

# INFORMATION

C O N S U M E R S

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THE COMMON MARKET AND THE EUROPEAN CONSUMER

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That great edifice the European Community has now been well nigh fifteen years a-building.

Nevertheless, it is only quite lately that the man in the street -- who is, after all, the person most concerned -- has begun to realise that something has changed, and that more and more changes will, in the early future, pervade his daily life.

Hitherto this new formula has worn the guise merely of an economic arrangement; and it is known that one day it will become a political reality. It is now beginning to play its part in every aspect of day-to-day life; and the simple citizen is beginning to understand that something different, something going far beyond high-sounding but limited concepts such as the national economy, is now conditioning his activities as a consumer. He is in fact becoming a party to much wider relationships; he is cooperating to the full, as the person most concerned, in the general process of european integration.

The first question which interests the citizen of Europe is of course the oldest of the social-economic equations -- the relationship between the prices of consumer goods and the standard of living, which is expressed in terms of the income which conditions his purchasing power.

Unfortunately, the buyer of consumer goods, the housewife most of all, is too apt to lose sight of the fact that there must be two terms to any equation. He, or she, is prone to raise daily protests only on account of rising prices.

Purchasing power

Prices, of course, are the stalking horse of every household. It is true indeed, that they are rising at a pace which may sometimes be a source of anxiety to the heads of many families; but people nevertheless go on buying. Moreover, they are buying more and more goods, and the quality is better and the cost higher. Even families in the more modest income brackets now satisfy many consumption requirements which barely ten years ago they would have considered out of range.

The explanation is easy enough. The increase in the purchasing power of the citizen-consumer has been greater than the rise in retail prices. For example, a consumer who was earning 1,000 Italian lire per day ten years ago and had to spend 100 lire to buy a kilogram of bread, may now be having to pay 120 lire for his bread, but he will be earning 1,500 lire to pay for it. The price of the product in this case will have risen 20 %; but at the same time, the purchasing power of the consumer has risen by 50 %. This not only enables him to cope with the rise in prices, but leaves him a margin which is more than adequate to improve his standard of living without having to make any sacrifices.

The prices of some goods have of course risen more than others, and the validity of the above reasoning may thus be questioned in respect of some products. If, however, we think in terms of consumer goods as a whole, statistics prove the argument is right :

	Consumer goods price index 1970	Index of average hourly wages 1970	Real increase (%) in purchasing power
	1958 = 100		
Belgium	137	214	56
France	164	252	54
Germany	133	259	95
Italy	148	284	92
Luxembourg	130	215	62
The Netherlands	159	275	73
Great Britain	151	196	30

At this stage of the argument, some people might say that social and economic progress continues in any case; and that even without the Common Market, consumers in the various countries would be having the benefit of the same advantages. It is of course a truism to say that history, especially economic history, does not recognise the word "if". But in any case a glance at the above table makes it quite clear that the percentage increase in purchasing power, in all Six countries of the European Community, has been materially faster than in Great Britain which, in the period concerned, had not yet become a member of the European Community.

The disappearance of the Common Market's internal frontiers has undoubtedly helped to facilitate the trade in goods, greatly enriching the range of products offered to consumers in the markets of the Six countries. Still more important is the fact that it has sharpened competition between the suppliers, who have had to vie with one another in improving the quality of their goods, their presentation and the advertising techniques with which they stimulated sales.

Another statistical illustration will not come amiss. In 1960, in the Six countries of the Common Market, a washing machine could be bought for the equivalent of 508 hours work at the average wage; today it costs only 153 hours of work to buy the same machine. The cost of a refrigerator, in the same way, has fallen from 361 hours work to 76 hours; a raincoat from 60 hours to 14 hours; and a shirt from 12 hours to 3 hours.

#### Increase in private consumption

Taking the facts in the aggregate from the accounts of the national economies, and the section which deals exclusively with family consumption, the total expenditure in the European Community under this head, rose by 211 % between 1959 and 1971. If this figure is corrected to allow for the rise in prices, we find that the volume of private consumption has almost doubled -- increased by 96 % -- during the period. It is, however, the consumption of ~~the~~ greater number of people, for the population of the Community has increased by some 20 million (from 170 to 190 million) in the same period; but even so, the increase in the consumption per inhabitant is 167 % at current prices (i.e. including the effect of inflation) and 72 % in volume (i.e. at "constant" prices and therefore eliminating the effect of the inflation). This improvement in standards of living has happened in each of the Common Market countries, though the actual percentages differ somewhat from one country to another.

The improvement in purchasing power, and the quality and quantity of products, has been associated with far-reaching changes in the shopkeeping structure. A special breakdown of the information <sup>shops</sup> ~~what~~, that in 1970, by comparison with the previous year, there was a decrease in the number of commercial firms, especially small firms, in every one of the Community countries except Italy. The decrease was particularly marked in the retail food shops.

Change in number of commercial establishments 1969-70

	All retail trade	Retail food trade
Germany	- 2.5 to 3 %	- 4.6 %
The Netherlands	- 2.8 %	- 4.6 %
France	- 1.5 to 2 %	- 3.5 %
Belgium	- - -	- 5 %
Italy	+ 1.5 %	+ 0.6 %

In the European Community as a whole, the number of new commercial units set up in 1970 was 4,000 less than in 1969.

This decrease went hand-in-hand with an increase in the streamlined modern selling establishments, such as supermarkets, hypermarkets, big shops in suburban areas with total or partial self service. In this field the outstanding difference was between Germany and Italy. In the former, about 80 % of all sales of food are made in free service, but in the latter the proportion is only 4.5 %. In the other countries the proportion accounted for by free service is about 60 - 65 % in the Netherlands, 50 % in Belgium and about 70 % in France.

Number of modern trading units per million inhabitants (beginning of 1971)

	Food products in free service	Supermarkets and hypermarkets
Germany	1,403	48.4
The Netherlands	665	41 -
France	430	38.4
Belgium	315	50.2
Italy	27	9.9

One of the most important steps in Community policy for defending the interests of consumers is directed to coordinate and harmonise the fiscal legislation in the different countries. A first step in this direction was the introduction of added value taxation (A.V.T.). The tax has in fact been in force for various lengths of time in France, Germany, the Netherlands and Luxembourg. Belgium introduced it in January 1971 and Italy will probably be introducing it on January 1, 1973. Unfortunately the rates of tax in the different countries are still different which, for the moment, prevents the consumer having the full advantage of the increase in the sales of products and the full impact of the keener competition mentioned above.

By way of example, if we buy a radio set of normal quality in France, we should be paying 12 % more than in Italy. We might at first sight conclude that the same radio set as sold in France, is priced considerably higher than in Italy; but in fact the price in France contains a fiscal charge of 33 %, whereas in Italy it is only 9.5 %.

	Germany	France	Italy	Netherlands	Belgium	Luxembourg
Rate of tax	11 %	33.3 %	9.5 %	12 %	31 %	10 %
Price differences (inc. tax)	100	167	155	129	143	111
Price differences (excl. tax)	100	139	157	128	121	114

As between France and Italy, as we have seen, the difference in the final prices is only 12 %, which means that the French radio is in fact less costly than the Italian radio; but the disparity in the rates of tax prevents the head of the firm in France from having the full advantages available to him through the improvement in the economic structures of the community.

This does not mean that there are no price differences wholly independent of the fiscal conditions. There are still, for example, material price differences in detergents sold in plastic containers for domestic use. There are, too, many surrounding circumstances, psychological and others, inherent in the structures of individual national markets; and these lead to particular products being more expensive in one market and less expensive in another, without there

being any specific technical or fiscal elements affecting the prices.

One thing is sure. In the European Community as a whole, the price gaps between many consumer goods in the different national markets are tending to grow smaller. This is especially true for food products, toilet articles and domestic electrical equipment.

Thus the Common Market, after fifteen years existence, is beginning to bear fruit. This fact is very important when we remember that a large part of the many technical, commercial and customs obstacles by which hundreds of products are affected, have still got to be removed; and that it is still one of the great tasks for the future to achieve the full harmonisation of the fiscal and monetary systems of the different countries to a single European level.

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