

ECONOMIC INTEGRATION
AS A FACTOR
OF POLITICAL UNIFICATION

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The key book on the subject of "Economics and Politics" has not yet been written. We need it badly.

The following is intended as a modest and empirical contribution to the understanding of the problem. Our most instructive experience in this matter is at present being gained in European integration, and specifically in the European Economic Community. Now that the Community has been in existence for just over three years, this experience is sufficient for a concrete description and appraisal. We no longer depend on imagination alone. The economic and sociological – and political – phenomenon has come to life. Nor is it any longer merely in the building stage or in the "honeymoon" period. There is already such a thing as a European everyday routine, with all the humdrum monotony it entails, and this perhaps acts as a useful antidote to any exaggeration in our judgement.

The integration which has occurred and is still occurring is called "economic". Is it a political factor? Does it make for political unity? In what sense? To what extent?

Opinions vary on this point. The majority would answer the main question in the affirmative without realizing very clearly what this means. There is a minority of doubters, made up not only of the grouseurs who have always stood aloof, saying (and hoping) that not even economic success would attend the venture, and who now maintain that it will in any case not have political effects. Meanwhile it must have become clear to everyone that the impulses generated are continuing. The stone cast into the water is making ever new circles. Not only have profound changes occurred in the Community but "the economy" has adapted itself to the new circumstances with unexpected rapidity; not only has the problem of all-European free trade been raised really seriously for the first time (but not without a certain dramatization which is unlikely to be helpful in the quest for a solution); not only has Atlantic co-operation in the field of economic policy at long last been organized in the OECD, but

the political union of the six Member States — the need for it, the opportunities it offers and the means at its disposal — is also under active discussion.

Thus our question is not only founded on fact and therefore important; it is also topical.

I

In answering it, let us first remember that in the interplay of the motives for economic integration the most outstanding driving forces are of a political character.

This is true, first, of those motives which have their origin in our relationship with Europe's neighbours.

The European world is menaced by political forces whose aim is to destroy the European way of life. These forces are very strong and are constantly growing stronger. They are driven by a pseudo-religious élan, by a sense of mission, and they are expansive. The means available to destroy our way of life are military and political (subversion with the help of the Communist parties of Europe), but also economic. It is certain that the use of economic weapons against us will increase in the near future because there are probably more of them available. Our defence must be prepared in the same spheres by a closely-knit system of military alliances, by strong political morale and by all the economic strength we can muster.

In our relations with friendly neighbours, too, — especially our Atlantic friends — the challenge is economic and political. It is economic, because the post-war phase of charity for Europe has ended. Munificence, the giving and taking of alms (14,700 million dollars in the years from 1948 to 1953, that is to say the equivalent of almost four-fifths of the Federal German budget for 1961) has been replaced by competition, which is the highest civilized form of economic co-operation between those who are free and equal. Economic and political motives intermingle with

which today no state or narrow community can any longer grapple alone: defence against Communism, the fight against poverty, the development of underdeveloped countries, emergent Africa, the stabilization of raw materials prices, agricultural surpluses, booms and slumps, the stability of currencies, and so on. Europe must flex itself for this sort of co-operation, because it is already becoming clear that the points of crystallization, the poles of attraction and the supporting pillars of the economic order developing in the free world will be the United States, Great Britain with the Commonwealth, and continental Europe.

At the heart of the problem we find a central and purely political need from which our consciousness probably derives its strongest impulse to gather the forces of Europe together; the need to lead Europe out of the demoralizing situation in which it is the object of the political decisions of others, and once again to make it an active force in political events. This is far from meaning that Europe should become "a third force", because it is absolutely a part of the free world and even a key part. But Europe must become a partner of consequence in the free world. The establishment of the OECD, in which the United States and Canada are full members, lends organizational expression to this Copernican revolution in Atlantic relations.

The cause and currents which in Europe itself determine events are no less political. Since the end of the First World War, the mechanism of the so-called "European concert of nations" has been losing its regulative force, but it is only since the Second World War that the outlines of a new order have become increasingly clear. That mechanism is traditionally described as the interrelationship of a multiplicity of states, clearly separate in structure which, though not necessarily acting in isolation, act together only to suit their convenience in ad hoc alliances. Although perhaps somewhat oversimplified, this description is substantially correct. These states, then, are strictly sovereign and exercise exclusive authority over all things within their territory, including, its entire political, diplomatic, economic and military potential. The concert of the great powers —

still so-called – and British diplomacy, with its alternating support of one side or the other, exercised a regulative and guiding function. This was a nice equilibrium and experience was to show that it depended almost entirely on relations between Germany and France. With this system, a piece of the nineteenth century has slowly gone out of use over the past decades; on the continent, Bismark had been its great master.

This order of things ceased to be justified because it failed the only test of decisive importance in the twentieth century: it proved incapable of keeping the peace. The "concert" has been silenced. The merit of the action which is to give Europe its new shape is due in the first place to French and German policy; and it is historically linked with the names of Robert Schuman and Adenauer. But it is due no less to the far-sightedness and resolution of those in places of responsibility in Italy and the Benelux countries. All have played a decisive part in the gradual evolution of the process of fusion. They have also put a formal end to the balancing act to which I have alluded and have resolutely taken their common interest into their joint care. Reduced to its elements, this is the political essence of what has happened on the European continent. Much of the lack of understanding of concrete European actions and some of the slowness in the process of re-thinking can be explained by the fact that this political reality is not being grasped; it does not explain some astonishing failures in the diplomatic appreciation of the situation at various points.

Further, it is too little realized that this evolution is founded upon a decision – and again it is a political decision – an option. In politics nothing happens "of its own accord", automatically, by the force of nature; and nothing is so self-evident as to exclude every alternative. German policy provides the best example: what, for instance, if not the will of those responsible, prevented German foreign policy from turning towards the East – for the sake of obtaining complete national unity – or from entering into a close individual, direct and exclusive relationship with the United States, and so on? (All these were

clearly options which, in the conscious or the subconscious mind of others, are all too easily reflected as those vexatious "incertitudes allemandes"). And so we find that the fruits which that opinion has borne are also political. To keep the German example, they are *inter alia*: the solution of the (alleged) "Ruhr problem", of the problem of German armament, of the Saar problem, but in particular the problem of founding a completely new, positive and constructive Franco-German relationship, with the incalculable possibilities it offers for the future of Europe.

Finally, the political nature of the driving forces of integration is also reflected in the mirror of American reactions; these in turn have their repercussions on the action itself, because there is no such thing as a relationship of mere dependence in political affairs any more than in any other human relations — wherever we look we find interdependence. The splendid support which European integration has from the outset received from the United States and without which its progress would not have been possible, rests upon the political expectation of a European federation, "a kind of United States of Europe", to keep the famous Churchillian phrase, which, incidentally, brings out how much historical memory has contributed to the concept of that expectation. The moral value of this support is not lessened by the fact that it also fulfils a function in the world-wide system of defence: the securing of the European front — of the European frontier. On the contrary: the integration of Europe is not only desired, welcomed and encouraged — the United States also shares in its defence.

II.

All this may explain the strength of the forces working for a new order. On the other side, the defence of the traditional was weak. Two conditions of psychological import acted together to create a general disposition favourable to changes making for a European order transcending the national states.

A new consciousness of space is characteristic of the "atom age". Science and technology have extended almost beyond imagination the space of which man is the master – alone or collectively – and they are continuing to do so with ever-increasing speed. The leading political and economic organizations in the world are on a continental scale. On the other hand, the European national territories cover a little more area than a man can travel in a single day. Within Europe and outside every man has therefore become every man's neighbour and we are realizing this fact more clearly from day to day and from year to year. These new dimensions are therefore not of our choosing: they are forced on us by History.

In addition, the concept of national sovereignty is becoming increasingly narrowed down and debased in value.

Narrowed down: military power, the most forceful attribute of sovereignty, is slipping out of national control. The technology of war – like all technology – is outpacing the politicians, who are breathlessly trying to keep up. Today, military uniforms are more difficult to distinguish from one another than diplomatic. Other political problems and especially those of economic policy which can no longer be solved in isolation, have already been mentioned.

Debased in value: the disgraceful abuse, not only of national power, but also of national ideology has brought about unheard-of destruction on the continent of Europe and left the idea of the national state grievously weakened in itself. This is reflected in the post-war constitutions of the European countries, where they expressly open the way for the transfer of elements of sovereignty to common institutions, for the fusion of elements of national sovereignty. It is not by chance that the geographic area which the six countries of the European Community cover is almost identical with the area which was brought to the brink of destruction, both physically and politically, by the berserk fury of the Second World War. This circumstance – which is a political and not an economic one – explains more convincingly than a few percent on or off customs duties the existing frontier between the Community countries and the others.

III

I come now to the cardinal question: are *economic means* being used to meet those political exigencies under these political conditions? What means? Are they adequate for the purpose?

1. Before we answer this question, let us recall once again that the political aim of European unification has, of course, not been pursued by "economic" means alone, that it is not and will not be so pursued. In the past, the (unhappily abortive) plans for the "European Defence Community" and the related project of a "Political Community" are evidence of this, as is the "European University", already provided for in the Treaty establishing the Atomic Energy Community. At present, the efforts to establish unity of political action, prompted by President de Gaulle's suggestions, bear witness to the same truth. "Economic integration" must therefore be seen as part of a wider process. It has not been conceived or put into practice as an aim in itself.

This does not mean to say that there are no economic reasons which in themselves would justify us in tackling "economic integration". A brief glance at the relative decline of the European share in world production and at the gap between European and United States productivity makes this clear; whereas even in 1913 the countries of Western Europe accounted for about half the world production of industrial goods, their share had fallen to little more than one quarter at the end of the fifties. And whereas in 1960 the working population of 69.4 million in America was responsible for a gross national product of 503,200 million dollars, the gross product of 72.4 million workers in the Community countries was no more than 180,000 million dollars; if the official rates of exchange are taken as the basis of calculation, each working European has therefore been able to produce no more than one third of the wealth produced by each working American.

From the purely economic point of view also economic integration is the cogent answer to the problem posed by this state of affairs. In the economic sphere it accomplishes the marriage between the new spatial dimension and the law of the division of labour.

2. Having said this, I will now briefly summarize the method of integration.

It was worked out for the first time in the European Coal and Steel Community for the heavy industries of the Community countries; incidentally, this was from the very outset planned as a model for the more comprehensive arrangements to be made later. A "common market", that is to say a market with the characteristics of a single home market, was established for coal and steel. Customs and quota regulations were abolished, discrimination and all "artificial distortions of competition" (including those of a private nature such as cartels) were forbidden. The authority required to this end in the field of economic policy was transferred from the states to the Community. This Community itself was modelled on a concept whose salient features are federal: an Executive was set up which is known as the High Authority and which is independent of the Member States (i.e. of their governments and parliament); there is a federal organ (the Council of Ministers) in which the Governments of the Member States work together; there is a parliament (exercising the rudimentary functions of a political chamber; it is consulted, especially when the Community proposes to legislate, and it exercises control over the Executive); finally, there is a Supreme Court.

This model has been extended to the general common market for goods, capital and labour of every kind (free movement of workers, freedom in the supply of services, right of establishment) whose organization is analogous to that of the Coal and Steel Community. The nucleus is a customs union: within this union customs and quantitative restrictions

are abolished. Vis-à-vis the outside world a common external customs tariff is established. (This was not so in the Coal and Steel Community, which does not extend to foreign trade). Around this nucleus a broad ring of "common policies" is then laid. The existence of a common external tariff leads with almost logical compulsion to a common policy for external trade. Further, if the Member States (or trade and industry itself) are to be prevented from replacing by other means (such as discriminatory transport rates, currency manipulations or cartels) the bulwarks against competition lost through the abolition of internal trade barriers, their economic policy must be subjected to compulsory co-operation in all those spheres where it could reverse the effects of the establishment of the Community. Finally, there are spheres where this — as it were — police operation of removing obstacles is not sufficient to bring about that "natural" free flow of economic forces within the Community which is the aim of the Treaty. This sort of action is sufficient only where the rules of a market economy already apply in principle and are freed from their fetters by such a clearing operation. Where these rules do not apply at all or do not apply in principle, that is to say under the sway of "dirigism" (we will not be so precious as deliberately to avoid this popular catchword), we again have no choice but to subject policies to a Community discipline if we wish to establish conditions "with the characteristics of a single home market". The methods by which the six hitherto separate economic policies are being merged are not uniform, nor is the degree of fusion always the same. There are in fact four levels: first, a field of economic policy can be declared a "matter of common interest"; this applies to rates of exchange and is also the minimum requirement for business cycle policy. Secondly, "collaboration" may be envisaged; this is so in the case of social policy, which is a focal issue in integration. Thirdly, "co-ordination" can be prescribed, as it is for economic policy in general. And fourthly, the highest level of European economic policy is a "common policy" in such fields as trade, agriculture and transport.

The question is whether this kind of economic integration can produce political unity. An affirmative answer means that the political motives to which I have referred are taken into due account.

Indeed, this integration first creates the unity of outward political action. As the common policy for external trade is built up it becomes the common means of defence against dangerous economic action from outside; and since these economic offensives have their roots in political motives, reaction to them of necessity becomes political planning and action. Similarly, a common policy for external trade is becoming the means of co-operation with our allies: the issues which can be mastered by the largest associations only are prepared in the narrower association of the Community; moreover by acting as a unit, the Community brings greater weight to bear. (Needless to say, the term "policy for external trade" does not describe trade in the everyday sense of the word only, but has for decades covered the entire field of foreign trade policy; the expression "commercial law" offers a terminological analogy).

No less marked is the political character of economic integration and consequently its political effect on the process of unification within the Community. It is not only a step on the way to political integration, it is already part and parcel of it. For it is not the "economy" which is being integrated, it is not production, trade or consumption, nor is it the action of employers, workers, merchants, or consumers. What is being integrated is the part played by the states in creating the conditions in which economic activity takes place. In our century this part has increased to an extraordinary extent under the stimulus of the habits acquired in two "total" wars, which made the economy subordinate to the state in a measure outstripping the imagination of the generations concerned. However, it has increased mainly as a consequence of the political desire for social solidarity and as a result of academic progress in economics, which have encouraged man to attempt the

mastery of processes until then fatalistically accepted as the law of nature (a reference to modern business cycle policy will suffice as an illustration of this).

The European Community already found in existence this vast influence exercised by public authority on the conditions under which trade and industry function; it did not create it. Of course we may resent this influence (although it would be idle day-dreaming to wish for a return to the economic conditions of 1913, when there were no Ministries of Economics and when the economic system was essentially coterminous with the system of private law and the problem of its integration was therefore no more than the problem of the unity of private law of which, incidentally, the outlines already existed to a considerable extent). But there is no justification for making European integration responsible for it and therefore criticizing this integration as "dirigist". Since European integration only places under Community control what it finds in the powers of national governments, the reproach, in so far as it is justified, should be addressed to these national policies. In fact, by no means all the national powers of intervention in economic affairs are assembled in the Community. The Community would be centralist and not federalist if it did not share its responsibilities with the states. Nor does this process of fusion go on without the substance of the various national elements being changed. However, these changes are generally in the direction of a more pronounced development of the market economy. For the basic law of the European Economic Community, its philosophy, is clearly that of the market economy. Its leitmotiv is to bring genuine competition into play in the undivided Community area. Where it resorts to compulsion to this end, such compulsion is applied to ensure freedom. For freedom is not "the natural state of man" any more than peace. Compulsion is therefore primarily directed against the state powers which are out to restrict that freedom, and not against the citizen of Europe who is to be granted new freedoms.

The substance of the state interventions merged in the Community is of great importance. The modern science of economics is focused on three central issues. Because of the connection which exists between economic science and the economic policy of governments and which makes economics a political science, the main issues of economic and social policy in our day are the following: the guidance of national economies based on the division of labour (by means of the price mechanism and the competitive system); the distribution of incomes (especially the concern to achieve and preserve full employment); the assurance of steady expansion (especially with regard to business cycle policy). The process of bringing the national systems together affects all these issues directly or indirectly. Who would then deny that the efforts of the public authorities to master these problems are political? As such they are guided and propelled by the political impulses of our civilization and of our age: their purpose is to ensure at one and the same time freedom and the ability to be free, which means that they comprise not only refusal of undesirable ties but also a full measure of care for the welfare of the individual.

However, it is not only the ingenuity of History which is effective in European integration in allying the benefits of the large-scale division of labour with political necessity, but the inherent logic of the concept of a customs union in itself, when applied to the economics of our day. Never has this been expressed with such classical simplicity as in one of the last League of Nations pamphlets (*): "For a customs union to exist it is necessary to allow free movement of goods within the union. For a customs union to be a reality it is necessary to allow free movement of persons. For a customs union to be stable it is necessary to maintain free exchangeability of currency and stable exchange rates

(*) Re-issued in 1947 by the United Nations Department of Economic Affairs under the title "Customs Unions - a League of Nations contribution to the study of customs union problems", p. 74.

within the union. This implies, inter alia, free movement of capital within the union. When there is free movement of goods, persons and capital in any area, diverse economic policies concerned with maintaining economic activity cannot be pursued."

The course of thinking that has brought us to this point could also be expressed (and without going beyond what we have said so far) by saying that the true content of the effort which we call economic integration is the creation of a new economy, a Community economy, because it is made up of elements of the Community's own economic policy. To say this is no bolder than calling a federal state a state despite the fact that there are other state authorities on its territory. The Community is not merely a customs union. It is an economic union.

IV

Let me summarize :

1. Economic integration is a political process and therefore changes the social condition of man as a " Ζῶον πολιτικόν ". A constant process of re-thinking is going on in the Institutions of the Community, a progress of growing into common responsibilities: in the European Parliament, in the Commission and its staff, in the Council of Ministers, including the national administrations working together in it (where familiarity with the majority principle, which is slowly growing in strength, is the visible sign of the detachment from exclusively national egoism), in the practice of the Court, where a new stratum of specifically European law is forming. The same process is unfolding amongst the citizens of Europe, for whom, so as not to say to whom, all this is happening. We have seen how profoundly it affects the life of the individual. All react: trade and industry, which are beginning to adapt their planning to the new and larger market, the workers, whose hopes and demands are linked

with the implementation of their freedom of movement, the consumers, who are becoming vigilant to see that the advantage of the new system from which they are intended to benefit will actually accrue to them, and so on.

2. Economic integration is a matter for democratic policy. Because it concerns the cause of the citizen, a responsibility to the citizen must be organized which is in line with democratic traditions. To leave it to men who owed responsibility to no one, to a corporate mechanism (to which – in the case of agricultural policy or cartel policy for example?), to a sort of “economic democracy” of a type advocated decades ago, or to “technocrats”, would be inappropriate and even frivolous. For this reason:
3. Economic integration is part of the responsibility of democratic political organs. Here we touch upon that point in the structure which is the most highly political. The traditional “international” manner of attaining a common aim by a permanent conference of diplomats, by an agreement voluntarily prolonged from day to day, has been rejected, and rightly so. An organization has been chosen whose elements are unmistakably borrowed from the federalist experience gained in modern constitutional history. We have already outlined these. Their most characteristic feature is the need for permanent collaboration between the Commission, which is the Executive organ independent of the Governments, and the Council of Ministers of the Member States. The entire ability of the Community to act depends on this. As a rule the Commission submits proposals to the Council for decision. The Commission's proposals are obligatory in a twofold sense: it is the Commission's duty to submit proposals, and failing such proposals the Council cannot make any decisions. The Commission is responsible to the European Parliament, which alone can dismiss it. With some didactic exaggeration it might be said that what is political in the Community is its organization, its “institutions” – the new European word for “organs”. Therefore it is not wrong to speak of an “institutional market”.

4. Finally, integration is a process of political dynamism. What matters is the "forward move together" of the Member States and not this or that static rule on the rate of customs duties or the prohibition of discrimination. The Community is not static, it is in constant evolution. The Treaty itself caters for this: the final stage of the Community will be reached not in one step but in many during a transition period; there are whole subjects, such as agricultural policy or transport policy, for which the Institutions have been instructed to give material content to the almost completely empty framework of the Treaty; giving form to the obligations and prohibition of the Treaty, and applying these to individual cases, is an incessant process. And, most important of all, the Treaty looks beyond its own confines. New Community usages are already springing up at the periphery of the field covered by the Treaty. The periodical conferences of the Ministers of Finance of the Member States to deliberate with the Commission on questions germane or close to Community policy, which can no longer be solved in the light of individual, purely national considerations are an impressive example of this. So are the conferences of the Ministers of Foreign Affairs. But far beyond this we find that integration has set in motion a process which can have only one direction - forward. Wherever we find a difficulty in our path it is overcome by more common action, never by going back on the established Community principles. To prove this, need we do more than point to the most recent development, the endeavours to work together in the most intimate, the specifically "political" field?

Thus the vehicle of unification has become automotive. Does this mean that we can trust to the automatism of events? By no means; we have explained this before. Automobiles do not run of their own accord. Politics are not a natural process, they are a matter of will. The decisive point is that this will must be present. Economic integration is proof that this is the case, because will has produced it. Integration makes conscious and strengthens this will, which needs to be used daily, among other purposes, to counter the dangers

which menace integration and which at the same time are a factor of the first order making for integration, as indeed they are in the case of every political organization. Finally, integration helps to translate this will into practice, because it provides experience and, ipso facto, both the basis and the incentive for the further progress of creative political imagination.