

**Reports n° 2**

**INDUSTRIAL DEVELOPMENT OF THE COMMUNITY**

**PROBLEMS AND PROSPECTS**

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CONFERENCE  
"INDUSTRY AND SOCIETY IN THE  
EUROPEAN COMMUNITY

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REPORT N°. 2

THE INDUSTRIAL DEVELOPMENT OF THE COMMUNITY

PROBLEMS AND PROSPECTS.

by  
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COMMISSION OF THE EUROPEAN COMMUNITIES

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## INDUSTRIAL DEVELOPMENT OF THE EEC

### PROBLEMS AND PERSPECTIVES

#### PREMISE

Twenty-seven years ago, almost to the day, the Second World conflict came to a close. The end of the war found European countries in a state of exhaustion, civil structures almost non-existent, factories destroyed. One had to start from nothing and the will for restarting seemed stifled by a crisis of discouragement and mistrust. A large portion of the population was still suffering from the recent events with an attitude of resignation, of indifference of passive protest: "Ohne uns"; "without us".

The rapid succession and multiplicity of events, the new problems arising which today's society denounces, make that epoch seem far away; however, they cannot make one forget the constructive ability with which industry, above all, responded and reacted to this feeling of bewilderment. If I dwell on this topic, it is to recall briefly our recent history, simply because it seems right to me to underline the worth and continuity of the role played by industry and the constructive thoughts which derived from it for the development of society, in the changeable and varied needs it has since expressed.

When the productive and industrial structures had to be completely rebuilt starting from nothing, they were weak and uncertain; European businessmen, with a good deal of courage and foresight, understood that the problems of reconstruction and development could be solved only in the framework of a policy of real international economic collaboration.

This then was the attitude of European industry; it helped and favoured a policy of gradual freeing of the exchange of goods, services and currencies, adhering faithfully to the establishment of the OEEC and the European Union of Payments. This policy represented a fundamental economic choice and a confirmation of faith in the ideals of political liberty; it gave industry the task of setting in motion a process of expansion, supported by quantitative and qualitative mobilisation of its own resources. It was necessary, moreover, to produce in greater quantities at ever lower costs, to make available materially and spiritually that which was needed by the collectivity, to inculcate once again in everyone a confidence in his own creative ability and his own future. This is what society was seeking at the end of the forties and throughout the fifties; industry met these needs whilst safeguarding at least one of the four fundamental freedoms: freedom of want.

In the same way as it received favourably the freeing of exchanges, European industry became also the real stimulant in creating the European Community, which developed into a reality during the sixties. We felt then that the vast process of harmonization and co-ordination which would follow would benefit not only industry itself but, above all, the social and civil progress of all the participating countries. We realised then that the creation of a single large market would give positive results measurable not only in economic terms but also in political ones for the drive it would give for attaining an integration at all levels between the Community countries.

Looking back to the distant and recent past, we notice that this act of faith has found a clear expression

in the facts; today, the Community is capable of reducing sharply internal economic and social instabilities whilst externally it is preparing itself to meet the increasing demands for co-operation and integration encouraged by the evolution in political, social and economic relations which will characterize World co-habitation in the seventies.

I do not at all underestimate the difficulties which this system of open competition and necessary competitiveness has created for industry in free countries, whilst stimulating at the same time technological and productive development; the difficulties which have beset certain currencies, tensions in the capital markets, the increasing structural deficits in the balance of payments of certain countries, monetary restrictions, the recent protectionist manifestations and restrictions in international exchanges, all these constitute expressions of the continued wish for the removal of frontiers and has already been achieved in international economic co-operation.

However, it is not on these aspects that I propose to dwell; the object of my report is only that of underlining the urgent need for the Community not to limit itself to the protection of results already obtained but of projecting new aims for itself.

#### Necessity of a "real Community".

The agreements reached in 1971 for a gradual fulfilment of an Economic and Monetary Union of the Community and for the implantation of the Third Programme for Medium Term Economic Policy are moving in practice in the direction required and our wish is that they may find the possibility of a practical application.

But what in my view is now urgent is for the Community to become as quickly as possible a "real Community", in which a policy

worked out democratically and with the participation of all shall allow for a strategic action to be mapped out for the confrontation of common problems in the interest not only of a few but of everyone - in a new bond of world stability, the contribution of its own civilisation and of its own experience. Only through a full awareness of this necessity can Community countries evaluate that which has already been achieved and, in the present state of the world situation, change into reality the plans which seem realisable whilst removing the serious danger which can already be foreseen. In other words, it is essential to face with a sense of urgency and with diligence the basic problem of a gradual and reasonable co-ordination between the economic and social policies of our countries, above and beyond purely commercial and monetary considerations.

The business world is directly and keenly interested in this irreversible evolution; I even think that it is the best qualified social element to help the political world to understand the necessity and to act energetically and promptly for the fulfilment of this "reform" which I do not hesitate to qualify as historical. This is the "reform" which will enlighten tomorrow's society in a contest which shows always more vividly how erroneous and dangerous is the concept of absolute political power, it would be wrong to draw up the numerous reforms which today's society needs within the narrow limits of national borders. For this to be possible, it requires, however that all social forces realise that only a "real Community" can solve the many problems wherever they may occur.

To this end, the Community will have to acquire its own distinctive personality to express a real political will. Much has certainly been done up to now but this is no longer enough.

The Community has prepared interesting and valid proposals on important subjects like the Economic and Monetary Union, the policy of relations with Third Countries and policies on agriculture, social matters and energy. More often than not,

their fulfilment has not been possible; when it has been, it has given negative or only partial results. This failure is due to the fact that only a "real Community", capable of expressing democratically its own overall "policy" can enforce a strategic action in which the various political and sectoral elements find their settlements in terms of harmonization and compatibility.

Through want of such policy, industry has had to bear the main consequences, above all, during the Sixties. It will suffice to think of difficulties arising from the ever faster technological progress and sharper international competition; the necessity to adjust conditions of competitiveness to the new dimensions of markets, in the absence of an institutional framework which, whilst harmonizing instruments on norms, legislation and administration of a single country, helps enterprises to surmount the increasing problems of organizational, economical, financial, social and commercial aspects.

Even in the presence of such difficulties, European industry has shown an unequalled ability and quality for dynamism and for gradual adaptation to economic and social changes, these qualities can be seen through the considerable economic and social expansion of the Community where industry has been the dominant factor.

Today, industry finds itself faced with a new reality, new demands, with the contest of traditional systems and values. Latent and long-neglected needs are rediscovered and exposed, sometimes irrationally, in an impetuous search for higher levels of well-being and justice which humanity believes can be attained through a better propagation and use of knowledge, of techniques and available resources.

Imbalances to eliminate

These demands are due frequently to a deep rooted want of stability but today's incompatibility is fully aware of this in a background of general and wider progress. I refer, above all, to territorial imbalances which require decisive re-balancing so as to secure for the populations of large regional areas, particularly the Community's peripheric zones, a fairer penetration in the circuit of general economic development so that they too can attain the higher levels of material and spiritual well-being they yearn for.

The business world is ready to accept this new challenge; as in the past, it has taken upon itself economic and social reconstructions and it accepts also the wider and various responsibilities connected with the needs of today's industrial sector; it acknowledges that industry is an instrument at the service of the community and that the contribution made by enterprises to the productive and technological development is an indispensable element to reach the fundamental objectives which any industrialised society aims at.

At the same time, used as it is to operate in an international sphere in terms of competition, of realistic reconciliation of needs and conditions always diversified and frequently contrasting, spurred by a taste for risks which is its particular characteristic, the world of industry has already felt, perhaps more through intuition than design, the opportunities which would have been offered to its development, and, in general, to a greater extent to the economic development of European countries, by a radical modification in the traditional formulation of economic, social and cultural activities.



Our democratic society, however, is based on a pluralist system where the common process of development must be borne by numerous and co-ordinated decision-making centres; it is necessary therefore, to avoid any temptation at self-sufficiency but, on the contrary to solicit all the members of the society : political, syndical and intellectual, so that they may participate according to their own role and their own responsibility, to the solution of common problems.

In this formulation, certain sides contest and undervalue the need to produce wealth and whilst a different distribution of resources and a continuous improvement of social benefits and conditions of life are invoked by them, they forget that economic growth is a prejudicial condition in the civil progress of society and since industry is a prime mover of such growth, it is essential that it should have the possibility of carrying out efficiently its first function - that of leading.

Political powers are, above all, the ones which should be aware of this mutual relationship, assessing rightly the difficulties industry has to overcome in the every day international contest; these powers must understand the urgent need for developing a common industrial policy which ensures that the conditions necessary to enterprises aiming to operate in a free and enlarged market, can put to maximum value the large opportunities offered whilst, at the same time, facing outside competition on the world market. Enterprises know that international competition does not allow for errors but they also know that the world market is their real frontier and are ready, therefore, to move in this sense.

As the initiative of the European Commission for the completion of a common industrial policy, industry in the Community has given and will continue to give its support and its full collaboration.

It is necessary today for Governments of Member Countries to conform to such initiatives. The freeing of exchange is not in itself sufficient; the many technical, administrative and fiscal obstacles must be removed as hitherto they make the free movement of goods difficult, they influence the income and the cost of industrial production. It is necessary, therefore, that the States adopt a policy of effective integration and freedom through the harmonization of the respective regulations and norms.

But an industrial policy which proposes to encourage a still stronger productive development implies also the possibility for industry to enlarge its presence, not occasionally but under stable conditions, in the international markets; that is to say that a strategy of penetration based not only on increased exports but also on the international movement of capital in firms of international character is required. Such policy must allow industry to enlarge its productive limits also qualitatively by aligning itself to the dynamism of processes achieved in advanced countries, by a speedier structural flexibility, by a better sectoral selection and by acquiring more rapidly results of technical-scientific research and improvements.

This is a matter of European industry being able to respond in an opportune way to foreign conditioning. This stipulation is deduced in the first place from the strength and size of the productive structures in the industrially and technologically more advanced zones outside the Community.

To this effect, the Community must be aware of two kinds of dangers which may occur and which must be avoided: the one of not being ready to participate through insufficient

skill and cohesion to the new understanding of world stability; the other, of provoking in the rest of the world a dangerous hostility in confrontations, through the incapacity of linking its own strategies to the legitimate interests of others.

Both dangers are serious and only a "real Community" can suitably face them.

The increasing participation of developing countries in international and economic affairs, imposes in its turn a common external policy to the Community.

This policy must not have merely a commercial character but must also seek to evaluate the complementary character which exists between the Community and these countries in relations which take account of reciprocal interests and, moreover, the overall and world aspects of these relations. Simultaneously, there is a need of new ideas and methodology, which respects the particular sensitivity of those countries who recently acquired their political independence with a prejudicial renouncement of that concept of "aid" which in the past has marked the relations between developed countries and developing ones. There is a need, therefore, for solutions which permit the Third World to have access to the inheritance of culture, science, and experience of more advanced nations and, thus, to make possible their economic development in a way related to the development of more advanced economies. The Community has already initiated with the AASM a form of association which includes in itself the principles mentioned above; however, only a "real Community" will have the ability and the possibility of fulfilling such policy in a valid way.

If in the face of external engagements and problems which I have mentioned, the role of Community co-operation is fundamental, it appears no less important to permit all social components, and in particular, industry, to respond to the requests of a social and civil nature now being made inside the Community.

I have already underlined why the present regional instabilities lend themselves badly to a reconciliation with the needs of a co-ordinated and overall development of the Community. Industry is aware of the necessity that such instabilities be overcome decisively and urgently. Their persistence would only accentuate the gravity of the situation and could, in a short period of time, prejudice not only the whole process of economic expansion, but also the possibility of shaping an Europe which is united politically, socially and culturally, and which all desire.

It is my firm belief, based on past and recent experience, that the objectives of territorial re-balance inside the Community will not be attainable later through national policies only but require a common and co-ordinated effort, an effort which aims at the completion of institutional conditions, the infra-structural, economic, social and financial ones necessary so that capital is induced to flow towards work and not the other way round, so that industry may responsibly exercise its function of leading, so that social tensions are lessened and cut down disparity, even cultural, incompatible with human and political purposes inherent with the concept itself of the Community.

The improvement in the standard of living as I have already said, is the second main objective to draw the attention and pledge of industry in the ambit of general problems linked to civil and social developments of the Community; these attention and pledge, the industrial classes propose to express through the contribution of their experience and of their ability to adopt new ways.

With regard to this objective, we know which argument of particular stress and increasing importance connects productive development and technological advances on the one hand; degeneration and pollution of natural surroundings on the other. It has caused some certainly interesting appraisals and accusations and mistaken interpretations of past and present phenomena which I think it is opportune to put right and I will set out the real terms of the problem.

I have already mentioned that during the fifties and the early part of the sixties, industrial development reasoning and, therefore, that of scientific research and technology was inspired mainly by the need to produce always better and in larger quantities at lower costs, through the better use of resources.

If this has largely contributed to satisfying the primary need of a quantitative order, it has forcibly left in the shade certain qualitative aspects of economic progress. There followed amongst others, serious problems of ecological surrounding which led to an increasing awareness of the worth of irreplaceable advantages which are essential to humanity, also a clear intention to direct the imposing capacity of progress of which we disposed towards a qualitative improvement of human living conditions, taken individually or in groups.

Problems to be solved. I think I can state that industry is fully conscious of the necessity of rethinking and of setting its own objectives accordingly. However, for such process to be spread in the countries of the Community, we must realise that single or incoherent actions are no longer sufficient.

In other words, such problems as, for instance, the protection of surroundings from pollution can find their solution only through the co-ordination and increased efficiency of all sectors and not only of industry.

On the contrary, legislation by individual countries in connection is insufficient; it does not answer any of the common charges, it is even frequently contradictory. The general tendency is for industry to be made to bear all the responsibility whilst, in fact, it represents but a small element in the process of pollution.

The relative toleration margins are evaluated differently from one country to another, from one sector to another. A well thought out and progressive limitation of those margins involves costs which increase proportionally. Different policies in this matter could have very serious repercussions on the more economical use of resources and at international competition level. If, as it seems reasonable to suppose, the major responsibility for a broad and decisive policy of remedy should fall on the shoulders of national communities, on the budgets of the various States and in the end, on consumers, the foreseeable entity of the onus would seriously affect the social-economic policies of the single nations.

This is a particularly important example of the present situation. Multinational co-operation in major programmes of scientific and technological research is just another valid example; these programmes will have to take increasingly into account qualitative considerations apart from quantitative ones, evaluate and encourage the direct use industry is prepared and able to give for their better fulfilment.

Closely linked to technological development are also the problems of large industrial installations for basic products; in my opinion, these problems deserve being referred to again since they are also apt to condition the future economic good order of a "real Community". The fact in itself that in these sectors the optimal dimension is constantly increasing together with ever heavier charges for research

and technological modernisation make it possible to foresee the practical danger arising or already present in certain sectors, of an important surplus production which will jeopardise the economic stability of the enterprises involved, its prospects of economical use and fair profits from the investments concerned. We need only quote the now famous case of ethylene, where national projects from the USSR, Austria and Italy foresee surplus availabilities for which one cannot think of adequate outlets. It is clear, therefore, that also in this field, efficient co-operation will be necessary at Community level to avoid that the dangers referred to should become reality and perturb the economic development of the Community.

I would like to reserve a last fleeting allusion to social problems which hitherto have been considered as of the resort of individual States but which cannot now fail to interest a Community sincerely wishing to be such and which affect directly its industrial component. I refer to problems of interior emigration, of housing, transport, health services and education at all levels; these have many sided aspects but they amalgamate coherently at the demand, today it is general and urgent, for a substantial improvement in community living and for the satisfaction of the more elementary needs.

Conclusion. In order to solve these problems, it is necessary in my opinion that all of us should be aware of a new reality. It can be summarised in the "overall character" of the problems which have received our attention and which pre-occupy us. This overall aspect necessitates overcoming the present

social-economic instability and the co-ordinated evaluation of the contribution that each social element can and must express for the fulfilment of a better community way of living.

I am quite convinced that to this end the contribution of the business entity cannot be substituted and is vital. In speaking of industrial society, a critical if not outright contemptuous shade of meaning frequently and easily appears yet I believe very few today would be prepared to do away, even if only in part, with what industrial civilisation has made possible in terms of progress and well-being. The important thing is that this industrial civilisation should know how to live up to the new needs and apply itself and succeed in making itself kindly-considered, if not "loved".

Maybe important changes will be required, not excluding the search for new patterns but, up to now no clear picture has emerged nor any attractive results.

The European Economic Community with its impressive economic strength, its splendid tradition of civilisation and culture, its unsurpassed creative abilities, can prove to be the real medium for the fulfilment of such new patterns of life in a community.

To achieve such an attractive aim, the pledge of everyone is required, from businessmen to workers, from politicians to administrators and legislators.

I firmly believe social communities of each of our countries have everything to gain from this mutual relation of interests and from a co-ordinated decision on specific problems.

The time available for the realisation of this "true Community" is unfortunately short; at world level, big moves are being made which will decide the fate of free countries. The important thing is for



the European Economic Community to participate in it with "cards in order" and above all, with the weight and prestige which belong to it. But for this to be realised, a unity of interests and objectives is necessary, this alone can give to its presence the determinant efficacy which vie with it.

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INDUSTRY AND SOCIETY IN THE COMMUNITY

"INDUSTRIAL DEVELOPMENT - PROBLEMS AND OUTLOOK

Report submitted  
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## PREAMBLE

The too short time allowed did not make it possible to give figures or details, but further information can be supplied when the oral statement is being presented.

The general title concerns Industrialization and Society.

This means that the problem must be widened to cover all aspects of Community policy and that consequently there can be no question of merely setting out the problems and prospects of industrial development.

## I - THE PRESENT SITUATION AND FORESEEABLE FUTURE DEVELOPMENTS

Before examining the problems connected with industrialization, it is indispensable to examine the situations "up stream" and more particularly in Agriculture, Trade, Services and Industry.

### AGRICULTURE

The flight from the land is continuing at a speedier pace which may be observed in all the industrial countries. The Common Market, through its price policy, its structures policy and its regional policy, will influence this process in different ways, the negotiations with third countries, and more particularly with the USA, will have repercussions which should not be allowed to call into question the very principles of the common agricultural policy.

This development, whose direction needs to be pinpointed, will pose a number of questions for persons working in agriculture.

What will be the fate of those who remain in a reconstituted and restructured agriculture - assuming moreover that the structural reforms are not too late, in which case exodus from the land would affect the youngest elements of the rural population and thus render inevitable a decline of agriculture which would no longer be only quantitative, but also qualitative, and therefore irreversible.

Those who remain on the land must not continue to be under-educated, either from the general point of view, or from the occupational angle, as this is still too often the case.

Those who will have to leave the land will go through a triple mutation : they will be torn away from their social environment, will have to find their feet in urban centres, and will have to learn new skills and acquire new qualifications. Everything must be done so that those who come from the land do not finish as unskilled workers in industry, without any hope of bettering themselves because they lack any solid, general training.

The pace at which people are leaving agriculture brings up the question of whether the creation of jobs in the other sectors of activity will keep pace with quantitative needs and whether the means of adaptation will make it possible to ensure the necessary correlation between job offers and demand.

If it is assumed that this will not be the case, it is reasonable to ask whether it would not be a good thing, for evident social motives, to slow down the exodus.

In any case, the social measures, in the event of reconversion operation advocated elsewhere, will have to be applied to this important sector of activity. Here, too, the Community will be judged according to its capacity to ensure that the large-scale mutations of human life occur without social and human suffering, and that they could even offer an opportunity to protect human beings and provoke their advancement.

## TRADE AND SERVICES

It would seem that hitherto new jobs are mainly created in this "tertiary" sector in which agriculturalists are re-employed. But this "tertiary" sector is a conglomeration of trades and various professions whose economic and social utility varies widely. We often find ourselves in the presence either of highly technical jobs, or of jobs which can be put on the same footing as those of an unskilled workman.

This amounts to saying that a realistic approach depends on closer knowledge of the qualifications which make it possible to distinguish the value of the jobs created.

## INDUSTRY

This problem is at the heart of the debate. First of all, it is true to say that the development of the "tertiary" sector would be fragile and hazardous if the industrial sector does not develop.

It can be said equally clearly that industrialization is a means in the service of objectives.

Among these objectives we may quote : the creation of jobs, which is an overriding necessity because of the exodus from the land, collective redundancies following structural reforms of all kinds in all sectors of activity, young people in search of their first jobs, etc....

It should be noted that productive investment does not always correspond to the creation of jobs once it is applied to structural reforms, which, in their initial stage at least, lead to manpower being made redundant.

It is sufficient to note that productivity, which is not a bad thing in itself, often exists side by side with an aggravation of unemployment, at least in an initial period.

Industrial development is necessary for harmonized regional development. The latter has no chance of succeeding, except in periods when business is booming, on condition of course that the Community is capable by acts of will of spreading the expansion over the whole of its territory.

Unfortunately, we have not got to this stage, and it would really seem that regional concerns appear only in declarations of intent, but not in the Community policies.

The acquisition of new advantages for workers through the intermediary of laws and collective bargaining agreements obviously depends on a high state of economic development, and this more particularly in the industrial sector.

Attention should also be drawn to the fact that excessive disparities in industrial development between Community countries, create difficult problems at the frontiers, which are a source of specially worrying imbalances.

All industrial development must further be based on a satisfactory balance with collective and social facilities. Unfortunately this is not always the case. However, social equilibrium and regional development in particular depend on this balance.

It also happens too often that the States, in the framework of their national plan, their programme or their forecasts, put in hand research on the overall rate of expansion to be achieved and the general means of attaining it, particularly in the medium-term, whereas at the very same time this rate itself is at the mercy of increasingly numerous external hazards. At the same time, if there are figures, we note the absence, not of an industrial policy, but of industrial policies.

Why should industrial policies be defined ? It is obvious that occupational branches are subject to an accelerated process of creation, development, stagnation and decline for multiple reasons. There would be no point, therefore, in establishing inter-professional averages which did not correspond to concrete professional realities.

This is why it is indispensable that the evolution of the different professional branches should be observed and known in such a way that the problems - and more particularly the social problems - may be measured. Here, again, what will be the fate of those who remain and of those who leave ? The quantitative and qualitative employment problems must also be deduced from this.

It is not possible to choose a high rate of industrial expansion if the consequences for employment are left out of account. If the rate chosen is too high, it would lead the public authorities to be over hasty with reconversion, mutations and changes, and would facilitate industrial and geographical concentration for purposes of economic efficacy and not for social ends.

Finally, an end must be made to this debate between the actual choice of a rate of expansion and a quality of life, whether at individual or collective level.

In truth, the two must be closely linked. Moreover, militant trade unionists, themselves, were demanding only a while ago that the coordination of material resources should enable us to attain the highest possible rates of expansion, and this so that qualitative objectives may be more easily achieved within the shortest time limits.

The quality of life in all its forms must be an objective and the rate of expansion a means of reaching it.



Moreover, it is difficult to see how qualitative objectives would be compatible with a situation of low or even stagnating economic progress.

Of course, the whole problem of the distribution of the fruits of expansion between the different requirements arises, : consumption, collective facilities and productive investments.

It goes without saying that the qualitative objectives, in addition to their traditional aspects, today also comprise the struggle against pollution and nuisances, it being noted, however, that these do not all originate from industrial development.

It must be added that expansion does not only pose the question of the distribution of its fruits, but also that of contributions to the financing of development. By tax policies to further more or less forced saving and self-financing, the wage-earning body or wider bodies are called upon to supply the first capital for start up or restart. It is therefore quite legitimate to put the question of the sharing of the burden, of how fair it is and of its results.

#### ACCELERATION OF RECONVERSION OPERATIONS, CHANGES AND MUTATIONS

At present, reconversion operations are of different dimensions than formally.

Not so long ago they generally affected one more or less important enterprise. Today whole branches are threatened : coal, textiles, mineral ores, etc.. Furthermore these branches exist side by side in the same region, which means that reconversions have come to be occupational, inter-occupational and regional.

Is there any need to add that the frontier regions of the Community are concerned ?

The extension of these operations also poses political problems as soon as, in one and the same country, regions of old industrialization, which are therefore declining, are juxtaposed with other which, being of more recent development, have the best adapted, most progressive and most highly qualified industries.

#### UNBALANCED EVOLUTION AS BETWEEN REGIONS

There is no blinking at the fact that the European Community has not attached enough importance to regional development. The EEC Treaty, although imperfect, has made it possible - by extensive interpretation - to apply policies on reconversion, regional investments and subsidized housing, among others. However, the Treaty of Paris is limited to two branches albeit important ones.

Doubtless, the Community has worked on analyzing regional problems by means of the opinions and reports of the European Economic and Social Committee. Guidelines have been laid down and very partial measures are envisaged, but all this cannot be enough. What is lacking, here again, is will and resources.

In any case the Community cannot allow the illusion to grow up that industrial decentralization will be the effect of a natural evolution. On the contrary, natural development is in the other direction. The aggravated disparities observed at present more than prove this. Here again, it will be one of the essential tests of the Community will that it assigns social and human ends to development.

#### RAPIDITY OF THE EVOLUTION OF SCIENCE AND TECHNOLOGY

This evolution is both an element of regression and advance on the social scale.

There is regression as soon as it leads to maladjustment, either because the persons concerned do not possess any basic training, or because the break between the old and new manufacturing processes leads to chronic maladjustment, so that these persons are left by the wayside as society progresses.

Advancement will not be a gift. It will not be possible in all cases, but the great point at stake is how to profit fully from changes and mutations in such a way as to improve the lot of human beings. This will presuppose a complete process - to which we will return - of general training, technical training, occupational training and further training.

But qualitative and quantitative increase and improvement of training, by giving equality of opportunities to everyone, will still allow a hiatus to exist between qualifications acquired and jobs held.

#### CONCENTRATED POWERS AND DILUTED POWERS

Concentration is a general phenomenon which is internal to each of the Community countries, within the Community itself and willed by it, particularly in the form of the creation of European limited companies or of groupings of firms with a view to cooperation. The multinational companies make their presence felt on a vaster geographical scale.

Although concentration as a technical means of attaining certain deliberate objectives cannot be called into question, - it develops moreover under all regimes - the question may be asked whether the State and the Community itself have the powers to offset the strategy of these firms. This is why, moreover, the quarrel for or against supranationality today appears very much overtaken by events. There already exists, and there will exist even more in the coming years, a supranationality of business. What will be the offsetting powers ?

What will be the degree of responsibility of the directors of establishments ? Will it really be possible to begin a dialogue to harmonize and develop collective bargaining agreements and to ensure social protection and guarantee security of employment ?

What will be the behaviour of the parent enterprise which is in a position, as regards the siting of firms, to play as on a chessboard ?

These facts, these fears, or these questions show quite clearly that the watered-down powers of the States do not correspond to the factual situation of concentrated powers. This is another way of saying how necessary it is to create a Community endowed with political powers of its own.

#### IMBALANCES WHICH REAPPEAR INCESSANTLY

It has to be recognized that all growth, particularly industrial growth, is the source of imbalances which are incessantly renewed and are due to the speedier pace of change. Adaptation in the wide sense of the term becomes a permanent phenomenon.

But what is unfortunately, and too often, perceived inadequately is that imbalances from outside add their effect to internal imbalances.

The monetary crisis of 15 August 1971, the opening of frontiers between Common Market currencies - which presupposes reciprocal adjustments - the tariff negotiations between the Common Market and the non-member countries, the privileged relations with the developing countries, which will have to be expressed in forms going beyond traditional trade, - solidarity and associations - are so many elements whose influence we undergo, which we accept or desire and which are sources of imbalances.

## THE DE FACTO INTERNATIONAL DIVISION OF LABOUR

Industrialization involves the risk of finally creating geographical divisions, even within the Community, between labour-intensive industries and those which make use of much capital and a wealth of techniques. This situation continues and even becomes aggravated when it is a matter of the developing countries.

In this way a de facto division of labour grows up between regions or between countries, which must be corrected as quickly as possible.

The maintenance, to say nothing of the perpetuation, of such a situation would engender injustice and revolt.

## POSITION OF THE WORKER IN THIS SETTING

There can be no doubt that national legislation and collective bargaining agreements are far from perfect, but the trade union organizations which are the natural mandates of the workers possess at national level possibilities of direct action which they do not always have at Community level.

As regards enterprises, their dimensions (volume and geography) make collective concertations and conventions more difficult.

The centres of decision recede from the human being, dehumanize relations even more and give rise to doubt as to the possibility and efficacy of any dialogue.

The rights exercised by the workers appear to be more limited.

In this way, in European limited companies, uncertainty reigns as to the representation of the workers and the real rights which will be exercised.

Thus, the new dimension of the problems is not accompanied by a new dimension as regards the rights exercised by the workers and their organizations, either in the Community, or in the new enterprises created or in the course of creation.

Social policy in all its aspects has no Community rules and too often remains at the stage of coordination of national policies.

#### 11 - WHERE DOES THE COMMUNITY STAND TODAY ?

The European Community, which is in the process of enlargement, has not yet become sufficiently strong. The common policies laid down are not implemented, with the exception of agricultural policy, which is in danger of being called into question in the tariff negotiations with the non-member countries.

This situation poses special problems at the time when four new members are adhering.

Does this mean that the Community has done nothing of value ? The establishment of a common market, the opening of the frontiers have triggered off an overall increase in prosperity, and the development of investment and obliged enterprises to adapt themselves to the general movement of economic expansion. But this development has been accompanied by imbalances of which it may be said that they boil down in essence to the following :

- Imbalances in incomes ;
- Regional imbalances ;
- Imbalances in employment ;
- Monetary imbalances ;
- Imbalances in economic and social policies which make it difficult to follow the path towards economic and monetary union ;
- Imbalances provoked by structural changes, in particular reconversion and concentrations ;
- Imbalances between the vaunted intention of preserving competition and the actual situation which, through understandings and dominant positions, is leading to enterprises or professions being in a position to proclaim their own rules ,

- Imbalances due to the difficulty of ensuring fair distribution between productive investment, collective facilities and consumption ;
- Imbalances due to the fact that the rules of competition are increasingly having the effects of slowing down in each of the countries the evolution of social progress, whereas no attempt is made to research non-wage production costs which it is in the joint interest to reduce in order to facilitate the growth of productivity ;
- Imbalances brought about by the inability of the authorities to throttle down inflation, otherwise than by proposing classical methods which are today recognized as harmful :  
 putting the brake on wages, leading to unemployed production capacity, accompanied by overgeneral credit restrictions, this whole process leading to regression and recession, whose duration it is always impossible to foresee ;
- Imbalances in European programming, which is confined to recommendations or even to proposals in which the concern for balanced expansion seems to cover up trends leading to the acceptance of a certain amount of underemployment. The economy of each of the countries is juxtaposed with those of the others, without any clear expression of the absolute need for interaction in law and in fact. In many cases, Community policies, although they are the subject of definitions, guidelines and declarations of intent, are not endowed with the resources necessary to implement them and the institutions capable of applying them in the Community interest.

It is true that disequilibria are the common lot of any society which is on the road towards expansion or confronted by external forces, but in its present state the Community has no policy of reaction to events, nor any will to intervene in a permanent struggle against ever-emerging disequilibria and the injustices which they involve.

This is the important fact. The practice of *laissez faire*, of letting things go their own way appears to dominate even if it is true that praiseworthy declarations of intent accord a certain importance to these problems.

Does this mean that the militant trade unionist, who has believed in Europe from the outset, that is to say, long before it took concrete shape in the Treaties, is overcome by discouragement, or even by renunciation,

No ! For the essence of the European edifice resides in its basic capacity, which derives from its very existence, to preserve freedom and ensure peace.

The arrival of four countries with tried and tested democratic institutions lends strength to the six others where liberty is concerned. In a tortured world in which conflicts are numerous and in which here and there bellicose nationalism is again raising its head, it is decisive that ten countries should constitute a large-scale whole, capable, if it is endowed with political will, of being an essential factor in the defence of human freedoms.

There can be no doubt that peace will result from the cooperation and then the integration of countries which a short while ago were belligerents and of which several have met on the field of battle three times in a century.

This means that we must not condemn the present trend, but that it is indispensable to remodel resolutely and even to transform and design what a more human, more just and more fraternal society should be.

All this so that the peoples of the Community may live more happily, but also because, if they stand together, they can show that their novel edifice may serve as an example for the rest of the world.

And this example will be reflected more particularly in the relations with the developing countries, and in the



will to struggle together against all disparities and all injustice, in such a way that the young people of the industrialized countries may not live in comfort, boredom and confusion, whereas their opposite numbers in the developing countries suffer the pangs of hunger, the curse of illiteracy and the refusal of human dignity. There is room here to recreate an ideal of cooperation and solidarity in which the fresh forces of south would have plenty of occasion to deploy themselves.

At this point, it may be thought that these considerations are wandering from the subject. We think that this is not the case at all. The title is also "Society". Moreover it would not be conceivable that, in connection with the industrialization of the Community, that is to say its expansion and growth, we would not question ourselves as regards the aims of such expansion and growth. For industrialization is not an end in itself. It can be a means in the service of great objectives, but we have to grasp the fact that things will not happen of their own volition.

Natural evolution, *laissez faire*, let things slide, and growth for egotistical reasons are so many obstacles which must be overcome if Man is to be protected, promoted, his liberties and dignity preserved, with the assurance that his efforts, added to those of others, will create solidarity and cooperation - in one word, will establish peace.

Rather than defining a society in constant evolution, always needing reform and always secreting inequalities, injustices, infringements of freedom and dignity, it would be better to see how this European society, which we know, may transform itself by profiting to the maximum from the means which it derives from the expansion and progress of science and techniques, on condition that the will exists to do this.

All these points will be the subject of the second part.

## I - INDUSTRIAL POLICY

We have seen that industrial policy can accentuate imbalances. This is why, although its necessity cannot be called into question as regards the increase in incomes, employment and re-employment of workers, it is indispensable that the European Economic Community should assign to this policy the role of an instrument in the service of social and human objectives.

These objectives will not be achieved by the natural evolution of things. It is even possible to move away from them in the absence of a definition of Community orientations and resources fitting into a body of policies which themselves are fully Community.

It is these policies which we are going to endeavour to describe, it being understood that, on the basis of the ideas put forth, later studies will make it possible to pinpoint the concrete measures which will have to be taken.

### THE FINAL OBJECTIVES OF INDUSTRIAL DEVELOPMENT

In a Community enlarged to ten countries, the first concern must be to apply a regional policy, often defined in the Community institutions but in the majority of cases lacking means for its implementation.

Regional development is conditioned not only by industrial development, but by the provision of collective and social equipment in the widest sense of the term, that is to say not only what directly interests the industrialists, but also those facilities which condition the type and setting of life.

The financial requirements will be considerable, but it will also be necessary to be in a position to dispose of real estate, which today is the subject of inadmissible speculation. It would be vain to endeavour to plan the use of the available territory if private interests were to oppose the ownership of land by the collectivity.

Town and country planning, more particularly as regards transport, which provides the means of irrigating the Community's territory, must be actively pursued, unless the decline of the peripheral regions is to become worse.

Moreover, regional imbalances would make the achievement of economic and monetary union extremely difficult.

Transport is also extremely important inside the towns, when we observe that the urbanization process often leads to the congestion of certain built-up areas.

Regional policy must result in diversification and spread of economic development. In the present state of affairs, where will is lacking, where the proposed approaches are insufficient and where the measures envisaged and not yet applied are still too much on a partial scale, the Community runs the risk of promising industrial decentralization, whereas, in fact, economic development is increasingly going on through concentration.

#### AN ACTIVE EMPLOYMENT POLICY

The Standing Committee on Employment should be a good instrument through which it will be possible to propose solutions to quantitative and qualitative employment problems.

Faced with the great movement of change and mutation, - reconversion, concentration, structural reforms, headlong progress of science and technology, accentuated impact of external events, evolution of occupational sectors, often growing inadaptation of those looking for work to the jobs being offered - any policy must be based on forecasts and updated to meet quantitative and qualitative changes. Such a policy must have available instruments of adaptation and of general advancement, both technological and occupational.

It must be based on objective information concerning the trend of education and professions.

Furthermore, we have seen that any development policy accentuates the disequilibria between industrial sectors. This is why an industrial policy cannot throw its net too wide. It is advisable to make more detailed analysis within occupational branches, in many cases, in view of the change in pace, industry will be declining and it will be advisable, therefore, to define, in particular by agreements, the fate of those who in any case will remain in these declining branches and of those who <sup>will</sup> be led to leave in search of other activities. This poses, inter alia, the following problems : remuneration, readaptation, working conditions, regional investments, subsidized housing, adaptation to a new setting of life, etc...

To all this should be added that an active employment policy will have to help those which economic development throws on the scrap heap, that is to say, elderly persons and persons ill adapted or unadaptable to new forms of production and for whom social measures will have to be envisaged, in particular retirement before normal age.

An overall balance sheet of what the Community has done in the matter of employment will need to be drawn up in such a way that the deficiencies in this policy having been brought to light, it will be possible to remedy them.

In any case, the principle must be laid down that it would not be admissible that the general prosperity of the Community should be acquired at the price of imbalances in employment and even of unemployment and downgrading of individuals at the very time when qualifications are progressing.

In brief, the social cost of reconversion must be borne by the Community.

#### A TRAINING POLICY

This is doubtless inseparable from employment policies, but must go beyond it once the objective aimed at is the transformation of Society.

The Community collectivity must attach primordial importance to this problem if it is desired to ensure equality of opportunity in practice.

The child does not always receive at school specific training without which he will become increasingly incapable of ensuring participation and action within the collectivity.

In accordance with his social milieu, a child cannot accede to higher education for lack of resources, a lack which moreover is not offset by the mediocre scholarships awarded.

Education and training must become permanent, both for those who, because of their parents lack of financial resources were obliged to abandon their studies and for those who, for physiological and character reasons, were not apt for study at a decisive moment in their scholastic training.

It is evident that the school and post-school periods must become increasingly complementary and make it possible in the aggregate to ensure the continuity of a solid, general and occupational training which are conditions for full development of Man and multiskill occupational training, which are major problems in face of the mutations and changes going on.

Finally, the Community, like each of its component countries, will have to ponder the fact that it is impossible for everyone to occupy in a society, of whatever form it be, jobs which always and necessarily correspond to their knowledge. An yet, Man must be lifted above himself, in particular to strengthen democracy.

This brings up the problem of the full development of Man in his work, but also outside his work, in his family, in collective life in the city, etc...

## SOCIAL POLICY

The overall prosperity which we have emphasized many times goes hand in hand with intolerable disparities which must disappear.

The accentuation of social progress comes up against two situations on which the European Economic Community has not sufficiently expressed itself. These are :

a) Competitiveness. This has become the key word. May it not be feared that this will lead the States to apply policies slowing down social advantages on the pretext of competition, a situation which is unacceptable from the social, but also from the economic point of view, because the driving force behind expansion is a balance between the growth of consumption and investment.

This leads us to request that the Community should define its policy and state clearly that economic and social progress demands a progression of wages and social advantages and a reduction of the nonwage costs due to inadequate productivity, speculation, situation incomes, etc...

b) Inflation. It is true that this is spreading throughout the whole world, but the battle which must be waged against it cannot be satisfied with simpliste and dangerous remedies, such as a slow-down in remunerations, non-utilization of production capacity, or scarce development credits. Fortunately, these approaches are losing ground. People are aware today that the causes of inflation are multiple and varied : the market, lack of job qualification, speculation, situation incomes, protected sectors, deliberate price policies in public services, agriculture, etc....

## EVOLUTION OF COLLECTIVE BARGAINING

It is quite evident that social policy is harmonization in an upwards direction of social legislation. It is also the possibility for trade union organizations to negotiate collective bargaining agreements : (remunerations, working conditions) and to extend the field of matters dealt with and the geographical area.

The role of the Community is to facilitate the développement of this policy and chiefly to supply information and statistics, and this at a sufficiently decentralized level in each branch for them to be significant.

Although it is true that the policy of industrialization requires valorization of industrial work, both material and moral, we are obliged to recognize that at the present time this is only a pious wish. This valorization can only come through improvement in working conditions social advantages, the length of the working week and remunerations.

## INCOMES POLICY

Incomes policy, which has been a failure in several countries, has, on certain occasions, been proposed at Community level. The idea behind this policy is a balance between the provision of collective and social facilities, productive investments and consumption. It should be noted that it often appears the residual as far as the last-mentioned item is concerned.

In reality, the obstacles to an incomes policy are many :

- reduce consumption. Experience proves that this is both a social injustice and a handicap to expansion. It is not in a climate of relative austerity that the action of investing is accomplished, if the internal market is uncertain and the external market precarious.

Therefore, a brake in consumption and in investment is accumulated, often with long-term effects. Need one observe that a brake in expansion also leads to a lack in collective and social equipment.

Consumption covers a disparity of incomes, some of which are checked and declared by third parties similarly limited and affected by taxation. The initial effect of an incomes policy is, therefore, to strike incomes on a priority basis and to increase social injustice.

Both those for and against an incomes policy must agree that it is first necessary to know of the incomes. Quite a lot must be done in this respect in order to exceed the aggregate level, which, in any case, is often without practical significance.

Such more thorough knowledge would help in collective negotiations, which still remain a decisive instrument of social progress and which make it possible to safeguard the freedom of the contracting parties.

From the point of view of a better division of incomes, need one add that any action against disparities does not belong to an incomes policy but to a redistribution policy, to a fiscal reform policy, to a policy of structural reform, to a regional development policy, etc...

This also applies to direct and indirect taxation.

The growing needs of the Community with regard to equipment, infrastructure, and development of the territory, as well as the need to socialize achievements, require that the increasing tax levies' aggregate should be fairly distributed.



It should also be noted, as regards the financing of industrial development from taxation, that it would be very interesting to know what is its utilization, and the results achieved.

#### THE DIMENSIONS OF INDUSTRIAL SOCIETY

Within the Community understandings and concentrations responding to very divergent motives are developing. Moreover, the Community, for reasons of greater economic efficacy, is pursuing activities for the creation of limited companies, or groupings of firms, some with a view to mergers and others with a view to cooperation for certain important but limited aims. At the same time, multinational companies are developing. This new dimension, which cannot but become stronger in the years ahead, calls for the following remarks :

- will not the strategy of the large-scale enterprises be more and more independent of the orientation which the Community considers desirable ?
- The strategy of the large-scale enterprises vis-à-vis their establishments, for which it may be feared that decentralization will be confined to management in the narrow framework of imperative directives.
- The strategy of large-scale enterprises can lead to the shifting of establishments for exclusively financial and economic reasons and to the detriment of social considerations.
- Will the strategy of the large-scale enterprises allow of any effective trade union action if, at the national level, the interlocutor representing these enterprises has no mandate to negotiate and undertake commitments ?
- Will trade union representation in these new forms of enterprises be effective, and will its rights be recognized and respected ?

The above shows all the importance which must be attached to supervision of understandings and concentrations for which European laws are very inadequate and international legislation non-existent.

### SOCIAL STRAINS

Apart from the external imbalances already mentioned, many questions arise at enterprise level :

The growing specialization of work, the monotony it engenders, the splitting-up of tasks which leads to repetitive and non-creative actions, the rhythm of intensity and continuity of work appear as particularly distressing phenomena.

Work on the assembly line is today called into question.

The fact that workers are not called upon to know and participate in the life of the enterprise creates increased strains. Moreover, the essential decisions are often taken upstream from the enterprise, without any internal participation, even on a consultative level.

These questions must be dealt with by the European Economic Community. France has just published an initial report which represents an approach to these problems : "vers une organisation plus humaine du travail industriel" (Towards a more human organization of industrial work). For the present, this is only an outline which will have to be completed by other studies.

Having said this, Man can doubtless achieve fulfillment in his work, but even more outside it.

The human being, tired out by nervous strains, often over-crowded transport services, must be in a position to rest thanks to a progressive and effective reduction in the working week. This priority for the reduction of the working week, over and above periods of rest, must procure for the workers the necessary free time for more and more further training, culture, family life,

thinking and communal life.

THE NUISANCES AND POLLUTIONS OF INDUSTRIAL SOCIETY

The French Economic and Social Council and the European Economic Community are concerning themselves with problems of the environment.

Need we repeat that even though speedier industrialization can be a further cause of pollution and nuisances, it is not the only contributing factor to these. It should be noted in particular that the destruction of sites is often the result of real estate promotion appetites incited by extremely profitable speculations. This is the general problem which should be dealt with, in particular by an active town and country planning policy into which should be dovetailed the campaign against nuisances and pollutions and for the preservation of nature and sites. But this policy will only be active if it is capable of mastering the private interests which stand in opposition to the common interest.

As regards industry, the stress must be laid on prevention.

If there are charges which weigh on production, there can be no question of putting them on the same footing, on the human plane, with the protection of health and, on the financial plane, with the infinitely greater cost of repairing damage once it has been done.

The Community must therefore carry on vigorous international action, perhaps through the intermediary of the United Nations, so that all countries adopt preventive measures.

The Community itself should give the example by adopting legislation to protect Man, Nature, resources and sites.

The countries making it up will have to pool their information, research and experience.

The most significant cases will need to be researched at the level of enterprises and industrial sectors.

## ASSOCIATING THE DEVELOPING COUNTRIES

The developing countries are going through difficulties which arise :

- for some among them from rapid population growth ;
- from the difficulty, even in a situation where the overall income is increasing, of increasing individual incomes ;
- from the growing disparities in income, compared with the industrialized countries ;
- from the fluctuations of raw material prices.

International and Community aid is therefore necessary in different forms. But it must be well realized that this aid, whose detailed procedures will need to be re-examined, facilitates the industrialization of these countries.

Unfortunately, this initial industrialization leads to a sort of international division of labour, whose effect is to establish segregation between the industrialized countries and the developing countries. In the case of the first it may be observed that, since capital is abundant, and technical training developed, they are able to build up growth industries requiring high qualifications. On the other hand, the developing countries are generally obliged to limit themselves to industrialization, employing a large percentage of manpower, raw materials, or the production of non-sophisticated goods.

This international division of labour cannot be satisfactory and this is why, although for the time-being it corresponds to a de facto situation, it cannot have a lasting character. Diversification must come. In the first place, an investment effort must be made by insisting that the private capital which is invested should not be only at short term with the aim of achieving often excessive profitability, squeezing the country and then repatriating the dividends.

This way of doing things constitutes an inadmissible exploitation of these countries.

But if we wish that diversification should be a success, the campaign against illiteracy must be extended and the general and professional training, without which industries employing qualified manpower will not set up in the developing countries, must be increased.

At a time when the international monetary systems has to be revised, it is indispensable that the Community should associate these countries in the search for solutions, for the problems of balance are vital for all these countries, which must in particular obtain the means of financing their development and no longer be subject to the fluctuations of raw materials prices.

#### THE INSTRUMENTS OF ECONOMIC DEVELOPMENT

##### a) Public enterprises

Europe finds itself in fact in a situation in which the private and collective economic sectors exist side by side, the latter including the public enterprises. We cannot admit that the role of these should be reduced.

Public enterprises have, in fact, made it possible to achieve results in fields which are not immediately profitable, to ensure public services and to boost development, particularly through basic research, to modify structures and to provide highly technological facilities.

Too often in national plans and European programming nothing is done to define a policy for this sector, despite the fact that it constitutes an irreplaceable instrument of action.

##### b) The intervention funds

Europe has certain funds available : the European investment Bank, the new Social Fund, the European Agricultural Guidance and Guarantee Fund. But these

are all inadequately endowed and in addition are not coordinated. Yet they should constitute invaluable elements of overall financial policy. This is not the case and this is the reason why, as was demanded in particular in a recent report on regional policy, these instruments, which are today dispersed, should be a financial tool at the disposal of the Community for the achievement of its policies.

c) Planning

In an economy which will be increasingly open to the outside world, there should be research into the ambitions and limits of planning. Too often the word planning or programming covers very different realities according to the countries.

European planning or programming should aim at :

- Ensuring that the economies of each Community country are complementary and no longer merely juxtaposed. This is the obvious precondition for the achievement of the economic and monetary union.
- Introducing a long-term forward planning on the development of the Community and endeavouring precisely to elaborate a model of civilization. This defined picture of the future seems to be quite indispensable to us if every citizen of the Community is to have a clear vision of the objectives being pursued.
- Framing medium-term (five year) plans which are closer to reality, while taking account nevertheless of the fact that, with the passing of the years, the medium-term objectives defined in a plan tend to become outdated, because of the accelerated evolution, either within or without the Community, more particularly as regards production and employment.

- giving to the assessment of the short-term economic situation which, every six months, must pinpoint the real trends, the possibility of proposing revisions, reflecting the real situations as closely as possible.

Moreover, planning cannot be an empty envelope. It must include policies accompanied by the resources necessary to apply them. However, so far European programming consists at the most of recommendations, some of which being more concerned with balance than expansion, have appeared to be questionable.

Of course thought will rapidly have to be given to the question of whether Community planning, which will cover a whole body of policies, which are an expression of the general interest, will be the master of the field. Is it not possible to suppose that planning will be breached by the divergent internal and external policies of the Community, worked out and applied more specially by concentrations, particularly in the field of regional development.

#### CIVILIZATION AND INDUSTRIALIZATION MUST BE COMPATIBLE

It is certain that the free market economy which creates - but not always - riches cannot cope with the qualitative needs of civilization, more particularly :

- the protection and advancement of human beings ;
- public service ;
- regional development and town and country planning ;
- the redistribution of incomes ;
- the maintenance of balances which are continually called into question.

This is why a "liberal" economy can obviously not lead to the achievement of these objectives. The Community policies to be implemented will have to constitute means of action in the various fields where it is necessary, not only to boost quantitative development, but also to give it social and human objectives.

#### THE COMMUNITY'S REAL POWERS

The dilution of powers which remain at national level leads to :

- a weakened Community ;
- difficulty in going beyond the definition of Community policies which are judged desirable while, at the same time, concentrated de facto powers are building up.



Realization of these facts makes it imperative to have an economic, social and monetary union progressively endowed with the powers necessary to ensure its functioning and to arrive within the shortest possible time at political union.

### ECONOMIC AND SOCIAL DEMOCRACY

The political democracy which will have to be found at the level of the Community institutions - Parliament and government - will not be sufficient. It must be accompanied by economic and social democracy which will enable management and labour to pronounce on the main guidelines, the outlook for Community development and the model of civilization which will have to be created day after day.

Doubtless the Economic and Social Committee is a centre for concerted action, but it has become apparent that it needs to be reformed. This is the meaning of the current discussion on its procedures.

But even if it is reformed, this body will be insufficient in itself.

Consultation between the two sides of industry must be at more decentralized levels in order to facilitate, among other things, the evolution of collective bargaining agreements, whose field of action must increase without cease, both as regards the subjects dealt with and their geographical dimension.

The consultation, on whatever level it takes place, must be the subject of complete and digestible information, circulated in good time, in synthetic form and continually updated in view of the fluid nature of economic and social facts.

Economic and social democracy cannot be satisfied with vague concertation at a general level, if the decisions taken at the level of industrial branches and enterprises are purely a matter of the employers' will without the trade unions even being consulted.

If this situation were to be perpetuated, it would have serious consequences for the future of the Community. Because of the new dimension of enterprises, the centres of decision are increasingly far away from the worker, who often can only bring this influence to bear - very imperfectly moreover - on the establishment in which he works through the intermediary of his trade union organization. But this establishment itself is often conditioned by a multinational strategy. Will the worker then be in contact with an interlocutor having real power to negotiate new collective bargaining contracts, or to intervene in the management in one way or another ?

This is why it would be inadmissible that these problems should not be dealt with by the Community.

The establishment of European limited companies and the creation of groupings of enterprises must not be motivated only by concerns of competitiveness, dynamism, competition and economic efficiency. It is the Community's duty to see to it that, among the qualitative objectives, trade union participation will not be sacrificed.

It would be giving a curious model of industrial civilization if the role of the trade union were to be reduced to that of the Red Cross of the Economy, dealing only with the consequences - often socially damaging for the workers - of economic actions which would remain the reserved province of the States and the employers.

This is one of the essential acts which the Community must accomplish if it wishes to prove that the civilization to be built up is not, for it, the mere quest for material achievements.

## CONCLUSIONS

These will be brief.

The Community, in the condition of a market and a customs union, aims at increasing its overall material prosperity by greater industrial development.

But the pursuit of material objectives cannot be enough.

A civilization, built to last, cannot emerge spontaneously from the multiplication of goods and products.

The fact is that the overall wealth of the Community and the acceleration of its pace of development can accentuate imbalances and injustices.

A laissez faire, laissez passer attitude must be condemned.

The Community's duty is clear.

Intolerable disparities must be effectively combatted : those which exist between human beings as regards incomes ; those which are worsening between regions; those which bring up the question of war or peace when, at the level of the planet, some people are increasingly rich whilst others become poorer and poorer.

The regression of human beings on the social scale could be the consequence of the speedier pace of structural reforms and reconversion operations, which makes it imperative for the Community, if it wishes to be more than a talking shop, to introduce equality of opportunity by creating the means for constant human advancement.

The setting of life, the type of life and working conditions are perturbed at all levels by pollutions, nuisances, nervous strains, the transformation of labour, congested transport facilities. Town and country planning must be one of the primordial tests of the Community will to make the general interest prevail and to assign social and human ends to development.

Political, economic and social democracy still remains to be established. People's civic sense could be gravely impaired if everyone had the feeling that he was a passive instrument in often anonymous hands.

By its very existence, the enlarged Community constitutes a decisive factor for freedom and peace, but it owes it to itself to become, through its actions, an example for those making it up and for the rest of the world.

The model of civilization is conditioned by the will of the peoples and the accomplishment, day after day, of tasks carried out with stubbornness and resolution in the framework of action aimed at placing the Economy in the service of Man.

CONFERENCE  
"INDUSTRY AND SOCIETY  
IN THE EUROPEAN COMMUNITY"  

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Report N° 2

THE SOCIAL AND POLITICAL IMPLICATIONS OF GROWTH

by  
Jean BOISSONNAT

COMMISSION OF THE EUROPEAN COMMUNITIES  
VENICE - 1972

No revolution in the course of history has so completely transformed the lives of so many men, or for so many years, as the Industrial Revolution. Unlike political revolutions, which are short, violent spasms in the life of nations, the Industrial Revolution is a continuing process that involves the destruction of social, mental and institutional equilibriums and the construction of others, as delicately balanced as those that went before. Together with material wealth, industrialisation has brought insecurity to the heart of human societies, by making the future appear as no longer a repetition of the past, and frustration, by creating needs at a far higher rate than it could satisfy them.

Growth is thus only at first sight an economic process. It is measured and expressed in economic terms, that is in terms of production, consumption and trade. But it is an optical illusion to believe that politics are giving way to economics, merely because governments now spend most of their time deciding about interest rates, price controls and the incidence of taxation, settling labour disputes or encouraging industrial concentrations. In fact, by doing all this, they are influencing the objectives of society and the relationship between social forces. In other words, they are taking political action. Relationships between economics and politics, between material infrastructure and ideology, are ideological relationships whose direction may alter. The will to power, aggressiveness, the embodiment of ideologies once expressing themselves in wars or revolutions (and still, to some extent, doing so today) have found a new home in economic debate. In our day, Spartacus would be a trade union leader, Wellington would be President of Shell, Bonaparte would be Commissioner-General for Planning and Charlemagne would preside over the European Commission.

Current debates on the real nature and the prospects of economic growth are essentially political. Jan Tinbergen holds the Nobel Prize for Economics, but he is taking political action when he proposes to replace the concept of "Gross National Product" by that of "Gross National Happiness". Sicco Mansholt is President of the Commission of the European Communities, but he is acting politically (and incidentally he makes no bones about it) when he puts forward, instead of the GNP, the concept of "gross national utility". The experts of the "Club of Rome" are taking political action, even if it is only by producing figures out of a computer as others might produce rabbits out of a hat, when they forecast that growth will come to an end in 2020. The great debates of our time are stated in economic terms, but their basic nature remains political :

- Is the organisational system, best suited to produce and distribute wealth, of a capitalist or of a socialist type ?
- Is economic growth, as we understand it today, an advanced form of mass hysteria, leading the world to disaster ?
- In what ways can industrialized countries express the underlying interdependence of mankind as a whole, by contributing to the development of the Third World ?
- Why does Europe want to assume an economic individuality that will set her apart from the United States ?

The object of this report is to bring out, starting from an economic analysis, the social and political nature of the phenomenon of growth as we experience it in the industrialised countries, and particularly in Europe. We shall consider in turn :

A. The origins of growth, bringing out the non-quantitative factors in the increase of production;

B. The consequences of growth which are not only the proliferation of available goods but also the proliferation of social stresses and conflicts; we shall consider the new forms of confrontation which have been emerging over the past few years;

C. Finally we shall ask questions, in the light of the foregoing analyses, about the future of growth and the role of social forces and political institutions, including the European institutions, in this future.

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## A - THE ORIGINS OF GROWTH

From the end of the 19th Century to the 1929 crisis, annual growth rates for per capita output, in the main industrial nations, ranged from 0.5% (Britain) to 2.1% (United States), the rates in Continental European countries (France, Germany, Italy) being very close together at about 1.4%. If we skip over the economic crisis of the Thirties and the 1939-1945 war, we shall find a very rapid acceleration in the current period (1949-1963), since per capita output has grown, in these same countries, at rates going from 2.1% (Britain again) to 6.1% (Germany). All in all, the tempo of growth has more than doubled.

If we confine the scope of our investigation to the post-war period alone, growth has been spectacular in Europe, not only in its already industrialized western part (most of whose countries will come together in the new European Community of Ten), but also in its less-developed southern part (Spain, Greece, Portugal, Yugoslavia, Turkey) and in its eastern part, organised on the basis of socialist economies. In its 1972 Report the United Nations Economic Commission for Europe shows that Europe as a whole, which accounted in 1950 for 39% of the world's industrial output, as against 45% for the United States, was responsible in 1969 for 48%, as against 33% for the United States.

To analyse growth factors since the last war, we have two major studies : that by Denison and Poulhier for the main industrialized countries of the West <sup>(1)</sup>, and that by Malinvaud, Carré and Dubois for France <sup>(2)</sup>.

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(1) Why Growth Rates Differ. The Brookings Institution

(2) La croissance française aux Editions du Seuil

Both stress the importance of qualitative factors in economic development.

The study by Denison and Poulter covers the 1955-1962 period, with special attention to the United States, France, Germany, Italy and Britain. Its method consists in identifying the main factors of growth, in assessing the progress of each during the period under consideration and finally in weighting this progress in accordance with the proportion of the income of each factor to national income as a whole, so as to establish the contribution of each to national growth.

Now if we consider the great traditional factors of production, namely labour and capital, we shall see that they by no means account for the size of growth during this period. And this is true even if one brings in qualitative elements such as the higher qualifications of the work force. Here in fact is the share of these two factors in the growth of five countries from 1955 to 1962.

	U.S.A.	FRANCE	GERMANY	ITALY	U.K.
Overall growth	+ 3 %	+ 4.82 %	+ 5.39 %	+ 5.78 %	+ 2.56 %
Share of labour	+ 1.22 %	+ 1.35 %	+ 1.60 %	+ 2.12 %	+ 0.44 %
Share of capital	+ 0.73 %	+ 0.84 %	+ 1.57 %	+ 0.80 %	+ 0.80 %
Remainder	+ 1.05 %	+ 2.63 %	+ 2.22 %	+ 2.86 %	+ 1.32 %

Thus, neither the quantitative increase in labour and capital, nor the qualitative improvement of labour, fully account for productive growth in the industrialized countries. Far from it! In the United States, one-third of growth remains unaccounted for; in Europe, approximately half.

Taking their analysis further, Denison and Poulhier bring in a third factor, that of "size" : growth gives rise to economies of scale since, by enlarging markets, it makes it possible to produce more cheaply; moreover, the opening of the frontiers which has been typical of the European economies during this period also leads to larger markets, leading in turn to better returns. (Denison and Poulhier, in their calculations, assess at one tenth of a growth point, for each year, the effect of opening the frontiers on the Common Market countries.) Even so, there remains a share of growth which is not accounted for, and which is attributed to a so-called "residual" factor. This is still 0.76 % in the United States (one-quarter of all growth), 1.56 % in France (one-third), 0.87 % in Germany (one-sixth), 1.30 % in Italy (one-quarter) and 0.87 % in Britain (one-third).

The work done on France by Carré, Dubois and Malinvaud differs from that of Denison and Poulhier, in particular because they do not quantify economies of scale. These are therefore included in the residual factor, which appears to be larger as a result. On the other hand, the French authors have made a comparison between post-war growth (1951-1969) and long-term growth (1913-1963). We can moreover see from their work what share of growth is due to the quantitative development of growth factors, and what may be attributed to their qualitative development.

Here are these results :

	1951-1969	1913-1963
Overall growth	+ 5 %	+ 2.1 %
Share of the quantity of labour (population and hours of work)	- 0.1 %	- 0.3 %
Share of the quantity of capital	+ 1.1 %	+ 0.5 %
Total of quantitative elements	+ 1 %	+ 0.2 %
Share of the quality of labour (age, education, intensity, mobility of labour)	+ 1 %	+ 0.9 %
Share of the quality of capital	+ 0.4 %	-
Total of qualitative elements	+ 1.4 %	+ 0.9 %
Residual factor	+ 2.6 %	+ 1.1 %

Thus, purely quantitative elements only account for one-fifth of growth over the past twenty years and one-tenth over a fifty-year period. In each case the residual factor accounts for a little over half of the growth rate.

All the studies at our disposal lead to this basic observation: economic growth is not due wholly, nor even mainly, to the growth of production factors, but to elements of another kind which appreciably enhance the efficiency of these factors. Technological progress is, of course, one of these elements but is, itself, the consequence of changes in behaviour. In a general way, social and political elements have played the decisive role in economic growth.

How are we to quantify them ?

The tentative list below makes no claim to be exhaustive. Nor does it allow us to evaluate the relative share of each of the elements that have been mentioned. But it is of very great importance for the assessment we shall have to make, in the third part of this survey, of the possibilities and conditions of continued growth in the years to come.

- 1 - The spread of education has played a dominant part in every country. It has fitted an increasingly large number of workers for industry. Without it, the peasant would have found it harder to become a worker; the worker could not have hoped to see his children become white-collar employees, and they in turn would not have bred the managerial staff without whom our technicological society would have been unable to flourish. To these effects of education on production, that is on supply, we must add its impact on consumption, that is on demand. The schools have not merely provided industrial society with the basic manpower which its factories and offices required; they have also sharpened the desires which it needed in order to find an outlet for its ever-growing output. Whatever misunderstandings of maladjustments may have troubled relations between the world of education and that of industry, the school has served the factory well, as it was asked to serve.
  
- 2 - The thirst for material well-being may be regarded, to some extent, as a by-product of the educational system. It has grown to a size hitherto unknown, following on the Second World War, for the crisis of the Thirties and the War in the Forties had built up a tremendous backlog of unfulfilled needs. Certainly no more than five years sufficed, after the war, for a return to the level of production of the years preceding the conflict. But all of twenty years were required to mop up this demand, accumulating over the lean years and

maintained by the sight of constantly repeated technical achievements.

- 3 - The precedence accorded to work over leisure largely derives from this hunger for consumption. It shows itself, for instance, in high rates of gainful employment for women : in France, this rate, for women aged 25, increased from 47 % in 1954 to 56 % in 1968. A typical case is the young married woman who goes on working - or starts working, in order to equip her household faster. Gainful employment of women stands at a particularly high level in France (46 % of women within the working age-range) and in Germany (40 %), these being among the countries that have known the fastest growth : it does not exceed 30 % in the other Common Market countries. Similarly, the decrease in working hours has been far slower than had been expected at the end of the war. From 1958 to 1970 there was no change in real working hours per week in France : the working week declined by an hour and a half only in Germany and two hours in Italy, but by three hours in Belgium and four hours in the Netherlands. It is true that annual holidays increased during this period. But if we consider that in France, during the first thirty years of this century, total working hours declined by 20 %, one is still struck by the fact that, 20 years after the second world war, the French worked as long as after the first world war.
- 4 - The mobility of labour has everywhere been an important growth factor. Refugees from East Germany were responsible for the "German miracle", just as the workers of the Mezzogiorno, going to seek employment in Northern Italy, were responsible for the "Italian miracle" and French peasants, leaving the land in droves, for the "French miracle". France, known for the low mobility of her labour, yet has, every year, 500,000 gainfully employed persons moving to another Département and over two million who work for a new employer.

- 5 - National ambition, in many countries, has turned to economic growth. This has become the only goal which the State could set before the nation. This is particularly true of those countries which experienced defeat in the last war. It is probably no coincidence that the "champions of expansion" have been Japan, Germany, Italy and France, all of them countries with a glorious past, but which lost face during the war. They found in economic growth a kind of compensation for the issue of battle - the only compensation, incidentally, that the world's policemen - Russians and Americans - allowed them to have. It is no doubt also for this reason that France, Germany and Italy agreed more readily than Britain to set up an Economic Community.
- 6 - Competition between economic systems has come to supplement, not to say replace competition in the traditional sense as an incentive to growth. Socialism has entered the lists as the official challenger of capitalism in the Growth Tournament. Today the Eastern countries can boast of impressive performances, even if these may be explained by the leeway to be made up and if the rise in the standard of living does not always keep pace with the increase in output. Per capita output over the last two decades has gone up by 5.6 % per annum in Eastern Europe as against 3.8 % per annum in Western Europe (statistics compiled by the United Nations Economic Commission for Europe). One may well argue this was not enough to make the Poles or the Czechs and Slovaks happy: we still have to take these figures into account.
- 7 - The increasing role of the State in economic life therefore had political justifications. Economic policies have been refined in the light of pre-war mistakes, allowing a substantial improvement in methods of remedial action. Europe has

thus achieved much faster growth than hitherto, without achieving higher rates, but simply by greater regularity. Cyclic fluctuations have not disappeared, but they have been far less pronounced than formerly. Over the past twenty years, virtually speaking, no country in the Community has experienced a decline in its production expressed as an annual average, except Germany on one occasion, and then only to a minor extent.

Moreover, States have acted on the structures of the economy, through nationalisation of important sectors (especially in France and in Britain), direct intervention of public bodies in production (Italy) substantial budgetary contributions to investment finance, the establishment of social security systems, which have guaranteed a solvent minimum demand whatever the risks of life; creation of planning bodies for investments (especially in France) and for incomes (Netherlands) etc.

All things considered, the attitude of individual States has been far more dynamic than hitherto.

- 8 - The opening of frontiers has been one of the main signs of this new outlook on the part of the authorities. As a result, countries with a protectionist tradition, such as France and Italy, now carry on half their trade with countries from which they no longer exact customs duties while, vis-à-vis third countries, they have the lowest protective barriers in the world, since the external tariff of the European Community is, on an average, no more than 6 %, as against 7.1 % in the United States, 7.6 % in Britain and 9.7 % in Japan.



Moreover the supremacy of the dollar, in spite of all its drawbacks, has guaranteed until these last few years a considerable measure of security to the international monetary system, after helping to finance, for reasons that were political far more than economic, the reconstruction of the Old Continent.

- 9 - Better management of firms has gone hand in hand with better management of national economies by the Governments. In the sphere of management as in that of technology, Europe has had, over the United States, the advantage of drawing on two sources of improvement instead of one: innovation and imitation (or adaptation) of what had been done in America. Nor would this have been possible without a far-reaching change in outlook, not only on the part of managers, but also of workers.
- 10 - Inflation itself seems to have encouraged growth. Provided it can be kept within certain limits it is indeed the least expensive method (certainly less so than unemployment, in any event), of restoring the balance of a decentralised management system in which there is no pre-established harmony between all the decisions of the agents of economic life. By helping debtors, inflation has made industrial risk more bearable. By handicapping creditors, it has to some extent redistributed capital, and creativity has gained thereby.

Following on this list, too long and yet incomplete, we can put forward a hypothesis as to the three non-quantifiable elements that have been the mainsprings of growth in Europe since the war; these are the delayed effect on the economy, after a lengthy period of frustration due to the crisis and then the war, of the mass education campaign undertaken at the end of the 19th Century; the mobilisation of collective energies for industrialisa-

tion, as the only collective goal available after the holocaust of the second world war, bearing in mind the fear that any new conflict might degenerate into a nuclear apocalypse, and the existence of a Communist challenge on the economic plane; finally the existence of a pattern for industrialisation, verbally dis-owned but constantly followed in practice, the American pattern, a relative factor of security in what remained a venture into the unknown.

Education, defeat, the Communist challenge and the American precedent - a strange mixture of ethical, social and political factors which explain why Europe yielded herself up, for twenty years, to love of a growth rate. Britain was an exception, perhaps because her elixir lacked the bitter aroma of defeat; perhaps also because, as the first nation to become industrialised, she was the first to experience the need to restrict growth in order to retain a certain style of life. American, in her turn, is faltering, because there is no pathfinder to light her way.

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x            x

## B - THE CONSEQUENCES OF GROWTH

We have just seen that growth has social and political origins; it also leads to social and political consequences. The accumulation of wealth, and changes in its distribution, alter social behaviour. As a result, far from appeasing conflicts, growth kindles them.

Economic development has everywhere brought about an appreciable increase in material well-being. The facts are known. All classes have gained, but not to the same extent. The costs and the benefits of growth are not evenly distributed.

In the first place, we must remember that all classes have not paid an equal price for growth. Among those who have borne the heaviest cost we must mention migrants of every kind, because the fact of leaving a firm, a region or a country for economic reasons involves deep social and emotional upheaval. Farmers and peasants have had more than their share of this : they were 24 % of the Community's workers in 1955; they are now no more than 13 % and this figure is expected to fall to 6 % in 1980. From 1958 to 1970 those working in Community agriculture have declined by 6.5 million; a further loss of two million is almost certain between 1971 and 1975.

Some industries have experienced a contraction of manpower which is as considerable, though less well known: the labour force in the coal industry declined by 60 % between 1958 and 1970 (625,000 people fewer), similarly in iron mines, where manpower has shrunk from 58,100 in 1958 to 18,400 in 1970. In textiles the work force is down by 25 % (400,000 people) and in shipbuilding by 15 % to 20 % (50,000). Altogether it is thought that, in twelve years, two million jobs have been abolished in the Community's industries. Naturally, many others have been created over the same period, but these changes of occupation are not without their real

human cost, even if they go hand in hand with a rise in the standard of living.

Migration between countries has grown to a considerable size over the past few years. Thus the number of foreign workers employed in the Community alone, in 1970, was 3.5 million, or more than double what it was in 1961. Out of this total the number of workers coming from a Community country (mainly Italy) has scarcely varied, remaining below a million. They are a true proletariat, with few skills (in Germany, 75 % of foreign workers are unskilled), often ill-paid and ill-housed (in 1969 it was estimated that, in France, 600,000 workers lived in hovels, though they were 20 % of the labour force in the building trade!) often even unwelcome. In its guidelines for a "Community Social Programme", the Brussels Commission wrote, in 1971, on this subject : "We have seen the cultural gap widening between immigrant workers and the people of most countries. One finds, in some circles reticence or mistrust in the face of a foreign presence which is regarded as excessive". Foreign workers are often "shock absorbers" for cyclic fluctuations, real nomads of industrial society.

Germany's example is particularly telling in this respect, if we consider variations since 1960 in industrial output and in the net balance of migration :

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Industrial output (in %)	+10.7	+6.3	+4.5	+2.7	+8.5	+6.3	+2.3	-2.4	+9.5	+10.4
Net balance of migration (in 000's)	+336	+419	+283	+237	+301	+344	+132	-177	+278	+572

While the costs of growth are unevenly spread, are its profits more equitably shared out ? This is a difficult question to answer, as there are few meaningful figures on the way the distribution of income has evolved.

A first and very global approach is to observe trends in average per capita income in a number of countries, for instance those of the European Community, over a given period, for instance 1958 to 1969. If we take the per capita average share of the Community product as a starting base of 100, we find the following evolution :

	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1958	110	129	61	85	115	142
1969	111	122	67	96	104	116

These figures show a genuine convergence of average incomes in the Community countries, since in 1958 the largest single gap (between Italy and Luxembourg) was 81 points, whereas in 1969 (this time between Italy and France) it is only 55 points.

But distribution between countries means far less than distribution between social classes. From 1958 to 1970 the national product per gainfully employed person (at constant prices) increased by 70 % within the Community. What do we know about the way wage and salary earners, and others, shared out this increase? We must bear in mind not only income trends within each category, but also the numerical strength of each : 7,000,000 more wage and salary earners over this period, and 5 million fewer working on their own account or as part of a family unit. The Brussels Commission has published statistics in average earning per wage or salary earner as a percentage of average income per gainfully employed person in each country, if the wage-earner's share is

rising, this means he is really "biting" into the revenues of industry and of property taken as a whole. Here are the figures for each country :

	1958	1960	1965	1970
Germany	80.2 %	78.5 %	80.5 %	81.9 %
France	81.7 %	80.4 %	82.9 %	80.8 %
Italy	88 %	86.7 %	87.2 %	84.8 %
Netherlands	76 %	72.5 %	78.7 %	81.1 %
Belgium	77.8 %	76.6 %	77.8 %	79.6 %
Luxembourg	91.9 %	83.9 %	91.4 %	91.7 % (1)

Source : Statistics of the European Communities  
(1) in 1968

In fact one does not find (over a twelve-year period!) any significant change. Allowing for unforeseen temporary developments in the economic situation, wage and salary earners have approximately kept their slice of the cake in Germany, France and Luxembourg; they have appreciably increased it in the Netherlands (through the abandonment of the wage controls policy) and to a lesser extent in Belgium, while they have lost ground in Italy, where the "economic miracle" has long been performed on the workers' backs, a fact which is doubtless not unconnected with the aggravation of social tensions in that country over the past four years. However, when considering Italy, we should also bear in mind the disappearance of the poorest peasant holdings, which has had the effect of appreciably raising the average income of other self-employed persons. Another OECD survey (quoted as an annex) on the same subject, but with a different approach shows that, taking Europe as a whole, the Common Market countries have been relatively less generous to their wage and salary earners than other countries.

Nor does the trend in wages and salaries by sectors show any appreciable narrowing of gaps in remuneration; on the contrary,

in all Community countries, the maximum gap widened between 1964 and 1970 :

MAXIMUM GAP BETWEEN HOURLY RATES OF WORKERS IN THE BEST-PAID AND WORST-PAID SECTORS		
(in points, the average for all industries being 100)		
	<u>1964</u>	<u>1970</u>
Germany	39	43
France	62	90
Italy	88	95
Netherlands	76	85
Belgium	84	87

Sources : Statistics of the European Communities

Regional inequalities also remain very considerable, while tending to narrow down in France and Italy, where they were the greatest, remaining steady in Germany and getting worse in the Netherlands :

MAXIMUM GAP BETWEEN HOURLY RATES OF WORKERS, BY REGIONS		
(in points, the average for each country being 100)		
	<u>1964</u>	<u>1970</u>
Germany	22	22
France	33	26
Italy	29	24 (1)
Netherlands (2)	6	10

Sources : Statistics of the European Communities.

(1) In 1969  
(2) Gap between North and South Holland, and the Province of Utrecht, on the one hand, and the other provinces taken as a whole, on the other.

As for differences in remuneration between men and women, the Treaty of Rome expressly provided for their disappearance (this was, indeed, one of its few social objectives), but they still continue. A very careful survey made in 1966 (8 years after the Treaty came into effect) by the European Communities found the gap to be, for the textile and food industries, 13 % in Italy, 15 % in France, 21 % in Germany, 22 % in Belgium and 28 % in the Netherlands.

Little of a specific nature is known about the hierarchy of wages and salaries according to qualifications. However, a study carried out in 1968-69 for the Centre d'Etudes des revenus et des coûts in France has just been published. It gives interesting details starting from surveys made of firms having subsidiaries in different countries, and for which posts could be defined with accuracy.

	RANGE OF WAGES AND SALARIES IN 1968-69			
	Between the semi-skilled worker and executive cadre		Between the average for workers and the average for cadres	
	Ratio before taxation	after taxation	Ratio before taxation	after taxation
	Britain	1 : 13.9	1 : 9.4	1 : 3.7
Italy	1 : 12.9	1 : 9.7	1 : 3.7	1 : 3.3
France	1 : 11.7	1 : 8.6	1 : 3.9	1 : 3.5
Netherlands	1 : 11.4	1 : 7	1 : 3.4	1 : 2.9
Germany	1 : 11.2	1 : 8.3	1 : 3	1 : 2.7
U.S.A.	1 : 8.6	1 : 6.9	1 : 2.8	1 : 2.6

Source : Centre d'étude des revenus et des coûts (Paris)

These figures, compared to the average level of remuneration for each country, show that the countries where wages and salaries are highest (especially workers' wages) have the smallest hierarchical differentials - these countries being the United



States and Germany. It therefore seems that in France, Italy, Britain and the Netherlands, wages are abnormally low. But taxation systems play a particularly significant part in redistributing incomes in Britain and in the Netherlands - much less so in France and in Italy, which indicates these two countries as the most vulnerable to working-class demands.

For France we have an IRREE study on trends in the differences between the average incomes of extreme categories (in this particular case managerial staff and the liberal professions on the one hand, and the unemployed and retired on the other):

	1956	1962(1)	1962(2)	1965
Original income	1 : 9.2	1 : 10.5	1 : 9.9	1 : 9.5
Final income (3)	1 : 5	1 : 5.1	1 : 4.9	1 : 4.4

(1) Calculated on the same basis as in 1956. (2) Calculated on the same basis as in 1965. (3) After deducting tax and adding welfare benefits.

The vigorous economic growth in this decade has not led to a closing of the gap between gross incomes; far from it. But some redistribution has been achieved through welfare benefits, far more than through direct taxation.

We now have some facts which bring us to the kernel of this part of our report: economic growth does not dry up the sources of conflict: it multiplies them along with the wealth which, moreover, it cannot of itself share out in a more equitable way.

If we analyse trends in the number of labour disputes in the Community, basing ourselves on the number of working days lost through strikes, we shall find an appreciable rise in tempo over the past few years for most countries (see detailed table in the Annex):

	Germany	France	Italy	Netherlands	Belgium	Total
1960-1963 (thousands)	1,482	11,562	49,789	538	943	64,314
1964-1967 (thousands)	483	10,202	43,074	118	1,229	55,106
1968-1971 (thousands)	727	107,663	74,611	668	3,452	187,121

Over the past four years there have been twice as many days lost through strikes as over the two preceding four-year periods. Even if one leaves the French strikes of May 1968 out of the reckoning (but why should one leave them out ?) disputes would still be half as many again as in the earlier periods.

And these are only the traditional disputes between employers and workers, involving labour stoppages that can be identified through statistics. But the claims-staking attitude has extended to other categories beyond the working class, by imitation, first of all (asserting claims is profitable); because the frustration bred by industrial society itself has no cause to stop at the frontiers of the working class; but also because the self-employed (farmers, shopkeepers, craftsmen, doctors) have, in turn, a "boss" to attack - the State, which cannot stand aside from economic life in view of the political importance this has taken on in our societies.

The increase in the size of the conflicts is not, perhaps, the most interesting feature of recent developments. After all, in a country like France, where about 3000 million wage-earning days are worked each year, even an exceptionally disturbed year such as 1968 only cuts off 100 million days (partly recovered later, it may be added). The forms and objectives of disputes have also developed, and their development is no less significant for the future.

In a paper presented at the 1971 Bruges Week, on industrial relations in Europe, Eugène Descamps (then Secretary-General of the French CFDT) gave a series of practical examples of types of dispute, differing from the traditional strike, taken from France in 1970-71:

- sit-in strikes;
- strikes with seizure of plant;
- goslow strikes (in civil aviation);
- "thrombosis" strikes, involving a small department, but one of vital importance in an enterprise, bringing its whole operation to a standstill, such as a spray-painting workshop in the motor industry or a computer department in steel-making;
- guerilla strikes (small, unexpected stoppages recurring at different points in a factory);
- hunger strikes (used by the staff of a large store and by coalface miners) etc.

One of the most remarkable features of these last few years has been the appearance of so-called "wildcat" strikes, started without the approval of the trade union organisations: Limburg miners' strike in Belgium in 1970; Rotterdam port strike, in the Netherlands, in 1970; German steelworkers' strike in the autumn of 1969; in Britain, the phenomenon already dates back a long time, since in 1964-66 there were already 1,700,000 working days lost in 2,171 unofficial strikes, as against 733,000 days lost in 74

official strikes (Report of the Royal Commission on Trade Unions and Employers' Associations); dockers' strike in Gothenburg and miners' strike at Kiruna in Sweden at the end of 1969.

It is not surprising that these "wildcat" strikes appeared in countries where the wage-earning population is strongly unionized (Belgium 66%, Britain 45%, Netherlands 40%, Germany 36%); similar occurrences are not seen in France, where strikes do not have to be "recognized" by the unions, which are reluctant to play an "official" role, and in which a far smaller proportion of wage-earners are involved (20 %).

In fact, every wildcat strike has its own history. But, taken together, and added to a "contesting" mentality which differs from the traditional "claiming" mentality, mean that trade unionism has grown bureaucratic like other forms of social organisation and that it suffers, like all other institutions, from a crisis of authority and of its representative character.

If we consider the history of labour relations since the beginning of the century in all the industrial nations, we shall observe a general trend, through many disputes, towards their institutionalisation. Recognition of the right to strike and of trade union organisation, the elaboration of procedures for collective bargaining, mediation and arbitration, the signing of contracts, consultation with employers' and workers' organisation for the definition of economic policy, are the main stages in a development which has gradually extended to all Western countries. It was the will of the workers, organised in their trade unions; it was increasingly in the interest of governments, anxious to shield their policy from social unrest, and of industrialists, anxious to fulfil insistent demand and to amortize the increasingly expensive plant required by modern technology. At the same time

as it must find outlets by manufacturing its market along with the product it will sell there (this is the role of advertising), the enterprise has to ensure a regular supply of labour by negotiating contracts' with the employees' representatives.

This development found its logical conclusion in top-level coordination to regularize wage movements as such - this took place in the Netherlands until the sixties and in Britain under the Wilson government. The incomes policy was the culminating point of coordination between trade unions and the authorities. It was so advanced, in fact, that the position could not be held. France, which was some way behind other industrialized countries as regards labour relations, has made up part of this leeway since the 1968 crisis: the so-called "contractual policy" of the Chaban-Delmas government exemplifies how it is closing the gap.

Only, at the same time as this process of the institutionalisation of disputes was going on, there has also emerged another process of denial of authority (including trade union authority) and radical criticism of the whole system of economic and social organisation. It is the superposition of the two movements (for the second has not caused the first to disappear, even if it has slowed it down) that typifies the present stage of industrial relations.

We must of course make a careful distinction between the situation in different countries. Radical contestation is weaker in Northern Europe than in the Latin countries (France and Italy), which did not prevent wildcat strikes from developing in countries that were supposed to be calm and disciplined. There are, however, some common features, and in particular, the following: the increasing importance of working conditions in the outbreak of disputes (there again, demands for better working conditions,

particularly on assembly lines, have not done away with wage claims) and the transfer of the claiming power from the level of the industry to that of the entreprise. One of the reasons why unions have been caught off balance in recent disputes is precisely the fact that they are organised mainly at industry level: it is on this level that they negotiate. But, from now on, claims are increasingly being pressed at entreprise level; that is where the wage-earner feels most intensely the weight of working conditions, which he finds all the harder to bear because he has acquired, through education, unused abilities or frustrated desires. The same fact of mass education which was, at an earlier stage, a decisive condition of growth, may, beyond a certain level, compel a change in the type of growth. It is well that the semi-skilled worker should be able to read and count, but if he knows more, he will no longer want to be a semi-skilled worker. What the worker is ever less to accept is not his wage (though he always wants it increased and, for the boss, increasing it is often a way of getting the other claims off his back); it is the deadening effect of uninteresting work and submission to the authoritarianism of the "petty boss" in the workshop.

Technological progress has by no means brought about the end of repetitive work. The labourer-tradesman couple of the first stage of industrialisation has been replaced by a semi-skilled worker-technician combination, in which the mass of semi-skilled workers shows absolutely no tendency to decrease.

But this wage-earner in the workshop has become aware of his strength at the same time as he felt the need to shake off his condition. His strength lies in the increasing complexity of the entreprise. Each of its wheels controls many others; the entreprise must not stop if it wants to get returns on its increasingly expensive machinery; moreover, with improved management, it carries less and less stock; it is therefore more vulnerable. Hence it is

no longer necessary to mobilise the mass of wage-earners in a whole industry - a task for which the union remains irreplaceable - in order to have a chance of successfully pressing a claim. It is enough to act at the right time in the right place.

This development may have very important consequences for the future. We are seeing an "atomisation" of labour disputes: each is going to fight on his own, with his own weapons and targets. It will be necessary to negotiate much more at enterprise level; but heads of enterprises have got into the habit of sheltering before their professional organisations' specialist advisers. This will no longer be possible. They will have to go out and negotiate themselves, and prepare themselves accordingly. At the highest level in a firm, it will be necessary to change the order of priorities and sometimes devote more time to settling a problem of the organisation of work than to settling an investment problem.

For the unions, the consequences are no less hazardous. They already had tricky problems of homogeneity and compatibility due to the increase in the number of workers they were called to organise : for the Community as a whole, the proportion of wage and salary earners has gone up from 68 % of the gainfully employed population in 1958 to 78 % today. Within the ranks of the wage and salary earners, workers are losing their preponderance but the organisations remain stamped by their working-class tradition. An uneasy compatibility will have to be maintained between workers, white-collar staff, technicians and cadres, each with a distinctive mentality and with distinctive claims.

At the same time as it is asked by the government to negotiate at the summit, the trade union is therefore drawn by its grass roots towards a variety of actions. It must therefore hold the authorities off at arm's length. It may do this by publicizing its political opposition to the government or by proclaiming its condemnation of the capitalist system but it may then find itself in difficulties with another facet of the lack of uniformity among

its troops, namely their political diversity. With over 80 % of the population wage-earning or salaried, it includes conservatives and progressives together; one must then try not to frighten away the ones in order to please the others.

So the social struggle becomes more intense at the same time as it becomes more diversified and, in some ways, more radical. It poses new problems, of considerable importance for the future of growth; in particular, problems of power and of social consensus.

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## C - THE FUTURE OF GROWTH

To a Frenchman, discussions on the future of growth are evolving at a disconcerting speed. Two years ago, when the Vith Plan was under consideration, all the talk was of "Japanese-style growth", and rates of expansion between 6 % and 8 % per annum were being mentioned for France; today the work done by the "Club of Rome", and American theses on the blessings of "zero growth" are becoming fashionable themes. It is clear that mankind cannot go on indefinitely increasing its numbers by 2 % per annum and its output by 5 %; that is, as is happening today, doubling its population every thirty years and its production every fifteen years. This would lead to grossly unreasonable figures : 28,000 million human beings on Earth in 2060 (ten times more than a century earlier); world production of 200 billion dollars at the same date (seventy times the present figure) ! The experts of the Massachusetts Institute of Technology can readily prove that food resources and the raw materials of industry will be exhausted long before, and even if that is not the case, growth will have choked to death through the pollution of the natural elements : our biosphere has but a limited capacity to recycle the waste products of our affluence. So much for that.

But we do not know even the approximate limits of this capacity. Similarly, we do not know if the relation between production and pollution is a constant. Indeed there are good reasons for believing that it is not, for everything depends on the density of production; if it were better distributed over the world as a whole, Nature's capacity for absorption would be far better used; when one-third of the world's production takes place in one small part of the territory of a single country,

the United States, we must not be surprised at a breakdown in the ecological balance. At the same time, experience shows that a higher standard of living leads to a decrease in fertility. The economic and social development of the Third World could therefore have positive effects in this connection. Now if we start from the hypothesis that population would only grow slowly beyond 10,000 million people (still three times today's figure), in order to give each of these people the present-day standard of living of an American, world production of 50 billion dollars would be required, that is seventeen times more than today. This figure would be reached half-way through the 21st century (children born this year would see it with their own eyes) with an annual growth rate reduced to 3.5 % per annum. But there may be variations depending on changes in the distribution of growth. One per cent growth in the American economy represents 10,000 million dollars a year distributed among 200 million people; but this same sum of money, applied to the Third World, would represent a growth rate in excess of 2 % for over 2000 million people.

These calculations make no claim to be scientific, but they indicate orders of magnitude which are not as close to Doomsday as those often used to justify a neo-Malthusianism that is particularly advantageous to well-heeled nations. What a temptation it is to close the ticket-gates of progress behind us, explaining to the Third World and to the poor in our own countries that a car, a television set and a bathroom are enough to make men happy and to justify them in ceasing to misuse nature, so that they can hear Bach undisturbed!

Growth certainly cannot go on forever, and it will slow down appreciably in the next hundred years. It is not too soon to start thinking about it. But for the next twenty years it is not likely to die of scarcity or asphyxia. Its continuance, in the European countries, depends on a series of cultural, social and political conditions; for we have seen these were the conditions that gave rise to growth, in the same way as the consequences of growth themselves take cultural, social and political forms.

1 - Cultural conditions. The mainspring of economic development, for the past hundred years, has been the spread of education and specifically of primary education. We may wonder whether universal secondary education and the very rapid spread of higher education will not have the opposite effect. The forms of industrialisation that were suited to a primary-educated population may no longer be acceptable to a secondary-educated population, which has new requirements as regards working condition and types of authority, while the apparatus of production and the style of command only progress slowly. This is a reason for thinking that the "education explosion" (which we cannot expect to stop, for it has become a need in itself and is, moreover, essential in order to keep up our technological standards) will not necessarily have the same effects on growth as the first stage of universal primary education.

Moreover the existence of comparative affluence among some classes of the population, and specifically among those who possess knowledge and inherit power, alters their scales of values. The generations that have not known scarcity do not react like those that recall it. They take the motorcar and the washing machine for granted (and have no intention of doing without them) but do not regard them as achievements. Saving, work, rational action become secondary values when set beside others, such as enjoyment, leisure and amenity. The classical age of industrialisation gives way to the Romantic period of a new sensitivity. Not to mention the fact that human nature may stifle in an excessively rational universe. People may take orders from an authoritarian boss and achieve psychological liberation by counting him as one of many stupid dictators, but if standards of behaviour are imposed on them in their work or in their life in the name of logic and

cold reason alone, the situation may become intolerable because there is no longer any excuse for refusing to obey. The dictatorship of an organisation is in consequence far harder to bear than that of a boss. One therefore has to devise forms of organisation which preserve irrational areas, as one might designate national parks and pedestrian precincts.

There is at the very heart of industrial society a basic contradiction, that which rends man apart between the increasingly demanding rationalisation imposed on him as a producer, and the appeal to his most anarchical and luxurious tastes as a consumer. The system requires the same man to live eight hours each day under the dictatorship of reason, and for the rest of the time to yield to all his most chaotic impulses. What sort of willpower is he expected to have, in order to imprison these instincts at the very moment when he crosses the threshold of his factory! We should not wonder that people feel confused today, just as an employer should not be surprised when his workers ask for a rise, while he is himself putting posters up at the factory gates urging these same workers to holiday in Majorca or buy another car ...

2 - Social conditions. Among factors that will encourage growth to continue in Europe for the next ten or twenty years, we should mention the quantity of unfulfilled material needs, still felt by a large part of the population. The average standard of living of an Englishman, a German or a Frenchman still remains 20 % below that of a Swede; the gap between the latter's standard of living and that of an Italian is as wide as 40 % (according to an estimate made by André Piatiers, Director of the Ecole pratique des Hautes Etudes in Paris). If we define relative poverty in European countries as the level of income which does not allow a family to buy consumer durables, it is estimated that 14 % of Frenchmen and 19 % of Italians still fall short of this standard.

But if overall growth is slowing down, this means the lot of those who are worse off can only be improved by trimming down the style of life of those who are better off. Any slowing down of growth, at this stage, will contribute to social conflict.

In a more general way we may consider that unskilled workers (the largest group), many farmers, most foreign workers and a high proportion of those who have retired live under conditions which they rightly feel to be intolerable, when they see the conquest of outer space, heart transplants and supersonic flight. To this general deprivation may be added more specific areas of frustration for larger sections of the population, for instance as regards transport: it was President Nixon himself who wondered why it was easier to send three men to the Moon than to resolve the traffic problems of a city.

Another element which is helpful to growth in Europe is the existence of a reserve army of workers in the agricultural sector. They will continue to supply manpower for the other sectors of the economy over the next ten years or so. Thereafter this pool of labour will doubtless run dry.

On the other hand, the aspiration to enjoy greater opportunities for well-being will undoubtedly lead to a reduction in working hours (for all types of work) which will be greater over the next ten years than it has been over the last ten.

Finally, it is difficult to foresee what impact the inevitable intensification of social stresses will have on growth. We have already seen that existing procedures for the institutionalisation of disputes (which are conducted at General Staff level) may no longer be appropriate for settling new forms of disputes, which are more localized at factory or even shop floor level, and which are also more violent. This decentralisation of conflicts

will be at the expense of the trade union apparatus, which will therefore stand further back from employers and government authorities, in order to maintain contact with the grass roots. It would be vain to count on the unions to keep the workers under control at all times.

In addition to changes in the level at which disputes take place, there will be changes in their nature. Along with demands for remuneration, there are now those which have to do with status and power. Some, of course (the Communists among them) see the transfer of power (common ownership of the means of production) as a necessary and sufficient condition to improve the distribution of wealth. Others, who are often lumped together as "Leftists", do not think in terms of claiming power, but of resisting it in order to weaken it, because they feel it is intolerable from the standpoint of human liberty; their real objective is not to take it over but to bring it down. Finally there are those who demand change, not only to transfer power to social classes which did not have it before, but to exercise it in a different way (this view is found, especially, among the proponents of workers' control).

In fact the exercise of authority within the firm will inevitably pose basic problems over the next few years. There cannot continue to be an ever-widening gap between the size of the social responsibilities which the firm assumes and the narrow basis of consent on which its legitimacy rests. With concentration of industry and the appearance of multi-national corporations, we are beginning to see clusters of firms which provide a living for hundreds of thousands of workers, which serve the needs of millions and whose decisions carry greater weight than those of the State in the social and economic balance of a nation. In our system today, these super-powers have no legal constitutions other than those

arising from the right of property; this right, on its own, makes them legitimate even if, as in most cases, the owner no longer exercises power but delegates it to specialist groups recruited by co-optation. This brings about an imbalance, which will not be tolerated much longer, between responsibility and legitimacy, all the more so now that there is the beginning of a trend towards the assumption by firms of new social responsibilities: in the United States, public opinion is urging them to take an interest in the fight against pollution and in the education of racial minorities. The nations will think in the end, as once they did with their kings, that too much power has been entrusted to men who are not accountable to them.

If social conflicts become sharper, can they endanger the very fabric of social life? May not this fabric be rent asunder? This is a fearful question, especially for the proponents of European unity. In a way, this unity answers a deeply-felt need to divide power, so as to make it more bearable. Instead of the traditional but no longer appropriate division of power between executive, legislature and judiciary, we have, so to speak, a new division. This shares out power between the new European authority and the old national authorities, which will not disappear, even if they delegate part of their responsibilities to it. However, this delegation weakens the old national fabric, which is the one that has to withstand the stresses imposed by social conflict. If it were no longer possible, in a grave crisis, to appeal to national loyalty in order to overcome a conflict that could no longer be settled at the level of the interested parties, might this not lead to the dissolution of society as a homogeneous social body? Unless one finds, as a substitute fabric, a religion (Christianity once played this part) or an ideology (Communism may serve that purpose in some countries today). But this involves the danger of re-creating secular religions, that is, new totalitarianisms.

3 - Political conditions. Among the political factors which will remain favourable to growth over the next few years, we should mention the possibilities of refining economic policies. We have not exhausted all the resources of a delicate day-to-day management of the economy. Beside monetary and budgetary policies, which can be appreciably improved in the framework of European union, there is still the prices and incomes policy, as yet in its infancy. Of course, the foreseeable trend towards a weakening of concertation between government, employers' associations and trade unions will not make it any the easier to apply an incomes policy. But such policies may enjoy a new lease of life if we restore the second of their objectives (the first being the fight against inflation, which alone has been considered up till now), that is, the social objective of a fairer distribution of wealth. Incomes policy must here be combined with tax reforms.

Another helpful factor is that Governments have to mobilise nations through economic and social ambitions, since territorial ambitions are ruled out by the balance of nuclear power, so long as this lasts (with the inevitable spread of nuclear weapons, the risk of conflict is bound to increase). In Communist countries,



the demand for political and cultural freedom may of course provide other themes for political debate; but this would put the existing system in these countries to such risk that we may expect their governments to try and keep economic and social objectives in the forefront.

The internal difficulties of Communist countries and of American society, on the other hand, will weaken other political factors hitherto favourable to growth. The Communist challenge may no longer be so great an incentive, in so far as the Communist block brings out into the open its dissensions (Sino-Soviet confrontation) and its difficulties (possibility of a grave crisis in several East European countries, and particularly in Yugoslavia). As for the United States, rent by doubts about their own system, they will no longer provide the reassuring example which one may follow in order to make a success of industrialisation. Europe, in her turn, will have to strike out into the unknown, try out her own experiments, that is, take additional risks. A great opportunity is open to her, but at a price : are the Europeans ready to pay it ? Furthermore, the "agonizing reappraisal" of American policy, which we are now witnessing, will have negative effects on growth. The world monetary system, with the dollar as a dominant currency, had every possible drawback, but it was a system, and therefore reassuring. It is breaking down. There is nothing to prove that it will be replaced by an equally safe system; in any event, the creation of a European currency will not by itself

achieve this result. In the present state of the relationship between political forces, it is more likely that we shall move towards a division of the world economy into two or three large areas (European area, dollar area, possibly Japanese area) than towards the establishment of a new monetary system managed by an international institution.

The Americans no longer want to be the world's managers, because they are no longer accepted as such and because this now costs them more than it is worth. But this does not mean that they have accepted subjection to a common rule, applicable to them as to other countries. They will strive for a long time yet to keep their former advantages without having to bear the cost. This is a lasting focus of infection between the two Atlantic dreams. It may also be a spur to the achievement of European union, which needs a foil in order to progress : in so far as fear of the Communists has weakened, opposition to America must play this part.

To make up for these negative political factors, we must therefore greatly strengthen European unity, whose effects will soon wear off if it remains a mere customs union. And we still have to give the Community a political form of its own. In our industrialised societies, political systems fulfil three main functions - a management function;

an ideological function; a representative function.  
Let us briefly consider how a European Political Community might make out in each of these functions.

- Management function. This is the simplest, and the one that is likely to benefit most from the existence of a European Community. For such a Community implies political power being placed on the level of the problems which have to be resolved; solutions to these problems, whether of regulating the day-to-day economic situation, organising public sector investments, social reforms or development aid, will be increasingly beyond it if it remains at the level of small or medium-sized countries. As an instrument of management, the Community will thus have effects that are favourable to growth, but to achieve them, it will require a political will which it lacks today; in other words it must rest on popular consent.

- Ideological function. A governing power cannot confine itself to managing society. It draws the authority, which it requires for this management function itself, from its ability to mobilise the people for purposes that go beyond the scope of management. Now we have seen that industrial society was raising more and more problems of purpose, as it settled its problems of organisation. Of course, a democratic government is not expected to define a charter of doctrines, imposed like a State religion on

all its citizens. But it must, in its decisions, consider to what scale of values its options implicitly or explicitly relate. The capitalist system gives priority to values that are conducive to efficiency; the communist system more often refers to values connected with solidarity. This is not to say that either system has entirely forsaken the values which are typical of the other : the East does not neglect productivity and management; social security and progressive taxation are not unknown in the West. It remains that the Communist economic system is less efficient than capitalism, because it denies itself the right, for instance, to dismiss workers, because it maintains a narrower range of incomes and because it only makes sparing use of the profit motive. The opposite holds true of the capitalist system, whose greater productivity is bought at the price of greater insecurity and less equality. The choice is between an equitable distribution of poverty or a clear run for injustice in the midst of plenty; each system has its virtues and its vices.

Efficiency and solidarity are only two virtues among many. We have seen the growing importance of a third - responsibility. Now neither communism nor capitalism has so far succeeded in spreading it wider, except through legal fictions, which are only fictions. In speaking of responsibility, we mean the responsibility of people in their organisations, and that of organisations towards the people they employ, and as regards their cultural and natural environment. The fight against pollution, for

instance, is part of the scope of responsibility, as much as the spread of power within the firm.

Finally, a fourth value is taking on increasing importance, especially for youth : this is personality, which differs from responsibility without being too far removed from it. We could express it as follows : the industrial system has overstressed one single aspect of the individual, namely his capacity for adapting to the system itself. Every man is judged on his productivity or on his professional status. In other words, industrial society has imposed its hierarchy and its criteria of selection. Now we see an increasing desire to dissociate professional and social hierarchies, with people no longer judged on the cubic capacity of their cars, their position in the firm or the size of their bank account.

We do not know what practical forms this new aspiration will take : narrowing down of the range of incomes, greater rotation of duties, a decline in the prestige of hierarchical authority. Everything is possible; nothing is settled. But it is certain that future political decisions will have to take these problems into account. We are already seeing in outline alternative patterns for growth : some more concerned with personal consumption, others directed towards productive investments and others again towards public utilities. A clearer definition of each of these models

is becoming a matter of urgency, for tomorrow the issue at stake will no longer be that of choosing a growth rate, but of deciding on a type of growth. This is essentially a political decision.

- Representative function. Western democracies claim as their distinctive feature the rotation of office between different political parties. In turn, the major classes of the population feel they are represented in the government and thus concerned by what happens to all. Thus we see enlightened conservatives and reformist socialists alternating in office in most countries : even if their style of management differs less than their programmes, this rotation has a virtue of its own; it causes the different social classes to have a share in political power. Of course, in some Scandinavian countries, the Socialists are permanently in control politically, but the conservatives make up for it by retaining in their own hands the economic power whose political implications have already been set out in this report. The situation is more dangerous in countries (such as France) where enlightened conservatism is permanently entrenched in office, for there the same social classes hold economic and political power. This may lead to social alienation of the others.

The risk is all the greater in that the opposition seems to have given up hope of office, either because its goal is to weaken authority rather than to wield it (some

"Leftists" think along such lines) or because, while the present stage of industrialisation, with all its stresses and strains, has to be completed, one prefers, all things considered, to leave it to the Right.

The progressive establishment of a political Community will very quickly run up against this difference of approach between the reformist Left of Northern Europe and the revolutionary Left of the South.

A European "government" will therefore improve the efficiency of the management function, while encountering new difficulties in the ideological and representative functions. The choice of a new model for growth may provide the occasion for a realignment of forces, but it would first have to become the specific theme of a political debate. In any event the new institutions will not by themselves be enough to make a political Europe come alive; the confrontation of forces will also have to take place at this level.

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If we wanted to sum up the factors which help or hinder continued growth in Europe, over the next ten years, we could draw up the following table :

- Helpful factors : the existence of a pool of labour in agriculture; the possibility of refining economic policies and of making them more effective, if a real economic and monetary union is set up in Europe; the fact that political ambitions remain centred in the social and economic field; a balance of positive effects arising from the enlargement of markets and improved management of firms.

- Unhelpful factors : an increase in social tensions; progressive change in the scale of accepted values; the crisis of the American model; subdivision of the world economy; weakening of the Communist challenge.

Some of these unfavourable factors, however, may become more favourable if we make new types of growth our aim, rather than achievement of the highest rate of growth; and in particular if a substantial share of the human and financial resources mobilised for technological change over the past century is used instead for social change. It is incidentally highly probable that, if this transfer of resources is not made, growth will come to a standstill. The choice thus seems to be one between growth of the present type at a rate of 5 %, with the risk of a sudden halt, and growth at a slower rate (4 % ?) but of a different type involving less risk of seizure.

A new forward leap of European union is only one of the requirements for continuing growth; a necessary condition but not a sufficient one, which will not absolve us from making difficult choices as to patterns of growth. These choices will be dictated by the relationship between political forces.

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**DEVELOPMENT OF THE INDUSTRIAL ECONOMIES SINCE THE BEGINNING  
OF THE CENTURY**

(Annual growth rates in %)

	France	Germany	U.S.A.	Italy	Britain
<b><u>Total production</u></b>					
1896 - 1929	+ 1.7	-	+ 4.2	+ 2.1	+ 1
1929 - 1963	+ 2.1	-	+ 3	+ 2.7	+ 2.1
1949 - 1963	+ 4.6	+ 7.8	+ 3.8	+ 5.8	+ 2.6
<b><u>Production per capita</u></b>					
1896 - 1929	+ 1.5	+ 1.3	+ 2.1	+ 1.3	+ 0.5
1929 - 1963	+ 1.7	+ 2.1	+ 1.7	+ 2	+ 1.6
1949 - 1963	+ 3.7	+ 6.1	+ 2.1	+ 5.1	+ 2.1
<b><u>Production per gainfully employed person</u></b>					
1896 - 1929	+ 1.5	+ 1	+ 1.8	+ 1.4	+ 0.6
1929 - 1963	+ 2.2	+ 2.4	+ 1.9	+ 2.9	+ 1.3
1949 - 1963	+ 4.4	+ 5.3	+ 2.5	+ 4.9	+ 2

**Source** : National studies of the Social Service Research Council project (quoted in "La Croissance française" by J.J. Carré, P. Dubois, E. Malinvaud, published by Editions du Seuil).

WORLD DISTRIBUTION OF WEALTH (IN %)

	Population		Gross internal product		Industrial production	
	1950	1969	1950	1969	1950	1969
Europe (altogether)	31	26	37	41	39	48
United States	8	7	41	35	45	33
Other developed countries (1)	6	6	7	10	7	9
Under-developed countries (2)	55	61	15	14	9	10
World	100	100	100	100	100	100

Source : United Nations

(1) Canada, Japan, Australia, South Africa

(2) Not including China

**THE SOURCES OF GROWTH**

(annual rates for 1955-1962)

	U.S.A.	France	Germany	Italy	Britain
Growth in national income	+ 3 %	+ 4.82 %	+ 5.39 %	+ 5.78 %	+ 2.56 %
Labour factor (of which)	+ 1.22 %	+ 1.35 %	+ 1.60 %	+ 2.12 %	+ 0.44 %
working population	+ 0.73 %	+ 0.09 %	+ 1.13 %	+ 0.20 %	+ 0.37 %
working hours	- 0.20 %	- 0.06 %	- 0.45 %	+ 0.03 %	- 0.30 %
age and sex distribu- tion	- 0.08 %	+ 0.12 %	+ 0.15 %	+ 0.05 %	- 0.02 %
workers' qualifica- tions	+ 0.52 %	+ 0.29 %	+ 0.11 %	+ 0.40 %	+ 0.30 %
migration from rural areas	+ 0.25 %	+ 0.91 %	+ 0.66 %	+ 1.44 %	+ 0.09 %
Capital factor (of which)	+ 0.73 %	+ 0.84 %	+ 1.57 %	+ 0.80 %	+ 0.80 %
productive capital	+ 0.42 %	+ 0.79 %	+ 1.46 %	+ 0.74 %	+ 0.57 %
invested capital	+ 0.25 %	+ 0.03 %	+ 0.16 %	+ 0.11 %	+ 0.06 %
foreign investments	+ 0.06 %	+ 0.02 %	- 0.05 %	- 0.05 %	+ 0.17 %
Size factor (of which)	+ 0.30 %	+ 1.07 %	+ 1.35 %	+ 1.56 %	+ 0.45 %
increasing output	+ 0.30 %	+ 0.54 %	+ 0.55 %	+ 0.60 %	+ 0.28 %
price structures	0	+ 0.46 %	+ 0.70 %	+ 0.80 %	+ 0.15 %
opening of frontiers	0	+ 0.07 %	+ 0.10 %	+ 0.16 %	+ 0.02 %
Residual factor	+ 0.76 %	+ 1.56 %	+ 0.87 %	+ 1.30 %	+ 0.87 %

Source : Denison et Poullier, Why Growth Rates Differ. The Brookings Institution.

THE STANDARD OF LIVING

about 1967-68

	Germany	France	Italy	Nether-lands	Belgium	U.K.	U.S.A.
<u>Housing</u>							
Number of people to a room	0.88	1.01	1.14	0.76	0.62	0.67	0.59
<u>Health</u> (per 100,000 in-habitants)							
Doctors	148	118	171	114	151	115	158
Hospital beds	1,084	1,120	985	714	827	994	840
<u>Equipment</u> (per 1000 in-habitants)							
Telephone	172	140	135	216	181	218	523
Car	199	223	151	165	187	196	410
Television	231	167	146	197	186	263	392
<u>Education</u>							
Students (out of 1000 people in the 20-24 age group)	82	169	80	165	128	110	404

Source : Statistics of the European Communities

THE QUALITY OF LIFE ACCORDING TO THE ECONOMIST  
(grading of countries according to certain social indicators)

	Popula- tion density	Divorce	Early marriage	Ratio of doctors to popu- lation	Traffic deaths	Murders	Infant mor- tality	Car density	17- year olds still at school	Homes with bath- room	Ratio of tele- phones to popu- lation	Taxa- tion on in- comes above 2000 p.a.	Pro- visie- nal grading
U.S.A.	- 1	- 8	+ 8	+ 3	- 5	- 8	- 5	+ 8	+ 8	+ 7	+ 8	- 1	+ 14
Australia	0	- 4	+ 6	+ 7	- 7	- 6	- 3	+ 7	+ 2	+ 8	+ 4	- 6	+ 8
U.K.	- 4	- 5	+ 7	+ 5	0	- 1	- 4	+ 4	+ 1	+ 6	+ 7	- 8	+ 8
France	- 2	- 3	+ 4	+ 4	- 6	- 3	- 2	+ 6	+ 5	+ 2	+ 1	0	+ 6
Netherlands	- 7	- 1	+ 1	+ 6	- 3	0	0	+ 2	+ 4	+ 1	+ 5	- 3	+ 5
Japan	- 6	- 6	0	+ 8	- 1	- 7	- 1	0	+ 7	+ 5	+ 3	- 2	0
Belgium	- 8	- 2	+ 5	+ 2	- 4	- 2	- 6	+ 3	+ 6	0	+ 2	- 4	- 8
Italy	- 3	0	+ 2	0	- 2	- 4	- 8	+ 1	+ 3	+ 3	0	- 7	- 15
W. Germany	- 5	- 7	+ 3	+ 1	- 8	- 5	- 7	+ 5	0	+ 4	+ 6	- 5	- 18

"The Economist" recently published an order of merit of the main industrial countries, established on the basis of a few social indicators. Countries are graded from 0 to + 8 or - 8 depending on the indicator that has been selected. Thus a low population density is considered as contributing to the quality of life, and a high density as a negative element. It will be seen that the English-speaking countries lead in the final order; the Common Market countries come out rather badly.

SHARE OF WAGES IN NATIONAL INCOME

(Percentage trends from 1950-54 to 1960-64)

	Change in the share of wages as part of national income	Change in the share of wage-earners as part of the population	Balance
Belgium	5.1	1.5	+ 3.6
Norway	8.8	5.5	+ 3.3
Sweden	8.8	5.7	+ 3.1
Denmark	5.4	2.9	+ 2.5
U.K.	2	0.8	+ 1.2
Ireland	2.3	2.4	- 0.1
France	4.8	6.4	- 1.6
Germany	4.2	6	- 1.8
Italy	5.4	7.2	- 1.8
Netherlands	6.6	8.8	- 2.2
Switzerland	0.9	5.1	- 4.2
Austria	3.6	8.4	- 4.8
Combined	4.8	5.1	- 0.3

Source : OECD

EMPLOYMENT TRENDS IN THE EUROPEAN COMMUNITY

	1955	1960	1965	1970
<b>Agriculture</b>	24.3 %	19.6 %	15.9 %	13.4 %
<b>Industry</b>	40 %	42.4 %	43.5 %	43.9 %
<b>Services</b>	35.7 %	38 %	40.6 %	42.7 %

Source : Statistics of the European Communities



WAGE AND SALARY EARNERS

(as a percentage of the gainfully employed population)

	1960	1970	1975
Germany	77 %	82.6 %	84.3 %
France	70.1 %	77.9 %	81.1 %
Italy	59.4 %	68.4 %	71.7 %
Netherlands	78.8 %	83.7 %	85.5 %
Belgium	76.5 %	81.2 %	83 %
Luxembourg	70.5 %	76.4 %	79.1 %

Source : Statistics of the European Communities

Annex IX

LABOUR DISPUTES IN THE COMMON MARKET

(Working days lost through strikes, in thousands)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971(2)
Germany	88	65	451	878	17	49	27	390	25	249	93	360
France	1,070	2,600	1,901	5,991	2,497	979	2,523	4,203	100,000(1)	2,223	1,740	3,700
Italy	5,786	9,891	22,717	11,395	13,089	6,943	14,474	8,568	9,240	37,825	18,276	9,270
Netherlands	467	25	9	37	44	55	13	6	14	22	262	370
Belgium	334	92	270	247	444	70	533	182	364	162	1,426	500
<b>Total</b>	<b>7,745</b>	<b>12,653</b>	<b>25,348</b>	<b>18,548</b>	<b>16,091</b>	<b>8,096</b>	<b>17,570</b>	<b>13,349</b>	<b>109,643</b>	<b>40,481</b>	<b>21,797</b>	<b>14,200</b>

Source : Statistics of the European Communities

(1) Estimate

(2) First eight months

RECENT TRENDS IN GROWTH

(annual rates)

	Average for <u>1958-59 to</u> <u>1968-69</u>	1970	1971 (1)	1972 (1)
<u>Original members of the Common Market</u>				
France	+ 5.7	+ 5.9	+ 5.5	+ 4.5
Germany	+ 5.1	+ 5.4	+ 3.5	+ 1.5
Italy	+ 5.7	+ 5.2	+ 0.5	+ 3
Belgium	+ 4.7	+ 6.1	+ 3.75	+ 3
Netherlands	+ 5.3	+ 6	+ 5	+ 2
<u>New members of the Common Market</u>				
Britain	+ 3.1	+ 2.2	+ 1	+ 4
Norway	+ 4.8	+ 3.5	+ 5.25	+ 3.5
Ireland	+ 4.2	+ 1.5	+ 3	+ 3.5
Denmark	+ 4.9	+ 3.2	+ 2	+ 2.2
<u>Other countries</u>				
U.S.A.	+ 4.5	- 0.7	+ 3	+ 5
Japan	+ 11.2	+ 10.7	+ 6.1	+ 6

Source : OECD to 1970

(1) OECD, EEC and national estimates and forecasts for 1971 and 1972.

**GROWTH PROSPECTS**

(annual rates)

	1970-1975			1975-1980		
	Employment	Productivity	Production	Employment	Productivity	Production
<b><u>Original members of the Common Market</u></b>						
France	+ 0.5	+ 5.4	+ 5.9	+ 0.7	+ 5.4	+ 6.1
Germany	+ 0.2	+ 4.4	+ 4.6	+ 0.2	+ 4.5	+ 4.7
Italy	+ 0.8	+ 4.7	+ 5.5	+ 0.7	+ 4.8	+ 5.7
Belgium	+ 0.7	+ 4	+ 4.8	+ 0.5	+ 4	+ 4.6
Netherlands	+ 1	+ 3.7	+ 4.7	+ 1	+ 3.5	+ 4.5
Luxembourg	-	-	+ 3	-	-	+ 3
<b><u>New members of the Common Market</u></b>						
Britain	- 0.1	+ 2.9	+ 2.8	+ 0.6	+ 2.9	+ 3.5
Norway	+ 0.4	+ 4.1	+ 4.5	+ 0.3	+ 4	+ 4.3
Ireland	+ 0.7	+ 4	+ 4.7	+ 0.7	+ 4.1	+ 4.9
Denmark	+ 0.1	+ 3.7	+ 3.8	+ 0.1	+ 3.7	+ 3.8
<b><u>Other countries</u></b>						
U.S.A.	+ 1.7	+ 3.2	+ 4.9	+ 1.6	+ 2.8	+ 4.5
Japan	+ 1	+ 9.4	+ 10.5	+ 1	+ 8.4	+ 9.5

Source : OECD : "Growth in production 1960-1980" published in December 1970

