
The European Economic Community's regional policy during the 'age of disorder'. From 'harmonious development' to market-oriented policies (1972-1987)

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This article examines the transformation of the European Economic Community's (EEC) regional policy paradigms from the early 1970s, when negotiations for the creation of the European Regional Development Fund (ERDF) began, until the approval of the Single European Act. The article identifies this period as the beginning of a deep transition from demand-side "interventionist" and "neo-mercantilist" models — typical of certain regional policies used up to that time by member states (primarily by Italy) — towards more openly neoliberal models. My analysis of the harsh conflicts within the Regional Policy Committee (the national technocracies' representative body in charge of managing the ERDF) and between the committee and the European Commission demonstrate that this outcome was not at all taken for granted. It was determined, above all, by the overload of objectives of EEC regional policy in a context of scarce resources, and by the progressive lack of trust in the role of public intervention.

Key words: Community regional policy, European Community, European Commission, Regional Policy Committee, extraordinary intervention

Introduction

When the Treaty of Rome was signed in 1957, with the inclusion of the Protocol on Italy, the 'harmonious development' of a Common Market permanently became part of the wide range of objectives set out by the European Economic Community (hereafter EEC). Throughout the 1960s, the development of a regional policy at European level that could prevent further disparities between 'central' and 'peripheral' areas of Western Europe, following the elimination of internal borders and the integration of continental markets, hinged on the guiding and intermediary function of the European Commission and on the operating role of the European Investment Bank (hereafter EIB).¹

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¹ Cfr. Antonio Varsori, *La politica regionale europea: prime forme di solidarietà*, in Michel Dumoulin (ed.), *La Commissione europea 1958-1972. Storia e memoria di un'istituzione*, Lussemburgo, Ufficio delle pubblicazioni dell'Unione europea, 2007, pp. 427-442:

Counting among its governing bodies the economic and financial ministers of member states as well as figures whose nomination depended on the central banks, the EIB had the task of collecting savings from international financial markets and investing these in ways compatible with capitalist productive expansion, for the benefit of areas that were still scarcely integrated into the European market.²

This specific model of European regional policy demonstrated a certain ability among national authorities and Western central banks to regulate and control world currency's production and circulation as well; at the same time, it gave proof of a relatively low level of class conflict inside individual countries. Nevertheless, this model gradually revealed to be insufficient as the first signs of what Giovanni Arrighi dubbed the 'signal crisis' of the American accumulation cycle emerged.³ In fact, between the late 1960s and the early 1970s a series of wide-ranging phenomena — like the expansion of the Euro-dollar market, the growing competition for investment capital among national economies, the end of fixed exchange rates, the first oil crisis of 1973 and the ensuing processes of productive reorganization — anticipated a 'fierce' transition from a Fordist and collaborative type of equilibrium to a new "age of disorder", based on conflictual relations between regional areas across the world.⁴

From Arrighi's viewpoint, the end of a hegemonic cycle is generally marked by the transition from a material expansion phase to a financial one, through which the capitalist "centre" seeks to relaunch the accumulation dynamic. Scholars have observed that — from the 1970s onwards — one of the main effects of this process has been that of an increased economy and global finance 'marketisation', as a result of processes such as progressive liberalisation of economic activities, reduction of regulation mechanisms and resource allocations through the market in place of state.⁵ In these conditions, it is possible that the same pressures that affected the forms of embedded liberalism that we have inherited from the post-war Keynesian order equally impacted upon European regional policy.

This essay offers a first reconstruction of the changes that marked this field of communitarian activities in the period between 1972 — the year in

<https://op.europa.eu/it/publication-detail/-/publication/86829f82-a34f-4e2d-bb5c-8e0e1473a4a6/language-it>; Eric Bussière (ed.), *The Bank of the European Union. The EIB, 1958-2008*, Luxembourg, European Investment Bank, 2008.

² Cfr. Antonio Bonatesta, *The European Investment Bank and the 'Mezzogiorno' in the context of regional development (1958-1973)*, EUI Cadmus, HEC Working Paper (ADG subseries), 2019.

³ Cfr. Giovanni Arrighi, *Il lungo XX secolo. Denaro, potere e le origini del nostro tempo*, Milan, il Saggiatore, 2014.

⁴ Cfr. Tommaso Detti, Giovanni Gozzini, *L'età del disordine. Storia del mondo attuale. 1968-2017*, Bari, Laterza, 2018.

⁵ Cfr. Colin Crouch, *Europe and problems of marketization. From Polanyi to Scharpf*, Firenze University Press, 2013.

which the establishment of a European Regional Development Fund (hereafter ERDF) was decided at the Paris summit — and the mid-1980s, when a first significant reform of structural funds was developed in the wake of the Single European Act (1987).⁶ According to a common interpretation in legal and economic scholarship, this crucial phase implicated a progressive and unavoidable 'Europeisation' of national intervention policies in lagging-behind regions. The emphasis on the Europeisation category probably brought to an evolutionary-linear approach, that has partially influenced historiography, placing excessive emphasis on EEC regional policy's governance institutional aspects, when we need a more in-depth understanding of changes into national authorities' and European technocracies' intervention paradigms.⁷

The fact is that maintaining a focus on EEC regional policy's national roots may be useful, if anything, to understand the exact point of departure of this Community's specific sector. I am referring, in first instance, to the 'interventionist' or 'neo-mercantilist' character of national politics after the Second World War, especially in Italy; here, any efforts for Southern lagging-behind regions' development hinged on the public apparatus and the 'extraordinary intervention' regulating function, aimed at a "conscious use of State politics to expand the market".⁸ From the end of the 1950s onwards and during most of the following decade, the *Protocol on Italy* as well as the existence of a "French-Italian connection" within the European Commission perhaps represented the main vector of a European interest in regional imbalances. Further still, these elements determined a sort of 'imprinting' into the EEC regional policy, as demonstrated by the initial 'development poles' technique centrality in European discussions, as well as by the respect that Bruxelles authorities showed for the intangibility of State prerogatives in this sector.⁹

⁶ Gian Paolo Manzella, *Una politica influente. Vicende, dinamiche e prospettive dell'intervento regionale europeo*, Bologna, il Mulino, 2011.

⁷ Laura Grazi, *Origini e sfide della politica regionale comunitaria: dagli studi preliminari all'Atto unico europeo (1957-1986)*, "Memoria e Ricerca", 2009, n. 30, pp. 45-57. For a historical overview of European integration see, in particular, Barbara Curli, *Storici italiani e integrazione europea*, "Il Mestiere di Storico", 2011, n. 2, pp. 99-105; Arianne Landuyt, *Il "valore aggiunto" di un approccio storico allo studio delle politiche comunitarie*, "Memoria e Ricerca", 2009, n. 30, pp. 5-16; Antonio Varsori, *La storiografia sull'integrazione europea*, "Europa Europe", 2001, n. 1, pp. 69-93.

⁸ As is known, Fabrizio Barca has differentiated between 'regulations' and 'regulatory' forms of State intervention in Italy; the former refers to the establishment of equal rules that are valid for everyone, the latter reflects a policy aimed at safeguarding the interests and demands of specific social groups on a case-by-case basis. See Id., *Il capitalismo italiano. Storia di un compromesso senza riforme*, Rome, Donzelli, 1999, qui pp. 55-65. For a conceptual explanation of the "interventionist" or "neo-mercantilist" nature of Italian post-war economic politics see, in particular, Carlo Spagnolo, *La stabilizzazione incompiuta. Il piano Marshall in Italia (1947-1952)*, Rome, Carocci, 2001 e Rolf Petri, *Storia economica d'Italia. Dal fascismo al miracolo economico (1918-1963)*, Bologna, il Mulino, 2002.

⁹ With regard to the characteristics of the "French-Italian connection" within the Commission see François Denord, *Néo-libéralisme et «économie sociale de marché»: les*

At the same time, I am convinced that, at least throughout the entire 1970s, the foundations of the European economic model in matters of regional imbalances can be deduced by studying power relations between regional and competition policy.¹⁰ As is known, competition was one of the traditional strongholds of German ‘ordoliberalism’, aimed at a regulating the market by means of a precise role for the State, where this latter had to limit itself to the establishment of a legal framework for competition, otherwise refraining from any possible form of distortion.¹¹ This kind of ‘bipolarity’ — deeply rooted in the Treaty of Rome, which had created a co-presence between the ‘harmonious development’ mandate and the rules of Articles 92-93 on state aid — was upset by the dramatic changes of the early 1970s.

One of the main purposes of this essay is, then, to reconstruct the European debate about theoretical and operative tools in support of regional policies. In particular, I aim to understand how national states and EEC institutions used the Community arena to negotiate — also in the context of regional policies — a transition from interventionist models to ‘neoliberal’ visions. In doing so, I will consider neoliberal patterns chiefly in terms of politics aimed at promoting the marketisation process as well as forms adaptation to it.

My point of departure for an understanding of changes in European regional policy is the collapse, at the turn of the 1970s, of the post-war expansion phase, as well as the accumulation of an enormous amount of resources “beyond the normative authority of any country and any organism”: in other words, the return in private hands of the control over global finance.¹² This explains — at least in part — the necessity for European countries to fall back upon a further instrument like the ERDF, which pointed out the evident insufficiency of the previous EEC regional policy model — exclusively based on the EIB’s activity of capital drainage and lending — and was much more based on member states’ finances. It must nevertheless be stressed that, this greater reliance on the role of public resources and national administrative systems — which overlapped the previous EIB-based model — has more convincingly advanced the theme of what Wolfgang Streeck has called the State’s “crisis of legitimacy”. Streeck defines this crisis in terms of a necessity for the political-economic system to respond to the expectations not just of people — or perhaps better, of

origines intellectuelles de la politique européenne de la concurrence (1930-1950), “Histoire, Économie & Société”, 2008, n. 1, pp. 23-33.

¹⁰ Antonio Bonatesta, *L’Italia e gli squilibri regionali nella Comunità a Sei*, in Sante Cruciani, Maurizio Ridolfi (eds.), *L’Unione Europea e il Mediterraneo. Relazioni internazionali, crisi politiche e regionali (1947-2016)*, Milan, FrancoAngeli, 2017, pp. 67-88.

¹¹ Cfr. Katja Seidel, *DG IV and the origins of a supranational competition policy: establishing an economic constitution for Europe*, in Wolfram Kaiser, Brigitte Leucht, Morten Rasmussen (eds.), *The history of the European Union. Origins of a trans- and supranational polity 1950- 72*, New York-London, Routledge, 2009, pp. 129-147.

¹² J.A. Frieden, *Banking on the words. The politics of American international finance*, New York, Harper&Row, 1987.

“those who depend on a salary” — but also, and especially, of the “company owners who depend on the profits obtained from capital” and on its administrators.¹³ In the context of regional policies, these expectations revolved around the means of creating and managing economic infrastructures as well as governance networks capable of guaranteeing the geographical mobility of capital and labour force — all necessary elements to maintain material expansion.¹⁴ If, all over the 1960s, the EIB's bank criteria had protected Western financial capital owners who decided to invest in its bonds, now this came down to state authorities, ever more conscious of the dramatic erosion of their ability to control liquidity and financial circulation.

This essay will pay particular attention to two typical instruments aimed at guaranteeing capital and labour mobility: infrastructures and State aids for productive investments. In this perspective, changes in EEC regional policy during the 1970s and 1980s can be interpreted as the outcome of a similar search for legitimacy, with traditional public intervention models — which had been developed in previous decades — crumbling away. It thus becomes important to linger over the main points of strain of the State's role in territorial imbalances matter, with respect to the challenges posed by the international economic context. Nonetheless, here too we must act with caution and take Laurent Warlouzet's suggestion into consideration, when he stresses that Europe, following the oil crisis of the early 1970s, experimented with a number of economic solutions; it only arrived at 'neoliberalism' after it had tried out all other options.¹⁵

Given the limited space available, I have chosen to focus my analysis on a privileged observatory: that of the Regional Policy Committee, founded in 1975 as part of the ERDF. The uniqueness of this organism resides in the fact that it functioned as a kind of European advisory board, comprising all general directors of the various national committees on regional policies. Consequently, in order also to give value to rarely used documents, actors such as the European Parliament and its commissions, as important as they may be, will not receive the due attention in this essay. Likewise, the growing importance of local autonomies, which interweaves with the emergence — in the second half of the 1970s — of a regionalist narrative and the start of regionalisation and decentralisation processes in many member states, deserves more consideration. The issue of regionalism will, however, remain to the background of this reconstruction, for at least two reasons. First, until the end of the 1980s, that is, until the creation of the Integrated Mediterranean Programmes and the first forma-

¹³ Cfr. W. Streeck, *Tempo guadagnato. La crisi rinviata del capitalismo democratico*, Milan, Feltrinelli, 2013.

¹⁴ D. Harvey, *Geografia del dominio. Capitalismo e produzione dello spazio*, Verona, Ombre Corte, 2018.

¹⁵ Laurent Warlouzet, *Governing Europe in a globalized world. Neoliberalism and its alternatives following the 1973 oil crisis*, London, Routledge, 2017.

tions of the Regional Policy Committee, ‘bottom-up’ participation by the institutional subjects of the ‘meso-government’ remained largely trapped in significant negotiational mechanisms created at a national level, as well as in the construction of lobbying networks at European level. That is to say, for at least a decade after 1975 these actors were forced to continue funding communitarian resources without having any real influence on European regional development policies. Second, I believe that the problem of activating regional actors at the European level puts us before a combination of complex forces and intertwined scales of observation that require a specific methodology, namely a case study analysis and a comparative approach — for obvious reasons, a similar methodological approach exceeds the scopes of this essay.¹⁶

The Regional Policy Committee’s documentation only covers the years between 1975 and 1982, and is held at the Historical Archives of the European Union. It is currently being declassified, along with other important archives (such as the documents of the Irish Commissioner for Competition, Peter Sutherland), and the original institute needs to integrate the documentation. Nonetheless, these archival sources offer a spitting image of the main dividing lines that affected regional policies, primarily the way in which national authorities linked infrastructural processes to the management of state aid, over a period of two decades in which the European economy manifested an urgent need for renewal.

The European negotiations for the European Regional Development Fund (1972-1975)

The three years that separated the Hague Summit, of December 1969, from that one held in Paris in October 1972 witnessed a renewed interest in the regional issue among the EEC, which was considered as an indispensable ‘infrastructure’ of the Economic and Monetary Union (EMU). The Werner plan of October 1970 had already recognised the dangers inherent in forms of monetary union being launched without solving the problem of regional disparities, whose persistence was a premonition of inflationist pressures and discrepancies in financial statements capable of threatening the stability of exchange rates.¹⁷ In Paris, the heads of State and government ratified this

¹⁶ In this regard, allow me to refer to an article of my own (only by way of example), *The ERDF and the Mezzogiorno: The case of Apulia (1972-1992)*, “Journal of European Integration History”, 2/2017, pp. 227-244. For a useful theoretical overview of this theme, see Romain Pasquier, *La capacité politique des régions. Une comparaison France-Espagne*, Presses Universitaires, Rennes, 2004. A political analysis approach can be found in Silvia Bolgherini, *Come le regioni diventano europee. Stile di governo e sfide comunitarie nell’Europa mediterranea*, Bologna, il Mulino, 2006.

¹⁷ On the Werner plan see Andrew Moravcsik, *The choice for Europe. Social purpose and state power from Messina to Maastricht*, Ithaca, Cornell University Press, 1998.

nexus, confirming the need to coordinate national policies and to create, by 31 December 1973, a European Regional Development Fund, destined to intervene in areas lagging behind or in decline. Moreover, such ambition on behalf of the Nine responded to requests made by Italy and certain sectors of the Commission; they insisted that the EEC be given more responsibility in tackling the persistent structural disparities within the European economy.

By the end of the 1960s, Italy — traditionally one of the most convinced advocates of the EEC's commitment in solving regional disparities — started pushing for the transition to a new and more intense phase of 'communitarisation' in this specific sector. Rome had understood that the nascent destabilisation of the international monetary system, along with the recommencement of internal social conflicts, prevented the Italian government from tackling the Southern question the way it used to do back in the 1950s and 1960s: namely by channelling investments — with the help of the Development Fund for the South of Italy and State organs — from the capital market or from international credits, following a strategy that drew on institutions such as the World Bank and the EIB or on the issue of bonds. New formulas based on the states' financial solidarity now became necessary, as demonstrated by the behaviour of personalities such as Moro, Donat Cattin and Carlo Scarascia Mugnozza.¹⁸ In a speech held before the EIB's board of directors, the very director of the Bank of Italy — Guido Carli — expressed his scepticism about maintaining a system of fixed exchange rates and about the possibility for European countries to coordinate their own economic policies. His scepticism was motivated by the substantial "ungovernability" of the capital market — where "the decisions of importers and exporters [...] were of such nature as to deeply undermine the reserves managed by the central banks" — and by the crisis that affected the concept of authority in Western countries. Furthermore, for Carli it came down to the State and the very trade unions to monitor if the working class was respecting the agreements they had signed.¹⁹ From 1968-1969 onwards, Italian authorities started seeing the expansion of internal demand in an ever more positive light. This occurred in the context of an increase in production in the South, which was driven by unique agreements between the State and public

¹⁸ Cfr. Antonio Bonatesta, *Europa «potenza civile» e Mediterraneo. La politica comunitaria di Carlo Scarascia Mugnozza (1961-1977)*, Rome, Edizioni di Storia e Letteratura, 2019.

¹⁹ *Exposé du gouverneur Carli au Conseil d'Administration de la Banque Européenne d'Investissement*, 9 settembre 1969, in Archivio storico Banca d'Italia (hereafter ASBI), Direttorio Carli, Pratiche, n. 16, fasc. 10. On the impossibility to return to the wage freeze of the 1950s in Italy see Michele Salvati, *Sviluppo economico, domanda di lavoro e struttura della occupazione*, Bologna, snt, 1976; Anna Duso, *Keynes in Italia. Teoria economica e politica in Italia negli anni Sessanta e Settanta*, Bari, De Donato, 1978. On the centrality of exportations within the Italian development model see also Francesco Petrini, «Esportare, esportare, esportare». *Leconomia italiana e il Mercato comune europeo*, in Concetta Argiolas, Andrea Becherucci (eds.), *La politica europea e italiana di Piero Malvestiti*, Rome, Edizioni di Storia e Letteratura, 2018, pp. 29-52.

and private companies — the so-called ‘planned negotiation’ — according to which specific subsidies were granted to those companies that accepted to delocalise to the South in the hope of avoiding social conflicts.²⁰ Hence, for Italy a reconsideration of the communitarianisation of extraordinary intervention policies — in terms of granting more importance to productive infrastructures and fixed social capital investments, which the EIB had always hesitated to finance — represented a solution for the exhaustion of an export-oriented development model and its interconnections with the international financial environment.

At the same time, the strengthening of regional policies served to identify a communitarian policy capable of offering the United Kingdom a ‘just return’ for its contribution to the Community’s finances. Moreover, it responded to the ambition of influential sectors within the European Commission — recently awarded with the creation, in 1969, of a specific Directorate, the DG XVI — to widen their skills in matters of regional development.²¹

A more cautious — if not reserved — behaviour was that of the Germans. The Social Democratic chancellor Helmut Schmidt (1974-1982) was adamant that there was a link between communitarian solidarity and financial discipline, urgently demanding that the European and American partners adopt deflationary policies.²² As early as January 1974, Schmidt — then Minister of Finances — stressed that the Paris decisions had been circumvented, and that Europe had revealed incapable of continuing its path, especially in the monetary field:

[I]n its place — Schmidt argued — we nowadays have an agreement that is more or less supportive of a certain coordination of economic policies. Monetary cooperation hasn’t expanded: it has shrunk. At this point, for us Germans, European regional policy represents an anticipation of political integration, and we are therefore ready to give this anticipated contribution [...] for we believe that it will facilitate the future integration process.²³

²⁰ Augusto Graziani, *Lo sviluppo dell’economia italiana. Dalla ricostruzione alla moneta europea*, Turin, Bollati Borighieri, ed. 2017. For a detailed analysis of industrial incentivisation policies in favour of the Italian South see Salvatore Adorno, *Le Aree di sviluppo industriale negli spazi regionali del Mezzogiorno*, in Maria Salvati, Loredana Sciolla (eds.), *L’Italia e le sue regioni. L’età repubblicana. Istituzioni*, Rome, Treccani, 2015, pp. 375-394.

²¹ Iliara Poggiolini, *La Grand Bretagne et la Politique Régionale au moment de l’élargissement (1969-1972)*, in Marie-Thérèse Bitsch (ed.), *Le fait régionale et la Construction Européenne*, Bruxelles, Bruylant, 2003, pp. 153-167; on the European Commission and the attempts to develop a regional policy see: Antonio Varsori, *La politica regionale europea: prime forme di solidarietà*.

²² Barry Eichengreen, *The European economy since 1945: coordinated capitalism and beyond*, Princeton (NJ), Princeton University Press, 2007.

²³ Helmut Schmidt, *L’Europa vive di crisi?*, in Bino Olivi (ed.), *Discorsi per l’Europa. Trentesimo anniversario dei Trattati di Roma*, Roma, Presidenza del consiglio dei ministri, 1987, pp. 246-251. On the German attitude towards the regional policy dossier see, especially, Antonio Varsori, Lorenzo Mechi, *At the origins of the European structural policy: the community’s social and regional policies from the late 1960s to the Mid-1970s*, in Jan Van Der Harst (ed.), *Beyond the customs Union: the European Community’s quest for deepening, widening and completion, 1969-1975*, Bruxelles, Bruylant, 2007.

Consequently, being aware of their role as principal financiers of this new policy and sceptical about the ability of their partners — especially Italy — to maintain a correct economic-monetary discipline, the Germans showed even more rigidity in demanding efficient expenditure and directly productive investments, aimed at making regional policies a valid instrument for the EMU.²⁴

From the middle of 1973 to March 1975, the ERDF's negotiations were dominated by the harsh confrontation between 'contributing' and 'beneficiary' countries as well as by France's hostility to granting the Commission excessive power. These elements would have prevented the development of regional policies with a solid community profile; as we have seen, the ERDF's entire system was based on an approach that was "little communitarian and not very regional".²⁵

Between May and July 1973, the newly elected Commissioner for Regional Policy — the British George Thomson — presented the Report on regional problems in the enlarged Community. Along with the Commission's successive proposals regarding the composition of both the ERDF and the Regional Policy Committee meant to oversee it, Thomson's report raised disputes and hesitations among the member states; the breakdown of the international economic framework in the early 1970s increasingly put the countries' mutual solidarity under pressure.

The oil crisis of 1973 made it impossible to formalise the ERDF before the end of the year. Negotiations were only resumed at the end of 1974, and terminated in the spring of 1975. They took place at different levels: in the European Parliament, within the Permanent Representatives Committee (hereafter COREPER) and in the Council of Ministers.²⁶ The main issues that needed to be tackled included the duration, the amount of resources and the ERDF's management procedure; the maximum number of beneficiary regions and the communitarian intervention limit; the definition of funding eligibility; the coordination of national interventions.

Between September and December 1973, COREPER and the Council of Ministers dedicated various meetings to the important question of what resources to allocate to the ERDF, and to the relative appointment criteria.²⁷

²⁴ According to Renato Ruggiero, tensions rose so high that the same Brandt allegedly warned the British and the Commission's very representatives about the fact that Germany "had stopped paying for the reparations", see *Entretien avec Renato Ruggiero par Veronica Scognamiglio à Milan le 15 juillet 2004*, in Archivi storici dell'Unione Europea (d'ora in poi ASUE), Oral History, *The European Commission 1958-1973. Memories of an Institution*, p. 31, https://archives.eui.eu/en/oral_history (accessed 13 May 2019).

²⁵ Jean-François Drevet, *Histoire de la politique régionale européenne*, Paris, Belin Éducation, 2008, p. 51.

²⁶ For a reconstruction of the parliamentary debate see Laura Grazi, *L'Europa delle città. La questione urbana nel processo di integrazione europea (1957-1999)*, Bologna, il Mulino, 2006, pp. 128 sg.

²⁷ ASUE, Fondo BAC-CEE CEEA Commissions, Serie BAC 014/1986 DGXVI Politique régionale, 1973-1979, b. 12, Conseil, *Note. Politique régionale: échange de vue général sur les*

The Commission proposed to allocate the overall sum of 2,25 billion units of account for the triennium 1974-76 (8% of the EEC's budget), to be distributed on the basis of the demographic levels of each member state, measured through the country's gross domestic product. Bruxelles sustained that this system could guarantee a 'communitarian' parameter to be applied indiscriminately to all member states, without falling back on amounts that would have led "the regional policies to completely disappear in the national element". The relation between population and gross domestic product was sufficiently flexible to reabsorb part of the British regions, which would otherwise have been excluded. Throughout the negotiations, the Commission sought to oppose itself to the demands of a limited number of eligible regions, pertaining to some North European countries but also to Italy and Ireland; it sustained that such demands would eventually have caused "a permanent tension between the fund's beneficiary states and other states, given their divergent interests".²⁸

Nonetheless, Bruxelles did not manage to prevent the polarisation of contributing and beneficiary countries. The United Kingdom requested that the ERDF's resources be raised to 3 billion units of account, which attracted criticism from the Germans and, in particular, the French. Italy, too, stressed the inadequacy of the endowments that the Commission offered. Moro himself warned that regional policies "introduced an element of justice into the Community"; for this reason, they should not be reduced to a mere symbolic engagement. In particular, the Italians wanted eligibility criteria to be based on the intensity of disparities, thus confirming the priority of the Italian South and of the Irish regions. Dublin, for its part, insisted that the 'major necessity' criterion be adopted in the distribution of resources, rather than that of the 'just return', so dear to the British. The divisions between the main beneficiary countries allowed the Germans and French to contest an endowment of the ERDF as suggested by the Commission. France rejected — among other things — the 'communitarisation' of the eligibility criteria that Bruxelles had proposed; it claimed that the areas in which the ERDF should intervene simply had to coincide with those regions already included in national programmes.²⁹

propositions de la Commission, 1721/73 (ECO 217) (FIN 563), 20 septembre 1973; Commission, Secrétariat général, Note à l'attention de Messieurs les membres de la Commission. 257ème session du Conseil - 15 octobre 1973. Politique régionale - Rapport sur l'état des travaux, 16 octobre 1973.

²⁸ Commission, Secrétariat général, *Note à l'attention de Messieurs les membres de la Commission. 707e réunion du Comité des représentants permanents - 21 novembre 1973 - Politique régionale, SEC(73)4412, 26 novembre 1973, loc. cit a nota 27.*

²⁹ Thomson replied that the Commission's criteria were based on the indications provided by the Paris summit, and that they were "the least imperfect possible", as they allowed for the distribution of resources implying neither a rigid system of quotes nor the "just return". Commission, Secrétariat général, *A l'attention de MM. les Membres de la Commission. Compte rendu succinct de la 265ème session du Conseil consacrée aux "Affaires générales", SEC(73)4550, 3-4 décembre 1973, loc. cit a nota 27.*

Tensions between contributing and beneficiary countries also arose with regard to certain political and technical aspects, such as the coordination of the member states' regional policies and the establishment of intervention fees and projects that could be accomplished through the ERDF. Additionally, member states with strong internal regional policies — like Italy and France — sought to protect their own intervention systems by adapting the ERDF's function as much as they could.³⁰

The divisions that most impacted on the ERDF's future management concerned the type of interventions that could be tolerated. Belgians and Germans were unfavourable to financing infrastructure expenses unless these were directly linked to production, stressing the need to focus the ERDF's funds on the creation of new jobs. This hostile position was directed at the Italian delegation, which was interested in securing resources for the great infrastructural projects anticipated by the national economic plan of 1971-75.³¹ In a certain sense, the dispute that had set the Italians against the Germans in 1956-1957, on the occasion of the EIB negotiations, resurfaced here.³² Faced with similar objections, Donat-Cattin gave a description “without concessions” of the situation in the South, arguing that it could express a ‘self-stimulus’ dynamic, challenging the German delegation to propose alternative methods of convincing private companies to base their plants in southern Italy.³³ Although the Italians eventually succeeded in having water supply and drainage projects included in the plan, disputes about the interpretation of the concept of ‘productive infrastructure’ continued well beyond the approval of the Regulation of 1975, spilling over — as we will see — into the work of the Regional Policy Committee.³⁴

³⁰ The Italians and the Irish affirmed that European regional policy couldn't entirely replace national policies but only support them; like the French, they favoured a coordination set up with the help of specific programmes, and this solution was eventually accepted. Conseil, *Note. Politique régionale: échange e vue générale sur les propositions de la Commission, 1721/73 (ECO 217) (FIN 563)*.

³¹ Delegations from beneficiary countries were in favour of a broad understanding of “services” and “infrastructure”; Danish, Belgian, Dutch, Luxembourg and German delegates instead aspired to a more narrow interpretation; France suggested the adoption of compulsory lists that outlined all types of fundable projects and interventions. Commission, Secretariat général, *Note a l'attention de Messieurs les membres de la Commission. 257ème session du Conseil - 15 octobre 1973*.

³² Lucia Coppolaro, *Setting up the financing institution of the European Economic Community: the creation of the European Investment Bank (1955-1957)*, “Journal of European Integration History”, 2009, n. 5, pp. 87-104.

³³ Commission, Secretariat général, *Note a l'attention de Messieurs les membres de la Commission. 257ème session du Conseil - 15 octobre 1973*.

³⁴ Here, too, water systems could be considered a borderline case of “productive” infrastructures, according to an interpretation that gained ground within the EIB in the mid-1960s: they allowed for the enhancement or — at times — replacement of water volume for industrial use, as in the case of the aqueduct of Pertusillo for Taranto's Italsider. See Antonio Bonatesta,

When the negotiations on the ERDF were taken up again in the first weeks of 1975, what remained to be defined was the function of the Regional Policy Committee, which consisted in national technocrats and experts. Traditionally hostile towards communitarian solutions, the French requested that the criteria for coordinating member states' regional policies — one of the specific functions of this organism — be established strictly in advance of the Committee's foundation. Moreover, they insisted that the Committee be made dependent on the Council. Similar proposals aimed at limiting its range of action and met with opposition from the remaining national delegations, and from the Commission itself; the latter wanted it between itself and the Council, following the model of the Economic Policy Committee, set up in 1974.³⁵ Even more controversial was the issue regarding the involvement of regional and local authorities, not to mention social actors, in view of the analysis of development programmes conducted by the Committee, as recommended by the European Parliament. Within the Council, the Italians, Dutch and Brits were optimistic; instead, the Danish, German, Irish and Luxembourg delegates raised doubts, fearing that “to allow regional powers direct or indirect access to the Regional Policy Committee [could have] raised [such] hopes and pressures [to distract] the Committee from its main tasks”. The possibility of establishing direct relations between ‘pressure groups’ — a definition that clearly also included regional and local authorities — and a committee of officials evoked “institutional and political problems of a particularly complex nature”. It was no surprise that the French delegation strongly objected. The Commission was suspected of wanting to “dismantle the member states' power through the regions”; in reality, many were opposed to a direct relation between Bruxelles and the idea of a “meso-government”.³⁶ Consequently, the territorial authorities were not involved in the debate about development programmes, with clear implications for the nature of the Regional Policy Committee's choices. Instead, for a long time they had to make do with their connections to the Economic and Social Committee, and with an ‘occasional’ consultation offered by the Commission.³⁷

The European Investment Bank and the ‘Mezzogiorno’ in the context of regional development (1958-1973).

³⁵ Conseil, *Note. Politique régionale: projet de décision du Conseil portant création d'un Comité de politique régionale*, 1859/73 (ECO 227) (FIN 605), 3 ottobre 1973, loc. cit. a nota 27.

³⁶ According to Renato Ruggiero, the first Director-General for Regional Policy, an intervention in regions headed by the Commission would have forced it to create “an infinite bureaucratic organisation”; additionally, it would have been faced with a whole “series of political and [...] administrative inconveniences”, see *Entretien avec Renato Ruggiero...* By contrast, Rosario Solima, an Italian high official of the Commission, criticised the compromises Bruxelles had been forced to accept during the negotiations with member states, highlighting the fact that the latter had placed a “diaphragm” between the Community and the beneficiaries of the investments, cit. in Gian Paolo Manzella, *Una politica influente*, p. 44.

³⁷ Conseil, *Note du Président du Comité des Représentants Permanents. Objet: Politique régionale*, R/319/1/75 (ECO 32) (FIN 75), 7 febbraio 1975, loc. cit. a nota 27.

When the ERDF was inaugurated in March 1975, it bore a strong national mark and was severely downsized in terms of resources and intervention potential. Equipped with 1,3 billion units of account, distributed in fixed amounts and set up purely as a means of devolving part of the Community's finances to national expenditures within the sector, it started off with a difficult experimental triennium that postponed any evaluation of its own persistence until 1977. It has been noted that the compromise regarding the ERDF's endowment — albeit not fulfilling the British, Irish and Italian demands — went well beyond the amount that the Germans were willing to tolerate.³⁸ Likewise, no one within the Commission could claim to be happy with the compromises that the negotiations had imposed with regard to the ERDF's characteristics and functions.

The Regional Policy Committee and the disputes about the concept of infrastructure

In March 1975, when the ERDF's Regulation was approved, the European Council of Ministers made a declaration that contained a number of clarifications, among which the recommendation to only fund "productive infrastructures". According to this declaration, both those infrastructures that included handicraft and service activities and those completing investment projects or constituting a necessary requirement for developmental efforts could have been linked directly to development infrastructures.³⁹

Nevertheless, it was a precarious compromise, and the dispute continued heatedly within the Regional Policy Committee. In fact, here the issue of infrastructure — and its narrow classification for the purpose of financial decisions — was increasingly linked to the criterion of geographical concentration, viewed as a guarantee for the European economy's degree of competitiveness. However, the notion of competitiveness was still rooted in a neo-mercantilist perspective, that is, linked to the necessity to reorganise national productive systems so as to face the challenges of the global market and with the aim of eliminating obsolete elements and industrial surplus.

Already in October 1975, when a first round of projects was examined, it had become evident that the Committee's members interpreted the Council's declaration in different ways.⁴⁰ The confrontation between the Committee's

³⁸ Stephan Leibfried, Paul Pierson (eds.), *European Social Policy. Between Fragmentation and Integration*, Washington/DC, The Brookings Institution, 1995.

³⁹ ASUE, Fondo BAC-CEE CEEA Commissions, Serie BAC 014/1986 DGXVI Politique régionale, 1973-1979, b. 12, Conseil, *Note. Objet: Politique régionale*, R/789/75 (ECO 90) (FIN 218), 14 marzo 1975.

⁴⁰ Regional Policy Committee (hereafter RPC), *Relazione del Comitato di Politica Regionale*, XVI/170/77, 15 giugno 1977, loc. cit. nota 39, 1975-1981, b. 10.

president, the German Social Democrat Claus Noë, and the Director-Generals for Regional Policy, Renato Ruggiero and Petrus Mathijsen, was particularly harsh. The German, in fact, insisted on a further specification, which focused on the preference for so-called ‘economic infrastructures’ (e.g. industrial areas) and on the reduction of “basic” infrastructures (e.g. communication roads, water systems and telecommunications) with exceptions to be made only under specific conditions. In this area, Noë stumbled upon the resistance of the Directorate-General for Regional Policy (hereafter DG XVI), which was convinced that the Council’s note sufficed to remove any doubts, and that any classification attempt would have limited the Commission’s space for manoeuvre. Equally opposed were the Italian and British delegations; they saw large parts of their respective development programmes jeopardised.

A first, unsuccessful attempt at mediation was made between the end of 1975 and during part of 1976; the Dutch Committee delegate J.R. Eysink Smeets had sought to put together a list of fundable infrastructures that could be valid for all member states.⁴¹ The failure of the Dutch attempt opened the road for an initiative of the DG XVI, which — in November 1976 — drafted a working paper on request of the ERDF’s Committee, titled *Considerations of the concept of infrastructure*. The paper highlighted the impossibility of reaching a universal definition capable of responding to the variety of situations and cases present within the Community.⁴² Throughout the 1970s, the Germans therefore saw their attempts to impose a more rigid discipline on infrastructure fail repeatedly. Consequently, they filled the Committee with discontent and resentment, which eventually cast a negative light on its first financial statement.⁴³

The issue regained momentum after the Council promulgated the new ERDF Regulation, in February 1979, which forced the Commission to develop — over the next two years — a classification of fundable infrastructures, on the

⁴¹ During the meeting of 2 December 1975, the report written by the Dutch Eysink Smeets did not obtain the Committee’s unanimous consensus. The conflict between Ruggiero and Noë continued over the next days, with the German drafting a “non-paper” that forced the Committee to produce results, in which he repropounded his reasoning. *Troisième réunion*, 1-2 décembre 1975, loc. cit. nota 39, b. 1.

⁴² Nonetheless, the Commission’s services had agreed to write up a document that supported the regulation’s application, without this implying any restrictive commitments for the ERDF in the eligibility assessment of the various infrastructural projects. Commission, DG Politica Regionale, *Documento di Lavoro. Considerazioni sul concetto di infrastruttura*, XVI/292/1/76, 19 ottobre 1976, loc. cit. nota 39, b. 10.

⁴³ RPC, Secrétariat, *Projet de rapport du Comité de politique régionale*, XVI/170/77-F, 20 aprile 1977. The services of the DG XVI, instead, held a different opinion; they highlighted that the Committee’s conclusions were excessively pessimistic, and that “if it was true that the Committee’s financial statement wasn’t very favourable” it nevertheless had to acknowledge the efforts made up to that moment in terms of elaborating development programmes, defining the concept of infrastructures and other activities, see J. Van Ginderachter, *Note a l’attention de Monsieur Mathijsen*, 1 marzo 1977, loc. cit. nota 39, 1975-1976, b. 3.

basis of the regional development programmes as presented by individual member states. Thus, it was hoped that the barrier of the notion of 'productive infrastructure' might be bypassed, linking the infrastructure's contribution to the developmental needs of the region.⁴⁴ In June, then, the dispute within the Committee resurfaced. Supported by the rest of the German delegation and by the Dutch one, Noë pointed ever more explicitly to the identification of rigid criteria that might reduce the Commission's discretion, which in many cases had revealed to be excessive, as with the Italian-Algerian gas pipeline, managed by the Italian oil and gas company ENI.⁴⁵

Conflicts about individual projects heightened tensions within the Committee. According to Noë, only Greece and Ireland could be considered 'developing' countries in the full sense of the word, where the ERDF's contribution could have been raised to 40-50% in support of a rather wide range of initiatives; in the remaining European regions, instead, it should have funded only those infrastructures that were "100% Region bezogen", namely industrial areas, local roads, water adduction and purification systems. In no situation whatsoever could the ERDF have handled social infrastructures, such as schools, theatres, hospitals and incentives for other service activities.⁴⁶ Tensions between the Directorate-General and the Irish and Italian delegations reached rather high levels, up to the point that — during a Committee meeting held on 22 November 1979 — the Italian member Francesco Tagliamonte asked Noë how any real production policy could ever take off in the midst of the Germans' various demands for restrictions.⁴⁷

Moreover, the German delegation's limiting approach hardly embraced the growing sense of dissatisfaction, among the DG XVI officials, with the investments in material infrastructures. As Josef van Ginderachter highlighted:

Thus far we have focused on concrete investments (infrastructures, factories) whereas the obstacles might reside elsewhere, and we should move more towards investments in a "grey" matter: management, collective services, marketing, etc. Furthermore, small and medium-sized enterprises play an important role but cannot sufficiently count on public aids: the administrative and fiscal burdens of the social state are crushing them.

⁴⁴ Cfr. J. Van Ginderachter, *Note à l'attention de Monsieur Mathjisen. Objet: Examen des projets FEDER au regard des programmes*, 11 luglio 1979, loc. cit. nota 39, 1975-1976, b. 5.

⁴⁵ RPC, Secrétariat, *Compte rendu de la vingt-deuxième réunion du Comité de politique régionale*, 22-23 novembre 1979), loc. cit. nota 39, 1978-1979, b. 7.

⁴⁶ J. Van Ginderachter, *Note de dossier. Entretien avec M. Noë à Bonn le 21 juin 1979. Présents: MM Noë et Paulsen, Rencki et Van Ginderachter*, 27 giugno 1979; Commission, Direction générale de la politique régionale, *Note de dossier. Préparation de la réunion CPR des 22-23 novembre 1979. Entretien avec M. Noë (et M. Paulsen) à Bonn ce 30.10.79, XVI/A.2/ JVG/jb*, compilata da Van Ginderachter, loc. cit. nota 39, 1978-1979, b. 7.

⁴⁷ RPC, Secrétariat, *Compte rendu de la vingt-deuxième réunion du Comité de politique régionale (Bruxelles, 22-23 novembre 1979)*. Tagliamonte was a former executive for the Development Fund for the South. In his early life, he had been a member of De Gasperi's secretariat and, subsequently, head of the press office at the High Authority of the CECA, see Roberto Ciuni, *Le macerie di Napoli. Reportage 1994*, Milan, Rizzoli, 1994.

Next, Van Ginderachter explicitly recalled Hirschman's unbalanced growth — or “trickle-down” — theory, according to which we should shift our attention from directly productive activities to social overhead activities.⁴⁸ Alternative viewpoints thus started to emerge within the Commission, which placed the ERDF not in the context of an economic and industrial growth directly guided by public powers, but in a wider range of interventions aimed at creating a social, economic and administrative environment that could be truly attractive to investments. In sum, these suggestions started to acknowledge that resources and investment allocations processes could and had to be transferred to market forces, based on the theory according to which the “high tide lifts up all boats”. The reference to small and medium-sized enterprises — considered most functional in this scenario — also went in this direction.

The emergence of these first forms of radical rethinking must inevitably be linked to the increased importance being given to regional development programmes. Indeed, it was hoped that these documents might indicate — possibly following a consultation between member states and regional and local authorities — a number of territorial growth options or alternatives: models capable of integrating into a context of high capital mobility. However, the programmes had already revealed to be a very rough road, in line with Hirschman's own criticism at the time, directed at state aid developed in view of a programme approach, especially with regard to their inability to determine the real use of the aids — or, in the economist's words, “to bring virtue into the world”.⁴⁹ The first round of programmes, prepared between late 1977 and 1978, had already revealed the great difficulties of developing an operational approach, of concretely quantifying the objectives, of providing a basis for coordinating the member states' regional policies.⁵⁰

According to the Commission's services, national technocracies struggled to define the role of regional policies in a situation marked by low economic growth, thus demonstrating their inability to let go of traditional intervention techniques. In an exchange with Mathijsen, Van Ginderachter observed

⁴⁸ ASUE, Fondo BAC-CEE CEEA Commissions, Serie BAC 014/1986 DGXVI Politique régionale, 1980, b. 8, Commission, Direction générale de la politique régionale, *Aide-mémoire pour Monsieur Mathijsen en vue du Comité de Politique régionale des 0-10-11 juillet 1980*, 3 luglio 1980, compilata da J. Van Ginderachter.

⁴⁹ Albert Hirschman, Richard Bird, *Foreign Aid. A critique and a proposal*, “Essays in International Finance”, July 1968, n. 69, pp. 3-30, qui p. 9.

⁵⁰ ASUE, Fondo BAC-CEE CEEA Commissions, Serie BAC 014/1986 DGXVI Politique régionale, 1975-1976, b. 3, J. Jager, *Rapport. Programmes de développement régional de l'Allemagne (RF), du Danemark (Groenland), de la France, du Royaume-Uni. Réunion du Groupe d'experts du 21 septembre 1977, 27 septembre 1977*; J. Van Ginderachter, *Entrevue avec Monsieur Noë à Bonn ce 18 octobre 1977. Note à l'attention de Monsieur Mathijsen*, 13 octobre 1977; P. Mathijsen, *Programmes de développement régional. Note à l'attention de Monsieur Giolitti*, 26 octobre 1977; *Projet de compte rendu de la onzième réunion du Comité de politique régionale (Bruxelles, 25-26 octobre 1977)*.

that the governments “are awaiting economic recovery in order to resume a classical regional policy [i.e. productive growth], without asking themselves how a new regional policy might possibly help relaunch recovery”.⁵¹ The Committee, too, noted that no document whatsoever mentioned the need to turn regional policies into a tool for reinforcing the regions' competitiveness in the market economy, via processes of infrastructuration and the development of an economic structure capable of attracting investments. Another item of debate was the difficulty with which member states framed infrastructural investments; these were predominantly focused on the construction of industrial areas that — while constituting the type of infrastructure that was mostly linked to growth — were by now subjected to a certain saturation in Europe, and this invalidated their potential appeal.⁵² Similarly, with regard to the second-generation programmes that were promulgated in 1981, the Commission clashed with the member states' inability or reticence to identify and define priorities in an appropriate manner. As a consequence, for a long time the ERDF continued to fund traditional economic infrastructures.⁵³

A prolegomenon to a communitarian doctrine opposed to state aid

In addition to infrastructures, state aid (another typical sector of public intervention) also represented — halfway the 1970s and 1980s — an area in which State sovereignty in regional policies' matter was doomed to wear out. Already in the second half of the 1960s, the first attempts were made to subordinate national aid programmes to the communitarian regulation on competition, based on the ordoliberalist approach of the German Commissioner for Competition, Hans von der Groeben. After the Council had issued a first resolution in October 1971, the EEC hadn't further intervened in this delicate sector, which soon became a fundamental part of the member states' efforts to protect and adapt their economies in light of the difficult economic situation following the double crisis of 1971-73. In the second half of the decade, the excessive increase of state aid among European countries and their mutual neutralisation became a means through which to radically call into question this area of state authority and the underlying neo-mercantilist approaches.

At the end of the 1970s, the demand for a reorganisation of the European productive system required communitarian coordination aimed at avoiding

⁵¹ See the Directorate-General for Regional Policy's note written by Van Ginderachter to Mathijsen, 2 giugno 1978, loc. cit. nota 50, b. 4.

⁵² RPC, *Opinion of the Regional Policy Committee on the regional development programmes*, XVI/158/78-EN, 31 maggio 1978, loc. cit. nota 50.

⁵³ Commission, Direction générale de la politique régionale, *Avant-projet de Lettre de la Commission au Conseil*, 11 giugno 1980, loc. cit. nota 50, 1980, b. 8.

expensive competition among member states, in support of non-profitable industries that were doomed to disappear. The Council and the Commission were involved in tackling the problems of individual economic sectors in different ways: through measures that were designed to limit the use of state aid by national regimes for regional purposes; through commercial policy measures aimed at containing and eliminating industrial surplus; by excluding specific types of investments from the action range of the ERDF, the *European Agricultural Guidance and Guarantee Fund (EAGGF)* and the EIB. Between May and December 1978, the Commission sent two communications to the Council, on the issue of state aid for industrial activities, which attempted to reach a difficult mediation: state aid was allowed to correct serious regional disparities; to favour industrial adaptation and alleviate the social consequences of certain activities closing down; to neutralise market distortions provoked by third parties. At the same time, the Commission made it clear that all state aids — also those for regional purposes — would have to be cut if they resulted in overproduction dynamics.⁵⁴

The Regional Policy Committee followed this specific sector with attention, especially on request of the Germans, Dutch, Belgians and Danes. In February 1978, it discussed a document of its own that seemed intent on repeating the DG XVI's efforts in balancing the needs for productive reorganisation and competitiveness with issues of regional disparities. The aim of some EEC sectorial policies for reconversion or productive excess limitation should have not translate itself into an outburst of regional and national economic disparities; this could have easily led to a situation where stronger areas appealed for free international exchange measures, whereas the weaker ones demanded the closure of borders. Moreover, the document acknowledged that the softening of state aid could have benefit the richer regions, as well as deteriorate the inconsistency between sectorial policy — such as competition or external trade relations — and the regional one. This contradiction might, however, be overcome through the adoption of a “progressive” and “balanced” approach. Following the Commission's position, the Committee judged that the types and intensity of state aid had to be assessed in relation to the dynamics of overproduction, reorganisation and reconversion.⁵⁵

Soon, though, the German delegation decided to start a new controversy within the Regional Policy Committee, demanding a discussion of a comparative study on the *Regional incentives in the European Community*, commissioned by the German government and conducted by a team run by the econo-

⁵⁴ Commission, *Policy on sectorial aid schemes. Communication from the Commission to the Council*, COM(78) 221 final, 25 maggio 1978.

⁵⁵ ASUE, Fondo BAC-CEE CEEA Commissions, Serie BAC 014/1986 DGXVI Politique régionale, 1975-1976, b. 3, RPC, *Certains aspects des relations entre la politique régionale, les politiques sectorielles et celle de la concurrence*, XVI/47/78-F, Bruxelles, 16 febbraio 1978.

mist Kevin Allen between 1975 al 1979.⁵⁶ In October 1978, Albert clarified — in his introduction — that the aim of the study wasn't to analyse distortions in competition provoked by state aid regimes, but to assess their effectiveness. The German delegate added that the Committee should have been informed by national authorities about any change in this particular sector, however without adopting a dominant role. This approach was also largely supported by the Director-General for Regional Policy, Mathijssen, who agreed that the Committee's analyses in this sector fell outside of Art. 92 of the Treaty; at most, they aspired to obtain greater effectiveness and transparency of state aid regimes. According to the services of Bruxelles, more selectivity would have helped to avoid the effects of mutual neutralisation. Nevertheless, suspicions in this area remained tangible and were destined to come out in the open soon. The Dutch Eysink Smeets's proposal for a permanent working group on state aid met with opposition from Italian and Irish delegates, as well as with French scepticism.⁵⁷ It must be noted that there was a degree of ambiguity in the way the Committee's various components interpreted the concept of rationalisation: if the Commission and those countries with solid state support systems — such as Italy — appealed to this concept in order to concentrate state aid within their own territories, thus obtaining communitarian control over economically dominant regions, the Germans and the Dutch viewed this control — or coordination — as a means of preventing member states from continuously supporting productions outside the market and enacting bailouts. Hence, although negotiators apparently drew upon a shared language, namely that of economic rationalisation, the feeling that one or the other interpretation prevailed determined the outcome of the decisional process. Furthermore, the declarations with which the Germans had meant to promote the debate showed that, even at the end of the 1970s, the pressure to rationalise the European productive system still had to be legitimised in terms of a productive-oriented vocabulary and logic.

A problem that was partially connected to the state aid regulation regarded the Community's financial tools and their geographical concentration. Once again, the main dividing line was that which separated the Germans from the positions of Commission's services and other national delegations. In September 1979, Noë confessed being worried about the risk that the over-

⁵⁶ The study was prepared by the Berlin *International Institute of Management del Wissenschaftszentrum*. It was co-sponsored by the Federal Ministry for Economic Affairs, by the Land Assia and by the European Commission, in view of Art. 266 of the Commission's general financial statement, which prescribed the publication of regional studies on the request of member states. See Kevin Allen, *Gli incentivi regionali nella Comunità europea*, Collezione Studi, Serie politica regionale, n. 15, Lussemburgo, 1981.

⁵⁷ ASUE, Fondo BAC-CEE CEEA Commissions, Serie BAC 014/1986 DGXVI Politique régionale, 1975-1976, b. 5, RPC, Secrétariat, *Projet de compte rendu de la seizième réunion du Comité de politique régionale (Bruxelles, le 26 octobre 1978)*.

lapping of so many different EEC's tools such as the ERDF, EIB loans, the 'New Community Instrument for Borrowing and Lending' (as known as NCI or 'Ortoli Facility') and interest subsidies from the European Monetary System (hereafter EMS) ended up establishing an "accumulation of national and communitarian aids", also due to the fact "that the Community's financial tools, loans and subsidies, multiply, develop and diversify". The Italian spokesperson, Tagliamonte, and the EIB's official Leroux — who was invited to join the discussion — instantly warned the Committee's president about the difference between a simplified image of the "accumulations" and the real necessity to geographically concentrate interventions. Nevertheless, in this regard, some thoughts by Giolitti and his Direction were ongoing. Since, by 1980, ERDF's investments were still strictly allocated into regions chosen by national authorities, Bruxelles' services began to speculate they should concentrate into very few areas that part of the ERDF budget (the non-quota portion) which was under their exclusive control; in this case, the non-quota could have cover the 25% of the Community's population, instead of the 38%.⁵⁸ In sum, even within European regional policies, which had been subjected to national jurisdiction ever since the early 1960s, the idea of a detachment from the member states' classifying work as well as the possibility/claim to redefine the spatial boundaries of Europe's delayed development started to gain space.

"The end of Keynes's 'aggregate demand theory'"

The period between the 1970s and the 1980s years turned out to have a major impact on the international economy, which had gone into recession again following the monetary restrictions in the US and the second oil crisis; the latter was used by countries that exported crude oil to tackle the loss of exchange that the weakening of the dollar had provoked. As is known, in 1979 Europe promulgated the EMS in an attempt to protect its economy from the new wave of financial distress.

Between 1978 and 1981, the Regional Policy Committee started a consultation phase involving experts, advisors and services of the Commission, with

⁵⁸ Conversely, the DG XVI disagreed with the interpretation — by the Germans and other Northern European delegations — according to which the ERDF distribution in individual national quotas represented an anti-community criterion. In line with the positions of the Economic and Social Committee and the European Parliament itself, the quotas in fact seemed to most benefit the "weakest" countries; hence, in the construction of European political unity, it was enough to proceed with a regular revision of the quotes to such degree that geographical concentration could be guaranteed. Cfr. Commission des Communautés Européennes, Direction générale de la politique régionale, *Aide-mémoire pour Monsieur Mathjisen en vue du Comité de Politique régionale des 0-10-11 juillet 1980*, 3 luglio 1980, compilata da J. Van Ginderachter, loc. cit. nota 57, 1980, b. 8.

the purpose of discussing the relation between general economic policies and regional policies. The consultations marked the progressive exhaustion of the interventionist approach and the rise of monetarist and neoliberal theories.

In this regard, the last clear expression of a strategy based on aggregate demand occurred in February 1978, with the hearing — on behalf of the Committee — of Jean-Claude Morel, head of the Commission's Directorate-General for Economic and Financial Affairs (DG II). The French official emphasised the paradigm shift that European regional policy had suffered after the crises of the early 1970s: from delays in development via unemployment issues, low productivity, low salaries and consumption, increased importance of agriculture, and scarce economic and social infrastructure provision, to a more general phenomenon, capable of damaging strong areas as well, through sectorial crises in the steel, building, textile and shoe industry. As new forms of international labour division were being outlined, the Community should have adopted a nonbinding organisation and an orientation — regarding economic policy choices — that was able to soften the regional disparities brought about by the other communitarian policies, as for example agricultural policies. Regional policy had to become a tool for the relaunch of an economic and monetary union, and was to improve the productivity of communitarian industries by raising the positive balance and compensating for the decline in takings, services and social services as a result of the recession.⁵⁹

Morel's hearing was anticipated by an exchange with the Committee's secretary, Georges Rencki, an official close to Giolitti who invited the DG II official to recall — on monetary policies — the Marjolin and MacDougall Reports, so that it became sufficiently clear that progress in this sector had a destabilising effect in terms of regional growth. What was at stake was the very possibility to maintain a regional policy within a situation of slow economic growth. Noë's position on this issue was clear: "no regional policy without economic growth". According to Rencki, it was instead counterproductive to deny regional policy any functionality in times of slow growth; with a view to greater monetary restrictions among the Nine, a similar denial would have been tantamount to yielding to monetarism, viewed as the savage adaptation of weak and peripheral economies to the parameters imposed by an exchange rate based on the German mark. In this regard, Rencki constructed a clear opposition between productive, regional policy investments and reimbursement transfers in the context of a European system of fixed exchange rates:

[I]f it is decided that the compensation for losing national sovereignty in a monetary context (exchange rate) should take the shape of social services or consumption subsidies, there is

⁵⁹ Commission, Direction Générale des Affaires Economique et Financières, *Politique économique et dimension régionale*, II/130/78-F, Bruxelles, 17 febbraio 1978, loc. cit. nota 57, 1975-1976, b. 3.

a risk that regions will participate and integrate in the union in a passive way (i.e. as mere financial transfers to fill the deficit in the region's balance of payments), the discrepancy will widen and break the union up, given that the cost of a similar form of integration might become intolerable for other parts of the Community's territory.⁶⁰

With a view to the imminent relaunch of the goals of monetary coordination, which were promulgated in April 1978 by the French-German agreement of Copenhagen that opened the road for the EMS, what was now being re-proposed was, in essence, the same contrast between "monetarists" and "economists" that had accompanied the Werner plan ten years earlier.

The Director-General for Regional Policy, Mathijssen, also had rather evident reservations about the EMS. In fact, the EMS carried the risk of causing deflation in weak states: due to high inflation rates caused precisely by regional discrepancies, these states would no longer have been able to make adjustments through the exchange rate. This would quickly have led to a growth of internal prices and a decrease in net exportations, with serious consequences in terms of a decline in production and the rise of unemployment levels. The EMS would, then, have benefitted the most industrialised regions, and this did not imply an elimination but rather a reinforcement of measures in favour of those regions that were lagging behind or in decline. Noë, instead, was convinced that the connection between regional disparities and inflation was more complex and linked to the problem of territorial distribution of salaries in relation to regional productivity.⁶¹ Highly critical of the Commission's ability to impose a credible regional policy with a communitarian feel to it, the Committee's president repeatedly revealed himself to be in favour of to "return to the idea of a net Fund, economically far more logical than a European regional policy linked to the EMU".⁶²

Thus, the clash between the German delegation and members of the Directorate-General for Regional Policy eventually represented the main dynamics that animated the Committee. Yet, this confrontation started to change as early as the first half of 1981, when radically neoliberal positions gained the upper hand; these eventually reverberated in the Committee thanks to the hearings of Commission officials from Bruxelles. This was the case, for example, of two presentations by Richard Hay, the British secretary of the Committee for Economic Policy and Director-General of the DG II, which illustrated the directions of the fifth Programme of mid-term economic

⁶⁰ George Rencki, *Note à l'attention de Monsieur Morel Directeur de la DG II*, 6 febbraio 1978, loc. cit. nota 57.

⁶¹ RPC, Secrétariat, *Projet de compte rendu de la seizième réunion du Comité de politique régionale (Bruxelles, le 26 octobre 1978)*, loc. cit. nota 57, 1975-1976, b. 5.

⁶² Commission, Direction générale de la politique régionale, *Aide-mémoire pour Monsieur Mathijssen en vue du Comité de Politique régionale des 0-10-11 juillet 1980*, 3 luglio 1980, compilata da J. Van Ginderachter, loc. cit. nota 57, 1980, b. 8.

policy. Hay, who entered the Commission in Christopher Soames's footsteps, believed that the fifth programme carried a vision of 'positive adjustment', which aimed at giving market laws complete liberty and fully re-establishing Europe's economic competitiveness. The main priority was now to reorganise the productive system no longer through more substantial public interventions, possibly mediated by a clearer coordination at community level; on the contrary, this reorganisation should take place through a drastic reduction of public mediation, whereas the renewal of the economic environment — made possible through price stability and the reduction of labour cost — would have attracted new investments. Hay further clarified this approach in June 1981. The main goal was to stop inflation with harsh monetary measures, which wouldn't necessarily have slowed down growth provided that the latter was combined with a salary reduction and control over the public sector deficit. The European economy's degree of resilience with regard to structural changes was to be enabled through an elimination of the inflexibilities that public interventions had provoked. In order to facilitate the achievement of these goals, the programme suggested that regional policy had the following goals:

[T]o encourage innovation, re-allocation of resources from declining industries to competitive activities, more transparency in public interventions, promotion of capital that is at risk, small and medium-sized enterprises, professional development in weak regions, more strictness in granting regional aids by further differentiating these, a better balance between demand and offer in agriculture, more efficient European financial interventions, especially with regard to the ERDF.⁶³

These affirmations were designed to increase pressure on the "interventionist" group that had taken shelter within the Regional Policy DG and the very Committee. The Directorate-General official Josef van Ginderachter, in a discussion with Mathijssen, acknowledged that "the first draft of the fifth programme focuses on the long-term politics of offer, which implies the end of Keynes's 'aggregate demand policy'". In this perspective, only a "well-thought-out" regional policy — that is, radically reconsidered in its methods and objectives — would have allowed staying involved in the achievement of the goal of 'convergence'.⁶⁴ Within the Committee, the Germans, Dutch and Danes welcomed the programme drafted up by the DG II; in their interventions, they lamented the fact that the measures focusing on a stimulation of global demand were even liable to reinforce regional disparities and steer investments towards the richer regions. The communitarian coordination of national regional policies shouldn't limit itself to the creation of a legal framework for competition,

⁶³ RPC, Secrétariat, *Avant-projet. Compte rendu de la 31e réunion du Comité de Politique Régionale (Bruxelles, 2-3 juillet 1981)*, loc. cit. nota 57, 1981, b. 9.

⁶⁴ RPC, *Réunion des 2-3 juillet 1981. Aide-mémoire à l'intention de Monsieur Mathijssen*, loc. cit. nota 51.

but had to regulate the amounts of public resources that had been set apart for regional purposes, including infrastructure: this in order to reduce or cut national aids in prosperous areas and refrain from funding declining sectors. In sum, the purpose of regional policies should have been that of improving resource allocation in order to develop the Community's global economic potential and encourage its structural adaptation.⁶⁵

Against the “imperialism” of regional policies

The ERDF's new regulation, No. 1787 of June 1984, developed over a rather long period. It was launched at least three years before, on the basis of a specific Memorandum on the priorities of regional policy that had been prepared by the European Commission in spring 1981, and was directed at the Council. Within communitarian circles, the debate about the Memorandum was conditioned, in first instance, by the British demand to revise the EEC's finances: an issue that was worsened by the possibility of including the Mediterranean into the Community — a partially already accomplished act — and by an economic situation that was characterised, at least until 1983, by slow growth and high inflation levels. Within the Committee, the document's discussion marked a real watershed that followed from the ever more evident intolerance of many delegates towards what they considered an attempt — on behalf of the Commission — to enact an “imperialism of regional policy with regard to the other policies”. This definition, coined by the Danish representative Arting, was supported by nearly all countries from northern Europe. Although he agreed on the necessity to favour the productive growth of weak regions, President Noë warned that

the objective of harmonious development, as mentioned by the Treaty, is unrealistic if it is interpreted in an egalitarian sense. The Community's economic dynamism should not be compromised by concentrating all development efforts exclusively on the weak regions.⁶⁶

The Luxembourgger Ley used similar tones when he noted how the Commission hadn't succeeded in finding a balance between regions with slow development and those in decline, alerting the services to “a misleading representation of the concept of regional disparity, which fails to take into account all existing differences between the regions”. The German Albert attacked the CAP (Common Agricultural Policy) that, in his opinion, permitted European agriculture to “work while being safeguarded from this competition, allowing

⁶⁵ *Draft opinion of the Regional Policy Committee on the preliminary draft Fifth medium-term economic policy programme*, XVI.A.2/JVG.AK.bp, 23 giugno 1981, loc. cit. nota 57.

⁶⁶ RPC, Secrétariat, *Avant-projet. Compte rendu de la 29e réunion du Comité de Politique Régionale (Bruxelles, 31 mars 1981)*, loc. cit. nota 57.

underdeveloped rural regions to export thanks to the reimbursements of the EAFRD". Consequently, any intention of the Commission to introduce forms of commercial protectionism for regional purposes was permanently rejected.⁶⁷

The growing breach between northern and southern European countries, as well as the British government's shift — following Thatcher's rise to power — towards conservative positions permanently changed the balances within the Committee, prematurely marking a redefinition of the power dynamics between advocates of a competitive policy and those supporting regional policy. The conditions thus emerged for a serious reconsideration of the latter, which would have been promulgated through the enactment of the economic cohesion and social politics of the Single European Act, and through pressure being placed on the regulation of the individual member states' regional policies, based on the perspective of competition. An area of Community influence on national politics was created with regard to intervention tools, eligibility requirements, geographical coverage of the measures, intensity of state aid, and the overall amount of expenditure.

Forms of neoliberal regulation in competition policies were particularly evident from the mid-1980s and the mid-1990s, through figures such as Peter Sutherland (1985-1989) and Leon Brittan (1989-1995).⁶⁸ Sutherland became Commissioner for Competition in January 1985. He was nominated by the Irish government led by the conservative party Fine Gale, of whose Strategic Committee he had been a member between 1978 and 1981. A young, charismatic and ambitious lawyer, Sutherland gave evidence of a strong devotion to the principles of the free market economy; when he made his entry into the Delors Commission, he specifically asked to manage the Competition sector, convinced that a stricter interpretation of the Treaties in this area might grant the Commission far more powers than it could claim in other areas. Sutherland realised that an incrementation of the Community's competences in sectors such as industrial agreements, fusions and state aid — traditionally reserved to member states — was tantamount to "striking the nerve of national sovereignty".⁶⁹ He adopted the strategy of attacking cartels, monopolies and state aid via the naming and shaming tactic, and by building on the Treaties, confident that the European Court of Justice would have defended him once the infringement procedures would be applied.⁷⁰

⁶⁷ *Ibidem*.

⁶⁸ Angela Wigger, Hubert Buch-Hansen, *The unfolding contradictions of neoliberal competition regulation and the global economic crisis: a missed opportunity for change?*, in Henk Overbeek, Bastiaan van Apeldoorn (eds.), *Neoliberalism in crisis*, London, Palgrave MacMillan, 2012, pp. 23-44, qui p. 31.

⁶⁹ Hubert Buch-Hansen, Angela Wigger, *The politics of European competition regulation. A critical political economy perspective*, London, Routledge, 2011, pp. 80-82.

⁷⁰ Bertjan Verbeek, *Leadership of International organizations*, in John Kane, Haig Patapan, Paul 't Hart (eds.), *Dispersed democratic leadership. Origins, Dynamics, & Implications*, Oxford, Oxford University Press, 2009, pp. 235-255, qui pp. 248 sg.

The moment he took office, Sutherland convincingly supported the infringement procedure against the French textile giant Bossuac, which his predecessor Fran Andriessen had started in November 1984, and against the building industry. The Irish Commissioner's assertive style met with much opposition both within the Bruxelles Commission and in the European chancelleries. Various member states — including France, Italy and Greece — who had suffered the consequences of the economic recession of the early 1980s were worried about his market-oriented ideology. Rivalry with the DG III — which was more inclined to a protectionist approach — would soon have developed within the Commission, whereas the very President Delors had reasons for preoccupation in view of his activism in favour of state aid. Nonetheless, Sutherland also enjoyed the favour of German officials, who were traditionally more sensitive to the dictates of ordoliberalism and willing to develop a more determined communitarian protocol on state aid.⁷¹

According to Sutherland and the DG IV officials, state aid was unlawful if granted without a reorganisation plan, and had to be carefully assessed through the lens of geographical concentration; the latter was considered a means of regulating regional aids from the perspective of their spatial expansion, as the Fifteenth Report on competition of 1986 and beyond had already demonstrated. In 1985, Sutherland established a task force on state aid, which marked the beginning of a new phase. In 1988, the results were presented in the *First Survey of State Aids in the European Community*, which offered a detailed picture of the evolution of national public aids from 1981 to 1986. The member states had come to spend some ten per cent of their entire public expenditure in public aids, at times even reaching peaks of 20%, for an average of 3 to 5% of the GDP.⁷² The European governments sustained the industry with 93 billion euros in 1986 — an amount that was the equivalent of the Community's entire budget. Within the naming and shaming strategy, the “bad guys” were represented by Greece, Ireland and — especially — by Italy, which received five times more funds than France, United Kingdom and Germany.⁷³ It is in this context, for example, that the dispute with Italy about the new regulation on extraordinary interventions as prescribed by Law 64/1986 unfolded.

⁷¹ Laurent Warloutet, *Governing Europe in a globalized world*.

⁷² Michelle Cini, Lee McGowan, *Competition policy in the European Union*, London, Palgrave MacMillan, ed. 2009, p. 177.

⁷³ Stephen Wilks, *Competition Policy: challenge and reform*, in Hellen Wallace, William Wallace, Mark A. Pollack (eds.), *Policy-making in the European Union*, Oxford, Oxford University Press, 2005, pp. 113-140.

Conclusion

My reconstruction of the debate within the Regional Policy Committee on the theoretical models, methods and types of regional policy interventions seems to suggest that, between the 1970s and 1980s, a transition of various meanings and goals occurred that may be attributed to this specific sector. If, at the onset of the communitarian project, the EEC's regional policy was meant to accompany the efforts of national governments in the struggle against the main discrepancies within the Common Market, it was subsequently forced to consider the need for a productive reorganisation of declining industrial regions and, eventually, yield to the perspective of a single market and of competition policy. In this sense, we might say that elements such as the crisis and the need for a reorganisation of European economy — along with attempts to identify the premises of a regional policy even in times of economic crisis and high inflation — represented the primary stage for a double process in which old recipes for regional development were used up and transformed in more suitable models of marketisation. This transition seems to be the result of a growing perception of the State's inefficiency in solving regional problems or — at the very least — of the loss of a certain consensus on the State's importance, in the context of the slow consumption of dictates of production and interventionist policies measured according to the politics of demand. It is no coincidence that this phenomenon was accompanied by the dismantlement of the primary systems of national intervention — primarily the Development Fund for the South — and by a progressive celebration of the subsidiary role of regional and local autonomies within the planning and expenditure of structural funds.

Around the mid-1980s, the economic recovery also affected Europe, as a consequence of the American increase in aggregate demand. This encouraged national authorities to overcome fears of destabilising their respective societies, which had for a long time kept them from introducing drastic measures in theoretical models based on public policies. Elements of the neoliberal doctrine could thus penetrate even in a sector traditionally predisposed for State sovereignty, like that of interventions in regional disparities, starting from a cocktail of critical elaborations already developed between the end of the 1970s and the start of the following decade, when interventionist policies declined — as my reconstruction of the Regional Policy Committee's activities have revealed. From this perspective, a similar organism could actually be considered a sort of thermometer of the debate going on in single member states, and of processes that the European Commission — being an administrative body — inevitably became a part of only in a later moment, through its subsequent compositions. Thus, by the mid-1980s, people like Sutherland presented themselves on the communitarian stage in the role of "commutators" of a critical patrimony of ideas and thoughts that had been collected up to that instant,

concerning the function of the current interventionist model, so as to convert it into new hegemonic forms of neoliberal discourse. In this regard, the story of state aid is an exemplary one.

In terms of the role played by individual state members, I have stressed the fact that the regulation the Commission imposed upon these was gradually accepted by national policymakers, because it allowed them to control their partners' analogous policies. Sutherland himself noticed "a pronounced tendency in all state members to view other national aid systems as bad and their own as perfectly legitimate".⁷⁴ Obviously, we must also not underestimate the role of internal political balances, primarily the possibility that national decision-makers appeal to external motivations in order to justify their control over a matter covered by such social or economic interests as well as by consensus mechanisms that were difficult to overcome.⁷⁵

⁷⁴ Peter Sutherland, *Competition policy in the EEC Today. Address to a Delegation of Saarland*, Bonn, snt, 31 March 1987.

⁷⁵ Fiona Wishlade, *Regional state aid and competition policy*, London, Kluwer Law International, 2003, p. 216.