

P.-O. Bergeron & M.-A. Gaiffe (eds)



Croissance, Compétitivité, Emploi

À la recherche d'un modèle pour l'Europe



Collège d'Europe

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Bruges



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AVANT-PROPOS

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Pour pouvoir remplir son rôle de formateur d'une élite pour l'Europe, le Collège d'Europe doit poursuivre une réflexion, non pas seulement sur des questions de faits, de mesures, de techniques, mais sur les grands enjeux de notre temps. Et nous croyons justement que c'est le sens même du Livre blanc sur la croissance, la compétitivité et l'emploi. « Si son contenu pouvait être discuté, critiqué en de multiples formes de tout type et à tout niveau, alors il aurait déjà atteint une grande partie de l'objectif fixé : nourrir la réflexion, contribuer à la prise de décisions, mais aussi restaurer le sens des responsabilités de chacun », nous dit Jacques Delors. En inscrivant le Livre blanc dans le domaine des réflexions du Collège d'Europe, nous croyons que nous participons à cet exercice, et nous remplissons ainsi mieux notre rôle.

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Par ces mots, Gabriel Fragnière, Recteur du Collège d'Europe, ouvrait la Conférence de Bruges consacrée les 20 et 21 avril 1994 à un document d'un type nouveau par comparaison à ceux auxquels la Commission européenne nous avait habitués jusqu'alors. Le Livre blanc sur la croissance, la compétitivité et l'emploi n'est en effet pas un rapport comme les autres. Outre son poids politique et pratique évident, il soulève, sous forme d'analyses, de suggestions et de propositions, des interrogations essentielles sur l'évolution de nos sociétés et de notre civilisation européenne en cette fin de siècle. Au-delà des chiffres et des ordres de grandeur qu'il propose, au-delà des milliards d'Ecus et des millions d'emplois qu'il suggère comme moyens d'action ou comme objectifs, il y a dans le Livre blanc un appel à tous les acteurs économiques et sociaux pour élaborer une nouvelle conception de la société européenne future.

L'objectif de la Conférence était donc simple : réunir un certain nombre de personnalités des mondes politique, économique, social et académique afin d'apprécier le rôle et l'impact du Livre blanc comme modèle de développement pour les économies européennes.

Cet ouvrage reprend l'ensemble des contributions orales et écrites dérivées - en anglais ou en français, selon les auteurs - dans le cadre de la Conférence. Introduction et conclusion reproduisent, en les synthétisant, les réflexions développées respectivement par MM. Jean-Luc Dehaene et Jacques Delors au cours de leur allocution. Les deux premiers chapitres correspondent aux travaux de deux séances plénières. Les quatre autres contiennent l'essentiel des développements auxquels ont donné lieu quatre groupes de travail restreints.

Nous tenons à remercier les intervenants, dont la liste figure à la fin de ce livre, pour la qualité de leurs travaux, ainsi que les membres du personnel du Collège d'Europe, qui, en participant activement à l'organisation de la Conférence, ont contribué à son succès.

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POLITICAL, ECONOMIC AND CULTURAL SUBSIDIARITY AND THE GROWTH OF THE SERVICE ECONOMY

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This contribution develops a multidisciplinary concept of subsidiarity within a Community context. It aims to supply objective arguments in the political debate which is necessary in order to draw up the political balance between the "top down" approach of Community action and the "bottom up" approach of national and subnational actions. Unlike a procedural, legal and institutional interpretation which would weigh down the structure of Europe, at issue is an active principle of subsidiarity determining the conditions for the acceptability and the shape of any appropriate Community action.

The implementation of this subsidiarity principle must be backed up by a multi-disciplinary network of thinkers capable of feeding the political debate and inspiring a judicious choice in apportioning the powers and responsibilities at the various decision-making levels when a Community action is decided upon.

The White Paper

The White Paper has one aim in view, to absorb unemployment by creating millions of jobs in Europe, without protectionism, without inflationary monetary or budgetary expansion, without a general drop

in working hours, without sacrificing the purchasing power, nor social protection which constitute one of the invaluable gains of the European model.

Whilst being largely dominated by an analysis, a diagnostic and remedies of the economic type which make a large contribution to the mechanism of the competitive market, it is accepted at the outset that «growth is not the whole answer to the question of unemployment» (White Paper, p.16).

Hence, the priorities for Community action in the service of employment. These priorities are enshrined in a coherent view of the rise of the information economy, here called service economy. The project anticipates infrastructures for new services, gigantic multimedia communications networks, made possible by new technologies. These networks will facilitate the deployment of high added value activity in training, education and culture. Implicit in this scenario is an increased flexibility on the labour market and in unemployed business. Public sector initiatives to find new jobs for the unemployed must take place at an increasingly decentralized level. Other market compatible measures would have to reduce the costs of certain categories of workers especially affected by structural reform selectively.

Subsidiarity

This Community action is enshrined within the logic of the implementation of the Treaty of Maastricht, and must therefore be consistent with the subsidiarity principle.

The Treaty of Maastricht introduces the subsidiarity principle (Article B and Article 3b of the Treaty of Maastricht) as the basis for Community action without specifying exactly how it will be put into effect. Nothing is implied organizationally or procedurally.

«In areas which do not fall within its exclusive competence, the Community shall take action in accordance with the subsidiarity principle 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. Any action by the Community shall not go beyond what is necessary to achieve the objectives of the Treaty.»

At issue is a principle which allows political debate to be founded on objective arguments. It is a matter of interpreting it globally, and specifically within a political economic and cultural context. The White Paper has opened the debate about subsidiarity and employment in the setting of Europe's postindustrial economy.

I. ANALYSIS OF THE SUBSIDIARITY PRINCIPLE

a) Making the Community, the Member States and the subordinate powers aware of their specific responsibilities.

The Community acts within the limits of the exclusive powers conferred upon it. Everything which is not within the field of its exclusive powers may form the subject of Community actions if and only if they are in accordance with the subsidiarity principle, and without any other restrictions than to serve the aims of the Treaty of Maastricht.

Community action may fall within the area of the competing powers of Member States but may equally well extend to areas of either competing or exclusive powers held by Regions or any other public authority within Member States. By virtue of the logic of the subsidiarity principle, on which the internal coherence of the Treaty of Maastricht depends, the assumption of responsibility should operate at the lowest possible level of the scale.

The Treaty «marks a new stage in the process of creating an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen.» (Title 1, Article A of the Treaty of Maastricht).

b) Dual constraint

The subsidiarity principle is composed of a dual constraint :

1. two conditions of acceptability : insufficient possibilities for Member States, and a prerequisite of efficiency restricting action to that which is best achieved at Community level,
2. the form the decision takes should be the closest possible to the citizen.

A Community action must be justifiable by the subsidiarity principle, not subjected to a new procedure, nor to any institutional mechanism other than specified in the Treaty. In this connection closer to the citizen, the Committee of the Regions with advisory powers may not obstruct, but may devise, and suggest actions. It appears that the powers ascribed by the subsidiarity principle are not permanently ascribed, but within the limits and for the duration of the action. Subsidiarity of Community actions, the manner in which they are decided and implemented, must therefore be justified explicitly, the more so since they must make the Union increasingly close. Each action must itself be endowed with the characteristics of subsidiarity.

It is therefore possible today, by virtue of these new grounds, to imagine new solutions to the serious problems of jobs and unemployment in every country in the Community, and to propose Community action subject to four conditions :

1. to help towards achieving the aims of the Treaty of Maastricht;
2. to produce additional results thanks to the scale of the Community;
3. to be necessary by reason of the inadequacy of any competing action by Member States, or the impossibility of obtaining equivalent results with the same certainty and rapidity through scattered competing actions at the level of Member States, Regions or Local Authorities;
4. to be carried out in a democratic way, in other words as close as possible to the citizen, and in such a way that each level of power is responsible for its specific contribution (initiative, coordination, general standards, implementation ...).

We propose that an analytical evaluation of subsidiarity should be drawn up in two phases :

First phase : applying the conditions of acceptability (conditions 1, 2 and 3)

Community actions should target the aims of the Treaty of Maastricht, and be explicitly justifiable by the effects of scale which cannot be obtained by actions at lower levels.

Second phase : applying conditions relating to the shape of the action and the distribution of responsibilities (condition 4)

Community action should be carried out in the most decentralized manner possible, by bringing decision-making as close as possible to the citizen.

c) Blocking principle and active principle of subsidiarity

In order to resolve problems and to make it possible to act at a Community level, the subsidiarity principle must be seen as an active principle. However, the principle makes it possible to reassure and offer the guarantees of the Treaty to all those who fear either the omnipresence and omnipotence of a centralized European bureaucracy, or on the contrary the break-up of nation States under the pressure of demands

by regional secessionists who might threaten the cohesion and peace of Europe. Once these two spectres have been set aside, we must leave behind typically negative interpretations of subsidiarity as something paralyzing.

The subsidiarity principle is an active principle, aimed at actions on the community scale, not a negative principle, inhibiting any community action, and capable of being used against the advancement of the European Union, for this would be contrary to the very Treaty, the aim of which is precisely to advance the Union, «to pursue the process creating an ever-closer union between the peoples of Europe...».

The constructive interpretation implies that, in order to be decided upon and implemented, every action should be subjected to an analytical evaluation of subsidiarity, which should be as scientific as possible, and in essence multidisciplinary. But before proceeding to this evaluation of subsidiarity in relation to the White Paper's action for employment, it is necessary to come to a deeper understanding of the relations between politics, the economy and culture, and the specifics of the interpretation of subsidiarity on these three levels.

II. INTRODUCTION OF THE CONCEPTS OF REGULATORY MECHANISMS AND THE SERVICE ECONOMY

“The European model”, the global cohesion of this society, and the very condition of its survival, threatened by the crisis of employment, are simultaneously political in nature (upheaval in the countries of the East, the model of social protection) economic (competition from Asia, technological questioned revolution) and cultural (differences in behaviour towards work and leisure linked to specific values, ethics and creativity).

Objective analysis of the problem of jobs and unemployment cannot ignore its factors, which are at one and the same time political, economic and cultural, and there can only be an interdisciplinary approach to them in order to base solutions on coherent foundations. It would go beyond the bounds of the present contribution to demonstrate that, since the origin of human societies, every cultural system is constructed on the basis of an economic system, which, in turn, is based on a political system¹. Conversely, all political regulation is based on economic regulation, which is itself based on cultural regulation.

¹ See, for example, CHASTRES P., *La société contre l'Etat*, Paris, Editions de Minuit, 1974.

Politics and economics

On the relation between the economics and politics, it is necessary to start by recognizing that the collapse of communism embodies the failure of a model of society where economics (and culture) were placed under the established dependence of politics. The strong development of the power of the service economy is made possible by its autonomy in relation to politics, and the field of freedom which this opens to the initiatives and the creativity of human resources.

Economics and culture

On the relation between economics and culture, it is helpful to note that in postindustrial society, the life-cycle of products and services grows shorter and shorter. This makes the function of innovation increasingly vital - innovation which itself derives from invention, that is to say, from culture in the wider sense, particularly taking in science, art and traditions. Culture alone nourishes the creative rhythm needed for the regeneration/reproduction of needs and activity. Culture therefore becomes more and more important in added value, to the extent that change becomes more rapid. This is clearly measurable in the rise of the relative share of services in added value (Gross Domestic Product) and in its composition.

Moreover, as is noted by B. Perret and G. Roustang² «while the economic logic of industrial production gave structure to social relations, it is cultural norms which fix the social significance of service relationships, and condition their development. This reversal changes the data of economic competition between nations.»

Unemployment and culture

Equally, in the area of unemployment, it would be simplistic to ignore European cultural diversity in the behaviour of the unemployed faced with an offer of a job in Europe no matter what it might be. Ph. d'Iribarne³ demonstrates that the disparities in the situation of the

job market between countries of comparable economic development reflect the influences of different cultures on the demands of individuals vis-à-vis job quality. The attitude of the unemployed towards the jobs offered to them is linked with the mode of cultural regulation of the «ways of living together»: whereas confidence in the business contract reinforces the dominance of economic regulation in the United States, the systematic quest for consensus in the Netherlands, the «logic of honour» in France, and the find-a-way-through methods, and arrangements on the fringes of official procedures in Belgium, reflect the characteristics of the pluralist identity of European culture. That implies specific ways and means and appropriate solutions to the problem of unemployment in each specific case.

The market mechanism and culture

It is striking to see that the cultural and ethical presuppositions of liberalism are so widely overlooked, even more in Anglo-Saxon literature than on the continent. However, in his essay on the «*Theory of Moral Sentiments*», Adam Smith insists on the capacity of human beings to enter into sympathy with one another, to understand as if from within, what they feel. This sympathy is reducible neither to a pure altruism nor to a disguised form of egotism... What is at issue here is a moral version of the mimesis which we shall be discussing further on.

Interdisciplinary

This illustrates the difficulty the scientific world has in thinking in interdisciplinary terms, and in balancing the peaceable functioning of a society and the political, economic and cultural mechanisms which control its dynamics. In general, it does not perceive the direct link which exists between the descent into hell, the implacable spiral of violence and self-destruction (for instance in Bosnia or Rwanda) on the one hand, and the imbalance in the relationships between cultural, economic and political regulation on the other hand. It is against this background that the subsidiarity principle used in the Treaty of Maastricht has to be interpreted and made effective.

It will be necessary to bear in mind that no liberal economy can develop in a cultural and ethical desert. The whole science of economics starts from «economic agents», the cultural identities of which are presupposed, and their capacities for cultural integration are already given.

² PERRET B. & ROUSTANG G., *L'Economie contre la société. Affronter la crise de l'intégration sociale et culturelle*, Paris, Le Seuil, 1993.

³ D'IRIBARNE Ph., *Le Chômage paradoxal*, Paris, PUF, 1990.

At the level of practical politics, cultural regulation is largely ignored, and is reduced to a social question resolved by economic mechanisms (redistribution of income by social security) or political mechanisms (social legislation). To remedy this, the anthropological basis upon which we shall construct our approach⁴ conceives the social bond as the combination of three modes of autonomous regulation, superimposed and interlinked : the mode of political, economic and cultural regulation.

The term "regulation" is used in the most general sense of standards of behaviour, rules of conduct, and laws, formal or informal, written or unwritten, conscious or unconscious.

Fundamental anthropology for social sciences

In this context, culture designates a specific mode of regulation of every individual's mimetic desires for appropriation. The basic concept used here comes from the fundamental anthropology of R. Girard⁵. Mimesis shapes the individual's desires while structuring his relationship to models/rivals and so conditions his socialization process. Rivalry leads to potential violence.

The primitive regulation of potential violence in human collectivities has been through mediations by words, barter and social hierarchy enforced by ritual and mythical mechanism reminding the terror of self-destructive mass violence. These mechanisms progressively lose their efficiency because they become part of the stake of rival desires for appropriation.

Regulation mechanisms become more and more complex through life cycles and social hierarchy became political institutions, barter became the industrial market economy and words became culture in the broad sense.

At an earlier stage, what is at issue generally is language, exchange and authority at close quarters within the framework of the family. Increasingly, the issue becomes one of «ways of living together», including informal behaviour in the structures of production, of the market economy, and of the state, and ultimately, the issue becomes one of scientific, artistic and ethical creativity.

We thus define regulation as the management of the uncertainties and the risks of interruption of relationships, of social exclusion or of scapegoat mechanisms which could degenerate into brute violence.

Modern **political systems** use legitimate violence through the institutional channels of the State to regulate violence. Both open competition between nation states and the European Institutions regulate corrections to totalitarian tendencies.

Modern **economic market systems**, corrected by political systems for public goods, externalities and other market failures, use money as the key to regulation of the appropriation mimesis. Mass reproduction and consumption of objects are supposed to satisfy the needs... which ignore their mimetic nature. This regulation system works temporarily but requires accelerated invention and innovation to precede and defeat the collapse of the system.

What happens now when the objects of appropriation mimesis shifts from material objects to immaterial information. It generates knowledge, captured by a group of minds, and developed following mimetic spirals, incorporating creative inputs from all those who relate to the reference group. It follows cultural systems.

The service economy

These concepts allow us to put forward the thesis according to which the advancement of the service economy, where raw materials and products consist of information and knowledge, leads to utterly different relationships between politics, economics and culture. Regulating the latent mimetic crisis by multiplying the identical objects of the industrial economy tilts increasingly towards a mode of regulation through the multiplication of immaterial objects, through the polarization of relational dynamics, and through imaginary processes. In an economy of this type, modes of cultural regulation become predominant. We use the term service economy to describe them. On the basis of this concept, Europe's comparative advantages within the world economy could be further developed.

The subsidiarity principle needs to be used separately in terms of political, economic and cultural regulation. Within the context of active subsidiarity, applied to Community action, let us run through a brief analysis on these three levels.

⁴ D'ALCANTARA G., «*Economics embodied in a Theory of Culture, in Concepts for the Improvement, Measurement and Formalization of Productivity in the Services*», Fast Program, Commission for the European Community, DG XII, April 1986.

⁵ GIRARD R., *Des choses cachées depuis la fondation du monde*, Paris, Grasset, 1978.

III. THREE INTERPRETATIONS OF SUBSIDIARITY

1. POLITICAL SUBSIDIARITY

A. *First phase : political acceptability*

Political value added

Community actions must be justifiable by the fact that the political weight of the Union is greater than the sum of the political weight of the Member States. This potential holds just as good at the external level (European identity in matters of defence, foreign policy initiatives ...) as internally (protection offered to human rights by citizenship, ability to exert pressure in cases of border conflict, requirements concerning democracy ...).

Cooperative solutions

The typical situation justifying Community action and the role the Union may play, acting at the level of independent power (in the limited sense of the subsidiarity principle) is known as Nash equilibrium. Nash equilibrium results from positions and actions adopted by each Member State of the Union, given those of all the other Member States, in a non-cooperative, and therefore purely competitive context. This equilibrium, when it is non-optimal, in Pareto's sense, can be unblocked by Community action.

For that, it is necessary to show the opportunity costs of the non-cooperative solution, and the potential net gain in the alternative, so-called cooperative, solution. This solution is not brought about in a natural way on account of the risks which it entails for each Member State in the event of other Member States not respecting agreements.

Consequently, it is also necessary to recognize the role of the Union, which alone is capable of deciding upon, and implementing, sanctions strong enough for Member States to draw back from infringing cooperative agreements.

Solidarity

In terms of solidarity, there are the have-nots of Europe, and because of Europe, to whom a European solidarity would offer a much better protection. The human individual is surrounded by concentric rings of solidarity, made up of all the collective allegiances which comprise his complex identity. The subsidiarity principle determines an order of priority amongst these solidarities, starting with the most immediate solidarity : family, neighbourhood, village, employer...

But the subsidiarity principle also implies that there is a solidarity on the European scale. The necessary open access to this level of solidarity, which is poorly identified amongst the forms of solidarity mentioned in the White Paper, becomes apparent when the issue becomes one of «solidarity between the regions, the most prosperous and the poorest ...» (White Paper, p.16), for which numerous mechanisms for the transfer of resources are provided at the European level. These mechanisms will become all the more important, when a single currency will have deprived states of the ultimate instrument of adjustment which is the exchange rate.

As far as the Community's fifty million poor are concerned, this is first of all a local responsibility, to be embodied at the level of a "neighbourhood solidarity", and after that, a matter for the Regions or Member States, as is set out in the White Paper (p.16). It would also become a matter for the European Union on the day when the dispossessed invoke the European solidarity envisaged in the Treaty of Maastricht (Preamble and Article 3) to remedy the social ills which have been specifically caused by implementation of European actions necessitated, in fact, by the economic imperatives of competitiveness and efficiency. They will be able to invoke it on the basis of the subsidiarity principle, and within the limits laid down by it, on the day when the European social model threatens to collapse. Otherwise this will take off with it the entire European structure, for the whole population will turn against it.

B. *Second phase : the specific political forms the action takes*

Different levels of responsibility

Community actions, once they are declared acceptable, must, by a process of decision-making and implementation, be brought as close as possible to the citizen, making it possible to reach solutions in which

the relevant agencies out in the field are brought in, consulted, and made to share responsibility. The citizen must, through specific democratic mechanisms, in each of the localities involved, take part in the actual decision-making, in such a way as to be able to assume responsibility at the level of implementation. This will be the only way to provide room for his traditions and culture. The political structure exists for him, and not the other way round.

Depending on the circumstances, the agencies of the Member States called upon, directly or indirectly, by Community agencies, for the planning and implementation of Community actions, will be at the national level (federal in the case of federal states), regional (*länder*, *autonomías*, regions, communities ...), provincial (*départemental* ...), and at commune level ... depending, clearly, on the areas of authority involved, and the different structures existing in the Member States, while scrupulously respecting the existing relationships between the different institutions within each Member State.

Citizen's participation

It will, however, be apparent that the citizen himself may invoke the Treaty of Maastricht to ensure the democratic operation and access to participation in European action by virtue of the subsidiarity principle. Undoubtedly, there is a lever here which will make it possible to improve the operation of democracy throughout Europe, when, in the context of a Community action, it becomes apparent that the existing institutions have reached the end of a life-cycle, that the power held has no other purpose than the continuation of power itself, or that uncontrolled local violence is likely to spread to other regions of the European Union.

It is moreover apparent that, by signing the Treaty of Maastricht, Member States undertook *vis-à-vis* all the others, to accept that Community actions are decided upon and carried out in accordance with the subsidiarity principle, and that the handing over of power to the interior of the Member State, by virtue of this subsidiarity, is totally fluid up until the closest possible level to the citizen. Once there has been an acceptance of the principle of the benefits of scale at European Union level, upon which all action at this level is conditional, any obstruction of the logic of the most decentralized participation possible is contrary to the Treaty of Maastricht. Member States are therefore responsible for a procedure for decision-making and implementation of Community action which gives way to subordinate authorities within a democratic framework as close as possible to the citizen.

This strategy will enable us to make good the «democratic deficits» exposed so clearly during the salutary debates which preceded the referenda on the Treaty of Maastricht. Nevertheless, it must still be borne in mind that the specific procedures only apply in the case of a Community action which complies strictly with the criteria on acceptability (first phase of the analytical evaluation).

Region's participation

By the force of actual events, even if the application of subsidiarity will not affect the hundred-and-one different institutionalized forms of relations between Member States and Regions (member states of federal states) as S. Bartole⁶ so aptly remarks, it affects Member States through the implementation of the obligation which the subsidiarity principle places upon the authorities of the Union.

Decisions by the Union which affect the Regions (that holds true too, for other levels such as communes) as a result of their competing or exclusive powers, determine the constraint upon the governments of Member States to do likewise, in other words, respect subsidiarity :

«This result may be achieved in two different ways : either with the direct involvement of the Regions by the Community authorities and the consequent obligation on national governments to abide by Community decisions, or with the injunction on national governments by the Community authorities to implement Community policies through the Regional governments», adds S. Bartole.

⁶ BARTOLE S., «*The Principle of Subsidiarity, or the Distribution of Power between Europe and its Member States*», International Congress on Europe and Federal Experiences, University of Fribourg, Switzerland, 13-15th April 1994.

2. ECONOMIC SUBSIDIARITY

A. First phase : economic acceptability

Community actions must be justifiable by economies of scale in the manner in which a predetermined aim is achieved, in this case, the creation of 15 million jobs between now and the end of the century.

1. Macroeconomic arguments

On the macro-economic level, there appear to be compelling arguments in favour of the Community-wide scale and the inadequacy of isolated actions by Member States, for :

- * the effective implementation of the single European market in accordance with the arguments contained in the Cecchini Report (principally the allocation function of the market economy);
- * the creation of a zone of monetary stability as a result of the introduction of a single currency, in accordance with the timetable set by the Treaty of Maastricht, which, moreover necessitates a strengthening of the mechanisms for regional redistribution;
- * the possibility of taking advantage of international trade multipliers through expansion in a recession-hit Europe as advocated under the phrase «European Growth Initiative» by the European Council in Edinburgh, and re-affirmed by the Copenhagen Council meeting, and culminating in the adoption of the White Paper at the Council meeting in Brussels (the function of economic stabilization).

Short term timing

Under this third heading, it is necessary to be aware of the importance of the exact timing of any specific action which becomes necessary in order to emerge from recession and the effects of the foreseeable reduction in the budget when the recession will have ended⁷. In fact the internal market and economic integration have heightened the

synchronicity of European economic cycles. At a time of recession, when industrial productive capacity is under-used, demand-led expansion at the level of a single, isolated Member State ends with a weak multiplier, unbalanced by a deterioration in the balance of trade. On the other hand, coordinated expansion at European Community level benefits from the international trade multiplier. The effect of the international multiplier is amply illustrated by the qualitative simulations carried out with the help of the Hermes model⁸ in the framework of the Cecchini survey. It regenerates activity and employment, certainly over the short term. Here lies an important argument for subsidiarity, since Member States can in no event achieve this aim by acting individually.

Long term strategy

However, in the long term, the structural reforms and remedial measures which are essential in view of developments and upheavals in the world market might possibly be held back if a coordinated reflation through demand did not simultaneously create the conditions for competitive supply. This consideration leads to a qualitative constraint upon the demand which a coordinated reflation is permitted to inject. If this demand can take the form of a Community demand, for European infrastructure, capable of ensuring new activity, the costs of which would be significantly reduced as a result of the externalities created, the argument bearing on the Community dimension would have a dual resonance, firstly on a macroeconomic level, and also on the level of supply, through microeconomic arguments. This is undoubtedly the strong point of the White Paper.

2. Microeconomic arguments

On the microeconomic level, it is necessary to develop further the arguments which would make it possible to draw up a list of pros and cons on :

- * the economies of scale relating to the industrial production of Community public goods;
- * the effects of scale in information management;

⁷ In : *Croissance et emploi, l'ambition d'une initiative européenne*, DREZE J. and MALINVAUD E. put at 250 billion ecu the foreseeable input needed to place the budget on a firmer footing, and hence the level of additional public investment to be provided.

⁸ CATINAT M., DONNI E. and ITALIANER A., «Completion of the Internal Market, Results of Macroeconomic Model Simulations», in : *Hermes, Harmonised Econometric Research for Modelling Economic Systems*, North Holland edited by F. C. 1993.

- * the effects of scale in the setting of standards.

a) The economies of scale for Community public investments may in principle be determined by engineers and economists. They are confirmed by increasing returns, measurable along a convex production function. The concept of economies of scale must be interpreted in the sense defined by K. Arrow and M. Kurz⁹ for instance, within the context of a model with two sectors, the private sector and the public sector where :

- * public capital generates externalities in the economic system, producing growing returns to scale in production through an increase in the productivity of each individual job; this is the case of the pure public good in Samuelson's sense; investment of this type belongs to the public sector, since it cannot be efficiently budgeted for by any system of competitive pricing; the best example of this is fundamental research and development;
 - * public capital may also have growing returns across the broad range of production factors : general education and transport-communication infrastructure are considered under this heading;
 - * there is through learning by doing;
 - * each investment is an experience which produces "knowledge" as a joint product; the store of knowledge increases the efficiency of each job.
- K. Arrow and M. Kurz optimise the positive impact of these economies of scale on the balanced growth path in relation to the social rate of discount.

b) In the area of information management, economic calculation is just as important to determine the optimal level of decentralization. In fact a balance is struck between :

- * overall control and communication costs for a centralist structure which grow in proportion to the number of increasingly specialized information management points;
- * the costs of duplicating information management points, which diminish as a result of the economies of scale in the mass production of the means of information management, in a decentralized structure;
- * the externalities created by the effects of networks (each additional participant increases the marginal usefulness of all the others).

⁹ ARROW K. & KURZ M., *Public Investment, the Rate of Return and Optimal Fiscal Policy*, John Hopkins Press, 1970, pp.25 and 110.

c) The economy of norms and standards also brings with it its own laws.

In a centralized structure, the imposition of a standard generates economies of scale in a homogeneous environment but becomes all the more costly when there are more differentials between particular cases, which makes identical application everywhere more and more difficult to enforce. The more that norms (rules, legislation, standards, certification procedures,...) must be applied over a huge and varied territory, the more they will be reduced to general and simple ones.

On the other hand, the decentralized approach faces the disadvantage and interface costs linked to incompatibilities between different norms and standards but offers the advantage of flexibility and adaptability to specific circumstances and demands. Moreover, competition between standards may cause the emergence of one or more standards which are more competitive, and thus less expensive. This convergence towards a common standard may however be blocked during the process. It is precisely the occurrence of these blockages at a European level which may justify Community action. In a Nash equilibrium between Member States or between major companies on the internal market, the way out of the suboptimal situation is entrusted to a Community initiative and is based upon the subsidiarity principle.

To conclude, in each specific case, for each public good, for each externality, it is necessary to determine the optimal scale and therefore the lowest cost. At equal cost, the solution must be chosen with respect to the proximity criterion, in other words the most decentralized possible, in such a way as to come closer to the particular specifics of the State, the Region, and the citizen.

B. Second phase : specific economic forms the action takes

On an economic level the specific forms of decision-making and implementation of a Community action that are closest to the citizen are those which are :

- * as consistent as possible with the logic of the decentralization of markets each time that the production of a public good may be sub-contracted by a public authority to a competitive market;
- * based on a distribution of powers between the various state levels, as close as possible to specific local circumstances. That should allow maximum differentiation, whilst observing minimum Community standards that permit compatibility and integration on a Community scale.

Two logics are continuously at work :

* the logic of standardization that derives from the effects of scale at production level (and hence of all forms of advertising dictated by producers);

* the logic of differentiation, inherent in the varying preferences expressed by final-consumer demand (cf languages, culture, etc).

The combination is particularly clear in the case of material goods where there is a contrast between components and final products (e.g. standardized engines in cars which are increasingly diversified in design, accessories, trim and colour).

In the case of services, the combination exists between the earlier and later stages of communication and information handling processes, but it does not hold in cases where production and consumption of the service are simultaneous.

Decentralized service provision

The more the economy engages with the service economy, the more dominant is the culture aspect and the degree of closeness of the individual person. This gives rise to more differentiation and particularism and limits the possibilities and the economies of scale, which are substituted by improved communication. The large-scale centralized production of identical objects is replaced by new forms of organization, enabling decision-making to be decentralized. Production then shows maximum adaptability to differentiation in demand. All autonomous points of production are coordinated by an integrated system of reports and information, amongst other things making it possible to discover economies of scale whenever that can be done. According to Ian Miles,¹⁰ this tendency is apparently becoming widespread. It is precisely the form of organization that Community action has an advantage in using, as it is consistent with the subsidiarity principle.

Budgetary Pooling at the appropriate scale

Nothing prevents the specific economic details of subsidiarity from taking the form of a Community-coordinated budgetary pooling

technique. This pooling may be flexible, organized at regional or commune level, or even *ad hoc* subregional level, in the sense of the «integrated development areas» defended, for instance, by F. Moulart *et al.*¹¹ on the basis of empirical economic and socio-cultural observations.

Action may be open to those who decide to take part in it on the basis of rules agreed by common consent.

This is an effective way to give a European impetus to all local initiatives intended to exploit the «reserves of new employment», such as neighbourhood services, leisure, culture, improvement of the quality of life, protection of the environment, and all initiatives to renew employment policy, and policies for getting the unemployed back to work, etc within a dynamic of decentralized networks. Action of this type is, however limited by the condition of acceptability which makes it first of all necessary to show the existence of major blockages and European distortions in the internal policies of Member States.

3. CULTURAL SUBSIDIARITY

The Treaty of Maastricht has initiated an imperceptible but irreversible change in the relationships between politics, economics and culture within the European Union. In becoming more "political", in losing its exclusively economic attribute, the Union has understood that it had to introduce a social and cultural dimension. Economic development, even if it still largely dominates the texts, by force of inertia, is no longer in itself the aim of the European Union, disconnected from all socio-cultural ends.

In "L'Identité Européenne"¹² L. Bekemans and A. Balodimos observe that the areas of education and culture are acquiring for the first time a legal basis in the Europe we are constructing. It is important that the Treaty does not provide for the community to "implement" itself a cultural policy, which it contributes «by encouraging cooperation and by supporting and complementing the action of Member States» in the sphere of education and culture.

¹¹ MOULAERT F. *et al.*, *Integrated Area Development and the Efficacy of Local Action*, Poverty III Program, DGV, IFRESI - CNKS, Lille, 1990.

¹² PICHT R. (ed), *L'Identité Européenne. Analyses et propositions pour le renforcement d'une Europe pluraliste*, Bruxelles, TEP SA, Presses Interniuniversitaires Européennes, 1994, chapitre IV, p.169.

¹⁰ MILES I., *Services in the New Industrial Economy*, University of Manchester, 1993.

Before formulating criteria for the cultural acceptability and the subsidiary modality of community action, we must call to mind the function of cultural regulation in order to apprehend what is at stake.

In fact, bringing culture back side by side with politics and economics within the European project can in no way be reduced to making available a few budgets for so-called cultural activities. On the other hand it must be much more concrete than the additional extra of the "soul" which J. Delors, President of the Commission still referred to in his inaugural speech to the Committee of the Regions. The task at issue is rather, through an analytical evaluation of subsidiarity, the explicit introduction of the cultural dimension into every solution to every problem in which the commitment of the social bond is at stake. Subsidiarity implies that a solution close to the citizen is a solution which takes account of, and which respects as a matter of priority, the cultural mode of the citizen's social integration.

To apply cultural subsidiarity is not to protect cultures on the scale of "small is beautiful", but much more than that, to free, to enhance and stimulate the contribution that each culture, close to the citizen, can bring to problem solving. It is to pay close attention to the cultural specifics which condition behaviour. Cultural added value balances the social fabric, feeds economic creativity, and makes more remote the violent solution to every political and economic conflict that arises.

A. First phase : cultural acceptability

To be acceptable culturally, a Community action must assert the need for a European cultural identity which it is not possible to construct from the member cultures of the Union, taken in isolation, without coordination, without support and without complementing them. This identity, reflected in its history and its heritage, is a "pluralistic identity", a richness in the diversity of cultures established in clearly demarcated geographical areas.

To preserve and develop this clearly localized bio-diversity of European culture, Community actions to be acceptable :

- * Have to give equal resources to each language recognized in the Community, constituting the basic vector of cultural differentiation, to allow each culture to take part in deciding and implementing community action (fixed and equal translation costs for each language).
- * Have to check that the cultures or languages benefiting from economies of scale or internally dominant positions do not harm the viability of "weaker" cultures, the "vulnerability" and "naivety"

of which may hide many scholars, artists or philosophers who do not come to the fore, but who are capable of providing the most creative solutions to the most intractable problems. In this regard, cultural co-operation will of necessity include mutual support and a balanced distribution of the political and economic power and resources.

* Just as political, administrative and economic dividing lines raise barriers and reinforce "cultural walls" which impede open and harmonious relations between different cultures, community action can make a contribution to the unblocking and channelling of the situation, particularly in the case of "cross-border projects". These latter have only scant support in the context of policies for the legitimate strengthening of the cultural identity of regional and national entities.

* Within the logic of European identity, which is itself a space of bio-diversity and the mutual openness of member cultures, there is enshrined the mission to coordinate a project capable of representing "European audiovisual independence" as a public good, redressing the balance at one and the same time between the external channels - the American CNN and the Japanese NHK - and an internal market space beleaguered by commercial channels. It must be possible to have such a channel with equal access available to all of the European cultures including the memory of their past and the projections of their futures.

B. Second phase : specific cultural forms the action takes

The public sector in general, and the European institutions in particular have still a great deal of ground to make up in the area of communication policy, enabling the message of subsidiarity to reach down to the level of the individual citizen. The difficulties encountered in passing the Treaty of Maastricht have been multiplied as a result of this serious omission.

The devising of a message about the advantages of a European dimension and its formulation through a medium close to the citizen, in his language, and in a manner consistent with his culture, must become an integral part of every Community activity.

Moreover the European administration is populated by officials who diffuse the image of Europe's public sector. It is crucial to take careful account of the "enterprise culture" in the administration of Europe, in such a way as to accentuate behaviour felt to be at the service of European citizens, without discrimination, either political, social or cultural.

Conclusion

Subsidiarity and employment in a service economy

To conclude this note on subsidiarity, let us summarize the proposed concept in a formula : an active and integrated principle, constraint upon the acceptability, and the detailed implementation of each Community action, justifying, through optimal political, economic and cultural regulation, the distribution of responsibility among the various levels of government and necessitating in order to clarify the political debate about the Community action a scientific assessment of subsidiarity.

The White Paper is a document which sets out a broad inventory of measures and recommendations for job-creation at all levels, with the aim of absorbing cyclical, structural and technological unemployment.

Scattered through it are references to the principle of subsidiarity, without this being clearly defined. At the end of the first part, it is announced, «as to strictly Community action, it is proposed ... ». It is not apparent how and by what criteria it has been established what is to be undertaken as a matter of priority in Community action and which level of power will be responsible for what. The schedule put forward above enables us to make progress in this direction.

With regard to the six priorities for jobs, and in the context of an advance in the development of a service economy, it seems to us that it ought to be possible to offer an objective analytical assessment of subsidiarity for Community action which would concentrate on the eight following priorities :

1. complete the internal market;
2. observe the timetable for a single currency;
3. concerted expansion in the order of 2 % of Community GDP strictly aimed towards public goods and European externalities;
4. in the form of public investment in European information, communication and transport infrastructures (TEN'S);
5. in the form of complementary European investment in European R&D and training networks and consortia, with a view to promoting small independent businesses (SMEs);
6. in the form of coordination and budgetary pooling for international, regional, sub-regional and commune-level networks and European cross-border projects in the fields of education and culture;

7. an orchestrated shift in social security financing which would decrease the cost of labour, selective for those affected by structural reform, towards CO₂ consumption or ecotaxes;
8. a European social policy making the competitive dismantling of social protection systems impossible, and likewise with employment distortions in border regions.

These are main outlines to be found in the White Paper...

For the global and coherent overall strategy of the White Paper, a review of subsidiarity ought to enable us to clarify the very considerable number of extra jobs made possible by the externalities of the major communications and information infrastructures necessary for the service economy. However, what is at issue is not so much a quantitative growth project as laying the foundations for a service economy capable of centring a many-sided European dynamic onto a plurality of models for a freer, more mutually supportive society, and one which is more jealous to preserve the durability of a rediscovered peace.

In order to draw up the analytical evaluations of subsidiarity, it would be necessary to bring together thinkers from several disciplines, open to this coherent and constructive approach towards subsidiarity, and capable of illuminating the indispensable political debate.

CROISSANCE, COMPÉTITIVITÉ, EMPLOI

Ni apologie ni dénigrement. Les réflexions contenues dans cet ouvrage, rassemblées à la faveur d'une "Conférence de Bruges", ne remettent généralement pas en cause le contenu du Livre blanc de la Commission européenne sur la croissance, la compétitivité et l'emploi. Elles le retravaillent, l'approfondissent, le confrontent à d'autres documents et expériences, le mettent en perspectives.

L'enjeu est de taille : trouver pour l'Europe un modèle de développement lui permettant non seulement de sortir de la récession, mais aussi d'éviter de retomber dans les erreurs passées et de s'attaquer de façon concertée et aussi définitive que possible à ce qui la mine : le chômage.

Face à un "mal européen" fait de compétitivité déclinante, d'un mauvais rapport entre emploi et croissance, d'une incontestable rigidité des systèmes d'emploi, un nouveau modèle se dessine, articulé autour de l'environnement, de l'information, de la gestion du temps.

S'il y avait un message à retenir de l'ensemble des discussions et réflexions rapportées ici, ce serait sans doute celui du réalisme optimiste : il n'existe pas de remède miracle, mais l'Europe dispose de suffisamment d'atouts pour que ceux-ci lui permettent d'envisager l'avenir avec confiance.



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