

'Britain's Answer to M. Schuman' from The New Statesman and Nation (17 June 1950)

Caption: On 17 June 1950, the English weekly magazine The New Statesman and Nation reports on the British position towards the French plan for the pooling of coal and steel production in Western Europe.

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Britain's Answer to M. Schuman

Whether Great Britain should or should not become a partner in the Schuman Plan depends on a mixture of political and economic considerations. As Mr. Attlee said, it would have been quite wrong for us to commit ourselves in advance to what was not really a Plan, with its implications duly worked out, but a pig in a poke. When we can see what the French and the Germans really have in mind, we can either come in or put forwards counterproposals of our own. But what we cannot afford to do meanwhile is to adopt a merely negative attitude. The Cabinet should now be considering what sort of supra-national authority Britain could accept, and what precise conditions must be attached to British acceptance.

As our decisions will be bound to depend on a complex balance of considerations, it is very important that as many people as possible should understand what the relevant factors are. Let us begin with the purely economic aspects, as far as they can be isolated. The recent E.C.E. Survey of European steel prospects suggests that there is a danger that by 1952, if all present projects of construction are carried out, there will be a serious excess of productive capacity over prospective demand in the world market. These estimates leave out the production of the Soviet Union itself, but include that of its satellites; and they assume a continuance of the present restrictions on West German output. They add up to a total European capacity by 1953 of nearly 70 million metric tons, as against a prospective European consumption of 57 millions. At full capacity, this would leave 13 million tons for export to areas outside Europe, whereas total imports of all such areas in 1948 were only about 6 1/3 million tons, and the demand is estimated by E.C.E. as likely to *fall* to 5 millions by 1953, on account of the growth of non-European production.

These figures no doubt exaggerate in one respect the prospective surplus, because production over Europe as a whole is unlikely to be as high as total capacity. But on the other hand they take no account of the effects of increased output in Western Germany. As this has to be reckoned with, there is evidently a real danger of a massive surplus of output over prospective demand; and this, in absence of increased markets, can lead only to one of two results — cut-throat competition between the British, French and German steel industries, or a revived cartel aiming at drastically restricted production.

Only a combination of two new favourable factors could avert this danger — first, a vast investment of American capital outside Europe for the development of the backward countries, *plus* the spending of most of this capital not on American but on European products; and, secondly, a big revival of trade in capital goods between Eastern and Western Europe. Neither of these alone would do the trick: both are needed to balance prospective supply and demand at high level. Both depend on the Americans: the first on American willingness to invest — which in turn must mean government or government-guaranteed investment; and the second on the removal by the Americans of the existing ban on the export of steel and other potential war materials to Eastern Europe.

In default of these favourable factors, any combination of the European steel industries that involves an increase in permitted German production is bound to turn into a restrictive cartel. Even if the European steel producers, in fierce competition with the U.S.A., could recapture most of the Latin-American market — the largest net importing area — the gulf could not be nearly bridged; and the effect of such competition would be to drive the Americans into insisting on their overseas investments being tied to the purchase of American products. The plain and unpleasant truth is that there is no escape from the dilemma without a really big revival of East-West trade, because Eastern Europe is the natural outlet for most of Germany's steel, and, if this is closed, the Western European steel producers must either compete fiercely for a limited total market or restrict output by means of a cartel at the cost of giving up full employment.

Britain's Interests

Therefore, one outstanding consideration is whether the Schuman Plan will make for or against a resumption of large-scale trade between Eastern and Western Europe. There is, in hard reality, no chance that U.S. loans to the less developed areas will be on such a scale, and so untied to the buying of American goods, as to solve Europe's problem. Nor is there any chance of European steel consumption, which E.C.E. has estimated for 1953 at 30 per cent. above that of 1948, rising so much faster as to absorb the prospective

surplus. Indeed, it may fall, if Marshall Aid is withdrawn in 1952, even if expenditure on armaments rises to a ruinous level in consequence of the programme of Atlantic defence.

Of course, staying out of the Schuman Plan will not avert the unpleasant effects on the British economy which the prospects connote. But the situation is clearly such as to cause us to think twice before abandoning the position we at present occupy as exporters to the sterling area. Equal access to this area at a time of cut-throat competition, or of cartel restriction, would leave Great Britain in a most unfavourable position. It is true that, at the moment, we are well placed, in consequence of devaluation, as competitors of other countries in terms of prices; but how long will this advantage last? Devaluation is a game others can play at; and so is dumping in competitive markets. Moreover, this question of our relations with the sterling area, and especially with the Commonwealth, has wider economic as well as political implications. Nor must we forget that one object of the Schuman Plan is to get cheap coking coal for Lorraine as a *quid pro quo* for removing restrictions on German industry, and that a combined Franco-German steel industry might be a powerful competitor in sterling markets.

The economic factors are thus highly complicated; and the political factors are not less so. It may be feasible for publicly and privately owned steel industries in different countries to work together in a cartel; but it is surely not feasible if the cartel is to be given complete independence of the national governments, with power to order them to shut down factories on which the life of whole towns may depend, and to abandon the full employment policies to which they stand committed to their electorates. If the Schuman Plan could really be expansionist and not restrictive, this problem would not arise; but can it be in face of the hard facts? As a matter of political necessity, M. Schuman's proposed supra-national steel authority must be made responsible to someone, not for day-to-day executive action, but for *policy*. Presumably, the French and German promoters of the Plan would argue that this responsibility ought to be vested in a West European Parliament. But is Great Britain, in view of its Commonwealth and other non-European connections, prepared to surrender to a purely West European supra-national political authority the power to control its economic affairs? Could even a Conservative Government venture to do this, in its anxiety to restore capitalist predominance by invoking French and German, as well as American, aid? Can a Socialist Government possibly contemplate doing it, in face of the certain predominance of capitalist interests in any West European authority at present in prospect?

Breaking Down Sovereignty

This does not mean that we ought to stay out, either of the Schuman Plan or of measures to strengthen European political collaboration. But it does mean that *how far* we can afford to come in must depend on precisely what we are being asked to do. It is one thing to hold, as we do, that national sovereignty needs breaking down in the interests of world co-operation: it is quite another to erect in the name of internationalism a new sovereignty based on the political and economic unification of the limited area of Western Europe. Do our internationalists really want to add a third Leviathan to the two already in conflict?

There is no fundamental reason why this dilemma should not be resolved, on both the economic and the political plans, by forms of unity that will allow us to take any part in West European affairs without cutting our no less important international connections with the sterling area. It ought to be possible to devise for the control of the European steel industry an organisation that will be neither an irresponsible capitalist cartel nor a mere inter-governmental committee on the lines of O.E.E.C. — perhaps something modelled rather on the tripartite structure of the I.L.O., with its direct representation of trade union and capitalist groups, as well as of governments. It ought to be possible to work out lines of practical collaboration in Western Europe which allowed countries to take part in more than one supra-national grouping — a solution highly pertinent to the case of Britain with her Commonwealth connections. It ought, in short, to be possible to find means of gradually superseding national sovereignty, not by concentrating it in a still larger Leviathan, but by breaking it up.

If these conclusions be accepted, it seems clear that a much more constructive response than has yet been disclosed must be made by Britain to the French initiative. Mr. Attlee's reference on Tuesday to "this valuable piece of European co-operation" may do something to allay the bitterness which many friends of

Britain in Paris feel at what they regard as the chilly reception here of a forward-looking French project; but, if the deadlock which has so far been produced by the exchange of Notes between Britain and France is to be resolved, there is a strong case for the British Government's putting on paper a much more precise and *positive* reply to M. Schuman than it has yet vouchsafed. Such a reply, we venture to suggest, might run on the following lines.

What Britain Might Say

1. His Majesty's Government welcomes both the spirit and the aims of the French plan. It recognises that the proposal to bring coal and steel under regulation by a supra-national Authority is based on two principles:

(a) Any attempt by Germany's neighbours to curtail German sovereignty, while retaining their own unimpaired, is bound finally to fail. Unless Europe is prepared to see a revival of German nationalism, the German problem can be solved neither on the basis of national sovereignty nor by a purely Franco-German rapprochement, nor yet by full political union. Its solution demands the creation of new supra-national agencies in which Britain participates on equal terms. On the other hand, it is of vital interest to both France and Britain to ensure that such a union is fully compatible with their extra-European commitments, which, in the case of Britain, include not only the Commonwealth but the sterling area.

(b) The economic recovery of Western Europe, including Great Britain, cannot be stabilised so long as either (i) each nation is exclusively concerned to close its own dollar gap, win its own markets and preserve its own standard of living, or (ii) Western Europe, and in particular Western Germany, is excluded from the fullest access to the markets of Eastern Europe. Planned co-operation, therefore, must be substituted for cut-throat national competition, and East-West trade must be revived if Western Europe is to prosper and Western Germany is to be integrated within it. H.M.G. notes with pleasure M. Schuman's stress on desirability of Polish participation, for instance, in any plan for pooling coal and steel.

2. While it must make clear that it rejects as utopian any proposals for political union, H.M.G. wishes to re-emphasise its full acceptance of these principles, which bind Britain more closely to the Continent, and in particular to France, than at any time in the history of our two nations. In considering the French Plan, H.M.G. has been exclusively concerned to see how far the proposed machinery realises these principles of Franco-British policy.

3. Before commenting on the detailed proposals, H.M.G. considers it essential to define the framework within which they should be considered. The ultimate aims of the Governments which participate must be to achieve such supra-national integration as will (a) strengthen the national existence of their countries and make them ultimately independent of foreign aid; (b) foster their social and economic well-being. If these aims are to be achieved, the participating nations must not only be imbued with this common purpose, but each of them must be equipped to fulfil it within its own territories. The sacrifices of sovereignty, which are implied in the French proposal, will give rise not to harmony but to acute and possibly fatal dissensions, *unless each nation exercises the controls of its economy necessary to maintain a full-employment policy, without which the proposed Authority would inevitably degenerate into a restrictive cartel*. In the view of H.M.G., the minimum controls necessary for this end are effective exchange control, control of imports and exports, control of capital expenditure and location of industry.

4. The acceptance by each participant nation of a Full Employment policy was not necessary in order to proceed with the type of integration begun in the O.E.E.C., in the Brussels Pact and in the Atlantic Defence Council. So long as integration is strictly limited to inter-governmental agencies and committees, with no executive power, or to such solely advisory bodies as the Strasbourg Assembly, each nation can adopt a *laissez-faire* attitude to the social and economic policies of its neighbours. But the situation is transformed as soon as it is proposed to set up a supra-national agency.

5. H.M.G. therefore proposes that the Conference, as the first item on its agenda, should discuss the

conditions noted in § 3 above. If it were found that no agreement were possible, it would follow that the time has not arrived for establishing a supra-national Authority. It would then be necessary to revert to the slower type of integration begun in the O.E.E.C. and the Atlantic Council. But, in the view of H.M.G., slow, inter-governmental integration, however unsatisfactory, would be preferable to attempt to pool coal, iron and steel, which merely repeated the mistakes of the pre-war iron and steel cartel.

6. H.M.G. places special emphasis on the necessity for this first item on the Conference agenda, in view of the fact that the French proposal deals with coal and steel. If the proposal had been to set up a similar Authority in order to deal with civil aviation or even with the whole of transport, H.M.G. would not have felt itself bound to demand this preliminary agreement, since in this instance sovereignty would not be so vitally affected. But coal and steel are the material basis not only of the whole British economy, but of national sovereignty itself. The Authority which controls the price of coal and steel, and the wages of coalminers and steel workers, determines the price and wage level throughout industry. The Authority which either restricts or expands production of coal and steel determines thereby the general economic policy, and in particular policy with regard to Full Employment. For these reasons, H.M.G. is convinced that it would be unrealistic to begin discussions on the exact nature of the proposed Authority until the participating nations had assured themselves that the conditions for its success exist.

7. Turning to the precise machinery proposed in the French Plan, H.M.G. accepts the principle that any supra-national Authority, in order to exert executive power, must be shielded from day-to-day interference by national Governments. It is, indeed, in accordance with this principle that the nationalised industries in Britain have been placed under the control of independent public corporations, subject only to Parliamentary control via the Minister. H.M.G., however, believes that it is not in accord with the democratic principle of public responsibility that a supra-national Authority should be responsible neither to national Governments nor to national Parliaments, nor to any form of supra-national representative assembly. It believes that it would be more in accord with democratic practice that the principal Executive should be responsible to a small body, composed, in accord with I.L.O. practice, as to one-half of Government delegates, one-quarter of delegates of employers, and one-quarter Trade Union delegates. This body should be the policy-making Authority, and the Executive should be the controlling organ which carries out the directives of the public representatives.

8. Unless the Authority is to have its own police force, it is clearly necessary that it should act through Governments. Governments, therefore, must have the power to impose the decisions of the Authority on their own coal and steel industries. For this purpose it would be necessary that the industries be nationalised or, alternatively, under Government control. If the Authority is to fix prices, for instance, then Government price-fixing must be established in each participating country. If the Authority is to plan future capital investment, then the participating Governments must be able themselves to plan and control capital investment. H.M.G. believes that the Authority will only operate successfully if coal and steel are publicly owned by each participant both because public ownership alone can ensure full public control and because, in the view of H.M.G., it is essential to a permanent expansion and improvement of economic life. But H.M.G. would be willing in the first stage to accept that each participant should exert a degree of control over its coal and steel industries equal to that exerted by the British Government at present over the British steel industry.

9. H.M.G. is hopeful that the French and German Governments will be ready and able to give the necessary assurances about their respective economic and social practices, which would make possible the inauguration of this first experiment in supra-national European integration. But if, after discussion, the participating nations feel that they are not yet ready for so drastic a step, H.M.G. is ready to discuss (i) how the existing structure of inter-governmental machinery can be used, in order to begin joint planning of coal and steel, and (ii) the establishment of a supra-national Public Corporation to own and manage the civil aviation of the participating powers, as a first step towards Europeanisation.