Subsidiarity and the History of European Integration

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Since its very beginning, and after the dreadful experiences with two world wars, the main aim of European integration has always been to improve the quality of life for European citizens. The original six founding states of the European Economic Community (EEC) tried to achieve a unified Europe through a piecemeal, step-by-step process. They did not create a federation, as some political movements had asked for, but came together through a particular entity that was intergovernmental and supranational at the same time. In this way, nation states were not replaced, but instead sustained by a new form of community. This general idea was first proposed by Jean Monnet and Robert Schuman, in 1952, when establishing the European Coal and Steel Community (ECSC). It brought about a nascent form of subsidiarity, as European integration fundamentally required action at the national level as well as at the community level. Subsequently, further actions taken at local and regional level introduced another important location for the use of subsidiarity instruments. As regards the latter, regional and cohesion policy stands out (Piattoni and Polverari 2016). Both policies attempt to bring European citizens closer to new institutional arrangements, while offering a choice as to the level of governance at which problem-solving is supposed to occur.

Functionalist Integration

A functionalist integration process has been designed to achieve prosperity and peace for the Community and the whole European continent. Accordingly, the first declared goal of the Treaty of Rome, signed in 1957, was to improve the quality of life for European citizens. Starting with an approach of gradual integration in a few selected economic sectors of strategic importance, the process kept evolving with an increasing scope for policy making and extended membership through enlargement. This also entailed the signing of a range of international agreements with ‘third countries’ outside the existing borders of the Union. Consequently, over the last six decades, the Community has been able to deepen the degree of integration among its member states by expanding a set of own competences and working towards the objective of social as well as political integration among the peoples of Europe (Azoulai 2014).

The economic domain has been used as a driver for cooperation among member states, further paving the way for political integration. For the same reason, the role of citizens and their representatives in EU decision-making has been a key issue. In the early days of European integration, representation occurred mainly through membership in trade unions, expert bodies and industry associations. Yet, common institutions such as the European Commission and the European Parliament (to a lesser degree the Council) have regularly tried to expand the role of citizens and to find ways to represent them in a more inclusive way. Despite numerous reforms aimed at increasing participation and engagement, the perceived gap between European citizens and EU institutions has been widening during the last two decades of the past century.

Paradoxically, this relative disengagement reached its peak in 1992, exactly when the Treaty on European Union (TEU) formalised the concept of European citizenship. With TEU ratification, a wave of disaffection and scepticism grew, best captured in the notion of a ‘democratic deficit’ within European institutions. Eventually, the general dissatisfaction became most evident through the rejection of the EU Constitutional Treaty by the French and Dutch electorate in 2002. In addition, a further blow to the already precarious relationship between EU institutions and citizens occurred in the aftermath of the global financial crisis in 2008 with austerity having severe repercussions in the societies of the member states.

Subsidiarity as Solidarity

Already with the Treaty of Rome, the idea of reducing regional imbalances in economic and social performance had become a top priority for European governing bodies as well as for the governments of the member states. The legal founding act also contained the principle of economic solidarity as further guidance for the choices of the Community. In fact, long before the debate concerning UK budget contributions and the global financial crisis, solidarity considerations had led to common policy positions. By the 1960s, it was clear that solidarity necessarily implied subsidiarity, as the Community aimed for higher levels of development across its membership.

The path towards the implementation of a regional policy in combination with a direct involvement of sub-national authorities in the European decision-making process had already been laid out in the Treaty establishing the European Community. The latter stated in Article 130 (a) that 'the Community shall aim at reducing the disparities between the levels of development of the various regions'. Therefore, the focus on particular governance mechanisms can be traced back to the role of regional authorities, local citizens and a range of stakeholders operating in specific territorial settings (Cartabia et al. 2013). These actors held a privileged position in assessing whether Community action should be taken as a matter of priority.

In 1952 after the establishment of the ECSC, and with further countries joining the Community, important actions were taken by the member states as well as their common institutions. These served the purpose to establish mechanisms that would ensure a path towards economic and social convergence. An early initiative towards policy harmonisation had been undertaken at regional level in 1965, when the Commission presented a communication on the subject matter. Although a policy document without any legal effect, it allowed the Commission to set out its own opinion on the specific issue. Such communications are usually addressed to the Council of the EU and to the European Parliament. This document was a follow-up to officially sponsored expert studies suggesting that a harmonious development path had to consider the sharp economic differences between European regions.

There, the Commission proposed a comprehensive European strategy aiming to address regional imbalances through the creation of 'growth poles' in less developed areas; further calling on member states to set up regional development programmes that would include such centres. Finally, in 1968, reports produced for more than a decade by expert circles led to the creation of a specific Commission Directorate-General for Regional Policy. Its mandate was to ensure a permanent improvement in the quality of life for European citizens, thus effectively institutionalising the regional dimension in the context of European integration. Until the early 1970s, however, the European Investment Bank and the European Social Fund (partially joint up with ECSC resources to support workforce re-deployment) remained the only financial mechanisms through which the European Community had an actual impact at regional level.

The 1972 Paris Summit of Heads of State and Government marked the true turning point towards an institutionalisation of regional policy and the recognition of sub-national authorities for the harmonious development of the Community as a whole. From then on, European regional policy should reflect an innovative process carrying vital importance for the member states. Firstly, the summit formalised the first enlargement of the European Community by admitting Denmark, Ireland and the United Kingdom, three new member states that would play a major role in the long-term development of the policy area. Secondly, the summit approved a future steps programme by which the Council committed itself to find a solution for the observed socio-economic imbalances. In the enlarged Community it would be the task of this intergovernmental body to coordinate regional policies at national level and to do so with the help of a newly established financial support fund.

For this reason, it is important to note the contribution of the United Kingdom for the decision to create a genuine regional policy. On the one hand, the new member state had economically depressed areas and hence advocated intervention with targeted policies for particular regions. In addition, a regional fund could be used as a bargaining chip to address dissatisfaction with low financial returns from the EU budget. On the other hand, the British national interest became a vehicle for strengthened subsidiarity concerns in the EEC. The 1973 Thomson Report, for example, advanced the idea that major regional imbalances are found in agricultural areas as well as those undergoing industrialisation. As both types of locations continued to experience high levels of unemployment, the report concluded that while ‘the objective of continuous expansion set in the Treaty has been achieved, its balanced and harmonious nature has not been achieved’ (European Commission 1973).

Subsequently, the European Regional Development Fund (ERDF), established in 1975, aimed to guarantee the financial strength considered necessary for the achievement of social and economic convergence (Baun and Marek 2014, 11–16). The ERDF was the first true investment mechanism dedicated to the achievement of regional cohesion through subsidiarity. Ultimately, it would correct the existing imbalances and promote the required economic and social adjustments among the recipient entities. To this end, it was first necessary to reduce the disproportionate strength of the EEC agricultural sector. The Common Agricultural Policy (CAP) still absorbed up to 80 per cent of the Community budget. Therefore, the Commission tried to foster balanced industrial change in Europe. It also tried to address the challenges this strategy posed for individual citizens as well as the larger society, particularly as regards the problem of structural unemployment in Southern Europe.

In the early years, the ERDF primarily relied on pre-selected national projects considered worthwhile of European funding. The applications by member states were further limited to an annual funding cycle. Although priority was given to reducing regional disparities, the national interest bias in fund allocation followed from a still dominant inter-governmental paradigm. In the 1970s, the Commission was not seen as the implementer of Community-level policy, but as a promoter of coordination among established national policies. The relative dominance of domestic governments in regional policy upset the balance with subsidiarity considerations and produced inefficiencies in ERDF allocations. Accordingly, the 1974 Paris summit highlighted economic distortions leading to a remarkable report authored by the then Belgian Prime Minister, Leo Tindemans.

The European Council had issued an instruction to draw up a document that could revive the European project in times of economic crisis and potential threats of disintegration. A convinced federalist, Tindemans consulted not only European institutions, but also engaged with key representatives of political and economic organisations, the leadership of trade unions and local interest groups as well as cultural and intellectual elites. His recommendations were published on the 29th of December 1975 and presented to the Luxembourg European Council on the 2nd of April 1976. The Tindemans Report stands out with its call for a strong, properly resourced regional policy better suited to address the economic problems facing the Community. In particular, the report stressed the link between subsidiarity and the common good (Tindemans 1976, 12):

Our peoples wish European Union to embody and promote the development of our society corresponding to their expectations, to provide a new authority to compensate for the reduced power of national structures and to introduce reforms and controls which often cannot be implemented at state level, to give an organic form to the existing solidarity of our economies, our finances and our social life. Europe can and must identify itself with the concerted and better controlled pursuit of the common good with economic resources being reoriented towards the collective interest, a reduction in regional and social inequalities, decentralisation and participation in decision-making. We will then have created a new type of society, a more democratic Europe with a greater sense of solidarity and humanity.

The report further suggested practical solutions to the observed dilemma such as closer attention to Community objectives, a better coordination of policy instruments and, most importantly, a stronger role for the Commission. Above all, the reform of regional policy had to be on the top of the agenda of European leaders and institutions. This was the imperative that came out of the deepening regional imbalances and a fast-changing economic environment due to the oil crisis. The Nixon declaration of dollar non-convertibility had generated a major financial crisis, breaking the exchange rate rules established in 1944 at Bretton Woods. Key European currencies started to fluctuate freely without any benchmarks in place. In combination with an indiscriminate rise in oil prices, the entire European economy came close to collapse. In addition, given an ongoing discussion on Economic and Monetary Union (EMU), a correct functioning of the EEC was considered essential. In fact, in 1970, the Werner plan for economic and monetary union was published, following a decision by the Heads of State and Government during the 1969 European summit in The Hague. Its aim was the gradual adoption of a single currency within ten years, even though the financial crisis led to a *de facto* suspension of such blueprints. Therefore, Tindemans (1976, 25–6) concluded:

The common policies referred to in this chapter are the very essence of European Union. They give substance to the solidarity which binds our economies and our currencies. They give expression to the desire to enable all regions and all social classes to share the common prosperity and share power. … All in all they offer us the instruments which make it possible to strive for new growth in a more just, more humane society.

The Politics of Reform

A first step towards reform was made in 1978, and again five years later, through modifications in the ERDF regulation. By 1984, substantial changes had entered into force suggesting a more community-centred approach. This included a significantly higher percentage of budgetary resources allocated to the ERDF, strengthened discretionary powers for the Commission in project selection, and an increase in the overall amount of eligible expenditure. Following on from the revived commitment of key political actors, a new trend in regional policy had emerged. Arguably, three interrelated events stand out to explain the heightened importance of improved policy implementation in this area: the first direct elections to the European Parliament in 1979, the enlargement of the European Community to Southern Europe, and the adoption of a strategy leading to the single market programme. The latter aims at the abolition of internal borders and other regulatory obstacles between the member states to guarantee the free movement of goods, services, capital and labour.

The reinforced legitimacy of the European Parliament paved the way for the further institutionalisation of an informal gathering that comprised elected representatives at local and regional levels. In previous years, this Intergroup had only operated within an informal setting allowing representatives of sub-national authorities to meet their counterparts in Commission and Parliament. The Intergroup consisted of 19 members of the European Parliament who previously held institutional roles at local or regional level. It maintained an ongoing dialogue in the form of hearings with local authorities giving them an opportunity to put forward requests, make proposals, and highlight priority areas for sub-national development. In practice, the Intergroup became an advisory body to the European Parliament in matters concerning urban areas, making a useful contribution to the EEC's subsidiarity goal. In addition, for the best part of the 1980s, the admission of Greece, Spain and Portugal spread disparity in Community economic performance as measured in Gross Domestic Product (GDP) figures. The percentage of people living in depressed areas had doubled, putting the European Commission under immediate pressure to reform the functioning of all three structural funds (Evans 2005).

Finally, the 1985 Single European Act (SEA) resolved the question about an appropriate legal basis for the conduct of regional policy by introducing in its Article 23 a new title V to part three of the EEC Treaty. The new legislation formally recognised the policy area, stating as its main aims the promotion of an 'overall harmonious development' of the Community and the strengthening of 'economic and social cohesion', particularly by 'reducing disparities between the various regions and the backwardness of the least-favoured regions'. The political declaration included in the SEA, and strongly endorsed by the Commission under its President, Jacques Delors, affirmed that regional disparities needed to be identified and recognised as a major hindering factor for the realisation of the common market. Consequently, deepening economic integration could not do without stronger efforts to achieve regional cohesion (Molle 2007, 6). For this purpose, the SEA identified key policy instruments such as the ERDF, the European Agricultural Guidance and Guarantee Fund (Guidance Section) and the European Social Fund; all three, in combination, better known as the structural funds.

The Maastricht Treaty

In 1992, the Maastricht Treaty initiated a second reform step in cohesion policy, albeit with a narrower scope. It attempted to enhance the role of citizens in the Union, specifically through the establishment of a formal European citizenship. This included a modification of the management capacity in regional policy by improving the relationship of European institutions with the general population and a stronger involvement of sub-national levels of government. Moreover, the new treaty brought about a fundamental change in the European integration process by promoting EMU together with the core goal of economic and social cohesion. At Maastricht, cohesion policy acquired a level of relevance equal to the internal market or EMU itself. The legal text introduced a special cohesion fund to co-finance infrastructure projects in the less developed member states and to give support in fulfilment of EMU convergence criteria. The latter refers to a set of economic criteria in terms of limits to budget deficits and public debt that EU member states must fulfil before entering the third stage of EMU and adopting the euro as their currency. Furthermore, the Commission recognised a key role for cohesion policy through the doubling of resources in the second financial package published under the Delors Presidency, thus accounting for one-third of the entire EU budget. In this way, the Commission intended to continue the reform of the EU budget that started with the publication of its first financial package in 1987.

A second major innovation of the Maastricht Treaty was a modified institutional organisation, reinforcing subsidiarity. Article 198 TEU prescribed the creation of a Committee of the Regions (CoR) as a new entity composed of local and regional representatives from each member state acquiring an advisory role in the EU policy-making process. The CoR held the right to express its own opinions not only when called upon by Council or Commission, but as often as it deemed appropriate. Similarly, the envisaged Economic and Social Committee with representatives from the social partners would further upgrade cohesion policy. Whenever the latter is consulted by EU institutions, the former would also be entitled to issue an opinion. Their shared organisational structure further ensured a strong link between regional and cohesion policy. In fact, the Committee of the Regions and the Economic and Social Committee share the same building, thus operating in close physical proximity and through mutual consultation.

Yet, the most important innovation of the Maastricht Treaty was the formal recognition of the subsidiarity principle in Article 5(3) with the objective to provide clarity in the division of competences between the EU and the national or sub-national level of government (Estella de Noriega 2002). The principle promised a new approach to the management and implementation of EU actions in most policy areas. It assumed that by shifting decision-making power to the level of government closest to the citizens, a better outcome could be achieved in terms of efficiency considerations or actual results of the intervention:

Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level.

The institutional reforms introduced at Maastricht served later as a basis for the development of the Lisbon Strategy. Accordingly, the EU was supposed to become the most dynamic and competitive knowledge-based economy in the world, build around sustainable economic growth and the respect for the environment, creating more and better jobs, while at the same time working towards greater social cohesion. To this end, national governments would join forces to promote an investment-friendly climate that benefits the market entry of innovative small and medium-sized companies (SMEs). This revised strategy had become indispensable due to the fundamental changes in the geopolitical landscape following the implosion of the Soviet Union and the fall of the Berlin wall. With the end of the Cold War, several of the newly independent states in Central and Eastern Europe aimed for EU membership. After the 2004/2007 enlargement round, and the admission of twelve new member states, further changes to cohesion policy and its financial instruments were necessary (Baun and Marek 2008). These had the purpose to allow for adaptations to the changing policy making context, and to enable governments to catch up with the European average of GDP and employment rates.

Responding to Crisis

Despite important variation, sub-national administrations have from the outset supported European efforts to strengthen subsidiarity. With the help of key policy instruments devoted to enhancing economic and social cohesion, regional and local authorities have been able to play a major role in addressing the needs of citizens across territorial divisions. With a similar objective in mind, the Commission and the European Parliament did also devote increasing attention and resources to maintain links with local communities.

More recently, the global financial crisis has reconfirmed the prominent role of regional actors. In fact, their role has become more pronounced as European integration is challenged by the consequences of austerity policies with severe repercussions for national social systems (Faucheur 2014). Eurosceptic movements and parties have grown, relying in their propaganda heavily on a local sub-culture that exposes nationalist and xenophobic sentiments. In response, the European Commission developed strategic priorities that should guide the Union out of the political, economic and social crisis. Once more, emphasis is on economic recovery, civic engagement and participation, as well as sustainability. Due to its transformative capacity, cohesion policy ranks high on the Commission agenda (Bachtler et al. 2017). It is now supplemented by a European Strategic Investment Fund that enables sub-national authorities to spark further growth. In collaboration with local and regional actors, Brussels has issued new guidelines that allow the combination of different funding arrangements for the realisation of a more inclusive economic recovery. While complex administrative procedures and a lack of professionalism in public services may still hinder progress in some European regions, the idea of embracing innovative financial instruments is gradually gaining momentum.

Conclusion

The short history of cohesion policy and the related reform of financial allocations show the transformative capacity of European institutions. Since the earlier state-centric approach that left only a marginal role for Brussels, the policy area has morphed into one of the most important Commission activities, directing the highest percentage of EU budgetary resources. The principle of subsidiarity occupies an important political space in the power division between European authorities. Through policy adaptations reflected in buzzwords, such as transparency and accountability, financial democratisation and funding access, the EU has mounted an effective response to economic crises. In the past decades, regional and local authorities have moved to the forefront of innovation, exploring solutions to European-wide challenges.

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