What was eurosclerosis and how was it overcome?

During the early-1970s to the mid-1980s period, the doldrums era or the ‘ Dark Ages’ for the community has often been characterized in Europe. This same period is also known as ‘ Eurosclerosis’ or ‘ Europessimism’. Eurosclerosis is a term used to describe slow economic growth combined with political institutional deadlock. The causes of this ‘ doldrums’ era is caused by a set of political and economic factors that were seen as a setback as it left European integration stagnant and weak in the same decade. The slowdown in political integration combined with an economic stagflation was seen by some historians as crucial period in the future of the European Economic Community (ECC) – The era is depicted as a hardening of the arteries that could ultimately prove fatal, as member states appeared hesitant and unwilling to take further steps to deepen process of integration (Dinan , 2006, p. 166). This essay will discuss the varied range of factors starting from the mid-1960s towards early 1970s that are believed to have led to up to the period of ‘ eurosclerosis’. These ranges of factors are paralleled to early political differences by the ECC members as well as economic downturn that affected the organization’s structure. The early Gaullist policies and the empty chair crisis in the 1960s, the disintegration of the international monetary system in the early 1970s, the oil crisis of 1973 and the ensuing stagflation (combined stagnation and inflation) presented to the ECC governments while trying to reach a common ground on the Common Agriculture policy (CAP). This essay will also discuss how the European Community overcame the eurosclerosis period in the mid-1980s when the economy slowly recovered through revitalized programmes of a single liberalized market by the community. Moreover, these set of programmes encouraged multiple efforts to integrate Western Europe more closely.

EEC's successful start in creating the a customs union between the six member states was followed by early setbacks in 1963 and 1965; the first when De Gaulle unilaterally vetoed against the British application for membership, this same period is known as the 1963 crisis and the second was more serious setback when he withdrew his minsters from council of Ministers meetings known as the 1965 crisis. De Gaulle's reasons for rejecting British membership were mainly based on his fear that Britain could undermine France's supremacy as he saw the EEC as platform reassertion of French greatness in international affairs (Dinan , 2006, p. 152). The second crisis evolved through disagreement from member states over funding of the EEC and also a proposal by the commission to systematically finance the CAP which would have given the EEC its own financial resources and more powers to the European Parliamentary Assembly. Having rejected this proposal and not being able to reach an agreement, De Gaulle responded by a boycott in which he withdrew France from participation in the work of the Council of Ministers and this was known as the ' empty chair crises'. Thus, the 1965 dispute over funding of the budget certainly illustrated the continued ability of national governments, to stop the process of European integration in its tracks and was also the first signs of political deadlock and discord (Bache, et al., 2011, p. 130). In 1966, the Luxembourg compromise agreement resolved the empty chair crisis. First there was agreement not to proceed with the Commission's proposals: funding of the budget would be continued to be by national contributions. Second, France demanded that there be no transition to majority voting in the Council of Ministers. This move had been envisaged in the original Treaties once the customs union was complete, and completion was on schedule for January 1966. Under the terms of the Luxembourg compromise, governments would retain their right to veto proposals where they deemed a vital national interest to be at stake. This agreement was a serious blow to the hope of the Commission that brokering agreement on further integrative moves would be easier in the future. The terms of the deal also precipitated a collapse of morale in the Commission; in particular, the authority of the German and Dutch diplomats Hallstein and Mansholt was undermined by the episode (Bache, et al., 2011). Some Commissioners had warned against a confrontation with de Gaulle on supranationality, but Hallstein and Mansholt overruled them. Hallstein withdrew his name of the ECSC, EEC and Euratom in 1966. Mansholt stayed in the commission but did not put his name forward for presidency.

In 1969, the creation of the Economic Monetary Union (EMU) at The Hague Summit required Within the EC itself, the transfer form national to supranational control. Countries agreed on a first stage of the EMU which was limited to regular economic coordination meetings and scheme to bind the dollar values of the six EEC currencies more tightly to each other. Thus, the 1973 arrangement was known as the ‘ snake in the tunnel’ whereby they agreed to float their currencies against the dollar and keep the six currencies fluctuations between each other to a small margin. However, the EMU was created at the time of uncertainty as states were not prepared to risk the experimentation of launching a supranational systemic scheme. Confronted by a recurrent international monetary crises and financial turbulence of the late 1960s meant that the EMU could not conceal the wider problems of integration process appeared to be facing. The demise of the 1970s EMU initiative is usually first explained by the oil price shock of the 1973-75 in the Organization of Petroleum Exporting Countries (OPEC), when the price quadrupled from $2 to $12 a barrel, leading to global economic recession, the worst world slump since the 1930s and rising unemployment with inflation at the same time (Dedman , 2010, p. 111). Governments, unsure of what to do, were not prepared to experiment the problems in the EMU.

Another setback in to the EMU was caused by an international monetary crisis that completely destroyed the first stage of the EMU and ended the convertibility of the dollar in 1971. This period severely damaged the Europe’s economy especially those of the EEC members when the time of stagnation became inevitable. Poor performance was registered as the average GDP growth in the European Community declined from 4. 8% in 1960-73 to 2. 1% in 1973-83 (Giersch, 1984, p. 1). Due to poor economic performance, the labour market suffered immensely. Unemployment rate in the community increased from 5. 5% in 1978 to 11. 5% in 1985 whereas in the United States it fell to about 7% in 1982. Furthermore inflation meant that trade with members of the European community fell drastically. Consequently, limited and stagnant expansion of the EEC was a result as countries became very sceptical of the community. This added to the EEC’s failure to act together as a community. For example, during the oil crisis itself The EEC did nothing to help defend Holland, a member state, when subjected to an Arab oil embargo (because it was considered pro-Israeli). Instead EEC members, notably France and Britain, moved quickly to make bilateral deals for oil supplies. The major oil companies helped Holland more than the EEC through supplying them by the clandestine diversion of oil shipments. The energy crises revealed the inability of the EEC to act collectively as a community with a common strategy towards OPEC's oil price increases 1973-75 and a shameful unwillingness to defend the Dutch and so jeopardise Anglo-Arab and Franco-Arab relations. The EEC looked like a community where economic integration and co-operation worked well in the commercially buoyant 1950s and 1960s but as soon as economic conditions got rough in the 1970s it was every member for itself (Dedman , 2010, p. 112).

By early 1980s, Europe's socio-economic and financial problems had become acute. The much-vaunted ' Common Market', supposedly in existence since the late 1960s, was in fact broken up into numerous national markets, all with somewhat different norms and regulations obstructing the entry of products from other member states known as Non-trade barriers (NTBs). NTBs are legal or administrative arrangements ostensibly designed for innocent purposes (health and safety, equal rights, financial transparency) but in reality often intended to make it harder for European rivals to sell products or to do business at the expense of home-grown companies or firms. In deciding, to spearhead a campaign aimed at the abolition of Non-tariff barriers, Jacques Delors newly elected president of the European Community by 1985, chose a target that was likely to capture the enthusiasm of a new breed of European leaders eager to break away from the protectionist practices of the recent past. Delors oversaw important budgetary reforms and laid the groundwork for the introduction of a single market within the community that required Europe to rid from tariffs, quotas and other protectionist policies. With most of Western Europe ruled by centre right parties in early 1980s, the idea for a liberalized Europe was became a serious possible reality to solve Europe's economy. Christian Democrats in Germany, Italy, Belgium, the Netherlands and Denmark and the Conservatives and Britain believed that European recovery needed to start with an ambitious programme designed to free up both individual national economies and the European market, which was far too weighed down national barriers; furthermore, they were largely in agreement that the EC should pursue the key economic virtues that had seen Germany through the 1970s, namely low inflation, sound government finances, a strong currency, and export-led growth (Dinan , 2006, p. 225). Thus, this growing consensus led to the European Community to signing of the Schengen Agreement which later created a free movement of labour, capital, goods and services, followed by the signing of the Single European Act (SEA) in 1986 which aimed in establishing a single market and later reforms of the Common Agricultural Policy in the 1990s. The launch of the SEA meant that barriers to trade were lifted as most products were covered by a mutual recognition by members under legislation. Investment also slowly rose, as the single slowly captured considerable attention from by national businesses and small investors. It also captured attention outside of the community as this applied to the Americans, who had seemingly lost interest in the process of European integration they had earlier supported. It was also true also for the Japanese and for multiple remaining West European states that had earlier chosen not join the EC. The re-launch of the mid-1980s therefore became an important factor in the decisions of Austria, Finland and Sweden to seek EC membership (they finally joined the EU in January 1995).

To conclude, Western Europe’s sluggish economic performance could be seen as a direct rebuke to the European Communuty, which having taken credit for the remarkable economic advance of the 1960s, could not escape some of the blame for limping performance of the 1970s and early 1980s. Indeed, sluggish economic performance threatened to erode the EC’s early accomplishments as governments and industries looked for salvation through protectionism, state subsidies, and other measures designed to favour domestic producers over and above outsiders. Also, the European Community’s institutional system seemed especially hard hit. The optimism surrounding the first enlargement of the early 1970s, when Britain, Denmark, and Ireland joined had given way to irritation, with the newcomers angry at their relative failure shape the EC in their own image, and the founder members cross with the way in which the new arrivals appeared to slow progress and the founder members cross with the way in which the new arrivals appeared to slow progress; for example, the British abstention from the European Monetary System which had been the community’s most exciting project. Finally, by the mid-1980s, there was a realization within national governments which openly spoke of the dismal that Europe was in. Had it not been for a change in the course of economic policies and the innovative liberal visions of a single market, the European community could achieve harder stages of political stagnation economic under-performance as the GDP annual growth rate hit its lowest (1. 1%) in 1985 (Giersch, 1984, p. 1). The single market is thus seen as salvation to the community integrity as it revived integration and gave more power to supranationalism within the European Community. It is also worth pointing out that the signing of the SEA were seen as laying to the foundation of the Maastricht Treaty in the 1990s that brought about a Common Union with the creation of a common currency.

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