Comments from Aims of Industry on the United Kingdom’s accession to the EEC (1973)

Caption: In 1973, Aims of Industry, an independent free enterprise corporate lobby group formed by the leaders of the major UK companies, welcomes the United Kingdom’s accession to the European Economic Community (EEC) and outlines the advantages of European integration for the UK’s industry and economy.

Source: Now we are in Europe-Economic Argument. London: Aims of Industry, 1973. 4 p. p. 1-4.

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Economic Argument

Now we are in Europe

After only a couple of months as a member of the European Community, Britain has already made something of an impact on Community affairs.

Question time, on the model of our own Parliament, has been introduced in the European Parliament at Strasbourg. The regional policy needs of decaying industrial areas have become the concern of the whole Community, and a charge upon its budget.

All this is fine. It is right, of course, that Britain should use her influence within the Community to safeguard her own vital interests, and her political experience to benefit the cause of democracy in Europe.

Influence, however, is a two-way process. We shall be guilty of the worst type of “ wogs begin at Calais ”attitude if we ignore the lessons Europe can teach us.

What we have most to learn about is undoubtedly economic growth. In terms of providing higher living standards for everyone, Britain has been a dismal failure in comparison with each of the six countries who originally formed the European Community. There must be a good deal here we can learn from our new partners.

We should be foolish not to try to learn from them, for the scale of their achievements, and the impact they have had on the lives of ordinary citizens, dwarfs what Britain has been able to accomplish, year after year, under successive governments, Labour and Conservative. The more rapid rise in living standards in Europe used to be dismissed as a post-war recovery phenomenon, but it goes on and on.

Less for consumer here

To take the most recent figures: between 1966 and 1972 real consumers' expenditure (that is, after adjustments for price increases) rose by 33p in the £ in Germany, and by 38p in the £ in both Italy and Prance. Despite the explosive growth in money wages in Britain between 1969 and 1972, the real increase in consumer spending here during the six-year period was only 18p in the £. The Germans, Italians, and French had it around twice as good as the British.

There are lessons for all of us in the experience of the European nations. Our Government, politicians and civil servants, our industrialists and managers, our trade union leaders and shop stewards, and the whole mass of ordinary working people, can learn something from what has happened in Europe during the last 20 years.

One of the outstanding lessons, perhaps, is how richly private enterprise can deliver the goods if it is allowed to operate in a friendly environment. While the Six nations have had governments of all kinds of political persuasions during the post-war years, ranging from right wing Gaullists in Prance to Social Democrats in Germany, none of them has ever had a government with an anti-profit, anti-market economy philosophy of the kind which appears to be enshrined in so much of the thinking of Britain's Labour-Party (and of much of Britain's trade union leadership).

Each of these six rich and successful countries has a Social Democrat party akin to our own Labour Party, but none of these parties has a dogmatic commitment to nationalization like Labour's notorious Clause.

Social Democratic coalition governments in Germany and Holland have not found it necessary to nationalize those so-called economic “ commanding heights ”, the steel industry. This is a stark contrast to the disruption suffered by the British steel industry which has had to live under the threat or actuality of nationalization ever since the war. It is not surprising, perhaps, that European steel is efficient, productive and profitable, while the unhappy British Steel Corporation survives its huge losses only through the bounteous hand of the taxpayer. The European private enterprise steel companies are thrusting ahead through sensible cross-frontier mergers, but who wants to merge with an ailing nationalized giant?

More nationalization here

Steel is just one of the many examples where Britain's Labour governments have made genuflections to Clause 4 and taken whole industries into nationalization. Britain, in fact, has a far larger proportion of its industry nationalized than any other free European country - far larger even than in any of the Scandinavian countries, which have had socialist governments for as long as anyone can remember.

Social democratic parties in Germany and France have recently fought general elections without any nationalization proposals at issue. In contrast, judging by its current policy statements, the British Labour Party will go into the next General Election with a hotch-potch of nationalization commitments. The pharmaceutical industry, the big banks, and the insurance companies, all big foreign currency earners, will be at risk, and so will a host of unspecified industries receiving backing from the State.

These contrasting attitudes to nationalization between Europe and Britain are not just matters of political ideology which do not affect the ordinary citizen. What brought about the German "miracle" was the success of private enterprise, which made the nation the world's biggest exporter of cars, chemicals and many other products. Volkswagen, Germany's largest company and most successful exporters, was denationalized. In Italy, too, it was private enterprise which dominated world markets for domestic electrical appliances like washing machines and refrigerators.

In contrast, in Europe, as in Britain, the nationalized industries are nearly always the loss-makers. Even Renault, France's State-owned motor manufacturer, is heavily “ in the red “, while if anyone believes that “ back-door nationalization “ through a State holding company produces better results, he should study the performance of Montedison, Italy's largest chemical company -and a staggering loss-maker.

Another area in which Europe has a great deal to teach us is industrial relations, though the records of different nations vary greatly, Germany and Holland are the star performers, consistently achieving levels of industrial peace which are unbelievable by British standards. At the other end of the scale, France and Italy have both had violent labour troubles, and in Italy they have become chronic. We should not delude ourselves, however. Even Italy's industrial relations have been no worse than Britain's in recent years.

It would be an over-simplification to attempt to identify any single reason for Europe's generally better performance in labour relations. One factor is absence of demarcation disputes, which are virtually unknown in Europe, but which have cost Britain, as well as the unfortunate companies and workers involved, so much in lost wealth in recent years. In most European countries there is a generally simpler trade union structure than in Britain, while in the outstandingly peaceable countries, Germany and Holland, there are only a handful of trade unions representing all organised workers. In stark contrast to Britain, where the management of a car factory may have to deal with as many as 17 different unions, it is the practice in Germany for a single trade union to represent all the workers in a whole industry,

Joint consultation by law

Ironically, it was the British trade union movement which helped the Germans after the war to set up this simple and very effective union structure. Now, maybe, it is time for the teachers to learn from their former pupils.

In both Germany and Holland, there are laws which make joint consultative machinery compulsory in all but the smallest companies. There are also laws which provide for a proportion of the members of company supervisory boards to be elected by employees. These boards are not strictly analogous to the British board of directors, because German and Dutch companies historically have a two-tier top management structure with a management board conducting the operations of the company, and a part-time supervisory board giving its overall approval to long-term policies, senior management appointments, decisions on manpower policies and the like. Employee representation on supervisory boards does nevertheless give employees and trade unions a direct channel of regular communication with the top management of companies, and power to intervene or veto in certain circumstances.

The German and Dutch systems have been greatly admired by some British observers, who naturally tend to attribute to them a good deal of credit for the industrial peace which exists in Germany and Holland. This was, however, sensibly put into perspective recently by a German speaker, personnel director for the big and successful Opel company. The German system, he said, worked well so long as everyone concerned accepted the market economy and devoted his efforts to making it work better for everyone's benefit. Once people were involved who wanted to destroy the market economy, then there was trouble all round.

This is an important message for Britain, and, indeed for other European countries, for the Commission in Brussels has proposed that the German or Dutch systems should become part of European company law and thus binding on all member countries of the Community. Now it would be foolish to blind ourselves to the fact that people who are politically motivated to destroy the market economy are very active in the trade unions in Britain. They form only a tiny minority of unionists: one estimate suggests that there are only at most 50,000 of them among Britain's 10 million union members. Yet because of their fanaticism they wield influence totally disproportionate to their numbers. The unrepresentative nature of much of our union leadership, especially at shop floor level, can be clearly seen from the unending stream of demands for nationalization which emerge from trade union conference, while opinion polls always show that the great majority of the population is opposed to further nationalization.

The German lesson

Germany has undoubtedly benefited enormously from the moderation of her trade unions in the post-war era. They have accepted the market economy and devoted their efforts to ensuring it works to their members' benefit, instead of playing politics. The rewards to their members have exceeded the dreams of avarice, and the living standard of the average German worker is vastly higher than that of his counterpart in Britain.

There are a host of things we can learn from this German experience. The British Government fairly obviously should veto the European Commission's proposal that the German system should be written into European company law and thus become mandatory in Britain. There is no reason why we should give hostages to fortune by admitting people who want to wreck the market economy, as of right, to company boardrooms. On the other hand, British companies who are happy about their industrial relations and want to adopt the German system, or any other form of employee participation in management, should be free to do so.

For the ordinary, moderate British trade unionist the message of German experience is also clear. He should take more interest in his union affairs, and make sure that his union spokesmen are not people who for political ends misrepresent what he and his workmates actually want.

In fact, looking at the mess of Britain's plethora of nationalized industries, at the Labour Party's mindless proposals to nationalize everything in sight, at the state of our industrial relations, complete with union policies of "confrontation" with an elected Government, it is tempting to draw one final, overall conclusion about what European experience can teach us.

That is that the less politics are mixed with industry, the better. Assuming, of course, that we want European-style prosperity all round.

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