The Single European Act (1985–6)

In the mid-1980s, the atmosphere of stagnation in European integration gave way to a renewed dynamism. In June 1984 the European Council set up a committee, the Dooge Committee, which was to make proposals for improving integration, including political cooperation. In its report the committee made proposals for amending the Rome Treaty in order to improve decision-making in the Community. The European Commission in June 1985 published a White Paper containing proposals for the completion of the internal market. In September of that year, the first meeting took place of the Intergovernmental Conference which was to negotiate a change in the Treaty, leading to the Single European Act that was to come into effect on 1 January 1987.

These developments coincided with the accession, on 1 January 1985, of Jacques Delors to the presidency of the European Commission. He soon turned out to be a major dynamic force in the integration process. Like his predecessors, Delors attached great importance to monetary integration as an engine of European integration. Unlike them, however, he tried to strike a more balanced note. Until then the European Commission seemed to take the view that progress could only be achieved by getting the Bundesbank overruled by the German government, as it felt had been the case in 1978 when the EMS was created. The creditor central banks, on their part, felt that the Commission neither understood nor sympathised with the checks and balances between central banks and governments prevailing in their countries, which they regarded as essential in order to preserve the value of the currency. They had come to identify proposals for monetary integration with monetary laxity. Delors, in his inaugural address to the European Parliament in January 1985, set out to reassure them: ‘What a triumph if the Community could demonstrate that monetary stringency and the fight against unemployment could go hand-in-hand.’ In the months that followed, he tried to help the then chairman of the Committee of EC Governors, Wim Duisenberg,
to find solutions for a 'package' of proposals to promote the ECU discussed in the previous chapter: more generally he explored the possibilities of cooperating with the creditor central banks. In this context, he soon recognised the opportunities offered by focusing on capital liberalisation, a topic invoked by the Bundesbank and the Nederlandsche Bank but long neglected in Brussels. On the other hand, and more in line with his predecessors' tradition, he also tried to force the pace of monetary integration by proposing Treaty amendments that would have affected central bank autonomy. While the new approach turned out to be surprisingly successful, the old one was not. This experience was not lost on Delors.

10.1 CAPITAL LIBERALISATION

Capital liberalisation was one of the early successes of the European Economic Community. It is true that the Rome Treaty, in Article 67.1, obliged member states to abolish capital restrictions only 'to the extent necessary to ensure the proper functioning of the Common Market', but in practice this was interpreted widely, and a good deal of attention was devoted in the early years to capital liberalisation. The atmosphere changed when France, due to pressure on the franc following the students' revolt in May 1968, reintroduced capital restrictions. It did so with the consent of the European Commission, having recourse to the safeguard clauses contained in the Treaty. These safeguard clauses were meant to be temporary, but the Commission chose not to attach a time limit. Thus President Duisenberg remarked in a speech he gave in Berlin in early 1985 that the French exemption had been in force without interruption since 1968, when De Gaulle's France got into trouble because of the students' revolt. One should assume that the specific circumstances justifying it at the time have changed since then (and I do not only mean that those students have hopefully graduated by now).³

Duisenberg's remark was not just meant to enliven his speech, but was part of a line taken since 1982 by the Dutch monetary authorities. It was our reaction to pressure from the Commission, largely instigated by the French, to promote the ECU. The proposals invariably entailed additional obligations for the creditor cen-