if the citizens are subjugated to harmonised policies at the same time. Hence, the integration effort ought to be limited to those states ready to cede sufficient sovereignty to supranational bodies. As a harmonisation of policies, for instance of social policies, impairs the competitiveness of firms in previously less-regulated (or less effectively regulated) countries, economic integration ought to be complemented by a compensatory re-distribution of income from richer to poorer members.

III. A Stylised History of the Community

From the very beginning of the postwar period, European economic integration has been intermingled with politics. The origin of the Community can be traced back to a remarkable turnaround in French foreign policy after the three Western occupation zones in Germany had become a new state, West Germany, in late 1949. Realising that the previous policy of keeping Western Germany fragmented and at bay had become infeasible, leading French politicians sought to co-opt West Germany as a junior partner into a close Franco-German alliance, binding the countries together by common institutions. The Common Market for Coal and Steel (ECSC) in Western Europe, which France proposed in early 1950 and which was established by France together with West Germany, Italy and the Benelux countries in 1952, embodied this approach. Britain decided to abstain because of its opposition to the supranational features of the ECSC [Haas, 1958].

When the more ambitious plans to create a European defence community and a European political community consisting of the six ECSC members were rejected by the French Assemblée Nationale in August 1954, prominent supporters of European political unification changed tack. They opted for an indirect approach which shaped the pattern of West European integration until the end of the 1980s: A common market was to become the nucleus of political integration [Küsters, 1982]. In 1958, the six ECSC members formed the EEC (and the Atomic Community Euratom). At the insistence of de Gaulle, the EEC rejected the British proposal for a broader West European free trade area.

Due to the emphasis put on common institutions, advocates of the authoritarian integration approach found natural allies in those federalists who favoured the establishing of a common market as a necessary detour on the way to an eventual political unification of west-central Europe. As economic decision making was seen as a trial run for uniform politics, the authoritarian approach often prevailed in the evolution of the EEC, the most notorious example being, of course, the Common Agricultural Policy (CAP).

Fortunately, the CAP did not set the norm for all EEC activities, which usually combined liberal and authoritarian features. Internally, the customs union was completed by mid-1968, i.e. even 18 months ahead of schedule. Externally, the EEC did not turn into an outright fortress. Instead, apprehensions on the part of the U.S. and other outsiders about a detrimental diversion of trade gave a major impetus to multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). Unlike the GATT rounds of the 1950s, the Dillon Round (1961-62), and especially the Kennedy Round (1964-67), resulted in substantial tariff cuts for most industrial goods in the 1960s and the early 1970s. Yet, throughout its history, the EC has pioneered ways to evade the liberalising impact of the GATT agreements, be it by erecting non-tariff barriers to trade, by granting subsidies or, most recently, by resorting to contingent protection, such as anti-dumping procedures.[1)]

As a reaction to the EEC, Britain, three countries with close economic ties to Britain (Denmark, Norway and Portugal) and three countries committed to political neutrality and thus unwilling to join the Community (Switzerland, Austria and Sweden) formed the European Free Trade Association (EFTA) for non-agricultural products in May 1960. Yet, liberalisation among the EFTA countries, which were mostly small and located at opposite fringes of Western Europe, was no alternative to trade with the EEC. In the 1960s, the position of EFTA producers on the EEC market deteriorated dramatically. For instance, the ratio of West Germany's imports from EFTA countries to its imports from the EEC declined from 66 percent in 1960 to a mere 28 percent in 1972 [Schmieding, 1988, p. 26]. Under the impact of a substantial distortion of trade flows, Britain, Denmark, Portugal and Norway repeatedly applied to join the EC during the 1960s. In 1973, they were finally admitted to the club, although in the end Norway's voters rejected the terms in a referendum. At the same time, the EC concluded free trade agreements for manufactures with the remaining EFTA countries. Note that Iceland, Finland and Liechtenstein eventually became EFTA members.

Having not been a member of the EEC when the Common Agricultural Policy was designed, Britain with its relatively small, efficient and open farming sector was forced to accept the established facts before it could join the club, although the trade-off between the CAP's supposed benefits to farmers and bureaucrats and the costs to consumers and taxpayers was extremely negative for Britain. One decade later, Margaret Thatcher merely secured a financial rebate.

Apart from the creation of the European Monetary System (EMS) in 1978/79 and the enlargements of the EC on its southern rim (which

---

1) For a critical appraisal of the EC anti-dumping policy, see Messerlin [1989].

became effective for Greece in 1981 and for Spain and Portugal in 1986), little happened in European economic integration between the mid-1970s and the mid-1980s. In the mid-1980s, at a time when Western Europe was recovering from the second oil shock and from the misguided attempt to combat the consequences of this change in relative prices by practising demand management, the dormant process of European integration was reinvigorated by the programme to complete the EC single market by the end of 1992. The legal basis was the Single European Act of 1986 which curtailed the right of member states to block EC activities by a national veto. Once again, economic integration was interpreted as a way to foster ever-closer political cooperation. Once again, the EC approach entailed both liberal and authoritarian aspects, namely a genuine opening of hitherto sheltered national markets within the EC and an adjustment of national regulatory systems after the abolition of internal frontiers. Road transport and financial services have been among the major sectors in which the pursuit of Project 1992 has indeed resulted in substantial liberalisation. Furthermore, the remaining restrictions on the free flow of capital within the EC have been removed (with exceptions for Greece and Portugal until 1995).

Yet, despite the rhetoric as regards the mutual recognition of national practices, the construction of the Internal Market 1992 has proceeded to a large extent via the harmonisation of national laws and regulations. Mutual recognition would have allowed members to maintain their diversity. Norms, regulations, tax systems and public services in the various countries would have been put to the test of the market; the search for welfare-enhancing institutional innovations would not have been restrained. Harmonisation by decree has restricted consumers' and producers' choices and may possibly have been misused as a protectionist tool.

By mid-1989, the economic and institutional deepening of the EC was still on its pre-planned track. Project 1992 was making progress, talks on an eventual monetary union had been initiated and the small group of mostly Mediterranean applicants (or would-be applicants) for membership could easily be held at arm's length. Suddenly, the peaceful revolution which swept east-central Europe in 1989 and shattered the Soviet Union in late 1991 changed the political face of Europe. With the end of the clear-cut confrontation between East and West, one of the major factors which had promoted political co-operation across the Atlantic and within Western Europe - and which had limited the scope for independent foreign policies - ceased to exist. Germany was reunited, the repercussions of EC policy on its neighbours became more obvious, and the queue of would-be members was lengthened by the neutral EFTA countries, for whom the concept of neutrality had largely lost its meaning, and by the newly liberated countries of the East, who could finally express their desire to rejoin the European mainstream. Now that the cold-war straitjacket has been removed for good, the EC will have to cope with new external challenges.

IV. New External Challenges

1. The Demise of the Present EFTA

What is wrong with the EC, one may ask, with so many governments wanting their countries to join the club? The EC has become Europe's pole of attraction not because it is such a good club but because it is so large and important. Take the example of the present EFTA members. Being small and geographically dispersed on the fringes of the EC, these countries are in a peculiar position with respect to international competition for mobile resources. Up to a point, their attractiveness as a site for producing tradeable goods and services depends less on their own policies than on the conditions of access to their major market, the EC. Because of the stunning redirection of trade flows which the formation of the EEC brought about between the late 1950s and the early 1970s, the EFTA members have taken a keen interest in the EC's Project 1992. Initially, almost all of them would have preferred to partake in the EC internal market without joining the Community. The model for such an arrangement would have been the 1972 agreements on free trade in manufactures between the EFTA countries and the EC.

In 1991, the EC and the EFTA countries indeed negotiated a treaty on a European Economic Area (EEA), which basically extended the single market to the EFTA. Under the terms of the agreement, the EFTA countries are to adopt the relevant parts of the EC's "aquis communautaire". Apart from token consultations, they have not been given a say in the future evolution of the common regulations. If the single market had been built largely on the liberal principle of a mutual recognition of national practices, this second-class treatment of EFTA might not have made much of a difference. However, because of the EC's harmonisation approach, the EEA option has lost its initial appeal. Most EFTA countries now want to join the EC as soon as possible so that they can at least marginally influence the future evolution of the extensive body of regulations which they will have to accept anyhow. Furthermore, the EC has exacted a substantial contribution to its costly redistributive policies from the EFTA countries. If the EFTA members have to pay anyway, they might as well join the EC and participate in the decisions on how the money is used.

The EC's harmonisation approach has thus helped to trigger what the EC had wanted to avoid. No longer inhibited by considerations about political neutrality in a bipolar world and no longer harbouring illusions about a Nordic socialism, almost all EFTA countries are queueing up to enter the EC.

2. The Case of the Emerging Market Economies[2)]

Besides wanting to access the EC market, major segments of the new ruling elites in the emerging market economies (EMEs) perceive East-West integration as an important means of stabilising their nascent institutions, of forestalling a slide into economic interventionism and political authoritarianism (the "Latin American

---

2) The arguments made in the following paragraphs are developed in more detail in Schmieding [1991, 1992].

spectre") and of partly filling the power vacuum left behind by the collapse of the Soviet Union.

The institutional void which characterises the first phase of the transformation process in post-communist Europe presents a grave hazard and a splendid opportunity at the same time. The hazard is obvious: the length and depth of the transformation crisis will depend on the rapid emergence and the stability of new and market-conformable institutions. Opportunities for the emerging market economies are enticing: as the old system had shaped almost every aspect of the body politic and the body economic, its collapse has created a unique opportunity to dispose of inherited slack and adopt coherent first-best solutions.

The organisation of the old elite, the communist party, is so discredited, at least in the westernmost EMEs, as to wield little political influence. New distributional coalitions need time to organise themselves. And indeed, Poland, for instance, jumped into a market economy in 1990 with its doors open so wide for imports that it could have served as a model for the world. And Czechoslovakia was not far behind in 1991. However, as special interest groups usually catch up over time, protectionist pressures will grow stronger, jeopardising the more or less liberal regime which was introduced in the early phase of the transformation process. Poland's substantial tariff increases in 1991 underscored this hazard. Ideally, a proper Western European club would offer the newly liberated countries

- an unimpeded flow of goods and services, capital and skills, and ideas and technology between Eastern and Western Europe, based on the principle of mutual recognition of national practices,
- a source of external discipline which might turn the liberalisation progress in the EMEs into a lasting achievement.

Ideally, an appropriately reformed EC would have immediately supplied such an opportunity for a credible precommitment to liberal principles: offering immediate membership - or at least the firm promise of accession in a few years - and subjecting the EMEs to a tight standstill on external protection, to an enhanced EC code against internal subsidies and to the jurisdiction of the EC Court of Justice in commercial matters. "Returning to Europe" has enjoyed considerable popularity in Central and Eastern Europe.[3)] The argument "sorry, we cannot grant protection or further subsidies because otherwise we would not get into the EC" would probably be the best armour against protectionist demands that liberal politicians in the EMEs could hope for.

So much for the ideal situation - I now turn to reality. The EC has indeed reacted to the demise of political and economic totalitarianism in Central and Eastern Europe by offering somewhat enhanced market access. On 16 December 1991, the Community signed association agreements with Poland, Hungary and Czechoslovakia which may also serve as models for negotiations with other EMEs, for instance Slovenia and the Baltic countries. The trade provisions of the three association agreements came into force at the beginning of March 1992.

The general provisions of the agreement with Poland, which are similar to those in agreements with Hungary and the CSFR, are quite remarkable, at least as compared with the association agreements which the EC has concluded with other countries in the past. The EC will immediately eliminate many import quotas and many customs duties and abolish most other tariffs in a stepwise fashion after one or four years. For so-called sensitive products, the EC will grant duty-free tariff quotas which will be widened until the duties are

---

3) On popular attitudes in the EMEs towards the EC and other Western institutions, see Commission of the EC [1992]. In the coming years, rising nationalistic sentiment may spur on a temporary anti-EC (and anti-German) backlash in those EMEs where the economic crisis continues. The backlash is likely to be only temporary, though, as the fears on which it may be based ("selling out to foreigners" and "allowing expelled Germans to return") will turn out to be unfounded and will subside.

phased out after five years at the latest. The EC has also agreed to abolish its tariff and non-tariff barriers to imports of Polish textiles and clothing products within six years and for coal and steel within five years.[4)]

Unfortunately, the liberalisation remains incomplete in three major respects. First, agriculture and fisheries are largely exempted (Art. 18-23) although Poland has a considerable export potential in agricultural produce. Second, the EC is entitled to apply its anti-dumping policy to Polish imports (Art. 29 and 33). Anti-dumping provisions have become one of the EC's most powerful protectionist tools. Third, a variety of safeguard clauses against an unwarranted increase in imports has enabled the EC (or Poland) to "adopt the appropriate measures" (Art. 33,3,b). In other words: imports may be restricted if they threaten to do what international trade is supposed to do, namely to induce a noticeable welfare-enhancing (re-)specialisation in production according to comparative advantages.[5)]

With regard to binding Poland's external economic policy vis-à-vis the EC, the agreement contains some recommendable features. It includes a general standstill clause for customs duties, quantitative restrictions and equivalent barriers to mutual trade in non-agricultural products (Art. 25, 1-3). After a transition period of three years, Poland will subject itself to the - admittedly rather lax - standards which govern public subsidies to the EC's own backward regions. However, safeguard clauses and exemptions from both the standstill and the anti-subsidies code offer Poland's emerging lobbies considerable scope to clamour for some sort of special treatment which would not violate the agreement. The reference to a

---

4) For a more detailed assessment, see Langhammer [1992] and Schmieding [1992].

5) Hindley [1992] has emphasised the vast scope which the association agreements leave for contingent protection.

possible EC accession remains vague. The agreement does not serve to stabilise Poland's new and relatively liberal economic regime.

All in all, the agreement is only an unsatisfactory first step. The EC had originally hoped that the EMEs would gratefully accept association as a viable alternative to EC membership for the time being. Unsurprisingly, the agreements have not served this purpose. The westernmost EMEs are still pressing for early accession to the club. As in the case of the EFTA countries, what the EC has been ready to offer its neighbours has not been enough.

V. The EC's First Response: The Treaty of Maastricht

1. The Road to Maastricht

(West) Germany's immediate response to the revolution of 1989 was quite remarkable.In the late 1980s, Germany and Europe had been divided for as long as most Germans could remember, the different parts belonging to antagonistic military alliances. Many Germans, including the ruling generation of West German politicians, had come to believe that a German re-unification would be possible only in a European context. Once the Berlin wall was breached, however, the East German state disintegrated so quickly that West Germany felt the need to pick up the rubble immediately. Yet, having believed for a long time in an inevitable link between German and European unification, leading German politicians then deemed it necessary to jump-start some sort of political unification of the EC as well.

After some wavering, the French government agreed to strengthen the economic, political and military ties with Germany rapidly, that is, before a German government could have second thoughts about the venture. Sensing an opportunity to exact new funds for themselves before the EC could be enlarged by even poorer and thus supposedly more deserving countries, the poorer EC members (Greece, Portugal, Ireland and Spain) went along. The lingering negotiations on a monetary union were speeded up and complemented by a further intergovernmental conference on a political union. At their gathering in Maastricht in December 1991, the heads of governments of the EC member states agreed on a "Treaty on European Union", the most substantial reform of the EC ever.

2. The Essence of Maastricht

The Treaty of Maastricht would, if ratified and implemented in full, change the EC in four major ways.

(1) It would endow the EC with new and far-reaching interventionist competences in such areas as social policy, industrial policy, technology policy, consumer protection, the environment, health and education. To put flesh to the bone of the EC Social Charter, which was already part of the Project 1992, the EC is to set common minimum standards on, for example, health and safety requirements at the workplace, working conditions, gender equality and the integration of persons excluded from the labour market. A (qualified) majority vote would suffice for such EC directives.[6] The EC might even centrally enforce those parts of possible European collective bargaining agreements which deal with working conditions.

(2) The EC members would be formally obliged to cooperate on immigration and asylum policy, on the control of drug trafficking and in the fight against organised crime.

(3) The EC members would have to agree to create a Common Foreign and Security Policy. The objectives would have to be agreed unanimously in the Council of Ministers, but the measures to implement the policy would require only a majority of votes. The

---

6) For additional EC directives on such issues as social security and social protection, dismissal protection and co-determination, an unanimous vote would be needed.

Western European Union, a long-dormant club of West European NATO members, would become the defence arm of the EC within NATO.

(4) The Treaty sets a detailed plan and a timetable for a monetary union.

The grave damage which expanded EC interventionism would do internally and externally is well known. Experience has demonstrated time and again that excessive government interference suppresses market forces, stiffles economic growth, wastes scarce resources and exacerbates distributional conflicts. It also tends to increase political tensions within and between countries, as economic decisions are shaped by identifiable politicians rather than by impartial and anonymous market forces. The same applies to the equally severe hazards which the common social policy would entail notably for the less advanced member countries and their external competitors.[7)] A common social policy would impair the competitiveness notably of producers in the poorer and less regulated - or less effectively regulated - member countries. As compensation, these countries would tend to demand protection against external competition as well as additional transfers from external competition as well as additional transfers from richer members. Incidentally, such inter-governmental redistributions of tax receipts would weaken the beneficiaries' incentive to pursue growth-oriented economic policies and would strengthen the hold of governments over the economies in their countries. Instead of explicating these well-known hazards in detail, this essay concentrates on (i) Maastricht's supposed safeguard against an overambitious community, the principle of subsidiarity, and (ii) on some aspects of monetary union.

---

7) In Germany, a public declaration of 9 liberal academics has drawn attention to these grave hazards [Bernholz et al., 1992]; see also Kiel Institute of World Economics [1992]. For the repercussions of internal social policy on external protection, see Curzon Price [1990].

(i) Subsidiarity

The term "subsidiarity" has enjoyed considerable popularity ever since the Danish electorate rejected the ratification of Maastricht in a referendum. In the Treaty of Maastricht, subsidiarity is enshrined as follows (Art. 3b): "In areas which do not fall within its exclusive competence, the Community shall take action only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the member-states and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community."

Unfortunately, the general principle begs the major questions:

(i) What is the proper realm of government activities in the first place, regardless of the layer of government which may undertake specific activities?

(ii) According to which criteria are the separate tasks of government to be allocated to its various layers (EC, national, regional, local)?

If interpreted in the light of a liberal weltanschauung, the principle of subsidiarity would leave the EC with few economic tasks other than safeguarding the international public good of openness and policing common rules for the resolution of conflicts over transnational environmental pollution. As the expanded scope for EC interventionism shows, this does not seem to be what the fathers of Maastricht had in mind.

To take the argument to its logical extreme: Even a Soviet Communist could have happily endorsed the Maastricht definition of subsidiarity. According to his weltanschauung, nothing would be more effective than a unitary central plan; and no layer of government could better subjugate the economies of all the member states to the plan than the central government in Moscow. In short, as the general principle of subsidiarity may mean very different things to different people, it cannot serve as a sufficient and reliable safeguard against an EC Leviathan (see also Bernholz et al. [1992]). As it stands, the exact meaning of the Maastricht definition of subsidiarity will have to be clarified by the European Court of Justice once legal disputes reach the Court. Unfortunately, the EC Court of Justice will have to interpret the Maastricht definition in the light of the other provisions of the Treaty of Maastricht. As many of these provisions are thoroughly interventionist, the EC judges will have little leeway to interpret subsidiarity in a liberal fashion.

Some EC watchers have taken comfort in a neat distinction which Maastricht draws between the EC itself, with the Commission as its executive, and the collaboration among governments of all member states. Whereas social policy, industrial policy and similar interventionist activities are to be handled by the original EC itself, common foreign and security policy as well as immigration, border controls and some related fields are to be left to the cooperation among governments. This policy of "separate pillars" reduces the role of the Commission relative to that of the Council of Ministers, i.e. the forum of national governments [The Economist, 1992, p. 13]. The distinction is not all that relevant, though. The precise role of the EC Commission is less important than the question of whether an issue is to be decided at the Community level at all, be it within the accustomed EC structure or be it by inter-governmental cooperation.

(ii) **Currency Union**

The Treaty of Maastricht is supposed to chart the way towards a common currency issued by a common central bank. By the end of 1996, the heads of the EC governments are to decide by a (qualified) majority vote whether a majority of member countries is ready for a currency union. In the case of a positive verdict, the currency union could be introduced for these countries from the beginning of 1997 onwards. In the case of a negative verdict, countries which are then deemed to be ready for the union will have to replace their currencies by a common one at the beginning of 1999.

Countries will be judged according to several macroeconomic criteria: a budget deficit not exceeding 3 percent and a public debt not exceeding 60 percent of GDP; a rate of consumer price inflation exceeding no more than 1.5 percentage points and a long-term nominal interest rate exceeding no more than 2 percentage points those of the three most stable EC members; smooth performance within the Exchange Rate Mechanism of the EMS in the two preceding years. The criteria are non-binding, though; they merely provide a basis for a recommendation of the EC Commission to the Council of the heads of EC governments, which is free in its final decision. Hence, the criteria need not constrain the macroeconomic policy of member countries very much.

Highly indebted Belgium (with a debt to GDP ratio of 128.4 percent in 1989) will hardly be able to meet the public-debt criterion, while low-debt Luxemburg (with a debt ratio of merely 9 percent [Emerson, 1992, p. 109]) will certainly meet it. Yet, Belgium and Luxemburg have shared a common currency for decades. If the Maastricht criteria were taken literally, the Belgium-Luxemburg currency union would thus have to be dissolved, with Belgium being excluded from the common currency although major EC institutions are located in the Belgian capital Brussels. This outcome appears to be highly unlikely. The inevitable conclusion is that the Maastricht criteria for a currency union cannot and will not be taken literally. Note also that the example of the Belgium-Luxemburg currency union disproves the oft-heard assertion that a common currency necessitates political unification as well.

Of course, the subsequent conduct of a common central bank is more important than the question as to whether the prospective member countries may meet some arbitrary criteria beforehand. On paper, the proposed constitution for the EC central bank is not clearly inferior to Germany's present - and far from perfect - monetary set-up. Yet, a Maastricht currency would hardly be as stable as the Bundesbank's currency [Vaubel, 1992; Giersch, 1992]. For a number of reasons, monetary unification along the Maastricht lines would be a severe setback for price level stability in Europe:

(1) At Maastricht, Western Europe missed the splendid opportunity to adopt a liberal monetary constitution, i.e. to let citizens decide via currency competition whether a common currency is needed or not.[8]

(2) Monetary policy will be shaped by central bankers from countries which, judging by past revealed preferences, are less averse to inflation than the central bankers of Germany, i.e. of a country where savings were wiped out twice this century by monetary misconduct.

(3) Currency competition by the D-Mark, at least in the form of having the D-Mark exchange rate as a highly visible measuring rod, has recently restrained monetary policy in major parts of Western Europe; this salutary influence will be missing in the case of a common currency.

(4) The larger the area in which a monopoly currency prevails, the greater the temptation is to abuse it. To inspire the same confidence and to deliver the same degree of price level stability which West Germany has enjoyed under the Bundesbank, a European monetary union would thus need far tighter safeguards than those of the Bundesbankgesetz.

(5) The monetary union is to be irreversible; countries will not be able to exercise an exit option. Thus, member countries cannot discipline the common central bank by threatening to leave the arrangement if the bank misbehaves.

Furthermore, a common currency makes it impossible to cushion asymmetric shocks given by nominal realignments although such realignments could be useful if nominal factor rewards are in-

8) Western Europe's constitutional opportunity, not only in monetary matters, has been pointed out by Buchanan [1990].

sufficiently flexible in terms of the domestic currency, while real factor rewards can be changed by a parity adjustment. Of course, this need not be a disadvantage. If workers and employers were convinced in advance that they would not be bailed out, they would react rationally to the switch in the monetary regime by making factor rewards more flexible in nominal terms. However, Maastricht obstructs the incentive to do so. The four member countries whose GDPs per capita do not exceed 90 per cent of the EC average (Greece, Portugal, Ireland and Spain) have been granted further payments under the label of a "cohesion fund". Counting on the "financial solidarity" of taxpayers in richer EC members, the unions, employers and governments (at least in the poorer EC countries) have little reason to take precautions on their own to protect against asymmetric shocks. Instead, they may rationally opt for excessive cost increases as a means to exact even more funds from Brussels. Note also that the EC social legislation will further impair labour market flexibility.

3. A European Cul-de-Sac

All in all, the Treaty of Maastricht stands out in the history of the EC. Unlike previous integration steps, the new treaty contains hardly any liberal features.[9)] It embodies a vision of a uniform EC which is to be modelled along the lines of an interventionist nation state. In the words of "The Economist", Maastricht "cites, in one way or another, just about every goal and policy with which a modern national government could concern itself" [1992, p. 13]. Maastricht is the culmination of an integration strategy which was designed for a small club of West European countries which, because of the cold war, were cooperating closely on major political and military matters anyhow. At Maastricht, the EC governments have jointly tried to create "little European" facts before the EC would finally have to deal with the fundamental changes going on elsewhere in Europe.

---

9) The useful but insufficient reform of the EC agricultural policy may perhaps be regarded as part of a Maastricht process.

With Maastricht and some important aspects of Project 1992, the EC has erected barriers to its own enlargement:

(1) The harmonisation approach turns economic issues into matters of politics. The same holds for the new interventionist competences for the EC. The more such decisions have to be taken and the more local affairs are settled by a supranational body in Brussels (or an intergovernmental conference), the greater the need for a tight political consensus is. Such a consensus becomes less feasible if the number of members increases further. Hence, the reluctance of the club to admit new members grows with the number and importance of the economic matters to be decided at the club level.

(2) As Maastricht envisages an enhanced political role for the Community, any enlargement will reduce the influence which each single member country has on the common aspects of foreign and ultimately even defence policy.

(3) Project 1992, Maastricht and the agreement with EFTA countries on a European Economic Area (EEA) all will strengthen the redistributive policies of the EC. According to the Community's own criteria, the emerging market economies of Central and Eastern Europe would be entitled to substantial financial support if they were to join the Community or even if they were to be included in an EEA-type arrangement. Rich EC members (who would have to pay more) as well as poor ones (who might get less) thus have an incentive to oppose the inclusion of EMEs.

(4) The EC's common regulations may deter outsiders who are reluctant to give up their own policies which may be better suited to local circumstances.

Nonetheless, the EC may be able to continue for a while on its present track. The Community may even take on four - or five or even six[10] - new members from the EFTA. These relatively rich countries could afford common Euro-regulations as much or as little as the EC members themselves; they have already largely accepted them in the agreement on an EEA; they have also swallowed the principle that they will be forced to contribute to the EC's redistributive policies if they want access to the internal market on equal terms. The major economic stumbling bloc in the negotiations with these countries may well be agriculture because some EFTA countries have agricultural regimes which are even more interventionist and more costly than the Common Agricultural Policy of the EC.

The political obstacles to this enlargement are still formidable though. (i) At present, small countries have a disproportionately large voting power in the EC. The small would-be members from the EFTA are likely to demand the same privilege. This would further reduce the influence of major countries such as France, Germany, Britain and Italy in the Community [see The Economist, 1992]. (ii) The inadequate response of the present EC to the Serbian aggression against its neighbours (and against its own citizens in Kosovo, Sandchak and the Vojvodina) has exposed the problems of forging a common foreign policy among 12 countries; admitting new members with a tradition of neutrality would make the task even more arduous.

Even if the problems posed by the applicants from the EFTA can finally be solved without derailing the EC from the Maastricht track, the real challenge would still be ahead: to incorporate the EMEs into the European mainstream. These countries are poorer, more numerous and more in need of EC attention than the EFTA members. The present EC attempt to build a uniform Community and to integrate markets by harmonisation-cum-side-payments cannot be extended to the EMEs. If they were treated like EFTA countries and forced to adopt the entire

---

10) Austria, Sweden, Finland and Switzerland have applied for membership; Norway may follow soon; what may become of tiny Liechtenstein, politically independent but economically a part of Switzerland, remains unclear.

"acquis communautaire" in order to partake fully in the internal market, they would have to choose between two great evils, namely between staying outside despite the great advantages of membership outlined above - or accepting the high costs of the least-suited EC regulations. Notably, harmonised social policies and labour laws might have severe consequences for the EMEs. They need labour market flexibility and low non-wage labour costs even more than more advanced regions like the rich EFTA.

Maastricht is heading Western Europe the wrong way. With respect to a European integration that goes beyond Western Europe, it is a dead end. Yet, why should the EC bother? The Community could just try to reach its present goal of a uniform "little Europe" and largely disregard the concerns of the EMEs, almost as if the Iron Curtain were still intact. In my view, it is quite unlikely, though, that the Community will be able to do so for more than a brief span of time.

VI. Can Maastricht Prevail?

The prediction that the "little European" vision of Maastricht will not be fully implemented in the end, at least not without major amendments, is based on two major factors: my perception of the changing role of Germany and the recent precedences for an EC à la carte.

1. The Changing Role of Germany

After the fall of the Berlin wall, the fear was widespread that a bigger, reunited Germany might domineer Western Europe. Yet, eastern Germany accounts for only 21 per cent of the total German population and 7 per cent of its GDP. This hardly makes for a threatening enlargement of the Federal Republic of Germany. Nonetheless, the end of the artificial division of Europe may profoundly change the role of Germany as concerns the process of European integration. Notably, Maastricht, which was originally propelled ahead by Germany's immediate response to the revolution of 1989, may clash with Germany's medium-run interests. My somewhat speculative predictions are that Germany will

- oppose an EC policy to keep even the westernmost EMEs out,
- lose some of its enthusiasm for an EC-wide political union,
- question the integration approach of harmonisation-cum-side-payments, and
- have second thoughts about the monetary union.

Because of its size, living standards, geographic proximity and - to some extent - cultural affinity, Germany has been and will be affected far more than other EC members by the short- to medium-run problems and the long-run prospects for rapid growth in most EMEs. For the same reasons, Germany will remain the prime choice for emigrants from the EMEs. Although the number of people from Central and Eastern Europe who want to settle permanently in the West for purely economic reasons is likely to be small for the time being,[11] emigration could rise if major EMEs were to remain in a deep economic crisis for long. More importantly, political or military conflicts in the East may easily spark waves of refugees, as they have done recently in the wake of the Serbian onslaught against Croatia and Bosnia. Immigration is likely to be a top concern for German poli-

11) Since the transformation process has begun in earnest in the EMEs, the most entrepreneurial and mobile segments of the population will have ample opportunities to become rich and enjoy their incomes in the EMEs themselves. This distinguishes East-West migration from South-North migration (for instance the migration from the Maghreb, where fertility rates are also far higher). Apart from the refugees from Serbia's war against Croatia and Bosnia, most of the present immigrants from Eastern Europe belong to special ethnic groups, notably ethnic Germans and Jews from the former Soviet Union, and Romanian gypsies.

ticians.[12] As a consequence of a desire to preempt and prevent mass immigration from the East, Germany cannot but take a keener interest in East European affairs than most other EC countries. It is hardly a coincidence that German politicians have taken Serbia's wars far more seriously than politicians elsewhere. In order to promote political stability and economic progress at least in its neighbouring EMEs, German politicians will probably continue to favour an early accession of these countries to the EC.

In the process of West European integration, West Germany has not vigorously pursued many narrowly defined "national interests" so far; as long as Germany and Europe were divided, West Germany had little policy-relevant national interests other than close integration with her Western neighbours and close cooperation with North America anyhow. The European political union was almost an end in itself, to some extent regardless of the policies which a unified Europe might adopt. This has been changing since the opening of Eastern Europe. The degree of German enthusiasm for a political union per se may well decline substantially. Ultimately, support for the political union may roughly reflect the extent to which such a union is perceived as a vehicle to promote Germany's specific interests. In this respect, Germany would become more like other medium-sized nations of Europe. Putting less emphasis an a political union, German politicians may also see less reason to sacrifice the D-Mark for a highly unpopular currency union - and risk the wrath not only of liberal economists but also, more importantly, of the German electorate. The most troublesome parties of Germany's political right have gratefully taken up the slogan "Save the D-Mark". If they were to score major electoral successes, the German government might cancel the plans for a common currency. As the Maastricht criteria for a monetary union cannot be taken literally, the inevitable conflicts about the inter-

12) In the four decades of its separate existence, West Germany has twice experienced a rise of right-wing sentiment and right-wing parties: in the late 1960s and the late 1980s. In both instances, public anxiety about an above-average inflow of immigrants contributed to the short-lived success of the right-wing parties.

pretation of these criteria may offer a convenient pretext for cancelling these plans.

Within the EC, West Germany so far has been politically willing and economically able to offer side-payments to other EC members in order to further the long-term goal of an ever-closer integration of the EC. Because of the huge costs of German unification, Germany will have far less leeway for the foreseeable future to defuse intra-EC conflicts by making side-payments. With Germany's reduced ability to pay, the approach of harmonisation-cum-side-payments is plainly infeasible for an Eastern enlargement of the EC.

2. Denmark and the UK: Against the Uniformity Principle

Whereas the above deliberations about Germany's diminishing appetite for the Maastricht hotchpot are mere speculations, the British government and the Danish electorate have already undermined the principle that the Europe of the future must be harmonised and uniform. In the Treaty of Maastricht, Britain has retained the privilege to opt out of the currency union and of major parts of the EC social legislation. Denmark's voters have refused to ratify Maastricht in a referendum, although polls suggest that most Danes still support the pre-Maastricht EC. Strictly speaking, the Danish "No" should have derailed Maastricht as the Treaty needs to be ratified by all 12 member states. The EC may well find a way out, probably in the form of provisions which grant Denmark a special status in some fields of EC legislation. In doing so, however, the Community would again have to demonstrate that the future of European integration need not lie in uniform laws and regulations. This may well whet the appetite of other members for tailor-made clauses for themselves.

The popular objections against Maastricht which have been voiced in the recent public debates in Denmark, France and beyond are far from uniform. They are often not the concerns which liberal economists would raise.Some Danes, for instance, obviously voted "no" because they were afraid that Maastricht might compel Denmark to dilute its relatively generous social policy. Yet, on a more fundamental level, most of the popular objections boil down to one major point: Brussels should not decide these matters. As long as markets are kept sufficiently open, liberals could well trust institutional competition to sort out the feasible from the not-so-feasible policies at the national and regional levels.

VII. On the Future of European Integration

At present, it is still likely that Maastricht will be ratified even though it does not seem to be based on a sustainable consensus among EC members. Yet, because of the Danish "No" and the German urge to pay more attention to the concerns of Eastern Europe, it may be implemented only halfheartedly. Even if the EC tries to continue on its present track, the conflicts among its members and between the EC and would-be members are likely to intensify over the coming years, ultimately making a thorough overhaul of the EC inevitable. To make the Community fit for enlargement in the near future, the EC needs to become more liberal and to allow for a greater diversity. More precisely, the EC will have to

- put less emphasis on harmonisation and economic interventionism,
- scale down its economically harmful and politically divisive redistributive activities, and
- weaken the link between economic integration and political co-operation.

If the Community is to become deeper and wider without burdening itself with an ever-greater potential for internal conflicts, it will have to concentrate its common activities on fewer and more essential tasks. Of course, opinions may differ as to which tasks should belong to the proper realm of a wider community. I shall present my views in two steps. At first, I shall briefly state what I consider to be a liberal ideal before I make some slightly more modest suggestions as to how the EC could move at least somewhat in this direction.

In the ideal case, Europe would introduce a clear separation of economics and politics. To be more precise, the EC would give way to two distinct clubs, a somewhat narrow political club and a broader economic club based on liberal principles. The citizens in some European countries seem to genuinely favour the evolution of a common foreign and defence policy. These countries should be free to create such a **political club**. Independent of this political club, the present EC members and all other European countries who can subscribe to some common economic principles should establish a purely **economic club** which, unlike the soon-to-be European Economic Area EEA between the EC and the EFTA, is an attractive economic alternative rather than a mere antechamber for the political club. The political rationale for a clear separation of economics and politics is that no country should be compelled by considerations of gaining market access to join a political club. Reluctant members are likely to dilute the political substance of the club; the pursuit of, for instance, close Franco-German collaboration would become ever more difficult if it had to be done in the framework of a club whose membership were to grow from 12 to, say, 24. Attempts to attain with one instrument, namely a uniform institution called EC, the two separate and not always complementary goals of economic integration and political unification are likely to result in bad economics (excessive interventionism) and bad politics (partial paralysation) at the same time.

The typical European nation state in which all decisions ranging from the economic order to possibly the closing hours of shops are taken at the national level can hardly serve as a model for the future economic integration of Europe. Instead, the parallel processes of geographic widening and economic deepening make an appropriate assignment of tasks to the various levels of decision-making within Europe (supra-national, national, regional and local) ever more urgent. The proper tasks of a European Economic Club would be the evolution and enforcement of common basic principles on the free movement of goods and services, and capital and skills, in Europe, including minimum principles of external economic policy, an internal anti-subsidies code and the mutual recognition of the various national, regional or local regulatory systems. Even if genuine non-pecuniary cross-border externalities were involved, common rules for horizontal negotiations between the affected parties would be superior to a centrally determined policy, at least as long as the transaction costs involved in the negotiations were not prohibitively high.

The power to shape tax and regulatory systems - and to devise income-support schemes for farmers to replace the Common Agricultural Policy - should be allocated to the lowest conceivable level in a proper European Economic Club. The more local and regional units have the freedom to choose their own mixes of taxes, regulations and public services, the more the ensuing competition for internationally mobile resources can serve as procedure for discovering optimal institutional arrangements.

Naturally, the criteria for accession would need to be different for the economic and for the political club. The economic club which safeguards the freedoms of citizens against their government should be automatically open to all countries who accept a liberal discipline; the political club needs to restrict its membership to those countries who endorse the specific policy aims of the club (such as Franco-German cooperation or the prevention of further Serbian-style aggressions). The recent political and military conflicts in post-communist Eastern Europe have underlined the need for an effective political club which is capable of responding swiftly - and whose activities need not be lastingly blocked by, say, Greek aversions to the name of its northern neighbour, Macedonia. Whereas some countries, such as Hungary and the Czech Republic, which are not yet members of the EC may want to join even a tightly knit political union, some of the present EC members may prefer not to join. In the foreseeable future, the atomic superpower Russia may well be eligible for the economic club, though probably not for the political club.

Of course, the liberal vision outlined above may be politically infeasible for the time being. Some slightly more modest and thus slightly more feasible measures would help the EC to avoid the worst pitfalls of Maastricht and let Europe move closer to the ideal situation:

(1) Maastricht should not be ratified unless the subsidiarity principle is clarified along liberal lines. The Danish "No" to Maastricht provides a convenient opportunity and a further reason to do so.

(2) This subsidiarity principle should be elevated to a constitutional level and take precedence over other existing or future EC legislation. Member states as well as individual citizens should be invested with the right to invoke it at the EC Court of Justice in order to challenge, for instance, the interventionist provisions of Maastricht and the already established harmonisation directives of Project 1992.

(3) The British privilege to opt out of the monetary union and the major aspects of the EC social legislation should be granted to each present and future EC member.

(4) Similarly, each member should be able to opt out of the intergovernmental cooperation on foreign policy, security policy and defence policy. The right of EC member governments to co-operate on these matters in groups which do not encompass all EC members should be explicitly endorsed.

(5) A cap should be put on the redistributive activities of the EC, perhaps in the form of a freeze in nominal terms.[13] New members (the rich EFTA newcomers) should neither be forced to contribute to such activities nor be automatically included among the beneficiaries (the poor EMEs and Mediterranean newcomers) thereof.

---

13) I owe the idea of a freeze in nominal terms to a discussion with Lutz Hoffmann on German and European subsidies.

(6) For each additional competence given to Brussels or an intergovernmental conference and with each step towards a widening of the EC, some other competences should be handed back to the constituent countries or even to regions within them.

(7) To improve the existing association agreements with the three westernmost EMEs (or four after the split-up of Czecho-Slovakia), further negotiations - or binding unilateral steps on the part of the EC - should
- clarify the date and conditions of accession to the EC,
- thoroughly restrict the application of safeguards and escape clauses for both the EMEs and the EC,
- strengthen the anti-subsidies provisions for the EMEs,
- reduce barriers to agricultural trade on both sides,
- immediately exempt the EMEs from the EC anti-dumping policy as if they were already EC members, and
- relax the EC's local-content rules for EME imports.

These steps could turn the EMEs into a prime choice for foreign (and domestic) investors looking for a location to serve the European market. Of course, the same recommendations apply to possible agreements with further EMEs.

(8) Upon joining the Community, the European EMEs would need the opportunity to opt for a simplified version of the EC "acquis communautaire" and to opt out of those aspects of EC legislation which add to production costs. Such a solution would not need to be restricted to a period of transition. Instead, it could constitute a major step toward a lasting deregulation within the EC. In return, these countries would not participate in the internal redistributive schemes of the EC.

These steps could help to set Europe on a track which may finally lead towards a liberal commonwealth which derives its strength from the diversity of its members.

Bibliography

BAADE, Fritz, Deutschland und die Europäische Integration. Vortrag und Diskussion. Wirtschaftswissenschaftliche Informationen No. 3, Berlin 1957.

BERNHOLZ, Peter, et al., "Dieser Vertrag von Maastricht sollte nicht ratifiziert werden". Erklärung einer Gruppe von Professoren der Rechts- und Staatswissenschaften. Handelsblatt, 26 June 1992, p. 8.

BUCHANAN, James M., An American Perspective on Europe's Constitutional Opportunity. Paper presented to the Mont Pèlerin Society General Meeting 1990 in Munich; published in: INSTITUTE OF ECONOMIC AFFAIRS (Ed.), Europe's Constitutional Future, London 1990, pp. 1-20.

COMMISSION of the European Communities (Ed.), Central and Eastern Eurobarometer, No. 2, Brussels, January 1992.

CURZON PRICE, Victoria, The Threat of 'Fortress Europe'. Paper presented to the Mont Pèlerin Society General Meeting 1990 in Munich; published in: INSTITUTE OF ECONOMIC AFFAIRS (Ed.), Europe's Constitutional Future, London 1990, pp. 53-68.

The ECONOMIST, "Into the Void". A Survey of the European Community. London, 11 July 1992.

EMERSON, Michael, One Market, One Money: An Evaluation of the Costs and Benefits of Forming an Economic and Monetary Union. Oxford 1992.

GIERSCH, Herbert, "Rechte der Bürger". Die Wirtschaftswoche, Düsseldorf, 12 June 1992, pp. 53-56.

HAAS, Ernest B., The Uniting of Europe. London 1958.

HINDLEY, Brian, Exports from Eastern and Central Europe and Contingent Protection. Paper presented at a Conference of the European Bank for Reconstruction and Development, London, 26-27 March 1992 (mimeo).

JONES, Eric L., The European Miracle. Cambridge 1981.

KIEL INSTITUTE OF WORLD ECONOMICS, Shaping Factors in the Post-1992 Period. Final Report for the Cellule de Prospective of the Commission of the European Communities. Kiel 1992 (mimeo).

KÜSTERS, Hanns Jürgen, Die Gründung der Europäischen Wirtschaftsgemeinschaft. Baden-Baden 1982.

LANGHAMMER, Rolf, Die Assoziierungsabkommen mit der CSFR, Polen und Ungarn: wegweisend oder abweisend? Kiel Discussion Paper No. 182. Kiel, March 1992.

MESSERLIN, Patrick A., "The EC Antidumping Regulations - A First Economic Appraisal". Weltwirtschaftliches Archiv, Vol. 125, No. 3, 1989, pp. 563-587.

SCHMIEDING, Holger, The Dynamics of Trade Diversion. Observations on West Germany's Integration into the 'Little European' Common Market 1958-1972. Kiel Working Paper No. 291, July 1988.

SCHMIEDING, Holger, Lending Stability to Europe's Emerging Market Economies. Kiel Working Paper No. 481. Kiel, July 1991.

SCHMIEDING, Holger, Lending Stability to Europe's Emerging Market Economies. On the Potential Importance of the EC and the ECU for Central and Eastern Europe. Kieler Studien,251. Tübingen 1992 (forthcoming).

WILDASIN, David E., "Budgetary Pressures in the EEC: A Fiscal Federalism Perspective". American Economic Review, Vol. 80, Papers and Proceedings, May 1990, pp. 69-74.

VAUBEL, Roland, "Das Ende der Preisstabilität". Frankfurter Allgemeine Zeitung. Frankfurt a.M., 28 March 1992, p. 13.