BOOK REVIEWS

European Integration, 1950–2003: Superstate or New Market Economy?
John Gillingham
Cambridge: Cambridge University Press, 2003, 588 pp.

To a political economist it may often seem as though the European Union, like Dr. Jekyll and Mr. Hyde, suffers from an acute case of multiple personality disorder. Thus, it is not uncommon to learn of new EU plans for more regulation of the European labor market one day of the week and new EU plans for deregulation of the service industry another day of the week. What explains that seemingly constant oscillation between socialism and liberalism?

Finally, there is a book that answers the above question and many others. Gillingham's book became a definitive study on the EU even before the ink dried on the last of its 588 pages. The book is detailed as well as comprehensive. It should become, as John Gillingham, professor of History at the University of Missouri-St. Louis, no doubt intended, a standard university textbook on the evolution of the EU. However, it is worthwhile to start by mentioning a few particularities.

First, Gillingham is an American, which will undoubtedly raise eyebrows among those who harbor the illusion that only Europeans can understand the subtleties of the European integration process. Second, Gillingham writes from a classical liberal perspective, and his appreciation for Friedrich Hayek and spontaneous order is evident. Third, Gillingham analyzes EU evolution from the perspective of global economics and liberalizing trends within it, arguing that globalization was more important to EU integration than political designs concocted in Brussels. As such, Gillingham cuts through the mythical mist surrounding Jean Monnet, Walter Hallstein, and Jacques Delors, exposing them as Europe's floundering, rather than "founding," fathers.

Gillingham's book begins with the juxtaposition of two competing visions of European integration. First, there is the supranationalist model of integration, which relies on intensive planning and heavy regulation from the center. That model was behind the European Coal and Steel Community, which brought the steel industries of Germany and France

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under the control of one "supranational" authority. Supranationalism, it was expected, would lead to economic benefits, which would then result in demands for integration of other economic sectors. Central planning, however, proved wholly unsuitable for the post-World War II era, which necessitated an ever-increasing competition and deregulation.

The alternative model of integration is epitomized by Ludwig Erhard's free-market reforms in West Germany. The economic growth that resulted from those reforms made a strong case for Europe-wide liberalization. Thus, the Treaty of Rome created the European Economic Community, which abolished internal tariffs and established a customs union. The treaty also made provisions for eventual liberalization of movement of labor, services, and capital. The TOR's most significant shortcoming was the Common Agricultural Policy, which, after "two heart attacks and one nervous breakdown" among the negotiators, was conceded to mollify the eternally statist French.

Gillingham called the first approach "positive" because it involves positive or "constructive" action on the part of the authorities. Europe, in other words, is to be brought together by pan-European rules and regulations emanating from Brussels. The second approach aims at decentralization. The emergence of a united Europe is to be "spontaneous," and the vehicle for unification is to be provided by free interactions between social and economic actors. The role of the authorities is to be restricted to keeping the markets open or, to use Gillingham's term, "negative."

Success of the "negative" model was affirmed by the changes in the international monetary order. Floating exchange rates and monetary stability, which became *de rigeur* following the stagflation of the 1970s, unleashed the forces of globalization and put the European welfare states under increasing pressure. Moreover, Margaret Thatcher's successful transformation of Great Britain from a basket case into one of the best performing European economies demonstrated the benefits of liberalization. The Europeans responded by taking a big step in the direction of the open markets and signed the Single European Act of 1986.

Having said that, the SEA proved to be a double-edged sword. The European Commission, which was made responsible for breaking down protectionist barriers inside Europe, took the opportunity provided by the SEA to grow in size and to reregulate Europe's economies on a pan-European level. As Gillingham writes, "EU legal acts in force rose from 1,947 in 1973 to 14,729 in 1990 and 23,027 in 1996. The number of pages produced by the EU Publication Office more than doubled between 1989 and 1996: from 886,996 to 1,916,000."

The growth of European bureaucracy and bureaucratic activism suggests that the positive model of European integration is far from being dead. Instead, it forms, as it always did, a parallel track to integration. Before the signing of the TOR, the French negotiators had already acknowledged that they "could not compete on equal terms with the other prospective members of the customs union. High social insurance costs (including wages) thus had to be 'equalized'." That statement, as clear as it is cynical, underpinned the efforts of the French government since the EU's inception. Its plan is to preserve an artificially high level of social protection in France, not by making the French more competitive, but by making the rest of Europe less productive.

The mirror image of that internal protectionism is the CAP and more than 10,000 external tariffs, which keep European producers protected from international competition. Fortunately, some EU members, including most of the accession states, cannot be expected to sacrifice their long-term economic growth on the altar of European socialism. Similarly, the EU will find it increasingly difficult to defend its indefensible farm policy in the face of the suffering of the poorest people in the world, whose produce is kept out of the European markets by a panoply of agricultural tariffs, quotas, and subsidies.

The positive track of European integration generates zero-sum gains and endangers the benefits of economic liberalization brought about by the TOR and SEA. Gillingham's book is a timely warning to the European decisionmakers as they adjust to the largest expansion of the EU in its history. The choice before them is simple. The EU can continue to be a synonym for "bureaucratic bloat and lethargy; Byzantine, opaque, and dishonest methods of operation; dependency upon (and often subservience to) powerful special groups; and sleaze." Or, it can embrace the role of an impartial judge, by producing "shalt not" rules "designed to prevent market interference."

If the EU enlargement and the constitutional changes that the EU is currently undergoing "lock in" the tensions inherent in socialist redistribution, the EU will fall apart amid economic decay and recrimination. If, on the other hand, the EU embraces Hayek's vision of negative integration, free markets will result in interdependence, "reduce the threat of war, stimulate innovation, bring about devolution of political power to the level of government closest to the individual citizen, and in all these respects advance human condition."

Depending on what happens in Europe over the next few decades, Gillingham will either be remembered as a Cassandra or as a man who helped to change Europe for the better.

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