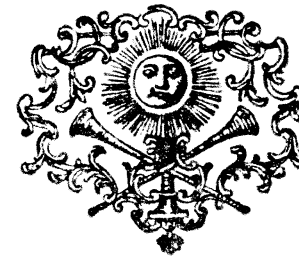


# THE FEDERALIST

a political review

*To look for a continuation of harmony between a number of independent unconnected sovereignties situated in the same neighbourhood, would be to disregard the uniform course of human events and to set at defiance the accumulated experience of ages.*

Hamilton, The Federalist



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YEAR XXVII, NUMBER 1, MARCH 1985

# THE FEDERALIST

a political review

*The Federalist* was founded in 1959 by a group of members of the Movimento federalista europeo and has been published in English, French and Italian since 1984. The review is based on the principles of federalism, on the rejection of any exclusive concept of the nation and on the hypothesis that the supranational era of the history of mankind has begun. The primary value *The Federalist* aims to serve is peace.



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## ***Europe before the Challenge of the Future\****

*There is a basic contradiction in today's world. While we have the scientific revolution, and consequent enormous potential for technological progress, prospects for great economic development and sensational advances along the road to human emancipation, on the other hand, the world appears to be less capable than ever of freeing itself from the influences of the past. We need only to consider that:*

— *unemployment is spreading and is generating a strong reaction against the spread of new technologies;*

— *the trend towards a shorter working week found in all advanced countries, in itself a great social conquest, made possible by technological development and urgent by unemployment, is not even being taken into serious consideration;*

— *Third World countries are crushed by the weight of their growing debt, which hinders the implementation of any serious development project, while the industrialized countries are incapable of ensuring the necessary transfer of resources;*

— *international monetary instability is making financial markets precarious, which in turn hampers the financing of long-term investments;*

— *there is an increasing tendency everywhere to dismantle the welfare state.*

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\* This issue reproduces the unabridged text of the introductory documents and the speeches held at the meeting of February 8-9, 1985 in Rome on « Europe before the Challenge of the Future », organised by the European Movement.

*There is a simple explanation for this negative trend. On the one hand, the bipolar equilibrium that has governed the world since the war is becoming increasingly less capable of offering positive solutions to the problems that humanity must face and solve. And the very survival of a stable and peaceful international framework, capable of ensuring the long-term development of the world economy, is increasingly being brought in question. On the other hand, a political formula to supplant the national state and make effective democratic decisions possible at the international level where development problems lie and which, today, are at the mercy of intergovernmental collaboration — i.e. of the goodwill of governments or of hegemony — has not yet become historically consolidated.*

*Clearly, the path of progress crosses Europe in both cases. Many people have noted a shift in the world's major trade routes from the Atlantic to the Pacific, due to the recovery in the USA and the strong growth of the Japanese economy. Europe, however, does not seem capable of initiating the industrial transformations made necessary by the technological revolution. But the problem is not merely sustaining Europe's reinforcement to prevent its exclusion in this historic period of transformation. It is rather a matter of finding a project capable of initiating a new phase of world economic development. It is in the realization of this project that Europe is able to play a decisive role. To be persuaded about this we need merely recall that:*

*— by means of the European currency, bipolarism in a terrain as decisive as the monetary field, in which the insufficiency of the existing order for world trade needs is made manifest day by day, can be superseded in fact and deed;*

*— a Keynesian policy can be applied internationally by a Marshall Plan for the Third World, thereby rendering the enormous reserve of potential demand existing in those countries effective;*

*— arms reduction may be undertaken by means of a peaceful foreign policy and a European defence system with no offensive capacity;*

*— a gradual reduction in working hours can be begun when there is a unified and growing market, in order to introduce a new quality of life into the world.*

*But what is at stake is not just this, but rather the affirmation, through the European union, of the historic possibility of an efficient and democratic government of an association of States*

*which, precisely because it is constituted by the great nations of the past, can be held up as an exemplary model for the entire world.*

*The decisive point is that, today, European union is possible. The European Parliament, in a strong position because of the citizens' vote, has successfully taken on the role of "federator" by taking a constituent initiative. And, with the draft treaty approved on February 14th 1984, European Union has become a choice that the governments can no longer evade.*

*The intention is for this Conference to promote the emergence of the front of States now favorable, so that at least the first core of the European Union may be constituted immediately.*

## The Economic and Monetary Prospects

ALBERTO MAJOCCHI

To cope with the challenges of the future, Europe must advance resolutely along the road of strengthening Economic and Monetary Union. This is the main lesson that may be drawn from the difficulties that Europe has had to grapple with after the completion of the Customs Union.

Freed from tariff obstacles, the European market has reached the necessary continental size to develop industrial production on a large scale: national income has grown very rapidly and even wage-earners have been able to benefit from levels of prosperity hitherto conceivable only for the more well-to-do classes. Mass production has thus finally begun in Europe too, roughly half a century after the United States (which already had a market of supranational size at its disposal).

But today, once again, Europe risks falling behind the United States and Japan, where a new phase in the industrial revolution has begun. In fact, without political union, it is impossible to create a fully-fledged European Common Market, or to equip Europe with an adequate budget and a common currency. As a consequence, Europe is not in a position to tackle effectively the deep changes made indispensable by the economic evolution of the seventies.

\* \* \*

A widespread belief now exists that the process of European unification has reached a decisive turning-point. In fact: a) at the monetary level, the Community has no currency of its own at its disposal and is therefore subject to monetary decisions imposed by the United States; b) at the level of the territorial distribution of income, the Community cannot use the instru-

ments of public finance to level per-capita income between areas characterized by different degrees of wealth; and c) at the level of industrial restructuring, the Community cannot achieve a transition to the scientific mode of production and thus open a new phase in the growth of the European economy, compatible with Third World development.

There is equally a widespread belief that the most effective methods for a definitive response to these problems are:

1) the completion of the European Monetary System and the adoption of the ECU (European Currency Unit) as a means of payment;

2) an increase in the Community budget, to at least 2.5% of European GDP, in accordance with the recommendations of the MacDougall Report;

3) the launching of a new type of Third World aid policy, so that European development is consistent with the development of economically backward areas.

\* \* \*

### *1. The completion of the European Monetary System.*

The introduction of the EMS was made possible by the new political prospects opened up by the decision to hold direct elections to the European Parliament. It also represented a decisive factor for reversing the trend towards the disintegration of the Common Market which characterized Europe during the seventies. But the transition to the second phase of the EMS, planned to occur within two years of the launching of the system, has still to take place.

In spite of this failure to complete the institutional phase, the European Currency Unit's private market has undergone enormous development and the ECU today represents a very widely used instrument for bond issues and contracts, even with countries outside the Community, and in general for providing a measure of value less volatile than the dollar.

The full potential of the EMS cannot, however, be realized without further institutional progress. To constitute an effective alternative to the dollar and so resolutely initiate a transformation of the international monetary system on a multilateral basis, the European currency must be guaranteed by the European Monetary Fund. And, at the same time, only the guarantee of a lender of last resort can turn the ECU into a universally accepted means of payment and store of value. It is essential, therefore, that the institutional development of the Community should also make provision for the extension of Community powers in the monetary

field, i.e. for *the establishment of a European Central Bank*, responsible for guaranteeing the ECU's value.

## 2. *The strengthening of the Community budget.*

The Community's budget has in recent years been one of its permanent crisis points, especially following British requests for a fairer distribution of budget contributions and expenditure benefits. To this should be added the fact that the ceiling of the Community's own resources has already been reached and hence the launching of new policies is not even conceivable, because of the lack of the necessary resources. From this point of view, even the Fontainebleau summit decision to raise the VAT quota earmarked for the financing of the Community budget to 1.4% already seems cancelled out by the higher costs deriving from the admission of Portugal and Spain.

New resources thus need to be allocated to the Community if the necessary policies are to be implemented which will ensure the restructuring of the European economy and a levelling-out of per capita income between rich and poor regions, made all the more urgent by the admission of two new Mediterranean countries to the EEC. Yet these redistribution policies must not be conceived of as a "hand-out" policy. The Community must finance a plan for the provision of infrastructures useful for European countries as a whole, thus closing the infrastructural gap that characterizes the weaker areas. And, at the same time, to promote the creation of fully-fledged internal market, the Community must introduce harmonized provisions and standards for the industrial sector and activate a common market for public procurements, even by expanding direct demand financed through the Community budget. Such financing must be mainly earmarked for the development of technologically advanced productive sectors, together with funds supplied by the private sector, as is already occurring in an embryonic fashion with the ESPRIT programme. In general, therefore, Community funds must be spent under a *European development plan*.

Today there is a major imbalance in the Community budget's structure, as is amply demonstrated by the fact that in 1984 less than 3% of expenditure was used for research, energy and industrial policies, while roughly a fifth went on supporting dairy products. With the creation of a European Union, a very important step forward in history of modern States' budgetary policy will be achieved: indeed, most expenditure on typical welfare policies — health, pensions, education, unemployment benefits — will be managed by the decentralised levels of

government, i.e. by the member States of the Union. The Union will then be able effectively to use the budget resources, firstly to accomplish the new industrial revolution, a major feature of which is science as a factor of production and, secondly, to develop policies designed to guarantee a new quality of life. In the European development plan, discussed above, a major role will have to be attributed to major environmental protection projects, in the wide sense of the term, in addition to the initiatives mentioned above.

But this division of tasks between the Union and the member States, together with the transfer of monetary sovereignty to the European level, may effectively contribute to overcoming the crisis of the welfare state, today common to all countries, and to the achievement of "buongoverno". This transfer would in fact assign the task of currency control to the European government, which has only a restricted budget at its disposal (because it is only responsible for the definition of the economic policy guidelines and the harmonization of the basic conditions in the various areas of the Community). On the other hand, the national levels of government, which retain responsibility for policies designed to redistribute wealth between individuals, and administer the huge quantity of resources required by the typical policies of the welfare state, would no longer finance themselves through monetary creation. All the government levels would thus be compelled to collect their own taxes to cover their expenditure, in accordance with the principles of fiscal federalism.

It should be pointed out, lastly, that in the new society made possible by the spread of the scientific revolution at the European level, an increasingly large proportion of social demand is destined to be satisfied by means of voluntary work.

## 3. *A policy for the Third World.*

Awareness of European responsibilities towards the Third World countries is gaining ground. But the policy prescribed is still of the "hand-out" type. At the same time, the national division of aid policies makes them largely ineffective and, in any case, precludes the qualitative breakthrough on which the economic and social take-off of these countries depends.

The transfer of resources is not in itself sufficient, as is tragically demonstrated both by the chronic indebtedness of the developing countries, and the progressive impoverishment of such a large part of mankind. The Community must therefore concentrate the national aid in its hands, and implement a large-scale "Marshall Plan" for the Third World. But this firstly pre-

supposes the establishment of a common plan by the countries that decide to associate themselves with Europe in this major *partnership for growth* project. Secondly, it presupposes effective political control over the use of funds which might be exercised immediately by joint bodies. This might begin, in fact, with the consultative Assembly already set up by the Lomé Convention. These bodies would also be given the task of promoting every appropriate initiative to ensure the success of this plan.

While the European policy of industrial restructuring must be concentrated in the technologically more advanced sectors, the Community must provide sufficiently wide scope for developing countries' exports in the traditional sectors, thus guaranteeing the project's internal coherence.

In this case, too, European financing must be allocated directly to projects considered to be of decisive importance for development, and must be distributed, on this basis, to the governments concerned, in such a way as to prevent corruption and wastage which have often characterized aid policies in the past.

This new "Marshall Plan" could be financed with greater ease if the ECU effectively took on the role of an international currency, since a common European financial market would be able to attract available capital at the world level and so allocate it to furthering the development in the more backward areas.

\* \* \*

It is clear that this plan for the progress in Economic and Monetary Union is inconceivable without the realization of the European Union. The Community is, in fact, paralyzed by its inability to take decisions. And, consequently, Europe is economically losing ground to the United States and Japan. But if the Draft Treaty for the European Union is ratified, then the indispensable political and institutional minimum for running an effective economic policy will have been achieved, in the interest not only of the Europeans, but of the rest of mankind.

## The Technological Challenge

GUIDO MONTANI

This working document puts forward some observations which are complementary to both the preceding document on "The Economic and Monetary Prospects" and the Albert-Ball Report, presented to the European Parliament in July 1983, in which the costs of "Non-Europe", as regards the technological lag behind the USA and Japan, are clearly specified.

The battle for the European Union has now begun. On its success will depend the possibility of beginning to replace "Non-Europe" by an effective European government, to which the citizens, the cultural, social and political forces and, of course, the European Parliament may entrust the task of implementing the necessary policies to respond to the technological challenge. The aim of this document is to provide the basic elements for reflection on this matter.

First of all, the main characteristics of the technological challenge facing Europe today need to be described. As is well-known, Europe's technological gap vis-à-vis the USA and Japan is only a symptom of a wider phenomenon. The long-term tendency towards the displacement (*décentrage*, to use Braudel's term) of the core of world economic development from the Atlantic to the Pacific would in fact seem to be confirmed. The technological, commercial and financial interchange between Europe and the USA which has effectively constituted the driving-force of post-war international development would, therefore, seem to have begun to decline. In its place, the new development pole of the Pacific is gaining strength, thanks not only to the contribution of a dynamic Japanese economy, but also to the emergence, on the Pacific's Asiatic shores, of newly industrialized countries and the Chinese colossus. A highly integrated market

has thus been formed in which Australia acts as a gigantic reservoir of raw materials (until recently directed mainly towards Europe) for the voracious industries of the northern Pacific, now in part located — even in the case of technologically mature sector — outside the USA and Japan, both of which have had to stem the challenge posed by the industrial production of Asia's former underdeveloped countries. The development prospects for this new economic macro-region are so alluring that the USA is now in the process of reorientating its foreign policy in terms of a reinforcement of its economic, diplomatic and military links with the countries of the Pacific.

Europe must therefore, in the first place, be fully aware of the *world* character of the technological challenge, which includes not only relations between developed economies, but also with the Third World, and it must also recognize the need to adopt a response capable of reversing a trend which would relegate her to a peripheral role in world development. In the second place, Europe needs to fully appreciate the *global* character of the technological-productive challenge, both for society and for the State. It is no accident that the creation of a post-industrial society should be talked of ever more insistently today. Perhaps, more correctly, we ought to say that the old mode of industrial production is in the process of being supplanted by the new scientific mode of production (whose main economic features are described in the *Note* in the appendix). What needs to be stressed here, however, is that we are faced with a productive revolution with economic, social, urban and, of course, political consequences of major importance. It is, therefore, essential, that new methods of government be sought: that the contemporary challenge could be met with the institutions of the last century is unthinkable. The fundamental factor impeding progress, so far as economic policies are concerned, is the monopoly, at the national level, of the most important instruments of economic policy (currency and finance, principally). The crisis in the Welfare State, which many people wrongly attribute to a bad mixture of private and public in the economy, is, in reality, caused by the inability of national governments to solve problems which are local or continental (if not world-wide) in dimension.

The rational control of contemporary technological-productive development is only possible with a new model of society and State, one that is more open and diversified than the 19th century style centralized bureaucratic national State. The creation of a new model of State can only begin in Europe, where the old

structures are in their death throes. With the realization of the European Union, the foundations will be laid for achieving a comprehensive system of democratic government of public affairs ranging all the way from the local to the European level, and for leading the whole world towards a policy of peace and international justice. What might be the first economic policy priorities of the new Europe are indicated, in brief, below.

1. *Labour and employment.* Employment, especially in Europe, is subject to a two-fold structural threat today: on the one hand, the offensive of the developing countries of the Third World which supply low-priced products and, on the other, the need to achieve accelerated industrial restructuring, which consists, in practice, in the introduction of automated processes and the shedding of redundant manpower in order to be competitive with the more dynamic economies. The old Keynesian prescriptions for full employment no longer succeed in their intention and have repeatedly demonstrated their limitations (the most recent example are the attempts at socialism in France, prior to Mitterrand's European turnaround). This is not only due to the phenomenon (described in the Albert-Ball Report) of the dispersion within the Community of the effects of a national investment, but is also due to the impossibility of boosting employment by investments which, if made in the technologically advanced sectors, end up sooner or later by curbing employment.

The central objective of Keynesian policies, namely that of guaranteeing a job to all those who do not want to remain inactive, is still possible, but by other means. Instead of aiming at the growth of consumer demand, as occurred in the post-war period, it has to be recognised that today the greatest expansion — and one full of promise for the future — is taking place in services, both public and private. On this basis, with a view to providing everyone with a job, it is necessary: a) to mobilize the various levels of government — and in particular local authorities — with a view to the formation of plans for the expansion of public services, or for support to the private sector, so as to create a supply of jobs which may more than satisfy the demand for new employment of youngsters coming into the labour market or by those abandoning obsolete activities; and b) to ensure that the new responsibilities incumbent on the local authorities in matters of employment be matched by the conferment of effective fiscal sovereignty, co-ordinated with all the levels of government in accordance with the principles of fiscal federalism. Contrary to what is commonly assumed, local authorities can make an important contribution in the fight



against inflation. In the first place, if employment policy is implemented by authorities with no power to issue money, the creation of new jobs cannot be financed in exclusively monetary terms. In the second place, at the local level, it is possible to reduce the cost of public services to the essential. This may be done through the activation of community service with a view to enhancing the value of social solidarity, which many people tend to forget if the public service is reduced, on the one hand, to a burden for the taxpayer and, on the other, to a professional service. It goes without saying that the structures of community service should be open to all citizens, irrespective of age, who want to devote their voluntary work to the service of the community. Moreover, young people of both sexes should, at the end of their studies, perform a term of compulsory community service, as a complement to their curriculum.

These public intervention measures should be combined with a reform of the credit market and firm. The advent of new technologies means that it is no longer true that maximum efficiency corresponds to the maximum size of the firm. Cases of small and medium businesses holding their own and even beating the great giants of industry are becoming increasingly frequent. Nonetheless, the trend towards the formation of new, more dynamic businesses is often curbed by the old attitudes of the banking system which is wary about placing its confidence in new entrepreneurs and favours the already existing giants. Appropriate Community legislation to promote the formation of co-operative ventures is needed. In many cases, workers who have been made redundant, but who are equipped with great skills, could themselves become entrepreneurs if they were not prevented from doing so by the lack of credit.

Lastly, at the national level, the adoption of a modern incomes policy, which can be fulfilled with the traditional instruments of fiscal policy, is essential. Certain differences of income between the public and the private sector would no longer be justifiable, once job security has been guaranteed to everyone. The objective of an incomes policy would be to define, periodically, the range between minimum and maximum incomes that is compatible with criteria of efficiency and equity.

2. *Advanced technology.* In view of the characteristics of contemporary applied science (the *big science* that requires long-term and highly costly programmes), in Europe it is clearly only possible to organize development effectively at the Community level. Indeed, both the European Parliament and the executive Commission have already formulated excellent projects, based

mainly on the policy of awarding contracts. The successes of the Ariane project (which even the Japanese are trying to imitate), in the field of space exploration and exploitation, demonstrate that Europe, when it acts in unison, is more than able to stand up to world competition. It should, however, be clearly said that at least three obstacles still impede effective European planning of advanced scientific research: a) the paucity of funds allocated to it by the Community budget; b) the jealousies of national industries which seek the protection of their respective governments and impede the creation of a standardized European market (*inter alia* this is one of the causes of the ease with which Japanese and American penetration has been achieved); and c) the national protection of the results of research with military applications. This was the main reason for the failure of Euratom. It is clear that major progress towards the complete "Europeanisation" of scientific research can only be made if Europe succeeds in making progress in the field of common defence.

3. *European responsibilities in the government of the world economy.* The modern world economy, right from its distant post-feudal origins, has been developed on the basis of the core-periphery model, with phases of expansion and enlargement often characterized by technological, financial and productive *décentrages*. The peoples and States of the past passively suffered the overwhelming force — for good or for bad — of world capitalism. But this subordinate role of the peripheral and semi-peripheral regions is no longer either acceptable or possible. Not only is Europe trying to reorganize its forces in response to the challenge of the Pacific, but also Third World countries are demanding, with increasing energy, to be helped in their emancipation. Nor is it possible to ignore the blatant contradiction between the power now acquired by man over the biosphere (thanks to technologies that have made the destruction of the whole terrestrial globe conceivable) and his inability to guarantee the rational use of these powers. Man has learnt how to govern nature, but is not yet capable of subjecting himself to the government of reason. The roots of this lethal malaise are to be traced to the division of the world into sovereign States: a division which has been the cause of wars, imperialism and poverty.

Once the basis of its political unity has been laid, Europe could make a decisive contribution to the problem of the rational control of the world process of development by initiating at least two major political projects.

a) The core-periphery logic that dominates world development is the inevitable result of the lack of world planning. The primary task of Europe is that of extricating herself — together with economically complementary areas of Africa and the Middle-East — from the subordinate role to which she would be condemned by the new international division of labour. The European Union must sponsor a major international development plan (the first on this scale in the history of the world economy). The socialist countries of Eastern Europe should also be invited to participate in this plan, which would have the explicit objective of extricating African and Asian regions from their backwardness, by means of integrated industrialization projects and the creation of public works. Just as the Pacific area is fuelling its powerful ability to compete thanks to the interchange between highly differentiated countries (in terms of natural resources and income levels), so European industry could, in turn, benefit from a strong expansion impulse provided by the potential demand of new peoples for European technology and products. The prerequisite for this plan is clearly greater financial capacity on the part of Europe, and this can only be achieved by the use of the ECU as an international currency.

b) The forces of progress may easily be turned into the forces of destruction and death if international policy should fail to abandon the logic of power politics. Even the fragile and inadequate instruments of international co-operation, first and foremost the UN, are continually being undermined or sabotaged in their operation today by the unbridgeable divide between the two Superpowers. This is eloquently testified by UNESCO's current crisis. A reversal of this trend is necessary, and it is only from Europe that a decisive impulse may come for launching a policy designed to democratize and reinforce the organization of world government. Besides, the world is today faced by a series of problems very similar in nature to those that generated the European Community in the post-war period. A good example is that of the *Law of the Seas* which recognises the oceans and the seabeds (rich in minerals now capable of being industrially exploited) as the "common heritage of mankind" and entrusts their sovereignty and control to an "international Authority", whose powers are very similar to those of the Head Authority of the ECSC: it has its own budget, may autonomously exploit biological and mineral marine resources, may subject multinational enterprises to its controls, may launch international loans, and may invest its revenues in programmes benefitting the development of the Third World. It is thus an embryonic

body for democratic planning and control of world economic resources. It is hard therefore to justify the attitude of those European countries, such as Great Britain and Germany, who, together with the United States, have opposed its establishment in the hope of exploiting their own technological superiority to gain possession of those natural resources that are still *res nullius*. This is a selfish and short-sighted policy because it conflicts with Europe's real long-term interest in the North-South dialogue and the goal of superseding of the opposing blocs policy.

A historic responsibility now awaits Europe. Science has by its very nature a universal vocation. Politics are still national, and each government attempts to bend human knowledge to the service of its own national interests. Complete automation of the economy would permit man to emancipate himself from his biblical condemnation to toil. The exceptional conditions which made the wonderful blossoming of Greek civilization possible for a small nucleus of free men could be repeated on a world scale for all individuals and all peoples, because the exploitation of man by man is no longer a prerequisite of material prosperity. But for progress to be made in this direction, we need, on the one hand, to free the development of international scientific co-operation from the gag of power politics, which means in practice lifting the military secrecy placed on scientific discoveries (provisions, it goes without saying, that can only be introduced insofar as the campaign for universal disarmament makes progress) and, on the other, to endow the UN with effective control over major scientific programmes of interest to the whole of mankind.

The objective is one which can only be achieved in the long-term. But Europe, by campaigning for the universal exploitation of the fruits of knowledge, would also create the conditions for the effective union of all the peoples of the earth in a great universal republic, in which the distances between centre and periphery, between weak and strong, between rich and poor, would, once and for all, be abolished.

*Note on the economic aspects  
of the scientific mode of production.*

The purpose of this note is to summarise the characteristics of the scientific mode of production which is, in the countries where industrialization occurred early on, supplanting the old industrial mode of production, while in its turn the latter is being adopted by the developing countries. These are the roots of industrial restructuring as a world phenomenon.

The term "scientific mode of production" is preferable to that of "post-industrial society" employed by some sociologists such as D. Bell and A. Touraine, because the term "post-industrial society" designates only the decline of the old world, while leaving the emergence of the new one indeterminate. For the same reason it does not seem sufficient to speak of the "scientific and technological revolution", as proposed by the Czech philosopher R. Richta, because reference to the second, third, fourth (etc. ?) industrial revolution is now a source of confusion.

The main economic characteristics of the new mode of production may be summarized as follows.

1. *The trend towards the disappearance of the role of the manual worker.* In cottage industries and in factories, which represented the basic cell of economic development, first at the European and then at the world level, production occurred thanks to the harmonious conjunction of human labour with the machine. This productive combination represented substantial progress over the agricultural age, in which man had learnt to regenerate the products of nature harvested for consumption, and over the arts and crafts age in which production, generally by hand, occurred only in small quantities. In the factory, by contrast, it proved possible to produce goods in large quantities and at low prices. Gradually material prosperity spread to all the strata of society. But the manual worker, reduced to a mere appendage of the machine, was condemned to a repetitive and alienating form of labour.

Modern technologies, especially thanks to the application of electronics, permit the complete automation of the production process. The factory without workers is beginning to come into operation in Japan, in the USA and even in Europe. A few skilled personnel are sufficient for the control of standardized production which once required an assembly line employing thousands of workers.

It is estimated that by the end of the century the size of the industrial sector in the advanced countries (which in some cases employed, in the past, up to 45% of the active workforce) will decline to approximately 7-9% of the working population, while at the same time maintaining its current productive potential, thanks to enormous increases in efficiency generated by technological progress.

2. *The development of the service sector.* In European pre-industrial societies — and in the underdeveloped countries — the workforce employed in agriculture was up to 70-90% of the

working population. During the industrialization phase, a process of urbanization and "growing proletarianization of society" was registered, involving a large-scale transfer of population from agriculture to industry. In the current phase, the service sector, which absorbed no more than 10-15% of the working population in the 19th century, has now expanded to absorb 60% in Europe and 65-70% in the USA.

Services may be subdivided into consumption services and production services. It is calculated that approximately 50% of the total are production services, i.e. activities complementary to strictly industrial processes. It is, therefore, incorrect to speak of the restriction of the industrial base as a process of "de-industrialization". The expansion of the service sector merely represents a special form of modern industrial production, where intelligent activities with a high degree of individuality predominate — at least from a quantitative viewpoint — over the monotonous and repetitive tasks of the phase preceding automation. The productive role of the service sector thus needs to be explicitly recognized.

The expansion of the service sector also responds to another need: the growing demand for public services (education, health, etc.). The USA, which leads the world in the creation of new jobs, has only been able to achieve this leading position thanks to the development of the public services sector. The State is destined to become the main employer on the market of the new service economy.

3. *The new enterprise.* "The division of labour is limited by the extent of the market", Adam Smith rightly pointed out. And in fact the main driving feature of the traditional industrial enterprise was the phenomenon which economists call "increasing returns to scale", i.e. the possibility of obtaining an increase in productivity by enlarging the size of the enterprise. This possibility depends on the fact that the manual worker becomes faster in performing the necessary operations the simpler they are, in other words, the greater the degree of the division of labour is, which in turn depends on the quantity produced (the size of market).

This type of growth involves: a) the creation of big urban industrial concentrations; b) the creation of big industrial and financial empires; and c) the rigid distinction, within the enterprise, between managers and workers: a division in which — as Taylor has theorized — only mechanical and impersonal functions are reserved for subordinates, in the interests of maximum productive efficiency. And Taylor's model of enterprise is one that is

common both to the capitalist economies of the West and the socialist ones of the East.

In modern "post-industrial" or "scientific" society, a radical reform of the enterprise becomes conceivable, thanks to the automation of the production process, the general diffusion of education and the more equitable distribution of property. The forms of ownership and control of production, hitherto based on the autocratic power of financial capital, may progressively give way to modern forms of self-management (not to be confused with 19th century worker self-management, which was not based on the material suppression of the distinction between managers and managed). The contribution of the intelligent work of technicians, engineers, economists, etc., will come to play a predominant role in efficient industrial production, while the power of financial capital is destined to a slow decline (Keynes spoke of the euthanasia of the *rentier*). The factory of the future will become more like a university department and less like the mill of the age of Marx and Schumpeter in which the entrepreneur-demiurge directed his workers like a general commanding his troops. The juridical structure of modern technologically-advanced enterprise will probably revive the model of co-operative societies.

## The Institutional Response

LUIGI V. MAJOCCHI

The Community has been in crisis ever since it was forced to tackle matters of great political, economic and social momentum. Such matters are normally tackled by state authorities (energy, employment, regional development, industrial restructuring, etc.), and are problems on which the balance and power relationship between the political and social forces, the state of public opinion and the power situation itself depend. Objectives of this nature cannot be pursued — even if the appropriate State authority exists — without great commitment and precise policy decisions by the parties, without adequate propaganda, without a lively political debate and, ultimately, without the formation of majorities and minorities.

All this is plain. But it needs to be recalled when talking about the Community and its relaunching, because it is wrongly overlooked. The truth is that the Community is in a stalemate position and has been in such a position ever since the transitional period of the Common Market was concluded and the foundations of the agricultural union laid. A stalemate position has existed since the time when the Community became faced with the problem of economic and monetary union which is a vital stage on the road to the fulfilment of integration. This shows that the Community lacks capacity for action at this level, i.e. major economic policy decisions. And it is precisely this incapacity for action that explains the failure of all the attempts to relaunch the Community by means of economic and monetary union (the Werner Plan, transition to the institutional phase of the EMS). The problem, therefore, is to provide the Community with this power.

It has also to be pointed out that this incapacity for action became even more conspicuous when the Atlantic framework, the international policy structure within which European integration has historically developed in the post-war period, became less solid, both as a result of the dollar's failure to act as the exclusive stable support of the world monetary system and as a result of the growing disquiet displayed on both sides of the Atlantic towards a form of political protection. This form of protection was indispensable for post-war reconstruction and for European security at a time when Europe was incapable of assuming this responsibility, but is now increasingly less justified, and hence unhealthy and destined to poison Atlantic relationships. It was no accident therefore if the member States of the Community jointly announced their decision to "transform the sum of their relations into a European Union by the end of the current decade", when the objective of completing economic and monetary union by December 31, 1980 was fixed at the 1972 Paris Summit.

But here too, as with the economic and monetary union, the results were disappointing, in spite of the efforts first of Tindemans and then Genscher and Colombo.

The facts clearly showed that any action would be doomed to failure if not conceived in such a way as to generate, by its development, a change in the Community's power and, more precisely, a growth in the power needed to implement this action successfully.

The Federalists and the European vanguard of political and social forces, i.e. the European Movement, voiced these needs and successfully campaigned for direct elections to the European Parliament. They then campaigned to ensure that it was this Parliament, itself, which took the initiative for a reform of the Community's institutions. The Parliament elected did so. The Treaty of Union, approved on February 14, 1984, differs from previous plans, such as economic and monetary union, or the European Union, not only because it gave substance to a European point of view which is not just a sum of, or compromise between, the various national points of view, but more particularly because it was formulated by a democratic body subject to electoral control. It constitutes a major programme of action proposed by Parliament to its citizens: one that is capable, by means of the involvement of the political forces, of promoting an organic growth of the debate and hence of consensus.

This was in fact how things turned out. Faced with the second European elections, the political forces were compelled

to declare their position as regards the Treaty, the press turned its attention to the matter, and governments could not ignore the Draft Treaty. Whatever its outcome, it is undeniable that the second attempt to found a European federation is now underway. The decisions taken by the European Council at Fontainebleau and Dublin attest to this, just as they attest to the fact that the dice are thrown.

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We have said that the attempt now underway to found a European federation is the second to have been made in the post-war period. Not everyone is aware of this and many people are thus led to overestimate the difficulties of this undertaking. It is a convenient alibi for not acting. Yet it is true that there has already been one attempt and that it came within an ace of success. In the early months of 1950, faced by the new bipolar system of world power, the aggressiveness of Stalinism, and American calls for the reconstruction of Germany (the most forward front of Western deployment), the France of Schumann and Plevin, which feared the resurgence of German power, accepted Monnet's proposal to renounce her sovereignty over coal and steel in favour of a Community, provided that a reconstructed Germany did the same (Schumann's declaration of May 9, 1950: the plan for the European Coal and Steel Community - ECSC). The ECSC institutions were clearly defined by Monnet as "les premières assises de la fédération européenne". Nor is that all. In the summer of 1950, after the outbreak of the Korean War and the consequent American involvement on the Asian front, the United States' pressures on her European partners for the prompt rearmament of Germany became stronger. And it was in these circumstances that Monnet again proposed that France should renounce her sovereignty over her own army in favour of a supranational Community, provided that her other European partners did the same (Plevin's declaration of October 24, 1950: the plan for the European Defence Community - EDC).

All this is generally well-known. But what is not well-known is that, after the opening of the EDC Conference, in the summer of 1951, the Movimento Federalista Europeo, whose Secretary General was then Altiero Spinelli, sent De Gasperi a memorandum, pointing out the absurdity of forming a European army without first founding a European State and suggesting the most appropriate means of achieving it: namely, a treaty-constitution drawn up by a constituent assembly which "strictly speaking ought to be instituted by the direct vote of the citizens, but which for

reasons of rapidity and convenience may be elected by the Parliaments to which the sovereignty of the people has been delegated”.

The method proposed by Spinelli was the one adopted. De Gasperi read the memorandum. He was convinced that its proposal offered the most suitable approach, and he set to work.

It is not possible here to reconstruct, blow by blow, the events which followed. Suffice it to recall that De Gasperi gave the Italian delegation, hitherto one of the most jealous in the defence of national sovereignty, precise instructions to pose the problem of the political Community to the Conference; and that, at the meeting of the ECSC's Council of Foreign Ministers on December 11, 1951, he succeeded in gaining the acceptance of his point of view.

Having obtained this first success (article 38 of the EDC Treaty which linked the formation of the European Defence Community to that of the political Community), negotiations began on how to achieve the second stage: namely, that of establishing the procedure for drafting a constitution for the political Community. Even then the tendency of governments was to entrust tasks of this nature to officials. But De Gasperi knew what had to be done and succeeded in ensuring that this task be entrusted to the (enlarged) Assembly of the ECSC, which assumed the name of ‘ad hoc Assembly’ for the occasion.

This Assembly set to work on September 15, 1952 and on March 10, 1953, having approved the text of the Draft Constitution, entrusted it to the Council of Ministers and gave its institutional Commission the task of monitoring the action of governments until the constituent initiative had been fully achieved, i.e. until it had been ratified by the member States. The Council of Ministers, entrusted with the task of adopting the Draft Constitution, delegated it in turn to a diplomatic conference which immediately set about undoing what the representatives of the people had already achieved. And so it was that the Draft European Constitution, repeatedly postponed, ended up by uniting its destiny with that of the EDC which, though ratified by the Netherlands, Belgium and West Germany, eventually lapsed on August 30, 1954 in France, in part as a result of the non-ratification by Italy, even then more disposed to words than action.

It is worth pointing out, moreover, that the objective meaning of this attempt, though born under the shadow of American protection, was to assert Europe's independence even militarily and to form a real Common Market with a common currency,

an adequate budget and an effective government. And it is also worth pointing out that, if the failure of the EDC spelt the end of the project for a political Community, it did not spell the end of the plan to form a Common Market, which had been provided for under the Draft Constitution and which formed the backbone of the relaunching of Europe in Messina. It equally needs to be pointed out that the attempt, though abortive, did give specific lessons to anyone who might want to tackle the foundation of a European State once more. So it was that, once the crisis of the Community had developed and faith in the mechanical transition from economic to political unification was proved to be without foundation, the federalist vanguard campaigned for the European vote and, on obtaining it, for the constituent initiative of the European Parliament, the only one capable of expressing a European viewpoint and, thanks to the consent of the people, of affirming it, though up against the claims of individual States. This is the road that the European Parliament has taken till today, thanks to the role played by Altiero Spinelli, who also drew the lesson, from the first attempt to form a European State, that the Draft Constitution must not be subjected to the scrutiny of any diplomatic conference or any intergovernmental body, but must be transmitted directly to the individual States for ratification.

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This approach is clearly indicated by the first of the final provisions of the Draft Treaty, Article 82. It reads as follows: “The present Treaty is open to the ratification of all the member States of the European Communities. If the present Treaty be ratified by a majority of the member States of the Communities whose population constitutes two-thirds of the overall population of the Communities, the governments of the member States that have ratified it shall meet immediately to decide by common agreement the procedures and the date of the coming into force of present Treaty as well as relations with the member States which have not yet ratified it”.

Facts have taken a rather more tortuous course. Italy and Belgium have made their willingness to ratify known, but have not done so. Mitterrand has declared his support for the Treaty, but has not ratified it. In the other founder countries of the European Community (West Germany, the Netherlands and Luxemburg) and in Ireland a wide degree of consent to the Treaty is evident, but this has not been formalized in the respective Parliaments or Governments, still less ratified.

In this blurred situation no government has yet had the courage to ratify the Treaty without delay, thus putting the others in the disagreeable position of having to say openly yes or no before European public opinion as a whole. The European Council of Fontainebleau thus authorized the setting up of a committee made up of the personal representative of heads of State and of government to study the problem. In essence, Fontainebleau promoted an interlocutory phase which left all the options open. This was confirmed by the European Council of Dublin which invited the Committee to continue its work and draw up a final report for March, and gave a pledge that this report would be discussed in the course of the session scheduled to be held in Italy at the end of June.

The first methodological proposals to emerge from the work of this Committee (the "intérimaire" report prepared by Faure) recommend the convening of an intergovernmental conference which will have the task of negotiating the Treaty establishing the Union.

This prospect certainly does not meet with the hopes of the European Movement, which is, in principle, mistrustful of diplomatic conferences. This is not only due to the lessons learnt from the experience of 1953, but also due to its awareness that such conferences tend, by their very nature, to produce compromises acceptable to everyone and thus necessarily poor in innovative content. Nonetheless, the European Movement does not lay down any rigid condition as regards the procedure. But it does do so as regards content, declaring its opposition to any institutional reform which is incapable of equipping the Community with the capacity for action it needs — one, in other words, which makes no provision for the establishment of an effective and democratic government, albeit limited to economic and monetary competences alone during an initial phase. It is essentially a question of safeguarding the "political and institutional minimum" provided for and guaranteed by the European Parliament's Draft Treaty.

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The constitutional model from which the European Parliament drew its inspiration is that of the parliamentary regime and the existing institutions have been adapted to its principles. Thus the European Council — hitherto a *de facto* body for which no provision was made by the Treaties establishing the Community — becomes the collegial presidency of the Union; the Commission, whose President is appointed by the European Council and has the power of constituting it (as has the Chancellor

of the Federal Republic of Germany), exercises executive power after it has obtained the Parliament's approval (to which it is responsible); the Parliament and the Council of the Union (the present-day Council of Ministers, though it is envisaged that this should no longer hold any executive power) lastly exercise the legislative and budgetary functions. This constitutional set-up ensures the political and institutional minimum to equip the Community with effective capacity for action because it makes its government more democratic. The objective is achieved, in the first place, by establishing a direct tie between citizens, Parliament and the executive, without excluding the States, and, in the second place, by diminishing the role of the Council of Ministers which, in an aberrant manner, combines legislative with executive power, as in the age of absolutism, but is devoid of any effective decision-making capacity because it is subject, like any intergovernmental institution, to the logic of unanimity (think of the capacity for action which the Italian government would have at its disposal if it were to consist of a Council of the presidents of Italy's regions, each armed with the right of veto!).

It should be pointed out, incidentally, that the problem of the Community's capacity for action was, and remains, the decisive problem. There now exists wide-ranging consensus on what needs to be done to get the Community out of its current crisis. And the European Parliament has been prompt in responding to that consensus by approving the Albert-Ball Report, which recommends a series of policies aimed at boosting the Community, including the speedy transition to the second phase of the EMS and the relaunching of the ECU. The point is, however, that no reinforcement of common policies and no progress towards monetary union is possible with the current intergovernmental decision-making mechanism. The commitment of the European Parliament to institutional reform represents, therefore, not an irresponsible avoidance of its tasks, but the only adequate response by which to achieve them. Just as the campaign for the ratification of the Treaty objectively coincides with the campaign to achieve its contents, so the campaign for the contents can only contribute to the credibility of the institutional reform.

The fact that our discussion of the Community's capacity for action has left out of account the problems of international policy and defence may perhaps cause surprise. But these problems have not been forgotten. The truth is that this democratic and effective government is established only for economic and monetary union, since foreign policy and security, although coming under the

Union, will still be managed by the traditional method of intergovernmental co-operation until such time as the member States unanimously decide to defer these matters to "common action", i.e. to delegate them to the democratic government of the Union.

For this reason the Treaty of Union may justly be called the "penultimate step" towards the foundation of the European Federation.

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The establishment of the European Union has a clear political significance, but it has an even greater, albeit less immediately apparent, historical significance.

As regards the former, the Union today represents the only means by which to resume the process towards economic integration, to overcome the difficulties posed by the Community's enlargement through the accession of Spain and Portugal, to respond to the challenge of the technologically more advanced countries, and to contribute actively to the establishment of a new international economic and monetary order. As for the prospects of development in the field of foreign policy and security, the Union also represents the only means of refounding the Atlantic Alliance in the healthier terms of an equal partnership, promoting, with renewed detente, an orderly transition to a more peaceful multipolar equilibrium which may leave more scope for negotiation than for military confrontation, establishing new relations with Eastern European countries and the Third World, and making an effective contribution to the restoration of peace in the Middle East.

As regards the latter, it is enough to recall that the Community was established under the watchword of pacification between the greatest nations in history. For this reason, the Community, once it has reached its democratic and constitutional fulfilment, will be a great model of pacification for the whole of mankind. If the French and Germans can live together in peace under a single law democratically made and accepted, and enforced by a common democratic government, could not Palestinians and Israelis, Iraqis and Iranians, the peoples of Africa and Latin America and — in an even more distant future — the whole of mankind eventually live together in peace in the same way? The European Union will thus be a powerful peace factor. But it will also mark the first major victory of democracy in the field of international relations. It will do so by affirming that it is possible to retrieve these relations from the law of the jungle

and place them under the conscious control of man. This is destined to foster the awareness that if the world is increasingly becoming *one*, those who govern it should also be *one*, and that this albeit ambitious and still remote objective is, nonetheless, historically feasible.



## Either European Union or the Historical End of Europe

*GIUSEPPE PETRILLI*

The somewhat solemn and vaguely millenarian title of this international Conference is a measure of the ambitious task that the promoters have set themselves. For over thirty years, the European Movement has championed the development of a federal system as being the only real alternative to Europe's increasing decadence. The Movement has struggled and will continue to struggle to be a meeting point where all those who are really willing to take such a radical step can stand up and be counted. The Movement has struggled to put forward new proposals that go beyond the national political frontiers inherited from the past which are increasingly less suited to the composite and changing reality of the world in which we live. We are faced with a decline in utopian spirit that accompanies the inarrestable decline of ideals that go back to obsolete historical experiences. We are also faced with the younger generations' growing indifference to politics which is no less dangerous when, as often happens, it is coloured by social conformity. Thus, the European Movement has for a long time felt its duty to enrich the European alternative with a debate designed to interpret the meaning of this alternative and make its countless innovative implications more readily understandable. In so doing, we believe we are correctly serving the cause of a Movement like ours. In the short term, we pursue what are openly avowed political objectives relating to progress in European integration, but we also have a duty to place these objectives within a much wider historical perspective and to find guiding, though provisional, answers to the disquieting questions that the current situation now increasingly raises.

Today, European issues and more specifically the issues relating to Community integration are the arena where there is an almost universal inclination in national politics to adopt an empirical approach based on so-called "small steps" and on an increasingly renewed and increasingly subtle patching-up of diverging tendencies. Running counter to this approach, and with increasing evidence and indeed growing brutality, is a radicalism of things, which has been brought on by the technology gap, the loss of international competitiveness, the spread of unemployment, the growing weakness of national institutions and their inability to take on pragmatic initiatives on a world scale, which testifies to their unstoppable decline. A much graver sign of this decline is the growing weakness of the ideals that serve as a reference point and, as a result of this, the crisis in the very identity of European culture.

Although daily management of power, with its vexing problems that circumstances have made increasingly difficult and more precarious, seems to have distracted politicians and government staff from realities that transcend the very often narrow temporal horizons of democratic life, in our opinion the battle for the European Union should not be allowed to meet the same fate. If it did, it would lose its role as the structure which is needed to implement a real alternative, a function which it has acquired by the very nature of not being reducible to alternatives in national policy which are often such merely in name.

In this respect, this Congress is the legitimate outcome of the decisions which have increasingly led the European Movement both to adopt federalist culture and to recognise that European-orientated militant associations, whose role is to stimulate and orientate, have their own autonomous capacity to propose, which goes beyond the limits of co-ordination. The presence today of recognised authorities in the world of culture from Robert Triffin to Wassily Leontief and Michel Albert, whose observations will be matched against the institutional reply entrusted to Altiero Spinelli (as the principal promoter of the Draft Treaty for European Union) is, moreover, the greatest proof both of the Conference's seriousness and of the force of provocation and aggregation implicit in the decision we have taken, a decision which, admittedly political, is, nevertheless, fundamentally cultural.

The purpose of our initiative is, moreover, made most persuasively explicit by the introductory documents drawn up by Federalist friends. Bearing these documents in mind, I would like briefly to run over the major characteristics of a historical situation which is evolving rapidly and which is dominated by

what we have defined without fear of rhetoric as the "challenge of the future". To quote one of these documents, we may, in fact, speak of the emergence of a new mode of production which may be defined as scientific, and which is characterised by the drastic reduction in the industrial sector's capacity to provide employment, by a concomitant development of new types of services mainly linked with production structures and by a radical change in the enterprise model, with major potential changes in the relationships between production factors and juridical structures. The inadequacy of traditional ideological categories when attempting to understand the nascent historical situation needs no further comment. The "new mode of production" envisages, on the one hand, a stronger economic role for the State as an entrepreneur of services and, on the other hand, at least in prospect, a weaker role for financial capital and hence greater space for the initiative of individuals and their spontaneous association. This makes it impossible to apply the traditional contrast between public and private spheres to the new situation, demonstrating the deceptiveness in many of the debates put forward by schools of thought which are vainly repropounded in daily polemic.

If these are, as they seem to be, the implications which are consequent on and foreseeable in the new mode of production which is looming on our historical horizon, then the discussion about the technological challenge (which the report drawn up by Michel Albert at the European Parliament's request thankfully brought so rapidly to our attention) takes on a meaning which transcends the technological and economic terms, however significant they may be.

To say, as Albert says, that the Community *has sacrificed the future for the present* insofar as it has been unable to carry out the common investment effort that circumstances demanded, a step requiring, before all else, an end to the jealous national fragmentation of public tenders is certainly to put one's finger on the scourge whose continued existence renders the entire European economy liable to increasingly rapid involution. Yet the problem is more complex because the advent of the scientific method of production has immediate and obvious consequences on employment that all industrialised countries have experienced and whose incidence seems bound to increase.

At the same time as the changed historical circumstances irredeemably jeopardise employment policies to which universal validity was for a long time attributed, we cannot simply leave the expansion of services to the market's natural forces. Nor can

we really believe that the crisis in a particular historical model of the *Welfare State* justifies the abdication pure and simple of public powers faced with social responsibilities universally attributed to them. This assertion should not be taken as an invitation to unleash on public institutions, responsibilities which do not belong to them. Rather it means thinking about the problems of the future in terms which are dialectically able to link a commitment to European federal development with an indispensable deepening of internal federalism. In particular, I wish to allude to the idea that new responsibilities as regards employment should be entrusted to local authorities, who should be given effective fiscal sovereignty, while there should be a corresponding shift in monetary sovereignty towards a European level of organisation. These suggestions, like those relating to possible Community legislation designed, particularly creditwise, to facilitate the development of co-operative societies, are obviously no more than general possibilities, but contribute to stimulating discussion. A responsible European commitment designed to accelerate the introduction of new technologies on which the future of Europe depends and to take on the inevitable social consequences of this acceleration, cannot realistically be restricted to a merely international dimension. It must consider federalism as a decisive step, but not the only one, in the construction of a European reply to this social challenge.

The distinction that exists in the tasks and spheres of intervention between the various levels of a federal structure does not mean they are in any way indifferent to each other. We need merely recall, in this respect, the problem of regional disequilibria which the worsening labour market has further aggravated. The gross per capita product of the ten strongest regions is 50% higher than the Community average, which in its turn is 50% higher than the gross per capita product of the ten weakest regions. The enlarged Community will double the population of the less developed regions. This is a further indication of the need to strengthen the Community budget around a European development plan in which policies designed to eliminate the disparity between regions go hand in hand with the promotion of technologically-advanced productive sectors rather than being merely restricted to hand-out aid policies. In this connection, the European Movement has for a long time raised the problem of the search for a dynamic composition of the Member States' interests. So far the Member States' contrasts have fed the eternal feuding on the Community budget. The European Movement believes that an increase in the Community

budget as advocated in the Mac Dougall report is what is needed to bring about the effective redistribution required to consolidate the process of monetary union begun with the EMS (European Monetary System).

Not by chance the preparatory document on the technological challenge views this problem as one specific aspect of a more general centre-periphery relationship, whose most obvious manifestations are, of course, today, apparent on a world scale. The threat that Europe will suffer isolation, implicit in the tendency for world development to shift its baricentre from the Atlantic to the Pacific, is linked, as the preparatory document correctly points out, to the threat to the European economy from the decline of traditional Third World markets, which are forced to reduce their imports drastically to face up to growing foreign debts. The idea of a sort of European Marshall Plan for developing countries, i.e. a whole series of transfers of public funds for the Third World together with incentives for other European investments in the beneficiary countries, has a precise economic justification in terms of stimulating the potential demand of economies which are complementary to ours. Far from assuming the "hand-out welfare aid" connotation typical of paternalistic attitudes to Third World Development, it becomes prospectively one of the basic ways to restore Europe to a world role, by contributing to bringing together technological progress and occupational recovery, which at first sight seem to be irreconcilable.

Such an idea is the easy target for the irony of those who claim to be "political realists" because they will inevitably compare it with the laboured and inglorious squabbles over the Community's budget. It certainly presupposes a great financial capability which would be unthinkable without definite progress towards integration in another basic field: the monetary field. The constantly delayed passage from the first to the second stage of the European Monetary System (EMS), with the concomitant establishment of the bases of a Community central bank able to act as a lender of last resort, is in fact today the true prerequisite for providing the Community with the responsibilities that it should have in financing world trade in the light of its major role in international commerce. Only a European currency will make it possible for the Community to express its economic potential to the full, rescuing it from Malthusian policies which force it persistently to be the underdog when measured against the international role of the dollar and North American monetary policy.

The "radicalism of things", thus leads us once more to point out the enormous disparity between Europe's potential (or rather the "call for Europe" that the current world situation indirectly demands as an alternative to the constant worsening of disparities which will inevitably deteriorate into conflict) and the poverty and repetitiveness of national political experiences. As regards the latter, the very alternation of diverse forms in the exercise of power ends up frequently as being almost irrelevant. All that can emerge from this situation is either renunciation or commitment to substantial change. Faithful to its founding inspiration, strengthened by the lessons of an experience mainly characterised by disappointment, the European Movement has accepted federalist demands for institutional change as the only policy capable of intervening on the primary cause of the Community's institutional decline: the continued existence of a decision-making process which is totally unable to give quick and effective replies to the challenges of the contemporary world. By this means, we managed to realise, in time, that direct elections to the European Parliament were the only element able to introduce new dynamic forces into an increasingly ineffective institutional framework and bring about the political conditions for real reform. Our forecasts have been confirmed, since MEPs' need to justify to the electorate why they should be elected has led them to question the validity of an institutional system which has constantly worked in such a way as to move them offstage. In the course of the elected Parliament's first legislature it was the very failure at attempts to intervene, which brought about the overwhelming consensus that the reforming initiatives, proposed by a small group of innovators, unexpectedly found. Thus, in the space of one legislature, Parliament was able to approve the organic reform plan contained in the Draft Treaty establishing the European Union.

As regards the European Movement, its willingness to look at things in the long term has not prevented it, or so it seems to me, from concretely identifying the key problem that needs to be solved in the historical period we are going through. On the contrary, precisely the presence of a wider perspective has made it possible for the European Movement to abandon its gloomy role as mentor or advisor to a prince who is increasingly reluctant to listen, and to go beyond the bitterness of negative comments or hypocritical optimism. We may say with a certain degree of pride that once again — after the now distant battles relating to the attempt to create a political Community in the early fifties — we have been able to give credit and support to an

initiative which has at least managed to call the public's and political forces' attention to a problem which was otherwise destined to remain permanently in the realm of academic exercises.

We have done this with a series of well-timed interventions, during the entire drafting of the Treaty; we did it in the European Congress promoted in Brussels after the Parliament's vote, with the wide and well-informed participation of the representatives of all the political families of democratic Europe. Today we are doing it again in Rome at the beginning of the Italian semester from which we hope substantial progress in the right direction will be achieved. We believe in fact that the Draft Treaty for European Union is not just one political initiative among the many, but the only project which can guarantee the "political and institutional minimum" (as the preparatory documents to our work happily put it) and provide the Community with effective capacity for action. The Draft Treaty achieves the democratisation of the Community in an original way. It gives the Commission which is set up by a President (designated by the European Council and approved by the Parliament's vote of confidence) effective powers of government and assigns concurrent legislative powers to the Parliament and the Council of the Union, which tend to convert the latter into a sort of States' Chamber. This democratisation is, in fact, the true premise for increased decision-making powers throughout the system. Even though the Draft Treaty is restricted to economic powers which in the long term seem to be inadequate, there can be no doubt that the first nucleus of an authentic European federal power has been established.

For this reason, we look upon any decision to call a diplomatic conferences with concern, though with no prejudiced opposition. A decision in this respect should be taken by the European Council to be held in Milan in June 1985, in the light of the Dooge Committee's final report. We are concerned that the member States should be compelled on this occasion to take decisions which cannot be delayed any more, to test without facile alibis whether or not there is a group of Governments in any case willing to go further down the road to European Union. And we are further concerned that the European Parliament's project should not be (as is always the danger) polluted and twisted by intergovernmental negotiations. Hence the significance attributed to a procedure which entails the subsequent referral of the results of the diplomatic conference to the European Parliament's assessment.

In this respect, the European Movement is urging the militants of its member organisations to take part in the big rally to be held in Milan on the occasion of the European Council, in the difficult, but not impossible, attempt to turn its own intervention into a mass dimension. Once again, this ambitious goal is commensurate with the historical significance of what is at stake. As always happens, there is an inevitable disparity between historical prospect and political action, between strategy and tactics, between initiatives based on principle and organisational consequences. This disparity is particularly apparent in the case of a Movement like ours, with means manifestly unequal to the task it sets itself. For the reasons stated at the beginning of this introduction, we believe, however, that the European Movement is able to fulfil its role only if it has the courage to run risks and give the public a scale of values and priorities which provide an alternative to those proposed by everyday politics. In our apparent monomania we are convinced that the European Federation is the narrow door through which any serious reform has to pass. Any plan for reform must be able to see things from the microcosm of local politics all the way up to the world scale demanded by the contemporary world. In this sense our battle for the European Union springs from our unshakeable belief in Europe's ability to express a universal model of social organisation once more.

## The Strengthening of the European Monetary System

ROBERT TRIFFIN

The present attitude of the Bundesbank constitutes one of the main obstacles to the European Commission's various proposals for a strengthening of the European Monetary System (EMS). Its objections are best and most authoritatively summarized in Governor Pöhl's article in the March 16 issue of the *Frankfurter Allgemeine Zeitung*: « More Integration through Monetary Policy ».

### I.

They are perfectly valid insofar as they are directed against any proposals to implement prematurely the ambitious objective of full monetary union, repeatedly endorsed at various summit meetings by the Heads of State or Government of the Community, as a long-term objective. This objective would entail either the full merging of present national currencies into a common ECU currency or, at least, the *irrevocable* stability of *nominal* exchange rates between these currencies. As long, however, as some member countries remain less able than others to master domestic cost and price inflation, any mutual commitments to stabilize *nominal* exchange rates might require that their resulting payments deficits be financed by excessive loans from the less inflationary countries (including, presumably and principally, Germany), imposing « imported inflation » upon these countries.

Considerable progress toward the elimination of these differential cost and price rises has been achieved over the last two years; and, in sharp contrast with previous years, no bilateral exchange-rate realignments have proved necessary since March 1983. Yet this progress is too recent, insufficient and fragile to exclude totally the need for further realignments in the forth-

coming years, or even months. The credibility of irrevocable exchange rate stability without excessive recourse to external credits must await not only further progress in the harmonization of domestic policies, but also their consolidation through institutional reforms, switching the control over monetary issues from national authorities to federal authorities.

I share, in that respect, the concern of Germany about the negotiation of legal provisions ensuring a sufficient degree of independence to the monetary authorities called about to manage a European Federal Reserve Bank, and would prefer to have them appointed by the Governors of national central banks, but would add two other observations.

The first is that legal texts may not be as significant in this respect as might be imagined, for a Federal Reserve Bank as well as for national central banks. The ability of the latter to resist inflationary pressures from the political authorities will continue to be determined primarily by entrenched national traditions and the character of appointed officials far more than by legal texts. Even if the designation of the European Federal Reserve Board were left entirely, as suggested above, to the governors of national central banks, these would obviously consult previously with their ministers of finance, and be more receptive in some countries than in others to the advice received from them.

Equally obvious, however, is the fact that a Federal Board of Governors would be far less dependent on national political authorities than most central bank governors can be today.

Secondly, in the absence of reform, external inflationary pressures on all Community countries (including Germany as well as others) will remain determined by the policies of other member countries, and even more of the United States. The Federal Reserve Bank of a full economic and monetary union would be far more able to reduce and resist such pressures than is the case in the present unorganized international monetary system.

Much more should be said in this respect, but I shall refrain from doing so, for what is relevant today is not this long-term ambitious objective, but a different proposal aiming only at making the EMS capable of decreasing the excessive dependence of member countries' economies on the unpredictable and wildly fluctuating paper dollar.

### II.

The proposals now under negotiation, however, are far more modest, being confined to what could and should be done

immediately, in an *intermediate phase* — initially envisaged to take place in March 1981, at the latest, but postponed until an « opportune moment » by the European Council of Luxembourg, in December 1980 — to strengthen the present EMS machinery. Such strengthening seems to me most « opportune », vital and urgent today to enable it to face the awesome tensions to be expected from a new and major crisis of the dollar exchange rates. As mentioned by Governor Pöhl himself, in the second paragraph of his article, the success of the EMS over its first six years of operations belies the initial pessimism of its opponents — including the Bundesbank — but was facilitated by the strength of the dollar, which entailed a relative weakness of the mark, thus decreasing somewhat the frequent tensions between the strongest EMS currency and its weaker partner currencies. These tensions are now reappearing and might reach a breaking point if the dollar continues, as is certainly possible and even likely, to pursue its decline vis-à-vis the mark and other relatively strong Community currencies.

I suspect, therefore, that the following arguments of Governor Pöhl against some of the modest proposals of the Commission are inspired primarily by the fear that the proposed EMS strengthening might, if successful, reinforce the arguments for a passage to the full monetary union discussed under I. above.

These arguments are indeed far less convincing, and the most valid of them could be met constructively by other appropriate suggestions, such as those presented under III. below.

Let me distinguish, at this stage, the objections against an extension of the official use of the ECU and those related to its private use.

#### A. *The official use of the ECU.*

1. Two of the main proposals of the Commission relate to the use of ECU financing in “intra-marginal” as well as in “marginal” exchange-rate interventions, and to its full acceptability — now limited to 50% — in the settlement of the claims thereby accumulated by the creditor central banks.

a) The first objection raised against these proposals is that the ECU is not *convertible* for settlements of deficits outside the Community. This is true only to a very limited extent. The bulk, and often the entirety, of central banks’ ECU accounts in the FECOM is the counterpart of their gold and dollar deposits (20% of their total holdings). Extra-Community deficits are settled today nearly exclusively in dollars, and these settlements entail a reduction *pari passu*: of the 20% dollar reserves held in

the FECOM; of the 80% dollar reserves held outside the FECOM. The external convertibility of these two types of reserves is, therefore, legally identical.

It is true that this *automatic* convertibility is not applicable to the acquisition of ECUs financing exchange-market interventions, but this financing has been *minimal* at most, rarely exceeding 2 billion ECUs (i.e. only a fraction of the credits extended in fact to the United States through dollar investments), and fully repaid by the debtors within a few months at most. I shall come back to this question under III. below, showing how their convertibility could be fully assured through some additional provisions to the present EMS Agreement.

b) The second objection raised against the full acceptance of ECUs in financing and settlements is that they carry interest rates calculated as the average of official discount rates and inferior to market interest rates. This objection should now be dropped since an agreement has been reached to raise them to the average of market rates. As mentioned already by Governor Pöhl, agreement has also been reached recently among central banks concerning the use of the ECU for intra-marginal interventions. He recognizes that such interventions might be appropriate to fight speculation, but points out that they should not be used to preserve artificial rates, significantly out of line with purchasing power parities. I fully agree with him on this point, and suggest in section III. provisions aiming at avoiding any such abuses of interventions.

2. Another proposal is to enlarge the use of the ECU to the central banks of countries closely linked to the Community and to institutions such as the BIS. Governor Pöhl mentions that this may not be durable, since ECU accounts are now created through swaps renewed quarterly and therefore of limited duration. He also doubts whether foreign central banks would wish to purchase meaningful amounts of ECUs in view of the limits to their usability. These doubts should disappear if the suggestions presented in Section III. prove, as I hope, to be negotiable.

3. More generally, the Commission hopes to give a role to the ECU in the international monetary system, as a reserve instrument similar to the dollar and the yen, in order to strengthen the position of the Community in the attempt to restore a stable monetary order. Governor Pöhl considers this as a laudable objective in view of the present instability of exchange rates, but that it cannot be imposed upon central banks as long as the ECU lacks some important currency attributes. But why

stop there? A more constructive answer to this objection should be to endow the ECU with these missing attributes, as suggested under III. below.

#### B. *The extension of the private use of the ECU.*

Some of the arguments presented by Governor Pöhl — and others — against the extension of the private use of the ECU are undoubtedly understandable, but also susceptible of being met constructively by an appropriate negotiation *package*, including desirable *quid pro quo* commitments for both the stronger and the weaker currency countries.

1. The Commission's plea for extending the private use of the ECU precisely requests such a *quid pro quo*:

a) All countries should fully liberalize capital movements within the Community, as promised indeed in the Rome Treaty: this would entail the lifting of such restrictions by weaker currency countries, particularly France — which has recently moved considerably in this direction already — and Italy.

b) Germany and the United Kingdom have fulfilled this commitment, but should lift two important shortcomings. The United Kingdom has not agreed yet to implement the stabilization of its currency vis-à-vis the ECU, long accepted by all other countries. Italy should also reduce the authorized margins of the lira's exchange-rate fluctuations from 6% to the 2¼%. As for Germany, it should lift its prohibition against the use of the ECU in private borrowings. This prohibition is regarded by the Bundesbank as imposed upon Germany by the law prohibiting the «indexation» of borrowing contracts, the ECU being considered by its lawyers as a mere «unit of account» rather than a «currency». If this were so, this law should be amended, in the overwhelming interest of German residents as well as of Europe as a whole, but most people would argue that this is a *misinterpretation* of the current situation. The ECU has become a currency of payment, not only among central banks — with some limitations that *should* be lifted, as argued elsewhere — but also between commercial banks and between their customers. Moreover, even German residents are already allowed to make in effect ECU transfers by transferring the component national currencies *pro rata* of their proportion in the ECU basket; this merely entails for them the payment of costly commissions on a double series of unnecessary exchange transactions: the conversion of ECUs by the payer into the component national currencies, and the reconversion of these national currencies by the payee into ECUs.

This patent absurdity probably explains the fact that Governor Pöhl refrains from mentioning this legal argument in the article cited above.

Even if the liberalization of ECU capital movements within the Community were to entail *gradual* progress only by some countries toward its full implementation, it is hard to see what Germany could lose in authorizing the use of the ECU in borrowing contracts, all the more so as it is also argued that little use would be made of such authorization. Why not leave the decision to market participants, in full accordance with German commitments to market principles?

As far as lenders are concerned, Governor Pöhl also argues that ECU loans would be of little or no interest to residents of strong currency countries (such as Germany) since they would have to weigh the risk of exchange losses against the advantage of higher interest rates. This is undoubtedly correct, but would again suggest that the matter should be left to free market decisions.

2. Most surprising is the argument that “the private use of the ECU is not necessary to the functioning of the exchange mechanism, which is the hard core of the EMS”. Any prohibition of the use of the ECU, indeed, tends to perpetuate the quasi-monopoly of the dollar in this use, and to make the issue of deposit money by commercial banks dependent on the vagaries of a highly fluctuating dollar rate. This constitutes to my mind a most convincing argument for regarding the extension of the private use of the ECU as a crucial contribution to a less erratic and obnoxious functioning of the exchange mechanism.

### III.

The strengthening of the EMS contemplated for the intermediate phase immediately ahead would admittedly require from each member country some sacrifice of short-term interests, real or imaginary; but most of these sacrifices would demand only from politicians to abandon inflationary facilities, detrimental in the long run to the *national* interest of their own country. They are, in any case, insignificant in comparison with the potential disasters that would be implied for every member country by the refusal to give the EMS the instruments necessary to reduce their vulnerability to foreseeable failures of current US policies.

The creation of the *European Monetary Fund* (or *Bank*, as I would prefer to call it) initially envisaged for the end of 1982



should be perfectly *negotiable immediately*, if four conditions are fulfilled.

1. The first is to demonstrate that such a bank, far from being a « machine de guerre » against the dollar, would constitute on the contrary an indispensable instrument for the *efficient* cooperation of the Community with the United States and other countries in solving problems common to all of them. The Community must not only *speak* — as is too often said — with a single voice: just « speaking » will never convince the US administration and its public opinion, prone to proclaim that what matter is « *deeds not words* ».

*Concerted action* of the major countries is recognized as essential to the success of the world fight against inflation, recession and unemployment, but the spokesmen of the Administration — such as Dr Feldstein, formerly — never tire of asserting and reasserting that such concertation is impossible between the United States and Europe, because the European countries must preoccupy themselves with their balance of payments deficits, while the paper-dollar standard frees the United States from any constraint of this sort. On the contrary, their external deficits may be financed painlessly by net capital inflows which at the same time finance an important fraction of their huge budgetary deficits: more than a half, last year.

The denial of this « exorbitant privilege » is certainly in the long-term interest of the United States themselves, as well as of the rest of the world. And the efficient co-operation of Europe to a viable, enduring, solution of the world dollar problem is the only way to convince the United States to bring their indispensable participation to the fundamental reform of the *scandal* that constitutes today the world monetary non-system.

2. On the European *political* level, the immediate implementation of the second transitional stage — a *European Monetary Bank* — toward a total *Monetary Union* does not raise the obstacles that the latter continues to raise for the most obdurate nationalists. On the contrary, it should rally a rare consensus between them and the most convinced Europeans. The former French Prime Minister, M. Debré, for instance, obviously would not wish to see the ECU replace the French franc; but he would be delighted to see it replace the Euro-dollars, Euro-marks, Euro-Swiss francs, etc. in which European commercial banks denominate today \$ 850 billion to \$ 900 billion of their claims and debts.

3. On the European *economic* plane, there exists no divergency whatsoever among participating countries regarding their

fundamental economic policy objectives: they are all in favor of the « holy trinity »: avoid inflation, maximize production and employment, and balance their external accounts. The difference — but it is obviously crucial — lies in their capacity to impose upon their public opinion the disciplines indispensable to the success of these commonly accepted objectives. The countries which have succeeded best — notably Germany — refuse to accept the inflation risks that would be entailed by the obligation to finance by their credits the stability of the *nominal* exchange rates of the countries which fail to eliminate their domestic inflation and thus to avoid the external deficits flowing from such inflation.

4. As mentioned above, six years of experience have amply demonstrated that this uneven success of anti-inflationary policies could be met without excessive recourse to credits. Deficit countries have been as averse to incurring excessive indebtedness in order to stabilize their *nominal* exchange rates as surplus countries were averse to granting them. Eight exchange rate realignments have offset, relatively promptly, persistent or excessive cost and price differentials, and preserved *real* exchange rate stability at levels consonant with long run balance-of-payments equilibrium.

Nevertheless, Germany and other creditor countries may legitimately fear that this attitude might not necessarily prevail in the future, and that ECU financing might be abused to preserve inappropriate nominal exchange rates, at the cost of imported inflation for the lending countries, and of the impossibility for the *European Bank* to honour the convertibility of the ECU accounts accumulated by them in the process.

I would, therefore, include in the proposed reforms provisions assuaging such fears:

a) By requiring deficit countries to consult their partners concerning any recourse to international credits, including their borrowings from the market and from foreign official agencies as well as from the *European Bank*. This obligation should have as a *quid pro quo* the obligation of the surplus countries to submit similarly to a review by the Community the manner in which they finance their surpluses by lending — particularly through the accumulation of foreign exchange assets by their central banks — to their Community partners, to the United States, and to other countries. The « imported inflation » of which they rightly complain has too often been due to excessive financing of countries — particularly the United States — other than their Community partners.



b) As a consequence, occasional exchange-rate realignments would remain unavoidable, in the future as in the past, as long as member countries do not succeed in reducing sufficiently — and hopefully downwards — the remaining divergencies between their national paces of inflation.

(i) Any country — in surplus or in deficit — deeming a realignment preferable to an excessive increase of its claims or indebtedness should receive the benefit of the doubt whenever its central rate appears clearly overcompetitive or undercompetitive commercially. The coincidence of calculated purchasing power disparities with an undesirable evolution of the trade-balances network should be accepted as a *presumptive criterion that central rates should be readjusted*.

(ii) Conversely, the countries opposed to an exchange-rate realignment should receive the benefit of the doubt when the strength or weakness of their currency on the exchange market cannot be explained by such a disequilibrium on current account, but is due primarily to speculative capital movements. One should, in this case, explore the possibility of avoiding exchange-rate realignments that might prove superfluous and even umbalancing in the long, or even medium term. If it became necessary for that purpose to have recourse to exchange restrictions — as foreseen in the Bretton Woods Treaty — restrictions upon capital inflows toward strong currency countries should be acceptable and even desirable to them as a way to reduce their fears of imported inflation; and they would reinforce the efficiency of the restrictions placed by deficit countries upon capital outflows. Obviously better still would be market controls: a better co-ordination of interest rates and even, maybe, an « interest-equalization tax » similar to that imposed by the United States in 1963, but evidently difficult to enforce in practice.

This exploration should take into account the *geographic* constellation of these disequilibrating capital movements, largely due today to the enormous capital transfer between the United States and the rest of the world, including in particular the countries of the European Community. A coordination of these countries' official interventions in the exchange market and continuous negotiations with the United States regarding exchange rates, interest rates, etc. are particularly desirable in this respect.

5. These provisions should make « credible » the capacity of the European Bank to honour the convertibility of ECU holdings accumulated through the financing of appropriate stabilization interventions on the exchange market as well as through gold

and dollars (and, eventually, other agreed currencies, including those of member countries, as foreseen in the initial Bremen agreement) through the utilization of a minor fraction of its ample gold and dollar reserves.

The legal convertibility of the ECU into dollars would not, however, guarantee the stability of the exchange-rate applied to these conversions, any more than it would guarantee it for the *national currency* of any participating country. But the chances of a substantial appreciation of the present exchange rate of the dollar vis-à-vis the ECU are certainly far smaller than those of a depreciation; and the strengthening of the EMS would improve greatly the efficiency of policies aiming at combatting the excessive fluctuations of the dollar, upward or downward, deemed detrimental by the countries of the Community, and would help preserve, in any case, a greater stability of their mutual exchange rates, far more important to them than dollar exchange rates.

52% of the Community countries' total trade is accounted for by their mutual trade, 65% by their trade with the other countries of Western Europe, and 83% by their trade with all « Europe-oriented » trading areas, as against 8% only by their trade with the United States. These proportions are practically identical for German trade (about 49, 67, 82 and 7%, respectively). This confirms the argument made above for the use of the ECU in preference to the dollar as a monetary unit for international contracts, settlements, and reserve accumulation by central banks, commercial banks, firms and individuals.

6. The inclusion of the above provisions in the new phase of EMS strengthening should make it possible to transform the present trimestrial gold and dollar swaps into simple exchange transactions converting *definitely* into ECU reserve accounts the gold and dollar deposits of participating countries.

This is essential to the pursuit of a *common* policy regarding the exchange rate of the ECU — and of participating currencies — notably vis-à-vis the dollar. Indeed, a common policy obviously demands a « communautarization » of exchange risks, while these continue to be supported today — downward as well as upward — by each country separately under the swaps system.

If psychological and political considerations made it too difficult for some countries to accept a permanent transfer of their gold deposits, the simplest and most easily acceptable solution would probably be to exclude gold from the system of compulsory deposits, increasing correspondingly the dollar (and other currencies?) deposits where common management is essential to any concerted policy of interventions on the exchange

market. It would be inappropriate to develop here the details of such a solution, of various alternative suggestions I have presented in the past to the experts of the Commission, and of those mentioned in its own publications.<sup>1</sup>

#### IV.

I shall conclude by the answer I gave, in May 1984, to the question put to me by the Federal Reserve Bank of Boston, on the occasion of the fortieth anniversary of Bretton-Woods: "*The EMS: Tombstone or Cornerstone?*"<sup>2</sup> The EMS is not a tombstone, but should be the cornerstone of a world monetary system that should be rescued from its tomb, as rapidly as possible, to put an end to the « stagflation », or rather « infession » from which we have suffered for more than ten years.

The first step in this direction should be its transformation into a *European Bank*, perfectly negotiable in the immediate future, and which could later become the instrument most indispensable to the completion of the full *Economic and Monetary Union*, repeatedly promised by European Heads of State and Government, but where negotiation and implementation still appear today very distant, and even uncertain.

<sup>1</sup> See, in particular, the "Dossier sur le Système Monétaire Européen" in *Economie Européenne*, n. 12, Juli 1982.

<sup>2</sup> Included in *The International Monetary System: Forty Years after Bretton Woods*, Federal Reserve Bank of Boston, 1984, Conference Series n. 28, pp. 127-178.

## The Cost of Non-Europe and the European Alternative

MICHEL ALBERT

Mr. Chairman, ladies and gentlemen, I would like first of all to apologize for the absence of my French colleagues who were unable to come to Rome because they are discussing a vital matter with Maurice Faure, namely the preparation for the Milan summit.

As far as I am concerned, I will try to develop what is economically and socially at stake in the Milan summit around three basic points. 1) Non-Europe is on the way to suffering to an extent that we can scarcely imagine; 2) today United Europe would, to recall this congress's theme, have all the possibilities of taking on the "challenge of the future"; 3) in this respect and in view of the Milan summit, the key to the future lies in Rome.

#### I

When we spoke of Europe's decline in the report that James Ball and I presented to the European Parliament two years ago, we talked of "Non-Europe on the no-growth slope". This, the title of the first part of our report, might seem a bit pessimistic. A lot of people said: but the American economy will pick up and the European economy will follow suit behind the American locomotive. Today, it is the Americans who are stressing Europe's decline. Last year (1984) two of America's leading magazines, *Newsweek* in April and *Times Magazine* in June, made Europe's decline their cover story.

Two years after the American economy took off again, America can record a 10% growth for 1983 and 1984, Europe a growth

of 3%. To see what that means, we need to recall that in the fifties and sixties, the growth rate in Europe was substantially higher than in America, nearly half as much again, and that in the seventies and until 1982 the growth rate was virtually the same as America. For the first time since the end of the Second World War, there is a gap of three to one between American and European growth. I wish to state and hope to prove that this is no mere chance, no mere accident.

It is the beginning of a long term trend which can only deteriorate if we do not create Europe. Thus, from 1970 to 1983, US industrial production increased twice as much as European industrial production and Japanese industrial production increased three times as much in the twenty years from 1963 to 1983. High technology exports increased 50% faster than in Europe while in Japan they increased ten times as fast as in the EEC. In other words, the EEC increasingly imports the products of the future and increasingly exports the products of the past.

Moreover, there is no need to be a great economist to appreciate this. Everybody has been inside a department store and gone to the household appliances department. And there anybody can spot the difference, because the old products are not the same colour as the new products. Consequently, when I say Europe increasingly imports new products and increasingly exports old products, all you have to do is to go to any department store anywhere in the world to see what I mean. The old appliances in the household electrical goods department are white — hence they are called white goods. They include vacuum cleaners, refrigerators, dishwashers, washing-machines. These products are usually European and very often Italian. Then, next to them you have the products of the future. They are not the same colour, they are brown goods: television sets, tape recorders, video cameras, personal computers. These products are only very rarely European products. They are nearly always Japanese or American.

What does this mean? It means that each time we buy these goods of the future, we create jobs, not in Europe, but in the US and Japan. This technological regression, this economic stagnation is apparent in what henceforth ought to be called "the daily referendum of the European saver against Non-Europe". Because the European saver votes every day against Non-Europe. How come? A banker explained it to me recently. He told me: well, when people now come to us to make an investment in the bank we have got into the habit of saying: "dollars of course". Yes, "of course" dollars. And you can understand the European saver.

You can understand — as Professor Triffin said yesterday — it is all intrinsically bound up with the world monetary scandal. But just a moment, I am not accusing the US of a world monetary scandal. What is causing the crazy rise in the dollar? Who is providing roughly half the financing for the US budgetary deficit and external balance of payments deficit? We are! Because we in Non-Europe should not be surprised if we have a Non-European behaviour and if we demonstrate our Euro-pessimism with our behaviour as savers. The Americans are not responsible for this. We are. So we should not be surprised if in these conditions we are on the road towards suffering. And two features of this road to suffering stand out to my mind as being highly characteristic. The first is tax in Europe. The second is unemployment.

Since we have little growth — and indeed I shall explain in just a minute that in Non-Europe there can be no durable, healthy, overall economic growth — one consequence is the permanent increase in tax. Here there are two figures that need to be known. In Europe, today, when we earn a 100, we give up 50 as tax and social security overall. The percentage of income tax and social security payments deducted from salaries is about 50% of GDP in Europe whereas it is about a third in the US and Japan. So that we are competing with the US and Japan roughly like three competing enterprises in the same sector, two of which have overheads of 35%, namely the US and Japan, while the third, i.e. Non-Europe, has overheads of 50%.

So we should not be surprised if we are going backwards and if we are still in a position of economic stagnation despite all the major advantages that America has given us in the last two years: first, its remarkable growth and, subsequently, the enormous rise in the dollar's value which opens up the doors of America to the rest of the world's goods. This has the result that America, currently, has the most anti-protectionist policy that I know of in economic history. When I see that the ratio between American imports and American GDP increased in volume from 10.1% in 1982 to 12.7% in 1984, then I feel bound to say that an increase of more than a quarter in the import rate is something which, at least to my knowledge, is unique in economic history, and certainly for a country of this size. Which only goes to show that the Americans have enormously helped to develop our economy and to create growth. But despite this in two years all we have achieved is 3%, or 1.5% per year average in the Community.

This explains why we are on a road to suffering. But this is not the worst part about it. The worst thing is unemployment. While Japan has full employment, while America in ten years has created about 20 million jobs, Europe, which has so far been the homeland of full employment, has become a Sahara for employment. And to think about 10 to 15 years ago, even 10 years ago, in America there was unemployment, while we had none! In net figures Europe has destroyed 3 million jobs over the last ten years. It is like the Sahel where water and vegetation recede before the desert.

And we must not think that it is over. In 1984, there was about 11% unemployment in the Community, 13 million unemployed. This trend would give us 15% unemployed or 18 million unemployed in 1990. Alas, in this field, economists are seldom wrong. In Europe if the trend is not changed, if we the people of Europe continue to accept what can only be called the exploitation of the people of Europe by the Disunited States of Non-Europe vis-à-vis the United States of America, then we will continue on our road to suffering at the very moment when for a few years more — and this is my second point — a United Europe still has the possibility of taking up the challenge of the *future*.

## II

To be aware of our capacities, we must first of all understand that what is happening to us, the suffering that I have just spoken of and which we are just about to experience is not the result of a mishap, of fatal destiny, nor of any particular historical determinism. All this suffering, all this unhappiness is more or less directly due to one and the same cause and we are directly responsible for this cause since the cause is Non-Europe.

I would like to demonstrate this to you, first, as regards growth and then as regards employment, and, finally, as regards scientific and technological development.

Firstly, as regards growth, all the instruments of economic policy are still held by the States. But the European States are powerless today to continue sustained, non-inflationary and continued growth by themselves. You will forgive me if I quote myself, but I think that the major scientific contribution of the report that I carried out with James Ball for the European Parliament is precisely in chapter 3 which is called the "Powerlessness of the States". I will summarise it for you rapidly because I think it is the most important.

Since the beginning of the seventies, since the oil crisis, the four major countries of the European Community have tried to emerge from the crisis and have tried to relaunch their growth. To give them their due, it was the British who tried first. The Italians took over. Finally, the Germans agreed in 1978-79 under pressure from their partners to act as the locomotive. As for the French, they needed two attempts and not just one to understand that, henceforth, growth cannot be achieved by national policies. In France, we have had two comparable experiences at the beginning of each of the last two seven-year Presidential terms. First in 1974-75, we had a policy of relaunching growth and then in 1981-82 the very same thing. The first time round it was with M. Giscard d'Estaing, and the second time with M. Mitterrand.

In fact, there is a basic phenomenon in French political life, which is that we elect a President of the Republic with universal suffrage once every seven years. It seems that the President elected is a happy man and that this happy man wishes to look after the happiness of his electors and his people. Father Christmas comes down the chimney at the beginning of each seven-year term.

And then what happens? Well, the same thing as happens with all other experiences: the British experience, the Italian experience, the German experience. You discover that it is very easy to relaunch the economy by stimulating consumption. You increase wages, you increase the deficit. It is easily done. You get faster growth than your neighbours. Then exports start declining and imports start rising. So that the European country which wants faster growth than the others, runs up a balance of trade deficit. Whatever country it is. And when it runs up a balance of trade deficit what happens? Well, Father Christmas changes his uniform. Father Christmas becomes a policeman which explains why there are so many similarities between the economic policy we have had in France since 1983 and the one we had from 1976 onwards, when M. Giscard d'Estaing had to call in M. Barre. The techniques of the gendarmerie are by no means the techniques of Father Christmas and they go beyond ideological considerations. Whether you are left-wing or right-wing, you have to eliminate the balance of trade deficit. That is what being a policeman means.

What really needs to be understood is what leads to no Common Market country having any growth significantly and stably higher than the others' average. The real cause is that the EEC is a half constructed Community which has two major characteristics: firstly, it is a market with a very high degree of

trading interpenetration and, secondly, a very low degree of economic policy integration.

A high degree of commercial interpenetration: for countries like the 4 major ones, the external trade coefficient i.e. imports on GDP is in the order of 25 to 30%. For small countries like Belgium and Holland it is over 50%. Half of these exchanges are carried out with the other countries in the Common Market (not entirely in Britain but it is increasing rapidly). So each of the member States of the Common Market is very sensitive to its balance of trade deficit with its Common Market partners because of the high degree of commercial interpenetration. Consequently, once we have a country with a higher rate of growth, that country very quickly runs the risk of an external deficit. I wish to draw your attention to the fact that Germany which has a growth rate which is a little faster than the others today, is no longer talking about being the locomotive as she did in 1978-9 because that experience cost Germany dearly. Politically, it cost the former Government its majority; economically, I am not ready to forget the moment at the end of the seventies, when, suddenly, the deutschmark found itself in a position of weakness vis-à-vis other European currencies in the snake because of the difference in the rate of growth and the internal deficit which it brought for West Germany. Germany has not forgotten. Nothing indicates that she is prepared today to start the little game of the locomotive.

This is the consequence of this very high commercial interpenetration, which puts the countries of Non-Europe in a system of sterile deflation. None of them can relaunch growth alone. And, in addition, the Community does not have the necessary instruments to compensate for the inconveniences of commercial interdependence by integrating economic policy. Indeed, we have no common currency. We have a common budget which is equal to 1% of GDP which is ridiculously low and badly used. We have no common policy as regards the future and particularly as regards research and development.

We have strong commercial integration which explains the wealth we have reached, because we would be semi-developed countries if we had not created the Common Market. But on the other hand, we have a low level of integration of the instruments of economic policy, which explains why we are in a system of sterile deflation. All of us, whether we like it or not, are in Non-Europe.

What we call the Common Market is in reality a very uncommon market. More exactly it is a Common Market for the

people's goods and in no way is it a common market — if you will permit me to use the language of Machiavelli — for the prince's goods that is spending in public administration, telephones, railways and in particular defence, the latter representing 15% of the Community's GDP. The princes (the States) have told us the exploited peoples of Non-Europe this: do what I say, but above all do not do what I do. The Common Market is good for you the people. Me, I intend to keep my power. I intend to choose my suppliers. I intend to go on practising the quiet policies of administrative protectionism.

Which explains why the Common Market is common only for the products of the people and the sectors of the past: our princes, our States, are in complete agreement about bringing together the sectors of the past, for the good reason that the sectors of the past are the sectors which are in difficulty, those which give them the biggest headaches: agriculture, steel, coal, shipbuilding, textiles. These things they want to share in common, but they would not dream of doing it for the things of the future because this gratifies the people in power. It brings enjoyment. It gives rise to dreams. You can make people dream about these things. So they keep that for themselves. So we have a Common Market for those sectors where integration is least necessary, since obviously it is in the sectors which relate to the future that economies of scale are the most essential. That's where there is no common market.

There are many examples. I give many in my book. But there is one which particularly struck me: the President of the European Parliament told me that he had to put two telephones in his car. Yes two, because Non-Europe is so badly organised and has so little sense of good housekeeping in public finance that the President of the European Parliament has to travel between three capitals: Strasbourg, Luxembourg and Brussels. Well, by a bit of bad luck, the telephone regulations are not the same in France and Belgium so that the President of the European Parliament has had to install two telephones in his car, one for Strasbourg and the other for Brussels and Luxembourg. This is the symbol of Non-Europe in the sectors of the future. This is the source of the exploitation of peoples. This is what we do to become a huge factory of unemployed.

Finally, the following is the cost of Non-Europe. We have shown with James Ball on the basis of the works of the Common Market Commission that each citizen in Europe on average works one week a year to maintain customs officers in the EEC. I say

that each citizen in Non-Europe today is exploited by these States who surround their territory with customs barriers which are supposed to protect but which in fact, instead of protecting us, exploit us. Yes, the citizen of Non-Europe is exploited by the State a little like the middle-age serf was exploited by his lord. We pay our tithe. I propose that we turn our excess customs officers into much-needed police officers. One of the consequences of Non-Europe is that we have insufficient police officers because Non-Europe is not good for law and order: where there are unemployed people, there are thieves. Where there are thieves, you need policemen. We have too few policemen and too many customs officers. Hence, I suggest we turn customs officers into police officers.

With things this way, our chances are still intact — but not for much longer despite the immense wastage which is tied to any intergovernmental co-operation where everything has to be dealt with in frightening marathons. United Europe's capacity can be measured in terms of the success of such projects as the Airbus, Ariane and Jet Torus projects. In this respect to understand the disparity existing between what we are today and what we would be socially and economically if we were united, just think for a moment what the economy of the United States would be if the territory of the United States were split up into ten monetary areas, their budget divided up between ten Pentagons — a federal budget reduced to that of the EEC, which is twenty times less — and with two thirds of this budget dedicated to agriculture... You would agree, in these conditions, that America would be much less athletic than it is today.

If I say athletic it is not by chance. In fact, I was thinking of the Olympic Games in Los Angeles last year.

As regards the Olympic Games, I learned one thing that seems to me to be highly significant as regards the chances that we would have as Europeans if we were all united. Everybody interpreted these Olympic Games as being a triumph for the United States. Now do you know how many medals the US had: 174. And do you know how many medals the ten Community countries together won at the Olympic Games in Los Angeles? I would be surprised if you did, because nobody thought of adding them up. Which just shows you how deep European spirit is! If they had been added up, we would have discovered that we won 181 medals in the Olympic Games in Los Angeles against the 174 won by the US.

I believe that in these circumstances we would be seriously in the wrong to be angry with others. If we are on the road to

suffering, if we do not play all our aces we should not be resentful about it with other people, we should blame ourselves, and only ourselves, because only we can redress our economic growth when we wish. Yes, we can turn growth round whenever we like, in Europe. We can begin to create new jobs when we like, as long as we manage our economic policy in an integrated way in order to bring what James Ball and I called the multipliers of Community efficiency into play. We still have the chance to do this, but we need to pay urgent attention to it, because time is running short.

There are four reasons for this urgency. The first is that this time France is not the bad boy in the class, so we had better take advantage of this, because it does not happen too often. Certainly, when it is not France, it is England. Indeed, in European affairs the behaviour of the French and the English is often comparable. Not merely for the reason that Spinelli likes to state that they are two old nation-States, nearly a thousand years old. More than this, they are old powers who have become accustomed to looking at the world from a centre which could be either Paris or London and see their colonies spreading out around the globe. Hence the superiority complexes which have suffered badly from decolonisation have been transferred to a number of original projects such as Concorde or national nuclear arsenals, not to mention the computer and data processing industries. So when it is not Paris who is the bad boy, then it is London. We need to take advantage of this when there is one of them on the right side. Currently, it is the case of France: you have been able to see that M. Mitterrand recently played an extremely positive role as regards European problems.

It should not be thought that this is purely politics and that only M. Mitterrand has changed in France. On the contrary, there has been a very big trend in the direction of common sense which has characterised France. I am going to read you a little text recently written by Albin Chalandon, de Gaulle's former minister and one of the most representative people as regards the Gaullist perennial tradition and legitimacy in France: "the national feeling, born from struggles and blood spilt for dominance, has been profoundly modified. Among the young there is only an awareness of a difference without any superiority. They do not believe any more, these young French, in an original and irreplaceable destiny of the nation, a witness of a Messianic vocation (...). Our arrogant and exclusive singularity is being attenuated (...). Membership of the EEC is part of our way of thinking (...) it is necessary first of all to establish a minimum of

European political power". This is a new language. So do not let us disappoint it. There is a spirit of urgency in France.

There is also great urgency in West Germany. If France is once more becoming European, I am beginning to become very worried, like other people about what is happening in Germany. Professor Triffin yesterday rightly spoke of the attitude of the Bundesbank as regards the ECU. I fear, moreover, that there is in Germany today a new temptation which I will call the temptation of national neutralism. But there again, if this temptation develops, then it is the fault of us who have not created Europe. We must remember, in this respect, what Adenauer said: Europe is indispensable to anchor Germany alongside the Western democracies. There is also urgency for technical reasons, reasons which are related to currency. M. Volcker does not tire of saying that it is inevitable that the US external trade deficit will one day end up in a dollar crisis if the deficit is not reduced. But this is hardly the point. The real question is what would happen on that day for the European Monetary System? The European Monetary System would simply crack up.

The third reason for the urgency is the fact that for the first time since the beginning of the construction of Europe, European companies have played a really positive role in European construction, which is something new.

Yesterday, Professor Majocchi recalled how, when de Gasperi made his proposals on the ECSC, the Bank of Italy and Italian industry were against. The same was true of France. It was the same thing in most of the other countries with the exception of Germany where industry was stronger.

Thus it was people in government and politicians who were behind the construction of Europe. Since then, Europe has become enmeshed in the snares of Non-Europe. But it is very interesting to see that industry has understood the need for Europe and is attempting to step into the politicians' shoes. It is they who are developing the private ECU, while Governments and Central Banks are holding back the development of the public ECU. It is industry, the big companies, who brought off the ESPRIT programme around this admirable commissioner Viscount Davignon.

A man like Dekker, the Chairman of Philips, does not tire of fighting for Europe and I am not naturally speaking of the great Italian entrepreneurs who have understood this for a long time. The most characteristic case perhaps is that of a great European entrepreneur who does not belong to the ten, Guyen-

hammar, the Chairman of Volvo, who nearly two years ago created a club for great European enterprises which he called "European initiative" to promote a great programme of public works, making it possible to improve in particular communications and which includes the Channel tunnel and the tunnel between Sicily and Italy.

But something new is occurring in this respect. Today, I think enterprise wants to do for the unity of Europe what the philosophy of Enlightenment achieved in the 18th century to overthrow feudalism — and we are in a feudalistic position with our customs officers — and what the Romantic movement and spirit of progress achieved in the 19th century for the growth of national movements. But let us be careful, with States one is never pushed for time, they have an eternity before them. With the leaders of industry it is not the same picture. They are pushed for time and if the project fails, they change projects. This is the first time that they have, at this point and with this strength, a plan to create the unity of Europe. There is a need for urgency, let us hurry up because soon it will be too late.

Finally, the fourth reason for the need for urgency: the social problems of Non-Europe which can be summed up in the new expression the "new poor". We had new philosophers, new economists and now we have the new poor.

The new poor are the poor created by the curtailment of social security programmes and are hence the poor of Non-Europe. Indeed, there can be no lasting social security without growth. And there can be no sustained and lasting growth in Non-Europe. So Non-Europe is a threat to social security. And what is more precious? Do not forget that we are the only ones in the world who have a social security system. The Americans and Japanese do not. And the age of the Common Market is the only age in history of the world where there has ever been a social security system like ours. I would fear for European democracies' future if our social security systems were threatened by a no-growth situation. And I wish to point out here and now a tendency in the last elections, because of the crisis, for the Governments in power to lose elections. The great lessons of the European elections is not that the left has won or that the right has won. It is that in almost all cases the majority lost. The opposition won because people are really beginning to be fed up. And probably deep down in their subconscious, these people who are not so stupid, are beginning to understand what I have just tried, perhaps in too many words, to explain to you.

## III

So let me reach my conclusion and tell you that today it is clear to me that the future of Europe is in Rome.

I am all the more happy to see that Professor Majocchi spoke admirably yesterday about the role of various Frenchmen at the beginning of European construction.

If I say today that the key to the future of Europe is in Rome it is because the Italian presidency of the European Council, which will end with the Milan Summit at the end of June, will have a decisive role to play.

The first essential point is that since the Fontainebleau Summit the "Dooqe report" has been accepted not unanimously but by a majority. The members of this Committee have decided to make a break with the rule of unanimity, i.e. the rule about Non-Europe. Everybody has understood this here. They have decided for majority vote.

The second essential point is that they have taken the Spinelli report as the basis for their works. So in Milan there is a straight choice:

— the first hypothesis is that the Italian presidency will play in full the dynamic game of the seven countries who signed the Dooqe Committee, the "hard core" that John Pinder spoke of so courageously yesterday — because there may be French Europeans, but there are also British Europeans! And hence, if the Italian presidency plays this game of seven countries to the full, without any compromise, then I believe that we can hope for everything and, in particular, that enlarging the Community — which is a duty for all us democrats — will be no trickery for Spain and Portugal;

— or, on the contrary, we can bury the Dooqe report like so many other reports of its kind (Non-Europe is a cemetery of excellent reports). And then, we should not be surprised to see disappointments come tumbling down on us. Then the richest of us will not fail to plan their retirement and say to themselves that they have the choice between Florida and California. And as regards young people, our children, in growing numbers they will have a choice between unemployment, drugs and Euro-terrorism.

Italy, today, has already supplied Europe with its new Jean Monnet. The new Jean Monnet, is Altiero Spinelli.

Ladies and gentlemen, I am an optimist. I have never yet said: this is the last chance. For the first time, now, I really think that this is the last chance. My hope and my appeal in the name

of my children is that the Italian President at the Milan Summit manages to fulfil the historic task which Europe expects of the man who will be the new Spaak. Italy has already given us the new Jean Monnet. It is up to Italy to give us the new Spaak in June, the new Spaak of the new treaty of Rome, who will understand one thing which is well-known in Rome, which is known better here than in any other place in the world: the Renaissance, the Renaissance of Europe.



## Technical Change and European Integration

WASSILY LEONTIEF

I am very happy to be here. If I am not mistaken, I think I am the only Non-European on this panel; the only American. I am a friend of the family, even if I am not a member of the family, and naturally I must be much more modest in presenting my advice and exhortations.

What I will try to do in the few minutes in which I have the opportunity to speak to you is to present certain ideas, certain thoughts, possibly even one recommendation, which are the result of the long study of the particular subject on which I was invited to speak: this is the role of technology, of technological change. I will also permit myself to indicate the particular circumstances in which I think Europe, the European economy, European society, finds itself in facing the challenge of new technology.

Now of course the concept of technology is a very complicated one, but in this connection I would use a simple definition of technology. This is how I will use the word. Other people, of course, can use it differently.

Each type of productive activity, of service activity, at any given time, uses a particular technology. A very good example is, for instance, that if you want to bake bread, you can look at a cook book — Tante Marie in France, but I am sure there is also one like it in Italy — and it will tell you how to make bread. It will tell you what ingredients you need in order to make it, how much time, how much labour you need in order to make it; it will also indicate what the economists refer to as the capital which you need: you need an oven, you need cooking facilities, and even I suppose if you are cooking in this modern

age, if your cooking produces a lot of smoke, you will need a ventilator, in order to eliminate pollution.

Any businessman who wants then to go into the bakery business must study, must know that technology. Technological change is nothing else than changes in technologies. You have a new cook-book, and new recipes. Naturally not only for making bread, but for making steel, for making automobiles, and so on.

The history of social and economic development is fuelled by change in technology. I think in the long run progress, economic and social, was based on changes in technology. And what is particularly important is that each technology requires its own economic organization. A type of economic organization which is suitable and enables you to exploit very effectively one technology, very often is not at all suitable for exploitation of another technology.

Europe still has certain feudal elements in its organization. But, and this may sound a little paradoxical, possibly Japan succeeded so well because perhaps feudal organization might be more suitable to effective exploitation of a modern technology than a kind of free-wheeling nineteenth century organization.

Now the nineteenth century technology on which Europe and the United States grew up, and which made them what we refer to as "developed countries", was based on the exploitation of mechanical power. It was the steam engine, the gasoline engine, and then electric power, which really equipped men and women with incredible power to produce very large amounts and great varieties of goods.

The new technology is very different. You see, essentially the old technology freed us — the workers — of physical effort. Nowadays you do not hire a worker by seeing how strong his muscles are. You hire him very often if you have seen that he is smart enough.

But what does the new computer do? The new technology even permits us to free people from certain types of mental effort. And, of course, we are just beginning, we are just at the very beginning, of that process. This changes the position of man in the economy and in society.

It is very promising. It has very good hopeful aspects. I mean we might go back to the paradise when everything is simply produced without any effort. But you know in a paradise we would have some very difficult problems. Adam and Eve would have no income, no wages, because they don't work, and so they would be in terrible trouble.

I think that this is one of the fundamental problems which we will be facing. Not at once. I will tell you later about certain research, quantitative research, factual research, which I undertook in order to estimate how, for example, new technology will affect our American economy, but there will naturally be very similar developments in other economies.

The role — it sounds paradoxical — of humans in production is diminishing slightly. This is a promise and challenge. Two years ago General Motors and Chrysler Corporation were in a terrific crisis. They began to negotiate with the trade unions about wages, and an agreement was reached very quickly because General Motors were simply able to show, to put on the negotiating table, a blueprint for an automated plant. They showed it to the workers and said: "Look here: if you don't take the situation into account, we will construct an automatic plant, and you won't have very many working places".

This is a very serious problem. There are some very good aspects to it naturally: the increased productivity of labour, but it has also very serious institutional aspects. It is a problem of how our society can operate.

In the case of horses in agriculture it was very simple. We introduced tractors and we just let horses go. There is no problem there, but if horses could join the Democratic party and vote, then the political situation would be very different.

I think this will happen somewhat slowly. It will not be very fast. I will tell you, for example, that according to an analysis which I have been trying to undertake, in the United States, even by the end of this century, which is only fifteen years away, we will not have large technological unemployment. We will have a very great shift in the type of profession, in the type of training which is required, with some people with a certain type of training indeed being unemployed, and it will be necessary to retrain them.

But in part, as a matter of fact, my conclusions are due to the fact that our population growth is diminishing, and we will have far fewer young people coming into the labour market in the next sixteen years, than did in the last fifteen years. My conclusions are due to these factors rather than to a benevolent technology.

I purposely mention to you technical but simple problems, because ultimately the solutions will have to be found with a complete understanding of exactly what is happening and of what can happen later. It requires a scientific analysis, simple analysis, which can be carried out.

In the nineteenth century, the length of a day's work was diminishing dramatically. In the United States, at the end of the last century, the average labour week was seventy-five hours; it is now, as of the last war, forty-two hours. Imagine trying to find full employment for everybody, if everybody wanted to work seventy-five hours a week. It would be impossible, and unnecessary.

I think, as time goes on, slowly but steadily we will have to diminish the working time — not per week necessarily. People will join the labour force later because of preliminary training, they will retire earlier, and so on... I do not want to go into details on that now. But there will be serious problems. What kind of income will they have?

Returning to my horses, you know we could easily in the United States maintain twenty million working horses in agriculture if we wanted to. We would simply declare that it is necessary for our national defence to have twenty million horses. I assure you that our Congress would vote, it would vote fifty billion dollars, and everything would be settled.

Here would come the problems of morality. And the problem of moral convictions. If you grow up in an atmosphere where you can save your soul only by working seventy-five hours a week, you will be terribly unhappy, and society will be unhappy, everybody else will be unhappy, if you can work for only forty hours or less. This produces terrific tensions; very great social, moral, cultural difficulties which I think we will have to go through. We will have to go forward, and change our attitudes, and this is very difficult.

You see, the self-interest, the profit motive, is still the main driving force, and if you begin supporting horses, despite the fact that they don't work too much, you feel very badly about it; and certainly you will feel very badly about people under these conditions.

But you know we are doing this already. What is social security? It is really an incomes policy. What is medical care? Free medical care? An incomes policy. What is environmental protection which is incredibly expensive? An incomes policy. I permitted myself just the other day to publish a little article in the "New York Times". There has been a great deal of discussion on our taxation system and on our budget. I took the liberty of observing that when we in the United States — and you in Europe much earlier — introduced income taxes, we made them progressive because this was an admission that we were just slightly trying to have income policies and to slightly reduce the difference between the different incomes. But now, even in

the United States, and certainly in Europe, income policies are conducted not on the revenue side of government budget, but on the expenditure side of government budget. It is social security, medical care and all other activities which are financed on expenditure which really matter and from this point of view I even permitted myself to say that income tax produces very great difficulties, moral difficulties, evasion and so on, and that I favour flat sale taxes, which can be slightly progressive in a sense. Luxury goods could be taxed more. But this, by the way, will not at all attack savings. Somebody has to save, and whether I do it, or the rich men do it, if he can do it, let him do it... if he didn't do it, then I would have to do it.

Now, let me go a little further. Since it is a slow process, it is very important to see ahead, because these changes are very slow, very difficult, and it is very important to look ahead. I know Japan very well. I have worked in many different countries. The interesting thing for example is that in the United States the average return on invested capital is about twenty to twenty five per cent. I do not mean the rate of interest, just like a business per cent return on capital. In other words our businessman investor expects to get back his capital in about four and a half years. So he really is not very worried about what will happen over and beyond those four and a half years. He uses a rather short horizon.

In Japan, interestingly enough, return on capital is much slower. It is nearer to around twelve per cent. So they can get their capital return only in about fifteen years. They are forced to look ahead.

Modern technology requires capital investment which certainly can be justified only if you look very much ahead. I always say that we have a tendency to drive with our parking lights on, while the Japanese drive with their high beam on, and this makes a very great difference. It is terribly important.

Our company president can lose his job in the United States if he does not show profits in three successive quarters. With modern technology, however, you have to look much further than three quarters, in order to organize it well.

Now there is no doubt that the introduction of new technology requires a very great shift in investments, in occupation, in the territorial division of labour. And shifts can always produce great benefits to some people, and also in the process of transition squeeze some other people. Shifts are always very painful and this is why it is often preferred — and the previous speaker, my friend Prof. Albert, indicated this — in Europe to sit back quietly

and not budge too much. But this, of course, is one of the greatest dangers.

And here I make a very specific remark, which is addressed to you who are interested in the unification of Europe, and particularly in economic integration. Even if technology were not to change at all, in the next twenty years, let us say, there were to be no technological changes, economic integration could still benefit Europe incredibly, because there would be simply a division of labour between the different industries, a better concentration, better coordination, which would be of great benefit to Europe.

But at the same time without any technological change there is a very strong resistance to it because many groups, at least temporarily, would suffer from it. This is, I think, the main reason for the resistance of special groups, and why you do not have much integration.

Now let us take another hypothesis simply to indicate certain ideas. Imagine Europe as being already unified, with very strong technological change, shifts. This too would impose very great hardships on some people, on some industries, who would have to curtail, because they are no longer up-to-date. But there would be great increases in productivity and welfare in the most dynamic sectors. What I say is this: even if you did not integrate, the technological changes, which you will have to undertake, will force you to make great adjustments. So there is a very great advantage for you to carry out simultaneously technological change and integration. I think this would be a very good kind of policy decision, a very good way of looking at what Europe can do in the coming five, ten, fifteen, twenty years. You have to adjust anyhow, so you might as well adjust to the new technology, and integrate at the same time. You will have to pay a price for each of these changes separately, because there is some price. But the price will be lesser if Europe is united and able to provide effective government as regards the process of change.

And now, just because I am after all a technician, I am not a politician — I have my political and philosophical opinions, but I prefer to express them among my friends around the coffee table and not declare them before you — I think that one important thing for any type of consistent policy is first of all to know your own situation, to explore what the alternative possibilities are. And I am struck in my own country and I think this possibly applies to Europe as well: we have grandiose political plans, grandiose proposals, but we *really* do not know what might happen.

We build our goals without investigating the road which we must pursue step by step. This should be the role for the economist. The economist should just inform the politicians of the possibilities. And here I say very apologetically that I think old-fashioned economics is not very helpful, they are mostly philosophical, they use some figures more like indices. I mean if you are interested in knowing how heat works, to simply look at the thermometer is not sufficient. You have to understand the entire mechanism of that process.

I think that the introduction of computers, the initiation of what we call the information age, will and should and has already begun to revolutionize economic science. It can now take on tasks and perform tasks which it had been unable to do up to now.

Economics was very deductive. It was almost philosophical. You discussed tendencies and what not. At the moment when you speak of production and consumption, which are specific processes, with modern computing machines it is possible to handle millions of figures. I use a computing machine which can make eight hundred million multiplications in one second.

In other words that is not a problem. It is not a problem at all. The problem is to formulate analytical tools, to know how to handle the figures, how to make sense of the figures. And this is my job. This is the job of science; and secondly to get the figures.

In the pecking order between these three activities, computing machines are like air. You have enough of them now, and there is no problem. It is very cheap, considering the other expenses. To construct a theory, to know, in other words, how and what models to build — we are accustomed to it now and there is one important change which is taking place. In the old days it used to be said that you could either describe the forest in general, or you could describe the individual tree. You had that choice, and it was a very disagreeable choice, because if you described just one tree, you did not know what happened to the other trees, and so you got into trouble.

But if you speak about the forest in general, you really do not use factual information. You use a symbolical language. There is no such thing as an economy as a whole. There are particular plants, particular policies, particular industries, particular processes... anybody who is in actual business knows this.

But now we are entering the stage where we can begin to describe the forest in terms of the particular trees. We can get the information and have the whole picture in sufficient detail

to be able to make not only political speeches but to actually help individual businesses and industries to make their choices, given that information and keeping it in account.

This I think was one of the reasons why Japan succeeded in utilizing new technologies, which they did not invent. They got them, and used them. I know that in my field the way in which the Japanese collect information, the great discipline, the great thoroughness, and the way in which they use it, gets concrete results.

It is much easier to get other people to accept your particular recommendations, if you base them not on philosophical convictions, but on fact. I do not say these recommendations will, but that they might, be introduced. Renault knows exactly what kind of car it will produce five years from now. It is already in the book. It might not produce it, but if it does, it knows what car it will be.

The same thing applies to other industries. With very modest resources, I collected some information on that. The businessman can then cross out, he can plan his course; he has the technology, he has the cooking recipe, he knows the price of flour and salt and the cost of the cook's labour; he knows how much the oven costs and the cost of alternatives. He can compute, and this gives a more efficient picture, one of greater value.

Of course the new technology, if you really introduce it, increases income. But there you have still, and this is what all the quarrel is about, the question: will you use it only to increase the return on capital? Or will you use it also to increase real wages? Usually some kind of a compromise is reached. If you try to do both, you simply produce inflation, of course. But it is much easier to discuss between business and labour the introduction of new technology, if you can show in complete figures, what the possibilities are. Reasonable people can agree, if they have presented to them realistically the alternatives. And this, of course, the Japanese do. Business and government analyze different industries. They say: let us go for the small car. Let us close down our shipyard... and they show the figures. And they do it, because it is not just philosophical discussion.

For example, this type of thing has been done in Europe. It is very interesting to see how different countries handle situations. It happened about ten years ago: it was the introduction of new technologies into the printing industry. There was a great wave of new technology, when the clumsy old linotype

machines were thrown out, and all kinds of new photographic processes were introduced.

In the United States it brought terrible strikes. Many workers lost their jobs, and some publications really went bankrupt because of it. The same thing applied to England. In Austria, they got together and business and trade unions asked the Academy of Sciences, which has an economic division, to analyze the situation, to collate the cooking recipe, and to analyze and not make one projection, but to describe alternatives.

Among those alternatives, for example, was the alternative of whether to produce the new equipment in Austria, or to import it, which, of course, would mean increasing exports. They analyzed it, showed the alternatives to the people immediately concerned, of course labour and management, and they then reached an agreement. There was no strike. They did not discuss principles, but analyzed the actual situation. This can be done.

I think that one of the moves which Europe could make, which you in Europe could do, is to just sponsor that type of research. It is, in a sense, technological research, but different from purely engineering research. It can be done. Of course, it is extremely expensive. It is much more expensive than writing general economic papers. But it can be done.

Much of the information will come not from central statistical offices, but from industry itself. Industry *knows* what... in other words you begin to observe the trees and then you have a pretty good idea.

You don't make one projection. I never make one projection. There are always alternative choices. I illustrate my idea of what this type of research can do with a kind of anecdotal example. Imagine a friend calls me up one day and says: I would like to invite you and your wife to a very good restaurant. Do you have time tomorrow? If the restaurant is very good, I usually have time! But then imagine that my friend tells me: Can you tell me exactly what your tastes are, so that I can already in advance order all the dishes that we will be served? I will say: No — my dear. I cannot describe my tastes; give me the choice. Give me the menu.

An economist, this is the type of research which I suggest, will give the company, the entrepreneur, the trade unions, which play such an important role, a description, a realistic description of the alternatives. They won't have to understand philosophy, or higher mathematics, it can be described in a very simple way, like in a cook-book.

Then, of course, I do not say that there is some simple principle of choice. Some economists say: "You maximize utility; you maximize national income". But it is too dangerous to say that, because the criteria of choice are very different. There are very many circumstances, which an economist is not capable of evaluating or he should not pretend that he can make a choice between alternative dishes. What he should be able to give you when you order a dish is to really deliver it. The trouble with economics is that you have a big menu, and the cook cannot cook any of the dishes. Whatever the people name, it is always goulash.

I know that I have used up my time. If there is a little discussion, I would be delighted to try to answer your questions. But I think that it would be a very great thing. Because you know two countries do it now: Japan does it on an incredible scale. In Japan, for example, they have the so-called input/output tables, work which interests me. In the United States it is a small division in the Department of Commerce. In Japan thirteen ministries, under a Cabinet Committee, do the work and last summer the statistical office of Japan was transferred to the so-called central management agency which really decides the economic policy.

This does not restrict your freedom. It does not mean interfering with your decisions. It means giving you a very clear picture of what is and is not possible, so that you can then make your choice.

It is very expensive. Near Geneva they have a great laboratory<sup>1</sup> — by the way one of the great successes of Europe — it was a great investment, but you had the results. Now, it would be a great innovation if *Europe* decided — and this you can do quickly.

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<sup>1</sup> Leontief alludes to the Nobel prize jointly awarded in 1985 to the European researchers Rubbia and van der Meer for physics.

## The Constituent Role of the European Parliament

ALTIERO SPINELLI

Having listened to the previous speeches which have discussed the reasons why Europe is necessary, I would prefer to start by giving a kind of 'snapshot' of the Community's current position, rather than going any farther into the question of the need for Europe.

For thirty-three years there has been an embryonic European unity, essentially consisting in the four Community institutions and the Community's regulations and directives. There is a widespread feeling that the political as well as economic problems which need to be faced jointly, are becoming tougher to solve as well as more numerous. A growing number of countries have agreed to or are agreeing to join the European Community. First there were six countries, then nine, then ten and soon there will be twelve. The political and economic situation (described this morning by Albert) now makes it possible, and will continue to make it possible for a short period in the future, for decisions to be made to get things going in the right direction. And yet, the Community's growing inability to face up to the task is almost brazenly before all our eyes. All too often, decisions are either not taken or delayed indefinitely, and when they are taken, they are taken far too late. Generally, they are insufficient and always taken at the lowest possible level when the problem needed a more rigorous and more precise answer. When a decision has been taken, it becomes impossible to correct it, even when it is wrong, because the decision becomes a prison.

There is a standard reply to this, re-iterated by journalists, politicians and ministers: what a pity it is that there is no European political will. I would like to go into this idea of

European political will to see what substance there is in this formula. Clearly, in the most elementary use of the word, a political will means that, if we can bring together Europeans from different countries, with different languages, cultures and different policies to discuss a particular matter, then there is the problem as to whether they can or cannot find a common language and common formulas, and as to whether or not each country will follow its own road without being able to establish ties with the others. If they can work together, then a common European will exists, and if they cannot, then it does not exist.

But then we need to consider what the experience has been since 1952 when the first Community began — all of thirty-three years ago, one third of a century. I would just like to run through the four institutions through which common European will expresses, or should express, itself. The Court has to interpret the legislation, the Commission has a legislative function and the task of administering joint policies. The Parliament has the task of drawing up joint political initiatives, expressing an opinion on Community legislation and budget.

Note that these first three institutions are not made up of doctrinaire federalists who forget about all other problems and concentrate only on the will to construct the European federation. They are judges, politicians and administrators who typify the make-up of the Community countries. And yet in none of these three institutions do the people who run them have a duty to represent their governments, or to put forward their own country's point of view. They have all been sent there by various procedures with the duty to create, within their particular fields, a European standpoint, a European view, a European administration and European political trends. If there were no widespread European awareness, these people coming from different backgrounds and experiences in each of the Community countries, would not have managed to work together and find common agreement on the various issues for some thirty years. The experience has been that these Europeans, who are renewed periodically, are capable of putting European goals above national goals.

When I say this I do not want to give the impression that the national standpoint entirely disappears — what politician, what minister in the Community countries does not cast a more watchful eye on and have a certain preference for their own region? Nevertheless, politicians and ministers still manage, generally speaking, to put forward a national policy or point of view. So in Europe there have been a certain number of men, who have been able to look at things from a European point of view,

who know how to work despite all the difficulties arising from their different origins and different languages and who have developed a common European political will. This has not been going on for just a day, but for thirty-three years and there will have been many occasions when we have felt that a certain decision was wrong and we may criticise it. But how can we turn round and say that this or that decision has been taken or not been taken because the policy adopted was to champion a national interest or a coalition of national interests against other national interests. This would just not be possible if a diffuse awareness did not exist in our countries as regards the need to construct Europe.

But there is a fourth institution, the Council, made up of the representatives of the governments, i.e. the States. It is, of course, perfectly natural that in a structure like the Community, made up of States and citizens, there should be a body representing the States. So there is nothing strange about the Council being one of the Community institutions. What is not natural are the roles envisaged by Monnet when he thought up the formula for constructing Europe and this was a fatal error he committed. Monnet envisaged that the Commission would have looked after the administration, that the Parliament would have expressed its opinions; but that the Council of Ministers would have taken the real decisions and would have delegated responsibilities to other institutions from time to time. But unlike the other three institutions, the Council is not capable of developing a European policy with any sort of continuity.

I do not wish to say that the Council is unaware of the existence of the problem of European unification. Far from it, the very existence of this awareness is the basic reason why, after every failure, after every setback, the national governments say: we must get back round the table again, we need to look for the right road. I would say that this response, which never fails to occur after every setback brought about by failure in the workings of this particular institution, is one of the clearest examples of just how significant the problem of European unity is. If it were just a fad, it would have been forgotten long ago.

So, the Council is the reason for the Community's paralysis: it has the greatest decision-making powers but is incapable of deciding with any continuity. We must remember that the Council is the place where ministers must materially take the decisions but that behind every minister is a process of formation of political will which is made, in particular, by national administrations in this or that sector, and in general by the Foreign Affairs ministries.

Clearly, reform is needed before any further progress can be made. While it is true that the reform must be based on what already exists, and not on a *tabula rasa*, it is equally true that the reform will have to go beyond the current structures and will have to be fairly radical.

Around 1980, we finally realised the need to maintain the commitment which had been written into the treaties and which was subsequently taken up and re-affirmed in the summit held in Paris towards the end of 1972: that it was necessary to build a European Union in the eighties. This sense of urgency to achieve true political unity was felt at the same time by the European Parliament and by the Council of Ministers: the European Parliament through my initiative, and the European governments as a result of the Genscher-Colombo plan. Both initiatives were undertaken at roughly the same time and both ended up having the same objective: proposing a political union.

The method followed by Genscher and Colombo, and subsequently by the Council, was to convene a diplomatic conference and to stipulate an agreement between governments, with the result that, little by little, the entire substance of the Genscher-Colombo plan, which was initially well-intended, was diluted to the point where it disappeared. There years after, there only remains a delightful declaration in which substantially it is said that the Council was unable to face all the problems it had to face and that, therefore, it was perfectly appropriate to entrust it with others, regarding political co-operation and security and that, at the same time, the Council would have to become more efficient. This is the substance of the Genscher-Colombo plan.

At the same time, the European Parliament began to set to work and, with a debate that lasted for three years, which went through commission after commission, group meetings, debates in the full assembly, an awareness grew up in all countries and in most political circles that a fundamental reform was necessary. It was not a case for touching up this or that detail. Starting with the *acquis communautaire* — accepted as a basis but liable to transformation — a new treaty needed to be created, a union in which the Commission was a true government, legislative power was shared between the Parliament and the Council and in which there would no longer be a right to veto. We have agreed that in the course of a transitory period, when a government believes that a vital interest is at stake, it can use a temporarily suspending veto. But we have placed conditions on this veto: the first is that the veto must be clearly motivated; the second is that the grounds for the veto must be upheld by the Commission,

because the vital interest of this or that government is not the only one which exists — because the vital interest of the Union also exists. When the vital interest of the Union is confirmed, a second reading must be given, a reformulation made, i.e. everything is rediscussed bearing the various requirements in mind.

To get round the obstacles created by the governments in the Luxembourg agreements, we have established that Parliament and Council must have deadlines, a date within which it is necessary to discuss matters, beyond which date silence is deemed acquiescence. In this way, we are forced to decide. Already today, in the accounting procedures, inertia is taken to mean approval, so that, on this matter, decisions are always made in good time both in the Council and in the Parliament.

We have reinforced the powers of the Court and, in particular, we have introduced a clause under which the Union is required to protect basic civil rights, which are clearly laid down in the documents approved by the Council of Europe, which have been ratified by the individual States, and which ought to belong to the Union's structure, because today we are in the strange position that, if, by chance, basic rights are violated in one of the Community countries, the Community cannot intervene.

If democracy is overthrown in a Community country and an authoritarian regime is installed, the Community can do nothing about it. The country can be expelled from the Council of Europe, as happened when Greece was in the hands of the colonels, but in the Community this situation would have to be suffered in silence. In the Draft Treaty for European Union this state of affairs has been corrected.

We have thus defined the Union's duties in a much better way so as to make it really able to work. And we have, lastly, introduced mechanisms which make it possible for the Union's institutions to take on new functions which make them more dynamic. We believe in this way that we have worked out a structure which introduces effectiveness into the Union's machinery as well as democratic elements, which can become the hub around which a growing political force can take shape. These principles make it possible for the Union to extend its own functions, when necessary, unlike the current structures which start out with certain functions but which also have certain constraints placed on them that are so numerous and so strong as to force them to recede bit by bit, and to restore to the national governments what was initially placed in the Community's hands. This process has to

be reversed if there is to be any possibility of progress towards joint action.

The Draft Treaty for European Union is not a perfect federal constitution. Although it contains a number of federal features, it is essentially a pre-federal structure which has two advantages over any other alternative project existing. Firstly, it has a dynamic nature which leads to its reinforcement, i.e. its driving force has been strengthened so as to be stronger than the braking effect which has been notably reduced, in total contrast to the current position in the Community. In the second place, the Draft Treaty for European Union was launched with the consensus of a great majority of the main political forces present in the European Parliament. This is important because the political forces had behind them the highest form of legitimation that exists in our countries, namely they were directly elected by the citizens. We must add that their consensus was a matured consensus, not last-minute improvisation. In various ways hundreds of different MEPs participated in the creation of the Draft Treaty because every step was fully debated.

The main political forces have shown that they really want this Draft Treaty, even if this has meant that they have had to rebel against the instructions and pressures of the national political machines. In this respect, the British Conservative group's stand must be praised. When ordered to abstain from the final vote, the group protested and asked for and won a free vote. After which, to the surprise of the Union's promoters, there was a majority vote and those who abstained or who voted against were in the minority. All this goes to show how in the UK things are somewhat different from what the political establishment of the two main parties would like people to believe. Thus, in February 1984, we had a final vote and while all the sceptics said that it was all a lot of hot air and that nobody would have taken up the Draft Treaty, three months after, Mitterrand came to the European Parliament and said that France was abandoning the policy it had traditionally followed since de Gaulle's days. Instead of fighting supranational measures, France now wished to follow the path indicated by Schuman, wanted to back the Draft Treaty and would have proposed a conference to achieve a treaty for political union. Another two months went by and the new Irish President of the Council of Ministers set up the Dooce Committee, made up of the personal representatives of the Heads of State and Government. This committee drew up an interim report, in which the ideas contained in the treaty were translated into more general trends. Andreotti



was right when he said in his recent speech that this committee would never have been able to draw up its report if the Parliament's Draft Treaty had not existed. The Dooge report proposes that a conference should be called which should be inspired by the spirit and method indicated by the European Parliament.

At the same time, debates were held in five Parliaments and in four of them, Italy, Germany, Belgium and Holland, the trend was very favourable. Denmark, on the other hand, was very hostile.

In March we will have the final report of the Dooge Committee and in June it will be discussed by the Council of Ministers. In the Italian government's name, the Italian Foreign Affairs Minister, Andreotti, stated that the Italian Presidency of the Community will do everything possible to ensure that a decision is made and a date is fixed in June for the conference on the Draft Treaty for European Union.

The European Parliament has not been a passive onlooker in all this. When it saw that the governments were beginning to respond to the proposals and demands it had made, the European Parliament said and repeated both to the Dooge Committee and during visits to the various European capitals — and it will go on doing so in the debate in April — that in June it wants a conference to be called or that a decision be taken to call a conference. It wants this conference to begin, if possible, with all the governments but, if not all the governments are present, that it should begin with all those who are willing to work on the basis of a precise mandate. It wants the Draft Treaty for European Union to be placed on the conference table, which ought to propose, if need be, any amendments, while respecting the spirit and the method of the Draft Treaty. The document should then be re-examined by the European Parliament with appropriate conciliation methods, until a common text is agreed on with consensus all round — the conference in the name of the governments and the European Parliament in the name of the citizens of Europe. This is a requirement which has already been advanced by the Parliament and it is the requirement on which every other development regarding the Draft Treaty for European Union depends. Another demand which we should insist upon is that Spain and Portugal who are about to be admitted to the Community should not be excluded from the negotiations of the Draft Treaty. They should participate in the work of the Conference and in the work of the European

Parliament without too much delay, if they find the appropriate means to do so.

Why has the Parliament made these demands? Because it is not enough for the governments to begin to take what the Parliament has done seriously: from a formal point of view, of international law, this Draft Treaty for European Union has started life as a treaty, i.e. as something that must be adopted by each individual government who must submit it to and have it ratified by the national Parliaments; as regards its content, it is the constitution of a political body, and a democratic political body at that. As a treaty, there must be a conference of the representatives of the governments who must discuss and accept it; as a Constitution it must be drawn up and voted by the European Parliament.

In addition to these legislative grounds, there is an underlying and much deeper political one. We must be aware and we have seen from the past examples that a diplomatic conference brings out national points of view in a natural way and hence adverse and reductive points of view. When one country does not do this, then another one will. Why does this happen? Because a diplomatic conference is made up of people who have the exclusive task of developing a national point of view and hence looking for a compromise between one's own national point of view and that of others and not the creation of a common attitude. The European Parliament's nature is very different. It is true that the various MEPs have been elected in their national States. But it has transnational political groups, transnational debates and votes. This creates a supranational standpoint in a fairly natural way. For this reason it is vital that in the final phases of the drafting of the Treaty for European Union, the need for this force to be present is stressed.

It is a real dialectic. These matters are discussed in the Dooge Committee among the national ministers. The Quai d'Orsay is not at all happy with Mitterrand's politics. It tried to resist when Faure, drawing up his report, declared that it was necessary to be inspired by the spirit and the method of the European Parliament. We all know that the politics of the Italian government is heavily committed to Europe. It would be very advisable, however, to go and see the document that the Political Affairs Department of the Italian Foreign Ministry is drawing up as a comment on the Draft Treaty for European Union. Here also there is a reductive will, a tendency to empty the Draft Treaty of a part of its content. The German government was the first

to reply to Mitterrand saying that it agreed, and has repeated on every possible occasion that it is necessary to go in this direction and that it will go in this direction. But we all know that in the Central Bank there is strong resistance to the idea of giving true legislative powers to the Parliament, to develop the monetary Union too much and so on.

Generally speaking, all these tendencies do not say very much, but they act — silently — with the pretext of having the agreement of all the members of the Community, so that it becomes necessary to agree with those who ask for less, and so a conference needs to be prepared with a mandate which effectively makes no commitment and places no condition. You can imagine what would have happened if when ECSC was born, Schuman had simply proposed to put the coal and steel market under joint control. Everybody would have agreed and this common market would have been reduced to six national representatives who would have done nothing else but watch what happened in the common market. But instead Schuman proposed that the Coal and Steel Community be placed under the control of an authority which was quite independent from the national States and national governments and he stated he was ready to start with anybody who wanted to join in. This was the prerequisite for a start to be made. Subsequently, others joined in.

The second objective which this rejection process attempts to achieve is to reduce the European Parliament's Draft Treaty to a preliminary study: a very nice study, very decorative but to be put straight under a glass bell, to work subsequently as if the world had to be re-invented and everything had to be begun again, entrusted to diplomats in a conference. The umpteenth application of the inter-governmental method will certainly result in this.

We need to be careful. The goal we want is for the conference to work on the European Parliament's Draft Treaty and that the Parliament is associated on an equal footing and takes part in the approval of the definitive text. These are words that are to be found in a speech by the Italian President of the European Council to the European Parliament.

I hope that the European Parliament in April will be able forcefully and energetically to say something in this respect. Its President is aware of the importance of the problem and he has worked a great deal in the past months in all the capitals among all the governments to obtain the necessary agreements. For this reason we can count on the fact that a strong position will be taken by the European Parliament.

The idea of a big march in Milan is a great idea. I do not know if this will be the last chance for Europe. I have the feeling that it will be, but I am not sure of this. When I think of the problem of European unity, I cannot help thinking of Kafka's short story in which a man is mentioned who tried to enter a great building. The door was open and he asked the doorman if he could go inside and the doorman said no. And all his life he asked the doorman if he could go inside and the doorman said no. When in the end he was dying, the doorman began to close the door. And then, just before he died, he asked the doorman: "who was the door open for?" And the doorman replied: "it was open for you," and closed the door. The man should have gone in, he should not have asked. This is the position we are in.

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