

GOVERNANCE AND PUBLIC POLICY

Diploma stage examination

7 December 2006

From 2.00pm to 5.00pm
plus ten minutes reading time from 1.50pm to 2.00pm

Instructions to candidates

Answer **four** questions in total.

Both compulsory questions from **Section A**

Two of the three questions from **Section B**

The questions in Section A carry, in total, 70 marks.

The questions in Section B each carry a total of 15 marks

Where a question asks for a specific format or style, such as a letter, report or layout of accounts, marks will be awarded for presentation and written communication.



PRE-SEEN MATERIAL

The Preface, Introduction and Conclusion from:

Europe in a Global Age

A Paper written by **Douglas Alexander MP**

and prefaced by **Neil Kinnock**

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Preface

The biggest ever enlargement of the European Union in 2004, to be followed by further accessions in 2007 and the years beyond; the French and Dutch 'no' votes to the Constitutional Treaty – and the misapprehensions that were, at least partly, responsible for those results; the persistent low growth in several economies; the evolving energy-dependent relationship with Russia; the huge demographic shifts that are bringing the ageing of every European society; the intensifying pressures of globalisation and its accompanying movements of capital, technology, trade and people: all these are only the most salient fragments in the kaleidoscope of change facing the European Union.

Reactions to these and associated realities vary. As always, some respond with deliberate immobility, insisting that new initiatives would signal panic or even betrayal of the original mission of 'Europe.' Some campaign for withdrawal into national comfort zones or other illusory means of stopping the global clock.

Those who recognise the permanence of change and – more important, the possibility and necessity of shaping it for enlightened and productive purposes – do not succumb to paralysis or to retreat. Instead, they argue and work for means of turning the challenges into beneficial progress.

That is the essence of this pamphlet by Douglas Alexander. It is also central to the case being put by like-minded progressives who believe that the achievements of the Union have been invaluable, but that sustained relevance and vitality demands evolution of policies and attitudes to meet radically changing conditions in ways that will benefit the peoples of Europe and the wider World. The basis of that evolution must be full understanding of the irreversible facts that globalisation and interdependence are now incremental constants; that the benign and the malevolent transnational facts of 21st century life must consequently be matched by transnational means of dealing with them; and that reality requires collective multinational action in a regime of Law agreed by democratically elected and accountable governments. That is the functionalist case for the EU.

Second, that functional approach requires engagement in the EU that is pragmatic but energetic, not unconditional but not halfhearted either. The simple reason for that is that detachment reduces impact and physical or mental absentees don't win arguments. To properly influence, it is essential to be properly in. Third, and following directly from that, EU involvement must not be treated as a subsection of 'foreign' policy. The truth that Britain's future is entwined with that of the rest of Europe and that there are few areas of domestic significance without EU implications for the UK – and vice versa – has to fully be recognised. It also has to be acted upon with fresh vigour and cogency across government and more widely – and the appointment of Douglas Alexander as the first Cabinet-rank Minister for Europe is a significant step in that direction.

Fourth, progressives must make it clear that we are the primary campaigners for economic and political modernisation of the EU. That is essential because there must be further and more rapid and radical change in the CAP to foster greater trade fairness and freedom and to bring greater rationality to the EU budget; because the advance of prosperity and security requires that the essential competitiveness, growth and employment elements of the Lisbon Agenda are properly seized and implemented; and because the Single Market has to be operationally strengthened with its regulation improved and its social dimension sustained.

None of that will happen if 'reform' in the European Union is allowed to become the instrument of neo-conservatism of the Right or to be demonised by conservatives in the Left. Both threaten sustainable standards of jobs, opportunity and care – the first by demolition, the second by stagnation.

By contrast:

- Progressives have to make the reformers' case for an EU where there is wider adoption of the best proven combination of economic efficiency and social justice, of economic and technological advance and labour market modernisation. The main features of the Nordic economies have to become the working models for the whole continent.
- Progressives have to make the case for dealing with the developing crisis of demographic change through uncomfortable but essential policies like gradual increases in personal and corporate pension contributions, wider voluntary extensions (whole time or part time) of working life, much greater opportunities for womens' employment through - for instance - affordable, comprehensive childcare; immigration policies that recognise economic imperatives and ethical obligations; and increased investment and changed employment and skill practices that gain the sustained advance in productivity that is the difference between dependable prosperity and much wider poverty.
- Progressives must make the case that the EU has to increasingly turn outwards to take the full opportunities offered, and mitigate the dangers and injustices posed,

by globalisation. Introverted concentration on the internal market is tempting for businesses, governments, and labour movements – but it is myopic. Prosperity, trade justice, development has to be advanced and achieved in the external markets and not in a regional enclave.

- Finally, progressives must also provide candid and consistent public explanation of the purposes, extent, limits, workings, financing, management and problems and potential of the EU. The Union must be demystified. The remorseless distortions about it must be combated. Pro-European progressives must therefore give unprecedented emphasis to increasing public knowledge of the facts – not to spin or propagandise but to generate comprehension and familiarity, and the impetus for improvement.

Realists who recognise the value, the opportunity, the benefits, the blemishes, the shortcomings and the challenges of the EU have to organise anew around the facts of life facing our country and the rest of Europe. The need to provide candid analysis of the EU, to inform about the EU, to rebut misinformation and disinformation about the EU, and to advocate and guide modernisation and progress in the EU will never recede.

Because of that, it is essential to re-invigorate efforts with energy that comes from a strong sense of purpose, persistence to ensure that the practical case for Britain's engagement is put forcefully and consistently, and self confidence in arguing for reform as well as arguing against phobia.

They are fitting tasks for those who share the progressive perspective which Douglas Alexander brilliantly articulates. And since pursuit of that cause cannot and must not be left to leaders alone, all who see the modern purpose and the great potential of 'Europe in a Global Age' should make the case with similar reasoning and determination. We have, after all, nothing to lose but introversion, fragmentation, underperformance, injustice and insecurity – and there is a future to gain.

Introduction

What is to be done?

Recent turbulent months have caused both some friends and some opponents of the European Union to claim that Europe is afflicted by crisis.

Not a crisis in which Europe ceases to function. Its institutions continue to operate. It can still take decisions, can still act in the world, and can still further the interests of its Member States. The Union is not about to break apart.

It is, rather, an issue of direction, of purpose, of meaning. What is Europe about? Where is it going? What is the Union here to do? If we did not have it, would we invent it?

The rejection of the Constitutional Treaty by the French and Dutch people is, of course, the proximate cause of this debate. Anxieties were then further deepened by the failure of Europe's leaders, at the June European Council, to agree a deal on the Union's future financial arrangements. Even the successful opening of accession talks with Turkey has not been sufficient to allay the accumulated anxieties.

In the face of such pessimism, this pamphlet offers a different and more hopeful view. Indeed in these times it is worth recalling, that, as President Kennedy once said, 'When written in Chinese, the word 'crisis' is composed of two characters - one represents danger, and the other represents opportunity'.

Now is the time to grasp the opportunity presented by recent events. In the months and years ahead we must recognise that the traditional pro-European case is no longer a sufficient argument for the Union. In its place we need to make the case for an outward looking Europe in a global age.

This pamphlet aims to contribute to the debate now under way about the Future of Europe, by setting out the key social and economic challenges which Europe must address if it is to continue to be a vehicle for economic progress and social justice for all the citizens of Europe. In doing so, it makes clear that we can only achieve these objectives if Europe and its citizens embrace rather than avoid necessary change.

In truth, the underlying malaise has been building within European society over the course of the last two decades. Twenty years ago over two-thirds of Europeans supported their country's membership of the Union; now the figure is about half. As economic integration has deepened, internal tensions about how to define and develop Europe's social and economic arrangements have grown. The Euro has not delivered the sustainable boost to economic growth that many predicted. And – notwithstanding the opening of accession negotiations with Turkey – the ongoing debate over enlargement of the Union testifies to an uncertain sense of purpose, a weaker sense of historical mission and perspective. In short, questions about the future direction of Europe have been with us for some time.

This is because Europe now faces challenges which are fundamentally different from those it faced when the EEC was set up in the 1950s and when it was establishing itself in the 60s and 70s.

The Prime Minister Tony Blair made this abundantly clear in his speech to the European Parliament that launched the British Presidency. These challenges go to the very heart of what the European Union is – and can be – in the 21st century.

In this context, we can no longer rely on the past successes of the Union to sustain contemporary support for its work. For many of our citizens these successes are unknown and have little resonance to the world they see around them today. Too often the grand sweep of Europe's achievements and possibilities is lost in the detail of the permitted curvature of cucumbers. So too, many of us who believe that the Union can and should be the vehicle by which our nation states respond to the challenges of the modern world have failed to speak up for this role. We have in the past been too complacent that the real achievements of the Union will shine through the fog of misunderstanding about its purpose.

In truth, the traditional 'pro-European' case advanced here in the United Kingdom has been largely an economic one. In the 1970s it was that EEC membership would produce higher growth. In the 1980s and 1990s it was that economic integration and the Single Market would be good for British exports, jobs, and growth. We must acknowledge that these arguments, while relevant for their time, are no longer adequate for the age in which we now live. Indeed if a pro-reform, pro-European consensus is going to be established here it will need to be built on surer foundations than simply a rehearsal of the EU's past achievements. It must confidently and clearly explain the relevance of the EU to the future challenges of greatest concern to Europe's citizens.

It is this central belief that is driving the EU Informal Summit hosted by the Prime Minister on 27 October at Hampton Court. Yet this cannot, and should not, be solely a matter of concern for intergovernmental summits. Across every nation of Europe we need to encourage discussion about how best to work together to address the common challenges we face. This pamphlet sets out the main areas of change which need to be addressed, drawing on ideas developed during a recent series of speeches. In making the case for a new vision of Europe it identifies four key areas of economic and social

change. These are: how Europe can become more outward-looking in response to globalisation; how its social and economic structures need to adjust; how to push forward trade liberalisation and agricultural reform in pursuit of a fairer world; and how Europe's identity is developing in the 21st century.

Global Europe

Globalisation is transforming all our lives. We now live in a world in which clothing made in one continent can be in shops in another within 24 hours, and where not just supply chains and markets but companies are now truly global. That process of global economic and social interaction does not in itself change the objectives for which the European Union was created – namely peace, prosperity, and democracy – but it does dramatically alter the means by which we pursue them. When the European institutions were first conceived, the EU could focus largely inwards, and devote most of its attention to debate about internal rules and functioning. We all benefited from its doing so, but if we are to continue to seek to achieve our objectives a new approach is now required for the future. Intra-EU trade cannot be our sole concern. So too today's security challenges, of terrorism, organised crime, the trafficking of people and of drugs, are intrinsically transnational in nature. If we are to meet the challenges of the modern world, the EU must turn outwards, and become a globally-oriented Europe.

Europe's economic and social goals

Globalisation is not only having a massive impact on Europe's economic performance, but is also changing our social landscape. Yet in responding to these changes, reforms are being implemented slowly, if at all. In a continent in which nearly one in ten people are out of work, it is our duty to ask how the European Union can help them. Advancing such a perspective is difficult in Europe partly because too often the focus has been on means rather than ends.

To deliver social justice and a fair and decent standard of living, the means – the existing variegated pattern of welfare states and social structures across Europe – are almost certainly going to have to change.

This does not mean and should not necessitate a race to the bottom. But it does mean Europe's economies must adapt to the conditions of today as well as preparing their citizens for the working world of the future. The economic systems that thrive will be those which take change as a given, and which focus on ensuring that their citizens are equipped to respond.

Trade and development

If the challenges to Europe's future come from global forces, so too do the opportunities for Europe to be a force for good in our world. We should not shy away from using the capacity of the multilateral arrangements governing the international trade system to achieve European aims of peace, prosperity, and democracy. It is simply wrong that in the past Europe has not done so. Fairer trade rules have the potential to help lift millions out of poverty. It offers the prospect of both jobs here in Europe and greater prosperity in developing countries. Yet if the EU is to be truly a beacon for peace and prosperity across the world then we have to attack protectionism, not least in agriculture. We need now – in the vital weeks leading up to the December WTO meetings – to redouble our efforts to open up markets, remove trade-distorting subsidies, and tackle agricultural protectionism on both sides of the Atlantic.

European identity

Finally, globalisation affects more than just traded goods and services. It also affects our sense of who we are. Questions of identity underlie many of the contemporary issues affecting the legitimacy of the EU. The European Union provides a new framework in which to uphold nation states and national identities, while at the same time symbolising and encompassing common European ideas and values. It also makes it easier for regional political identities to develop in a way which does not threaten nation states or identities. In other words, European, national, and regional identities are not a zero-sum game. So in the months and years ahead the EU must confidently assert its own identity as neither a nation state nor a superstate but a distinctive institution that adds value to the lives of its citizens.

Next steps

This pamphlet does not claim to set out all the answers. It does, however, make plain the case for change. If the EU is to succeed in the modern world it must do more than celebrate past glories. It must advance a new vision of its role in the lives of the people it seeks to serve. It is time we asked how we can become the European Union our citizens need – a Union that can serve the goals of peace, prosperity and democracy not just in the next few years but for the generation to come.

Conclusion

Europe faces an important and testing period over the months to come. It has taken a timely and historic step by opening accession negotiations with Turkey. But the outcome of the Hampton Court Summit, the December European Council, and the Hong Kong WTO Ministerial will all be important tests of Europe's ability to respond to change and pursue its objectives in a way relevant to the challenges of the 21st century.

In all those events, the case for an outward-looking Global Europe will be clear. Whether politically, economically, in foreign or trade policy, or just in the way we think about ourselves and our loyalties, Europe must respond – and often is beginning to do so – to the powerful agent of change and solvent of tradition constituted by globalisation. Only by doing so can Europe build the support it needs to succeed within a new generation of European citizens.

It is the task of pro-Europeans to make these points publicly and to win the argument. Too often they have been silent, either assuming that Europe will be justified by results, or fearing that any constructive criticism of the EU will be interpreted as Euroscepticism and give succour to those who seek to dismantle the whole project.

That can and must now change. The debate is underway. Pro-Europeans must move on from the past, encourage the EU to face up to today's challenges, and win the argument for a prosperous, effective, and globally-oriented Europe.

SECTION A – (Compulsory – answer both questions from this section)

1

• **Requirement for question 1 – based on the Pre-seen material**

- (a) The *Europe in a Global Age* paper emphasises the need for the EU members to turn outwards collectively and become a globally-oriented organisation focused on meeting the challenges of economic globalisation.
- (i) What are the principal forces that have underpinned economic globalisation? 4
- (ii) Outline the key characteristics of globalisation. 7
- (iii) Explain how globalisation may impact on public policy-making. 9
- (b) While many commentators support the Alexander/Kinnock case for building an outward looking global Europe, others feel that progress towards this goal may be difficult before full internal EU integration is achieved.
- Outline, from a UK perspective, the main barriers to full internal EU integration. 15
- (c) The *Europe in a Global Age* paper asserts that changes in the Common Agricultural Policy (CAP) are needed to foster greater trade fairness and freedom and to bring greater rationality to the EU budget.
- Outline and comment upon the criticisms that have been typically levelled at the CAP. 15

(50)

2

Governments preside over different economic systems in their endeavours to optimise the allocation of scarce resources; but the policy decision-making process and constraints on policy-making are broadly similar, regardless of the type of economic system.

- **Requirement for question 2**

(a) Explain the principal types of economic system that are used to tackle the basic problem of scarce resources and comment upon the extent to which you believe each system optimises the use of scarce resources.

14

(b) There are many models for public policy-making, but it is widely accepted that the process of policy-making involves three key stages. Briefly outline the nature of these three key stages.

6

(20)

SECTION B - (Answer two questions from this section)

3

Governance and the development of public policy depends upon the supply of reliable and relevant information. In respect of issues relating to economics and finance, this information is frequently supplied by accountants.

• **Requirement for question 3**

- (a) Explain the role of accountancy within the public sector. 6
- (b) The degree to which information provided by accountants is both relevant and reliable is constrained by a number of factors. Outline the nature of these various constraints. 9

(15)

4

Since 1688, British courts have been bound by the doctrine of parliamentary sovereignty. The courts are viewed as being subordinate to the "Queen-in-Parliament" and independent from the two other branches of government.

• **Requirement for question 4**

- (a) Outline the traditional roles of the judiciary and the two other branches of government. 6
- (b) To what extent do you agree that, in practice, the judiciary is independent from the two other branches of government? 9

(15)

5

• **Requirement for question 5**

Since 1979, a key socio-economic policy objective of both Conservative and "New" Labour governments has been to transfer power from service provider to service consumer. Explain why this policy stance was adopted and give examples of this policy in action for each of the four main areas of UK social provision.

(15)