The Institutional Design of European Integration: EEC Social Concerns and Development Policies Between 1957 and 1973

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Abstract

This paper investigates the definition of the European social dimension and the links between development policies and social concerns. The review of a wide literature on the subject confirms the functionalist view that emerged with the Treaties of Rome: measures promoting economic integration and the removal of restrictions on the movement of people, goods, capital and services absorb social measures, which are implemented only as indirect consequences of the progressive market integration. The EIB's intervention in the Mezzogiorno is then analyzed as a case study to evaluate the EEC's approach to the implementation of employment policies in the first fifteen years after the signing of the Treaty of Rome. The research shows that political issues relating to employment and to the integration of individuals into society were mainly entrusted to a technical institution, called upon to operate on the financial market to promote profitable investments in the Community.

1. European social identity in the Treaty of Rome

The process of sharing a supranational political and economic dimension defined by the Treaty of Rome in 1957 shows distinctive features that highlight innovative aspects of the Community adventure. The attempt to restore centrality to the European economic space in the global context and to promote "an ever closer union among the peoples"[1] of the continent triggers the need for

[1] Preamble to the Treaty establishing the European Economic Community, 1957, p. 11.

constant harmonization between pressures from outside as well as inside the emerging European Economic Community (EEC). In this sense, the choice of an intergovernmental institutional structure can be explained precisely if one takes into account the need to combine the "globalization" desires of the EEC with the territorial ambitions for economic growth of the nation-states. This tension, as the extensive literature on this subject points out, generates a decisive push towards economic unification, which is accompanied by a cautious process of Europeanisation of the multiple spheres of public policies.[2] The resolution in building a single and integrated market is matched by a "considerable timidity"[3] of the Community in key areas such as social and redistribution policies.[4]

The institutional architecture that emerges from the drafting of the Treaty of Rome is therefore "structurally designed to address social issues with a view to removing obstacles to the establishment and proper functioning of the common market."[5] The early roadmap of European integration, largely inspired by the functionalist approach, thus determines a significant asymmetry between the economic and social dimensions: progress in the area of redistributive policies are understood as reflections of greater economic integration, according to a rationale that defines a clear temporal succession between market unification and political harmonization.[6] The social aspect constitutes a "sub-species"[7] of the benefits resulting from the

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[2] For a framing of the topic see G. Mammarella, P. Cacace, *Storia e politica dell'Unione europea. 1926-2013*, Editori Laterza, Rome, 2013; F. Fauri, *L'Unione europea. Una storia economica*, il Mulino, Bologna, 2017.

[3] M. Luciani, "Diritti sociali e integrazione europea", in *Politica del Diritto*, Fascicolo 3, il Mulino, Bologna, September 2000, p. 372. All translations by the author.

[4] See also F. Foschi, "La dimensione sociale nel processo integrativo europeo", in *Rivista di Studi Politici Internazionali*, vol. 59, no. 3, Maria Grazia Melchionni, July-September 1992, pp. 393-404.

[5] E. Ales, "Lo sviluppo della dimensione sociale comunitaria. Un'analisi genealogica", in *Rivista del Diritto della Sicurezza Sociale*, Fascicolo 3, il Mulino, Bologna, December 2009, p. 527.

[6] See also T. Treu, "L'Europa sociale: problemi e prospettive", in *Diritto delle Relazioni Industriali*, n. 3, Giuffrè Editore, Milan, July 2001, p. 316.

[7] M. Jepsen, P. Pochet, "La dimensione sociale europea in prospettiva", in *Quaderni Rassegna Sindacale*, n. 1, Futura Editrice, Rome, January-March 2019, p. 47.

enlargement of the market: if the economic goals are already stated at the beginning of the Treaty, in Article 2, social concerns are instead – to use an effective definition shared in the literature – "eternally in predicate",[8] in an incidental position to the economic priorities. Social concerns are only placed in Title III of the Treaty and affirmed by Article 117, which enshrines the principle of "equality in progress" and recognizes the need to promote the improvement of living and working conditions of the workforce. In this context, the action of the EEC is limited to promoting greater job opportunities for the citizens of the member states and becomes mainly an employment policy. The creation of new jobs emerges as the "primary instrument of social protection"[9] and the idea is promoted that the quantitative increase in job opportunities can ensure not only the greater harmonization of member states' economies but also the full integration of individuals into society.[10] In this perspective, unemployment is considered as the sole dimension of social exclusion and entering the labour market is a necessary and sufficient condition for the improvement of living conditions.[11]

In the first fifteen years since the signing of the Treaty of Rome, the Italian experience in promoting the development of the Mezzogiorno represents an interesting *case study*, allowing for a deeper analysis of the role of the EEC in the social field and for the implementation of policies to promote effective equality in progress within the member states. The Community's action in these areas is entrusted to two bodies – the European Social Fund (ESF) and the European Investment Bank (EIB) – called upon respectively to work

[8] M.R.A. Caracuel, "La necessità di un capitolo sociale nella futura Costituzione europea", in *Lavoro e Diritto*, Fascicolo 4, il Mulino, Bologna, autumn 2000, p. 607.
[9] E. Ales, *Lo sviluppo della dimensione sociale comunitaria*, cit., p. 562. See also S. Leibfried, P. Pearson, "Le prospettive dell'Europa sociale", in *Stato e Mercato*, n. 37, il Mulino, Bologna, April 1993, pp. 43-82.
[10] See also J.P. Laborde, "Cosa resta del modello sociale europeo?", in *Lavoro e Diritto*, Fascicolo 3, il Mulino, Bologna, summer 2013, p. 329.
[11] See also M. Biagi, "Integrazione europea, dimensione sociale e cultura imprenditoriale: tre fattori inconciliabili? Riflessioni comparate sul caso Italia", in *Diritto delle Relazioni Industriali*, n. 2, Giuffrè Editore, Milan, 1991, pp. 3-9.

to "improve employment opportunities for workers within the common market"[12] and to "contribute [...] to the balanced and smooth development of the common market [...]."[13] The position of the articles establishing the two bodies in the Treaty – Article 123 and Article 130 – is relevant: the ESF and the EIB are placed immediately after Title III on social policy and thus stand to become its implementing tool, albeit in a context in which the reasons of economic and market integration prevail over those of redistribution. The two bodies qualify as the only instruments of "positive" intervention by the EEC, needed to balance measures mainly aimed at removing obstacles to freedom of movement. Studying the EIB's intervention in the Mezzogiorno therefore allows for a more in-depth analysis of the Community strategy in the economic and social field, offering an innovative perspective that can restore centrality to the elaboration of effective economic cooperation programmes.[14]

2. The EIB's strategy in the Mezzogiorno between 1957 and 1973

The EIB's investments in Southern Italy were complementary to the measures put in place by the Italian government under Laws 646/1950 and 634/1957 and supported the establishment of industrial enterprises by requiring the co-participation of private capital and the submission of projects to prove the profitability of production already in the short term. The general directives approved by the Board of

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[12] Treaty establishing the European Economic Community, Article 123, 1957, p. 102.
[13] Ibid, Article 130, p. 107.
[14] On the process leading to the establishment of the EIB, see also D. Strangio, *La rinascita economica dell'Europa. Dall'European Recovery Program all'integrazione europea e alla Banca europea per gli investimenti*, Rubbettino Editore, Soveria Mannelli, 2011; L. Coppolaro, "Setting up the financing institution of the European Economic Community: the creation of the European Investment Bank (1955-1957)", in *Journal of European Integration History*, n. 5 (2), 2009, pp. 87-104; G.P. Manzella, "Alle origini della Banca Europea per gli Investimenti: tra Mezzogiorno ed Europa", in *Rivista Giuridica del Mezzogiorno*, a. XXI, 2007, n. 2-3, pp. 279-306; D. Strangio, "The management requirements that inspired the European Investment Bank 1957-1958", in *Journal of European Economic History*, n. 1, 2018, pp. 61-84.

Governors at its meeting on 4th December 1958 identified three macro-objectives the Bank was called upon to pursue in order to promote "*la réalisation d'une véritable communauté*" (aka "the realization of a real community):[15] the development of less favoured regions, the financing of large-scale projects in the industrial sector and the widest possible cooperation with local banks and credit institutions.[16]

Between 1958 and 1963, the EIB supported the Italian Government in implementing its policy for the development of industrial clusters, financing a number of infrastructure projects and the establishment of capital-intensive companies in core sectors. The first two projects supported by the Bank were located in the Mezzogiorno and allowed the construction of the Mercure thermoelectric power plant and the Sincat petrochemical plant in Syracuse. Intervention then intensified between 1964 and 1968, providing an essential anti-cyclical function: the wage shock of 1963 and the worsening of the Italian balance of payments had in fact generated growing difficulties for the small and medium-sized enterprise (SMEs), making closer co-operation with local credit and industrial promotion institutions necessary. In this perspective, the collaboration with the Istituto per lo sviluppo delle attività produttive (ISAP), which allowed for the incubation of approximately thirty-six companies in Southern Italy, with the SpA Nuove iniziative per il Sud (INSUD), enabling capital investment from abroad to establish technology-intensive industries,[17] and with the Società meridionale di elettricità (SME), which benefited from EIB funding for the development of the food

[15] European Investment Bank (EIB), *Procés verbal de la seance du 6 fevrier 1958*, 1958, EIB Fund, series PV, CA-001-58, Historical Archives of the European Union, Florence, p. 2. See also A. Bonatesta, "La banca europea per gli investimenti e la 'comunitarizzazione' del dualismo italiano. Un esperimento difficile (1958-1973)", in *Studi Storici*, n. 1, 2020, pp. 129-164; A. Bonatesta, *The European Investment Bank and the "Mezzogiorno" in the context of regional development (1958-1973)*, EUI Working Paper HEC 2019/01, 2019.

[16] EIB, *Procés verbal de la seance du 6 fevrier 1958*, cit. p. 2.

[17] A relevant example in this context is the loan granted by the EIB in 1964 for the opening of a factory of the Japanese company "Ajinomoto" in Manfredonia. The factory, active in the chemical sector, would have enabled 264 new jobs to be created. See EIB, *Procés verbal de la réunion du 21 fevrier 1964*, 1964, EIB fund, series PV, CA-036-64, Historical Archives of the European Union, Florence.

sector in Southern Italy, is fundamental. A significant change in the Bank's strategy occurred between 1968 and 1973, partly as a result of tensions in the Italian labour market and the slowdown in investment from 1963 onwards: the EIB began experimenting with innovative credit instruments in the Mezzogiorno, and in 1968 it granted the first global loan to the Istituto per lo sviluppo economico dell'Italia meridionale (ISVEIMER), aimed at financing SMEs, considered as a "*complément indispensable du développement des infrastructures et de la création d'usines relativement importantes et d'une haute technicité*" (aka: essential complement to the development of infrastructure and the creation of relatively important and high-technology jobs).[18] The loan allowed to support twenty-seven companies in the Mezzogiorno, creating 2,228 new jobs and stabilizing 3,500 workers. These results determined a significant impact in Southern Italy, proving the validity of the strategy employed by the Bank. In this light, an analysis of the overall data on EIB financing in Italy between 1957 and 1973 helps to assess the employment and industrial policy implemented by the EEC in an attempt to solve the most serious social emergencies during the 1950s and 1960s and to contribute to reducing development gaps.

3. Conclusion: the EIB as an instrument of EEC development policies

Between 1957 and 1973, the European Investment Bank granted 178 loans and guarantees totaling 1,098 million units of account in Southern Italy. The loans approved in the Mezzogiorno accounted for fifty per cent of the total investments in member states and the projects supported in the South enabled the creation of 56,800 new jobs, mainly in the industrial sector. In fact, manufacturing activities received almost sixty per cent of the loans disbursed by the Bank:

[18] See EIB, *Annexe au Procés verbal de la réunion du 30 juillet 1968*, 1968, EIB fund, series PV, CA-067-68, Historical Archives of the European Union, Florence, p. 1.

more than two hundred industrial initiatives obtained a total of 696.2 million units of account.[19]

During this period, the Bank is the main tool of "positive" intervention by the EEC and promotes investments to balance the negative integration measures established in 1957. In this perspective, the EIB realizes economic and social policies, pursuing three complementary objectives: greater market integration, absorption of unemployment and reduction of regional disparities. In the first fifteen years since the establishment of the EEC, the European Investment Bank thus assumed responsibility for the implementation of economic, social and regional policies, despite the member states' decision to remove the determination of the institution's strategy from the political institutions of the Community.

This certifies the lack of incisiveness of the social competences entrusted to the Community bodies, mostly relying on a banking institution with its own legal entity, called upon to collect resources on the financial market in order to make them available for productive investment projects. Social policy, in its declination of industrial and employment policy, is thus entrusted to an independent body, free from the political conditioning originating form the Council and the Commission. The Treaty of Rome thus commits the "political" issue of social rights to the more distinctly technical institution within the EEC. This choice determines the definitive "absorption" of social policy into the sphere of economic market integration measures.[20] The heterogeneity of the objectives pursued by the EIB is therefore a symptom of the "timidity" of the Treaty of Rome in the social field and of the inadequate sharing of cooperation measures capable of fostering an effective redistribution of resources in the European market.[21]

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[19] Data shown are the result of the author's elaborations on the EIB's annual reports, the minutes of the Board of Directors and publications promoted by the Bank.

[20] Some scholars define social policies in this sense as «stepdaughters of European integration». See in this regard, for example, J. Bellers, "Europaische Sozialpolitik", in R. Woyke (ed.), *Europaische Gemeinschaft. Probelmfelder-Institutionen-Politik*, Piper, Munich, 1984, pp. 246-253.

[21] See W. Streeck, "Il modello sociale europeo: dalla redistribuzione alla solidarietà competitiva", in *Stato e Mercato*, n. 58, il Mulino, Bologna, April 2000, pp. 3-24.