

Ed van Cleeff, European Economic Cooperation (April 1949)

Caption: In April 1949, Dutch economist Ed van Cleeff drafts a note in which he describes the stages required for the establishment of European economic cooperation.

Source: Internationaal Instituut voor Sociale Geschiedenis, Amsterdam. Johannes Marten Den Uyl (1919-1987) 1927-1987. Lezingen en artikelen. Manuscripten van artikelen door J.M. den Uyl en anderen betreffende de Europese eenwording. Met aantekeningen en documentatie. 1946, 1948-1962. 1 pak, 200.

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EUROPEAN ECONOMIC COOPERATION

by Ed van Cleeff

A. Introduction

1. Deliberate coordination of the European economies is desirable both economically and politically, even after the Marshall period (larger market, larger area for coordinated structural and economic policy, autonomy in relation to Russia and America).

2. Cooperation between economies can be brought about:

- a. by concluding a contractual relationship between two or more partners which remain as independent as possible in terms of domestic policy (cf. cartels);
- b. by merger (the creation of a unified whole with its own management and economic policy; cf. company mergers).

B. Swift liberalisation is undesirable and impossible

3. Liberalisation means converting the European economies into one market, that is to say into a system of communicating vessels, and doing so by abolishing economic boundaries (abolishing quota restrictions, tariffs, currency restriction, migration restrictions, etc. within Europe). It destroys national economic sovereignty since it deprives the Nation State of a number of instruments (trade policy, etc.) which are essential for managing the economy.

4. Swift liberalisation would destroy national sovereignty before a set of central European bodies responsible for economic management could be set up. Consequently, a merger without sufficient management, and thus *laissez-faire* at European level, comes into being. As a result, there is no longer any possibility of pursuing a structural and economic policy, social policy and cartel policy, etc. Therefore, such swift liberalisation is unacceptable, not only during the Marshall period (no possibility of a deliberate reduction in the dollar shortage) but also thereafter.

5. That applies to the Netherlands in particular. Large-scale industrialisation is impossible without special measures such as education tariffs or long-term marketing guarantees, whilst the possibility of large-scale emigration within Europe, as a conceivable alternative to industrialisation, will certainly develop at too slow a rate. Moreover, the PBO [public-law industrial regulatory body] loses all real significance in this scenario. No responsible government can accept these consequences.

6. Many factors are playing a role in the current push for liberalisation, namely an excessive reaction to the war economy, a deliberate pursuit of a liberal economy and well-meaning attempts to make Europe a counterpart to the USA (disregarding the historical differences). On the French and Belgian side in particular, liberalisation is often seen as a means, via the operation of the free price mechanism, of bringing about European coordination, with effects such as unemployment, etc. being disregarded or played down.

7. The Benelux experience shows that the swift opening up of borders is unsuccessful even on a small scale. In actual fact, the intended merger, referred to as 'Economic Union', is a long way off. What has been implemented is an international agreement, referred to as 'Pre-Union'.

8. To date, the course of trade policy development has passed from free trade, through protectionism and quota restrictions, to bilateral trade agreements of increasing importance and duration (= regulated exchange). Liberalisation means a sudden reversal of this development. This will be difficult to bring about as long as the forces which led to this development continue to exist. Instead, efforts must be made to pursue the present course, as is attempted below.

C. Positive proposals

9. The best way of achieving European cooperation is to coordinate national economic plans using an overarching OEEC plan, that is to say to coordinate individual national plans by means of an overall European plan. This European plan must provide the principal model for production, investment, movement of goods, financing, economic policy, migration, etc. This is all consistent with the development of the OEEC.

10. Between the European States international must be concluded agreements which govern, amongst other things, the reciprocal movement of goods and which are consistent with the overall plan (that is to say the movement of goods resulting from the agreements must be in keeping with the model incorporated in this overall plan). The overall plan, plus a set of bilateral agreements, could then lead to coordination. In due course, the set of bilateral agreements could perhaps be replaced by a multilateral agreement. It could also be supplemented by a multilateral monetary agreement.

11. The bilateral agreements could deliberately liberalise the import and export of certain goods. However, this cannot go so far as to render the management of the national economies impossible. On the other hand, in relation to many goods, preference should be given to long-term agreements which guarantee the sale and supply of these goods and thereby give exporting and importing sectors of industry greater certainty. Tariffs must, save in exceptional cases such as the protection of fledgling industries, disappear as far as is possible.

12. Bringing about such a development requires – in addition to the existence of national authorities capable of planning their national development and acting as partners capable of entering into bilateral and European agreements – a powerful central European authority encompassing, amongst other things:

- a. a political authority (Assembly, Council – cf. Strasbourg);
- b. a Social and Economic Council, including representatives of employers, employees, public authorities and science;
- c. a ‘Ministry of Economic Affairs’ (which could develop from the OEEC; what is envisaged is a super-ministry to which various other economic and social bodies are accountable and which, in particular, also directs economic policy);
- d. an Office for Statistics and Economic Research (cf. Economic Commission for Europe, which, however, also encompasses Eastern European countries);
- e. a Planning Office (which could develop from certain activities of the OEEC);
- f. a financial authority (Central Bank, Investment Bank);
- g. a European ‘Office of the Emigration Board’ to regulate relations with areas outside Europe (the special relationship with the Dominions and Overseas Territories may be disregarded in this memorandum);
- h. special bodies for the most important sectors of industry, in particular the basic industries (already to a certain extent in the process of formation at the OEEC);
- i. bodies to supervise cartels.

13. The setting up of such an authority and its development into an effective instrument will take a great deal of time, particularly since there is by no means any unanimity regarding its desirability. The possibility of swift implementation is, therefore, ruled out. In any event, a start should be made as soon as possible on setting up the bodies referred to under a, d and e.

14. When a powerful set of European bodies has been set up and harmonious, reciprocal adjustment of the European economies has been attained by means of plans and agreements, consideration can be given to moving from the international agreement stage to a merger (‘make the trade flow first and aim at its liberalisation later’). It should also be borne in mind that a full merger means the complete abolition of the economic sovereignty of the constituent parts and thus a level of centralisation which, at least in the opinion of the author, probably goes too far. However, for the time being, this problem is not at issue.

15. In view of the situation in Europe and beyond (namely America), it is likely that the end result will be neither complete liberalisation nor central planning in the above sense, but rather a hybrid form. Then a

situation will probably arise internationally which is similar to that with which we are currently familiar nationally, namely a hybrid form with many drawbacks. At all events, it will then be necessary to consider what minimum degree of national and international sovereignty is indispensable.