

The European Economic Community  
With a View toward the Future

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by Professor Dr. Ludwig Erhard

The European Economic Community is a subject on which to speak I have had many opportunities over many years. I believe it is no secret in this country that I have right from the outset seen the problems involved, and pointed them out, while fully recognizing the value of a larger economic area, especially with regard to the opportunities it provides for a practical and profitable application of modern technology and science.

It has no doubt a deeper meaning that the term and concept of "Europe" has for many centuries been understood not only in a geographical sense but suggesting a European spirit, culture, history, tradition, and later also a European economy, all of which, taken together, have conveyed a comprehensive general idea of Europe, which covers many spheres of human and national life, and presented the world with a picture of Europe of which it took note. I do not mean to say, of course, that our old continent is distinguished by a particularly high degree of harmony or even consensus; on the contrary, <sup>there were</sup> the great intellectual struggles, besides struggles of power politics, ~~which~~ had a far-reaching effect and did not permit Europe to get settled.

It would exceed the scope of this address if I were to try to interpret Europe in this light. I must, therefore, confine myself - as you will expect me to - to pointing out the political and, initially, rather practical efforts which were made especially after the tragic Second World War to lead a Europe that was at that particular time completely disrupted, once more towards something like unity in thought and action.

I have repeatedly, in particular on the occasion of the twentieth anniversary of the European Recovery Program - the Marshall Plan, as it is called in Germany - made this clear: Apart from the ideas of outstanding individuals, the "Organisation for European Economic Cooperation" was really the first visible and effective start in the more recent history of Europe to overcome the tragic situation and to get nearer to establishing ties among the European countries and national economies - not least in order to revive a European consciousness in a spirit of peace and freedom.

The start was very promising. I remember vividly with what an eagerness and faith the 18 European nations of OEEC set out to overcome, in the spirit of "free enterprise", the national selfishness of a philosophy of planning, control and nationalization and to introduce an order of liberty, to pull down trade barriers and to forge ahead towards the convertibility of currencies.

In the course of these events, the idea of a large European Free Trade Area was conceived, which was near to completion or realization, but unfortunately was not accepted with universal consensus or unanimity. Even so, the idea of European cooperation had manifested itself to such an extent that it was subsequently embodied and to be developed in the European Economic Community - EEC - on the one hand, and the so-called "small free trade area", the EFTA, on the other. I need not explain here the differences of the two systems; the European Economic Community sought to be or become more than merely a functional association with an economic purpose, whereas the countries of the "small free trade area" showed that a looser form of economic cooperation

with full preservation of national sovereignty must not bring about the serious damage predicted by others.

The fact that for the moment the closer ties among the economically stronger countries exercise also a stronger attraction upon outside countries and make them wish to get nearer to or be included in that group, is an undeniable reality, but does not yet imply any qualitative judgment. What I am saying here on American soil is no more than a repetition of my convictions which I have frequently voiced elsewhere, especially in Germany; and only this fact makes me bold enough to present a frank and critical appraisal. I am not, for instance, able to understand or acknowledge why the six EEC countries would have to defend themselves against an enlargement of the Community, since enlargement ~~is~~ this is an aim expressly set forth in the preamble to the Treaty. I find it likewise hard, from an almost moral attitude, to subscribe to the thesis that any third country wishing to join must accept and sign not only the Treaty but also all the rules adopted in the meantime, and this without any modification. After all, it cannot be denied that these acts are compromises made to take care of the individual interest of the six founding members. This becomes especially apparent from the example of the common agricultural system which has now been completed and whose functioning calls for quite a number of technical manipulations which are not exactly representative of a liberal spirit. The fundamental objection I raise, is, however, of a more political nature; and it boils down the question whether it is conceivable or plausible to trust that a closer economic

interlocking of the six or perhaps some more countries must automatically give rise to something like a European State. The first and most faithful Europeans like Robert Schuman, de Gasperi and Konrad Adenauer were certainly inspired with the European idea and had the faith that a federalist European State was not only to be aimed at, but also achievable. But I need neither invoke persons nor recall what has happened in the last 10 years or so to justify doubts whether this hope will be fulfilled within a historically foreseeable future. In accordance with the general trend in world trade policies, the European Economic Community will certainly come to be a customs union after abolition of the remaining customs duties, and there will certainly be further approximations in other fields.

The limits of the attainability of the original aim will become apparent where the retention or the surrender of national sovereignty is involved. In this field, there is so much alive that is peculiar to a national existence, also in the smaller European countries, that it cannot be subjected to a voting procedure or even decided by majority. I leave, therefore, the question after the possibilities and limits of the creation of a European State entirely open, because with all our imagination we are ultimately not able to assess the timing of historical processes.

To that extent I am afraid I shall have to disappoint this distinguished gathering, or fall short<sup>of</sup> giving full satisfaction, if you expect from me an outlook or even a "glance into the future". Permit me, however, to continue my earlier trend of

thinking and put the question this way: will a reconciliation or an association of the countries of EEC and EFTA be enough ? After all, there are many aspects that go farther than that, and there is a desire to establish more than just trading relations between the Community and those countries of Eastern and South-Eastern Europe that are under Communist influence.

I do not deny that there is, from a purely technical viewpoint, the possibility of increased trade, especially where the forms of clearing are well established. Any person, however, who speaks of a political Europe but prevents at the same time its emergence even at the stage of economic relations among the free countries of our continent, such a person will hardly appear creditable if ~~he~~<sup>he</sup> claims that an expansion of Europe by an inclusion of economies of an entirely different socio-political structure would serve the political unity of Europe - unless this Europe is to be exposed to hegemonial regimes or powers. That the Federal Republic of Germany is far from adopting such plans which are as ambitious as they are dangerous should surprise nobody who has known inside and outside my country what disaster nationalist power politics may bring about. While the pursuit of power must not necessarily always assume criminal forms, the very fact that a nation intends or presumes to dominate others should cause us to stay wide awake ~~also~~ in ~~the~~ shaping ~~of~~ our present era.

From a point of view of economics, it was a creditable principle that inside EEC all countries, irrespective of size or power, were to have the same rights, a principle that did become manifest

even in the allocation of votes. To this view correspond the rules of the game of a liberal, that means libertarian, economic order and conditions of competition that are not distorted by positions of power.

The destiny of the smaller countries, their positions and the rôles assigned to them within wider communities raise nevertheless a question that must be taken very seriously. To quote a practical example, it would have hardly been imaginable in 1965 that a small EEC country would have not only rendered the progress of the work of EEC more difficult but frustrated it altogether by staying away from the conference table. Hence, the legally stipulated equality does not yet amount to factual equality.

If, as I hope, at least all free countries of Europe find their way to an institutionalized economic community, then that question gains even more weight, as the relations to ~~some~~ countries such as Switzerland, Austria, Denmark, and Norway will have to be regulated anew. The European Economic Community, more powerful and also conscious of its greater economic strength, cannot disregard

the well-being or hurts of those smaller States and at the same time talk loftily about Europe.

On the other hand, we who are within the orbit of EEC should not be so arrogant as to regard the need of other, smaller European countries for accession or - as I would rather say - a merger of EEC and EFTA, as a triumph or even a capitulation. Let us be aware of the reasons, and let us recognize that the smaller countries, owing to a less diversified economic structure and a more advanced specialization of industrial activities, are confronted with the question whether they can assume the risk, given the rapid progress of modern technology and the practical utilization of natural science, to continue on this way and to trust that despite the formation of large economic blocs which accept a much farther-reaching division of labour or can even be sufficient to themselves, the principle of a liberal, world-wide and outward-looking trade policy will remain unimpaired.

I have deliberately refrained from commenting upon the specific problem of British accession to the common market, as I had already regarded the failure of the first attempt as a defeat of the European idea and also, in a narrower, more economic sense, regretted this failure because the inclusion of the United Kingdom in the common market would have brought about a better balance of strength and showed more clearly how much Europe is embedded in the Atlantic sphere. A country which does on principle refuse to pursue this aim any further or even rejects it, although, as I see it, there can be no doubt about the democratic majority, must always remain a difficult partner to discuss this question with.

But if I am to glance into the future, this one thing seems to me to be certain: even a very close combination of parts of Europe into a joint and more comprehensive entity will always remain a torso if measured by the much farther-reaching aims. If I pronounce this at a time at which the former President Hallstein, a man with high merits, has resigned from office, then this does not detract from his merits and achievements as such, even if they were in their political orientation different from my own views and understanding. Let there be no mistake about this: I am not on principle an opponent of the conception of a unified federalist European State, but nobody will make it believable to me that a mass apparatus and technocratic manipulations are the safest and quickest way to achieve Europe. Any comparison, for instance, with the historical process in which the United States of North America assumed shape, or any reference to the example of the British Empire, misses the point, as the circumstances were entirely different. Nor it is correct that the foundation of the German Reich goes back to the Zollverein - the customs union of the 19th century. When such historical processes are regarded and assessed in a political context, this is very often done for the sake of momentary political convenience.

To understand or assess Europe in its present form or also in its future shape requires a clear answer to the question whether this old continent is to become a new structure of power with all the effort that this requires or whether its historical value is rather to be sought in the radiation of its spirit. Both alternatives appear to be of a problematical nature, whether a



partially or wholly united Europe will muster up the financial and economic strength to become a third factor of power besides the United States and the Soviet Union appears to me to be more than uncertain. I am quite willing to admit, though, that a reconversion to past strength and intellectual tradition cannot claim to be of equal importance in world political events. That is why I consider it Realpolitik if the North American continent, the United States of America and Canada, establish ties and alliances with that as yet not clearly defined Europe to join their economic forces and manifest ~~that~~ a military power which ensures peace and freedom for all. The latter purpose was served - and will be further served, I hope, by the idea and consolidation of the North Atlantic Defence Organisation, and this is the meaning of a closer, but by no means isolated economic cooperation between those two continents.

The common element is in any case based on the civilisation and character of highly industrialised national economies. Nobody thinks in clichés but we Europeans would be blind were we not to recognize and admit that while the degree of productivity as well as the level of research is very different in the different fields, it is generally true that the United States has an evident advantage from scientific knowledge down to practical application. This should make us understand that we Europeans have more to win than to lose from a close cooperation. I say this as an argument against a very superficial way of looking at things which gives rise to misgivings in many European countries, and industries, with different degrees of intensity, that the inflow of American

capital in the form of industrial investment by private enterprise must in all circumstances be a disadvantage and lead to the dependence of Europe, the conclusion being that it must, therefore, be stopped. I myself am very far from such a nationalist way of thinking, as I am convinced that while the Americans seek to derive profit from their business engagement in Europe - which I think is quite a legitimate concern, - there is also the dolus of the idea at work that they cannot do so without helping that other country to a higher performance and also a higher standard of living.

To attribute a higher value to nationalist ideas, in turn, means that, in the last analysis, such a relapse of Europe would entail the fate of "dying in beauty". It is pointed out that America owes its economic advantage and increase in economic strength to the existing international monetary system - i.e. the gold exchange standard - and that the economic position of America relies not least on the fact that other countries, especially industrial European States, hold a relatively high portion of their balance of payments surpluses and monetary reserves not only in gold but also in dollars. This objection cannot be dismissed as entirely unfounded, but it would also be unjust to overlook the great financial sacrifices the United States has made <sup>in</sup> the rebuilding of Europe, its large rôle in development assistance and the assurance the military strength of the United States of America means for the peace of the world. If that is stated by me, it is said by a man who has always advocated a strict but, if you wish, also conservative international monetary system, and who still holds that this is the right

principle. I have not succumbed to the illusion that a renewal of the old gold standard<sup>is</sup> really imaginable. On the other hand, I am not without concern about a possible creation of too much international liquidity and even a new reserve unit. I rather hope that at the next world monetary conference in Rio, a practical way will be found which will take account of the given world-political necessities but not jeopardize the international order.

Such thoughts are closely connected with the ideas that have for some time been entertained in EEC. I myself, while I was still Minister of Economic Affairs, have always contradicted such a thinking in terms of pure technique for there can be no common currency by way of creating a common monetary unit as long as national States desire to maintain their autonomy and refuse to surrender their responsibility for their national destiny. What remains can be hardly more than the consolidation of the present condition: fixed rates of exchange and monetary loans to take care of balance of payments difficulties.

If the six countries agree by consultation on the amount and timing of drawing rights in the International Monetary Fund in connection with the laying down of their subscriptions or other contributions, one may regard this as a certain progress, but it certainly does not embody any new idea which would be apt to fundamentally change the monetary situation either in EEC or in the free world. Whatever may be our assessment of the further development of Europe, the expansion of European cooperation or integration and its prospects, we should not believe

in miracles but keep on the ground of overseable realities. If we do so, whether we be Europeans or Americans, we will hardly be able to deviate much from the way which I have been trying to indicate to this distinguished assembly.