

EUROPEAN COAL
AND STEEL COMMUNITY
THE HIGH AUTHORITY

Piero Malvestiti

TOWARDS AN ECONOMIC
PROGRAMME FOR EUROPE

An address
delivered by the President of the High Authority
to the European Parliament
in Strasbourg

NOVEMBER 20, 1962

FOREWORD

On November 20 and 21, 1962, there took place at Strasbourg the annual "colloquy", or exchange, between the Members of the European Parliament and the Councils of Ministers and Executives of the three Communities. On this occasion attention was focused mainly on the programme drawn up by the Commission of the European Economic Community for the second stage of the transition period of the General Common Market. Speakers included the representatives of the three Executives, Prof. Hallstein for the E.E.C. Commission, M. De Groot for the Euratom Commission, and Prof. Malvestiti for the High Authority of E.C.S.C.

President Malvestiti's remarks, which are reproduced in the pages following, deal with one of the outstanding points in connection with the E.E.C. Commission's proposals, the question of economic "programming" for Europe. Prof. Malvestiti discusses the experience which the High Authority has gained in this field by the use it has made of the instruments of economic policy furnished to it by the Treaty of Paris. For programming does definitely raise the problem of relations between the State and the individual citizen, and between the State and the individual enterprise — a problem with all kinds of aspects, political and legal as well as economic.

Prof. Malvestiti here confines himself to the economic side. One point which he brings out is that in the Coal and Steel Community the march of developments for the two industries is notably smoothed by the fact that investment is to some extent co-ordinated, thanks to the long-term orientation as to production which the High Authority is required to provide under the Treaty of Paris. Prof. Malvestiti explains the precise nature of this orientation, provided in what are now known as the General Objectives: it is, he emphasizes, different from centralized "planning" in that it is offered purely by way of guidance, as would be the E.E.C. Commission's proposed programming. The General Objectives may, he suggests, be compared to lighthouses serving to show the mariner his way.

Unquestionably, the use to be made, in a free-market economy, of such instruments as long-term orientation and guidance programming is one of the major problems of our time. This problem has been effectively dealt with so far as the Coal and Steel Treaty is concerned: today with integration in progress for the whole European economy, it is coming up again in a more acute form.

The old hundred-per-cent economic liberalism, as soon as the practical policies into which it was translated ceased to be fully in step with the radical changes which have been going on since the turn of the century in the structures of the more advanced economies, inevitably fostered factors of reaction which, in conjunction with the difficulties of the period following the First World War and the emer-

gence of new myths and perilous ideological dreams, brought Europe to the edge of the abyss.

Surely, Prof. Malvestiti urges, it is the noblest end of every generation to strive unremittingly to draw the maximum benefit from past experience. And it is for the Europe of today to pursue this end within the framework of a conjoined economy — the only framework which will afford the proper scope to the forces of growth in the world today, instead of leaving them to strangle within the narrow bounds of the separate national economies.

Prof. Malvestiti has sought to make a constructive contribution by drawing attention to some aspects of the valuable practical experience which the High Authority has garnered in the course of the past ten years.

Mr. President, ladies and gentlemen,

There are many indications that an important juncture has now been reached in the Communities' affairs. To mention only the most outstanding, the series of applications for membership or association demonstrate the high regard in which the Communities are now held by third countries, while — to us a matter of even more importance — our own six Governments ten months ago decided to proceed to the second stage of the transition period provided for by the Treaty of Rome.

This action means that the results achieved with regard to the Customs union are considered satisfactory and the time is felt to have come to tackle directly the problem of economic union proper. The Treaty of Rome lays down, in the provision it makes for various "common policies," the practical content, and also the limits, of economic union.

Now, however, the E.E.C. Commission is pressing the point to the Governments that the economic union must be knitted together at the base in a way not provided for by the Treaty of Rome in so many words, and is accordingly proposing a monetary policy and a European development programme.

The High Authority cordially welcomes the Commission's move, and pledges its full cooperation.

Obviously, when it is urged that a development policy is needed, the question inevitably arises, What would happen if there were no such policy? In other words, is development perhaps not inherent in any economic process, capitalist or otherwise?

How could any economic system not develop? After all, population growth alone entails an increase in demand. And technological progress, which no national economy can afford to neglect on pain of falling first into decline and then into asphyxia, of itself imposes a process of development absolutely vital even for the most unresponsive and lethargic industrial enterprise.

We hear references to the German miracle, the Italian miracle, the European miracle — and indeed, when we remember the state of Europe, and especially of the defeated countries, in 1945, and compare it with the state of affairs today, it is hard to find any other word for the bounding resurgence of the European economy.

Some of the factors underlying revival are clear enough — the Marshall Plan, which helped the peoples of Europe back on to their feet; the Common Market, which, by doing away with tariff walls among the Six and aiming at free movement of capital, persons and goods, given favourable business conditions afforded a powerful stimulus to investment; the will to survive which, after a brief interval to get affairs in order, released a fury of activity; the economic policies of the individual Governments, which they successfully organized in line with the brisk

state of trade and the requirements of the national economies.

This is, of course, by no means all that was involved: the field of economics is far too complex for it ever to be possible to pinpoint and evaluate all the factors making for progress and for regress.

At all events, development there has been, and continues under our very eyes. And since that development has been taking place under the influence of certain policies and against the background of certain economic usages, a number of questions suggest themselves: whether, for example, a different approach could have produced the same results, and whether this approach is necessarily always the right one no matter what new requirements may arise indicating the advisability of going over to some degree of programming.

Apart from a few visionaries, the more clear-minded advocates of a new departure in the economic field do not contend that the economic policies of the past were wrong, only that they were risky, and that responsible economists must be alive to their risks.

Thus, to take a notable example, Perroux considered the Common Market to be liable to accentuate the imbalances between one region and another. The danger was not a purely hypothetical or imaginary one, and if I am not mistaken it was in fact a matter of some concern to the architects of the Treaties of Paris and Rome.

However, the Common Market does not and never did promise the millennium in the starry-eyed assurance that all that is needed by way of preparation is what is termed the free play of competition: it knows perfectly well that the free play of competition has never existed and never could, as ideally envisaged; nor has it forgotten either the degenerative effects of monopoly or, on the other hand, the fact that monopolistic forms may in some circumstances be the price of progress. The Common Market's "essential purpose" is to ensure the constant improvement of living and working conditions in the member countries: as a means to this end it desires to remove existing obstacles, but it realizes that simply to remove the obstacles will not suffice to solve the economic problems of the world as it is, and accordingly it enjoins *concerted action* for the purpose of reducing the element of uncertainty in forecasts and ensuring steady and unbroken expansion. It is surely clear that, in the context of that action, within large economic areas, enterprises are enabled to work towards that optimum size that renders them most truly competitive, by basing their policy on more reliable and consistent factual data. And it is surely clear, too, that for practical purposes that concerted action can only take the form and scale of a programme.

Without programming, it would be difficult to frame common policies for such sectors as agriculture, transport and energy. Naturally, such a programme will need to be flexible, in order that action can be taken in time in face of any unexpected turn in the economic trend, or

of possible miscalculations in forecasting. And that it must offer guidance is acknowledged now by all discerning economists, who recognize that in a highly developed economy free enterprise must be allowed all the scope possible, up to the point beyond which it tends to become degenerate or ineffective. The student of economic affairs knows that only in some large underdeveloped economic areas can comprehensive programming imposed by authority be historically justified.

*
**

The High Authority is pleased to note that the Commission's programme provides, among other things, for increased harmonization between the General Common Market and the Common Market for coal and steel.

It is frequently said that the Treaty of Rome is a treaty of procedures, an outline treaty that has to be filled in with concrete directives hammered out jointly by the Council and the Commission, while the Treaty of Paris is a treaty of cut-and-dried detailed directives which the Executive — the High Authority — merely has to implement. This is quite true. It is not invalidated by the small scope for legislative activity allowed the High Authority — since the High Authority has, as you know, made extensive use of its powers in this respect, for instance by its move to have Article 56 amended so that action could be taken to aid workers losing their employment as a result either of changes in the economic pattern itself or of changes in the market situation.

This difference in structure between the Treaty of Paris and the Treaty of Rome inevitably affects the activity and approach of the two Executives respectively implementing them, the one being from the start required to administer, the other having to pass first through a stage mainly concerned with legislation.

It is in the context of these circumstances that the E.E.C. Commission, in order to give the Common Market a solid inner cohesion, is going beyond the letter of the Treaty and proposing a system of European economic programming.

The High Authority notes with satisfaction that a number of the measures the Commission suggests are very much on the lines of certain E.C.S.C. arrangements. This is indicative of the fundamental oneness of thought behind the two Treaties, even though they were drawn up at different dates and in different climates of opinion on the making of Europe. But it is indicative of something else too — that the process of European integration is as fully as possible in line with the economic requirements of the twentieth century.

One of the Commission's major concerns is to work out and apply all appropriate means for "restoring active competition between enterprises, particularly with regard to pricing." The Treaty of Paris, for its part, requires the High Authority to "seek the establishment of the lowest possible prices," and aims at encouraging ordered competition through market transparency to be arrived at by the application of thor-

oughly traditional rules of price publication and non-discrimination. It is not always realized what a valuable principle for the basic products price publication is. It enables the consumer to obtain a better knowledge of the sources of supply available, to enjoy a wider choice, and so to choose more judiciously, in his own interest and in that of the economy as a whole.

But the Treaty of Paris too made it clear that rules and directives for ensuring market transparency would be of no avail unless accompanied by a clear code of conduct for the enterprises, practical possibilities for action against abuses of dominant positions and insistence that all projects for concentrations of enterprises be subject to prior authorization.

Now the Treaty of Rome, as we know, makes no reference to the problem of concentrations — unlike the Treaty of Paris whose longest Article is devoted to the subject. Nevertheless, the Commission is, rightly, concerning itself with this question also, as part of the broader question of the market as such, and it attaches particular importance to “ensuring that concentrations not economically warranted receive no artificial encouragement.” This is a matter in which the High Authority has now ten years of experience, which I feel should be of practical value for the Commission’s studies.

It is, I need hardly say, right and proper that basic industries such as coal and steel should have been governed from the start by more spe-

cific and detailed rules with regard to competition.

But, in the best interests of the whole economy, it is not merely desirable that basic industries—coal and steel—should operate under a code of rules designed to ensure market-transparency and market balance (which is a form, if I am not mistaken, of that “active” competition mentioned in the Commission’s Memorandum as a goal to be kept constantly in view): it is also necessary that they should move and evolve in step with the rest of the economy, that is to say, that they should keep their production capacity at the levels required to sustain the development of the economy overall. For undercapacity in the basic industries would constitute a bottleneck in general economic expansion, while overcapacity would represent a waste of resources and a burden on the economy as a whole.

And how are the coal and steel industries to be enabled thus to move in step with the rest of the economy? *Answer:* through guidance as to investment, by means of the long-term orientation of production which the High Authority is required to furnish under the Treaty of Paris.

It goes without saying that this orientation — given in the form of General Objectives — is offered as guidance, as would be the programme proposed by the Commission.

And how is consistency obtained between the orientation provided by the High Authority and

the decisions actually taken by the individual enterprises? It must be noted first of all that the High Authority draws up its General Objectives in co-operation with qualified representatives of all the groups concerned — producers, workers, consumers and dealers, as well as Government experts. This enables the data submitted to be checked from all angles, so that the forecasts arrived at are of a high degree of probability and worth the enterprises' most serious attention.

Thus the General Objectives play a role of the highest importance in the Common Market for coal and steel. Based as they are on the most comprehensive possible assemblage of facts and figures, they substantially reduce the margin of uncertainty for enterprises planning capital projects. In addition, they make for better knowledge of market conditions, since they make available also to small and medium-sized enterprises intelligence which ordinarily only major firms with their own economic research bureaux can obtain. In short, if I may be allowed a simile, the General Objectives are rather like lighthouses helping the mariner to chart his course.

As well as being obliged to draw up General Objectives, the High Authority is entitled to supplement these by issuing opinions on enterprises' investment schemes.

By its diligent counselling of all enterprises, large and small, the High Authority has done much to improve the pattern of production in the industries under its jurisdiction. I need only

cite the importance to the balance of the European iron and steel economy of the improvement in the pig-iron/scrap ration which the High Authority put forward right from its inception as a vital aim. I take this opportunity to pay tribute to the enterprises which, with a true sense of responsibility, so commendably cooperated.

And that is not all. The High Authority can help to give a particular orientation to investment by means of its industrial loan policy. Loans granted by it up to now represent a total of 312 million dollars. By establishing priorities in consideration of the specific structural needs of the enterprises under its jurisdiction, the High Authority helps in a practical manner towards the selection of projects worth promoting. And we know that the High Authority's loans are most valuable to the enterprises, even though they cover only a part of each particular project.

Lastly, the High Authority has to encourage and assist technical research: I need not emphasize the all-importance of such research for economic development. As part of its activity in this connection the High Authority is making substantial grants available for iron-ore prospecting in Africa.

As will be obvious, this range of instruments enables the High Authority to carry on selective investment promotion, and it is indeed well fitted for use in a development policy. For E.C.S.C. has had a development policy right from its earliest days: in fact, that policy is its principal function,

as stated in Article 2 of the Treaty of Paris: "The mission of the European Coal and Steel Community is to contribute to the expansion of the economy, the development of employment and the improvement of the standard of living in the participating countries."

But the development of employment and the improvement of the standard of living are held up when even though every precaution is taken, general economic development proceeds unequally as between one industry and another or one area and another, with some enjoying disproportionate advantages and others suffering disproportionate handicaps. It is necessary, therefore, that the authorities should have not only means of direct action, but also a range of devices for remedying imbalances, whether short-term or due to permanent structural alterations.

The Treaty of Paris has provided the High Authority with a number of such possible instruments. The High Authority has itself developed others, within the narrow scope allowed it by the Treaty for unforeseen contingencies. (It was by employing these latter, for example, that it was able to grant allowances to miners placed on short time, and financial assistance to collieries which had to let their stocks pile up to abnormal levels during the worst period of the coal crisis.)

Using the instruments the Treaty provides, the High Authority can take quite effective action in particular in the social field, by arrang-

ing for the "readaptation" of workers losing their employment owing either to technological progress or to structural changes. Its activities in this connection are aimed, firstly, at helping the men themselves (by means of "readaptation"), and secondly, at reactivating the economies of the areas affected.

It is perhaps not inappropriate in this connection to remind you that it was the provisions concerning readaptation — contained in the Treaty of Paris and later embodied, in principle, into the Treaty of Rome — which first enacted into law the working man's longed-for "right to work".

The High Authority's activities on the regional plane are aimed at converting the economic structure of areas which are threatened with decline owing to difficulties in the coalmining and iron and steel industries. As you know, the High Authority is now granting loans on attractive terms as an inducement to industrialists to set up in depressed mining areas, on condition that they undertake to engage redundant miners. Its object is to promote the diversification of industry in these regions, in order that they may in future be better guarded against the impact of cyclical fluctuations.

By these means, the High Authority is seeking to help prevent any sharp contraction in the overall revenue of the area concerned as a result of sales difficulties experienced by one of the industries under its jurisdiction as this would cause a drop in purchasing power which would

have serious consequences for the industries in the rest of the Community.

The High Authority has no direct powers or responsibility of its own with regard to regional policy. In its view, such a policy should not be confined simply to measures designed to prevent an area from going downhill: it is equally important or more so that action should be taken, for instance to speed up the improvement and equipment of backward areas, and to organize cross-frontier co-operation of a type hitherto never possible owing to political divisions, and to counteract the drawbacks suffered by one-industry areas. The High Authority agrees with the E.E.C. Commission that a Community policy on basic economic structures is the necessary complement to a development policy.

*
**

A policy of general economic development, then, and a policy of regional development and redevelopment. But both of them need to be buttressed by an appropriate social policy.

A consistent development policy in itself entails carefully thought-out action to ensure a long-term increase in productivity by means of an effective vocational-training policy. The High Authority has, of course, no direct responsibility in this field, but it can fairly claim to have done a good deal to help there, and to be able to do a good deal more. It is providing a first attempt at general orientation by estimating as part of the General Objectives, future manpower requirements from the point of view of actual

numbers and from the point of views of skills. On the basis of these data, it is, in addition, now periodically working out training programmes alongside the programmes of other organizations, public and private.

Another well-known and much-appreciated part of the High Authority's work is its drive in connection with the building of workers' houses. I would have you remember that the Treaty of Paris makes no provision for this. So in giving assistance for this purpose the High Authority is in fact — with the full support of the European Parliament — going beyond the letter of the Treaty. Under its first four building schemes, it has helped to finance the construction of 72,000 houses with contributions of around 150 million dollars; it recently launched a fifth scheme for a further 20,000 new houses.

It is, on the other hand, one of the High Authority's definite Treaty obligations to encourage and assist research on occupational diseases and industrial health and safety. The High Authority has devoted the most sedulous attention to this field. One monument to its activity is the permanent Mines Safety Commission which it caused to be set up.

The High Authority will shortly be introducing new and improved working methods which it feels should give an increased impetus to research and promote closer co-ordination.

*

**

Mr. President, ladies and gentlemen, we must all agree that the subject fixed for this colloquy was a happy choice. For the colloquy has given us the opportunity to review the Treaty of Paris from an unaccustomed angle — that of the consistency of the instruments it provides with the requirements of a development policy. And we have seen that some of those instruments are fundamental.

Nevertheless, the coal crisis has shown up the limitations of the Treaty. The means of action it affords the High Authority are inadequate to deal effectively with the present imbalances, while its provisions are so rigid as to leave the High Authority unduly little elbow-room for forging other and more appropriate tools. The Treaty's limitations are, of course, partly due to the fact that it was drawn up on the tacit assumption of a continuing coal shortage, and is aimed at integration.

The deficiencies which become apparent in the Treaty when the economic situation is so viewed have been repeatedly emphasized by the High Authority, and the latest Memorandum on a common energy policy lists the various means the High Authority considers necessary to supplement the armoury furnished by the Treaty before it is possible to tackle the new problems confronting the E.C.S.C., so different from the old ones of 1950. The instruments which the High Authority is asking should be provided, include a system of subsidies to enterprises and a common commercial policy.

These additions to the existing means of action can be secured only by the revision of the Treaty. I may add, in parenthesis, that the Memorandum on energy policy is quite consistent with a development policy, since its sights are set on low-priced energy and security of supply.

I must most earnestly impress once more upon the Governments how urgently necessary it is that they should agree on a common energy policy for our countries and take the decisions which such a policy entails. Once amended in line with the High Authority's proposals, the Treaty of Paris will certainly gain in effectiveness. As regards development policy, however, it can even now offer eminently worthwhile contributions in quite a number of respects. Certain of the instruments it provides, and the High Authority's ten years' experience, will need to be taken into due account. Appropriate means of action in respect of the basic products — General Objectives, opinions on investment projects, loans on easy terms for priority projects, assistance for technical research — form the keystone for any development policy.

The High Authority thus warmly welcomes the E.E.C. Commission's proposals and the new stage on which E.E.C. is now embarking, since there will be far greater possibilities in economic union and development policy than in Customs union for E.E.C.-E.C.S.C. co-operation to grow in depth and breadth.

For though we work in different fields we are all working to the same end, and occasions cannot but be welcome which demonstrate if possible more clearly than ever this fundamental consistency of aims.