

SOURCES OF ENERGY AND INDUSTRIAL REVOLUTIONS

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Lecture delivered by Prof. Piero Malvestiti, President of the High Authority of the European Coal and Steel Community, at the Istituto Studi Politici Internazionale, Milan, on October 30, 1961

Energy, which is one of the big problems of the European Communities, is determining the form of the new industrial revolutions now in progress and in prospect, even as it did that of the first Industrial Revolution in the nineteenth century, when the coalfields of Europe were the keystone of economic development.

Prof. Malvestiti examines the special conditions prevailing in the energy market in the twentieth century and the various endeavours to organize and allocate energy distribution, more particularly during the post-war years (the European Coal Organization, the Economic Commission for Europe, the International Ruhr Authority, and finally the European Coal and Steel Community). The international agreements establishing these bodies were drawn up at a time when coal seemed likely to continue in short supply more or less indefinitely. The market rules laid down in the Treaty of Paris establishing E.C.S.C. very obviously bear the stamp of this assumption, and it is probable that the terms of the Treaty would have been different had its makers been able to foresee a day when there would be too much coal rather than too little.

The object of E.C.S.C. as originally conceived was to ensure the absolute humanly-possible maximum of competitive capacity, by stimulating competition, by prohibiting cartels and agreement except under specified conditions, by encouraging price transparency, by working to do away with discriminations of all kinds. If the revision of Article 65 of the Treaty is now having to be envisaged, this is because it has come to be realized that war to the knife among the coal producers themselves would be most undesirable at a time when oil and natural gas are already gaining ground faster and faster in the European energy market.

As a result of the advent of the new sources of energy, radical changes are taking place in the structure of the market. Coal in 1913 accounted for 95% of Europe's total energy consumption: today it accounts for only 55% and has gone over to the defensive. Western Europe's earlier monopoly of energy production has gone for good.

What, then, is the policy to adopt for energy in Europe?

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Prof. Malvestiti goes in some detail into the arguments adduced by various students of the situation on behalf of coal and on behalf of oil -- by the Western European Coal Producers' Study Committee, which calls for identical, or at any rate comparable, rules of competition as among the different sources of energy, and for the lining-up of the producer industries' respective legal positions and policies, with a view to assuring a flow of energy supplies to Europe under as advantageous long-term conditions as possible; by E. Desrousseaux, Director of Studies of the Charbonnages de France, who advances the concept of an "optimum" price and contends that some form of centralized planning and control of the energy economy is a structural necessity; by the defenders of oil, who sing the praises of unrestricted freedom; and various others.

"Between 1958 and 1960," Prof. Malvestiti notes, "14 unprofitable pits were closed in Germany, 30 in France and 46 in Belgium. But although we continue to insist that this drive for economic reconstruction and technical modernization be resolutely proceeded with, we would not dream of suggesting the closure of pits that are not unprofitable."

Prof. Malvestiti goes on to express regret that there has been no move to adopt the proposal of the European Inter-Executive Energy Committee -- that is, the special body set up by the High Authority, the E.E.C. Commission and the Euratom Commission -- for a long-term "guide price" to afford indications as to the future, to orient investment and to help consumers to avoid making mistakes in their choice of fuels.

However this may be, it is clear that today the increment in energy requirements is being covered more and more by recourse to the secondary forms of energy. If the different countries continue to take separate and conflicting action in the energy sector, the whole implementation of the Treaties of Paris and Rome will be jeopardized. It would surely be absurd that the very six Governments which are seeking to arrive at a common policy in all other sectors should fail to achieve a co-ordinated policy in the absolutely vital sector of energy. Europe must see to it that in the process of long-term structural development the adjustment of Community energy production to the changes in the economic situation goes through without involving serious disturbances.

It would be nonsensical if, in face of all the trouble that has been taken on behalf of the underdeveloped areas in Europe, there were to be cut-throat competition in the field of energy supply, or, still worse, the different industries were prevented from operating on equal terms, since the objective of securing a regular and continuous flow of supplies at the lowest possible cost must be kept firmly in mind.

It would be rash to affirm that Europe can do without coal, when it is so much more reasonable to expect that increased requirements will make it necessary to make the most of all the energy resources available.

In view of the increase in steel production -- at the present stage of technical development -- the conversion of coal into secondary energy at the pithead, and the development of coal chemistry, it cannot seriously be supposed that, following the closure of the marginal pits, the level of coal production is likely in the future to show a further alarming drop. Moreover, it is risky to reckon on an irresistible downward trend in oil prices, and altogether wrong to suppose that the sole choice lies between straight competition and straight monopoly.

Prof. Malvestiti expresses himself as fully agreeing with M. André Marchal that there can be no question of economic integration purely on the basis of a liberalist process of specialization in the economy. True integration is no mere juxtaposition of economies with mutually complementary structures; it represents a wholly different concept, the concept of solidarity.

"We have to recognize," he says, "-- a good many years late! -- that economic theory based on sheer 'beneficent selfishness,' although it produced and sustained the first Industrial Revolution, finished up in a welter of contradictions, and in the question-begging of those doctrinaire minds who urged unreserved return to free trade. The principle of solidarity is today held in high regard: it is no longer

disputed that there must be constant pressure of demand on supply, that production and distribution are interdependent, that the sociological aspects are closely bound up with the economic, that large economic areas are a necessity.

"The energy question, it is altogether obvious, forms part of this whole. The greater the saving in human effort thanks to energy, the more acute the social problem will become. If due attention is not given in good time to the need for solidarity in every field of economic life, we shall indeed have that Promethean world that technical development seems destined to bring us, but it will be a world of strife and despair.

"The European Community," Prof. Malvestiti concludes, "represents, in its innermost basic concepts, an irresistible outdateding of the principles that found expression in internal social conflict and in the two world wars. What is needed is that the principle of solidarity should become operative and alive as a necessity of daily law and custom. Only so shall we have true peace, the peace defined by St. Augustine ... a peace that has to be won and secured with every hour that passes (and) is promised to men of good will."