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Address to the EUROPEAN BUILDING SOCIETIES CONGRESS

Vienna : 20th September 1976.

I am greatly honoured by the invitation to speak on behalf of the Commission of the European Communities at this Fifth European Conference of Building Societies here in this historic European capital of Vienna. The last time I had the good fortune to spend a few days in Vienna was no less than 27 years ago. My wife and I were in fact on a honeymoon visit to Vienna, which we celebrated by attending a conference in the city. You cannot be a keener politician than that !

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It is about the European Community and the citizen that I wish to talk this morning.

I am conscious that, in doing so, we are meeting outside the European Community and that there are many here from countries not members of the Community. This is a salutary reminder - which I hope those of us who work in the Community rarely require - that the European Community is by no means Europe. It represents nine Member States out of about twice that number of democratic European nations. What I think I can claim is that every democratic European country has a vital national interest in the success of the European Community. No doubt there are lots of political problems arising from time to time in our trading relations with each other. But the much more important fact is that, if the European Community succeeds in integrating the economies of its members, joining in

the great international economic negotiations that lie ahead of us on equal terms with anybody else in the world, ⁱⁿ speaking with a single political voice in world affairs, it will in effect speak for the whole of democratic Europe, members and non-members alike.

The essence of the European Community is its democratic character, and it will be judged in the end by the way it serves its citizens and makes itself relevant to their desires and aspirations. In many ways the European Community and the European Conference of Building Societies are in the same business, creating a decent society in which ordinary citizens can live and bring up their families.

In the great world of the financial institutions, your societies, ladies and gentlemen, are those affecting most directly and precisely the personal way of life of families of the citizens. Building or buying one's own home is nearly always the most important investment

decision made in the life of the ordinary citizen. I doubt if there is a type of credit institution which must adapt its business operations more closely to the social framework in which it works, which must relate its activities more carefully to the broader background of family policy, savings promotion policy, land use requirements and housing policy.

There may be many ways of judging the health of the modern society, but the effectiveness of the role of its building societies is as good a barometer as any. There is a famous quotation from a famous 18th Century English author, Dean Swift, which makes the point that the man who can make two ears of corn grow where only one grew before is worth more than the whole race of politicians put together. If I may adapt that to present company, I might say that the people who can make two houses spring up where only one existed before do a great deal more good than most of the great governmental blueprints.

But politicians have their place, and indeed the ability of the ordinary family to go on living a secure life in the houses you have helped to provide for them depends crucially upon the capacity of democratic politicians being able to rise to the challenges of modern society.

Sir, I have said that the Community and the building societies are in the same business. The Building Societies Conference has been in the business of serving the citizen for a very long time indeed. The European Community is a comparative newcomer. Indeed, in various parts of Europe, the European Community is still regarded with great suspicion, simply as a rich man's club, the happy hunting ground of the multi-nationals, a capitalist's paradise. And, like all great historical distortions, it is not without truth. The Treaty of Rome is like all written constitutions. It is a neutral legal text. It was not brought down from Mount Sinai inscribed on tablets of stone. It depends what man makes

of it. But it began its life in an essential laissez-faire atmosphere when the predominant philosophy was that free allocation of industry, the international division of labour, the prohibition of subsidies and the law of comparative costs would all promote economic integration and the material welfare of the ordinary citizen.

Even in those days, however, the Community was already concerned about the individual. Already in the oldest of the European Treaties, the Coal and Steel Community Treaty of 1951, there were a large number of clauses concerning conditions of the workers in these industries. I well remember, when I was producing a television film seeking to convince my fellow British citizens of the case for joining the Community, going to interview a Dutch ex-miner. He was living in a fine modern house provided for by Community funds, had been paid his miner's wages while he retrained for a new job as an engineer, and was now working

in a new factory assisted by Community funds which had been built right on top of the derelict coal mine. When the E.E.C. Treaty was signed in 1957, the new European Social Fund was set up to give Community help for retraining in industries outside coal and steel.

Much has changed since those self-confident days when the Treaty was drafted. The West has experienced the worst recession since the Thirties and simultaneously the most widespread inflation since the Twenties. The raw material producers in the developing world have given notice through the owners of oil that the old balance of economic power between the Third World and the West is at an end and must be worked out afresh, and at the same time the international monetary framework of Bretton Woods, which had produced stable exchange rates since the end of the war, has disintegrated.

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The mixed economy - with its varying blends of private enterprise and public intervention, its varying degrees of social democracy - has been a post-war success story. Until the recent world economic crisis hit us, it delivered the goods for its citizens. Now, although the recession is passing, we still find ourselves in a Community with too many millions of unemployed - too many of them young people facing the demoralising experience of going straight from the class-room to the dole queue. The oppressive poverty caused by unemployment in the past is now absent - thanks to the protection of social security systems which have been one of the civilising achievements of our mixed economies.

As the cyclical aspects of the slump begin to pass, we are not going to return comfortably to the automatic growth of the sixties and early seventies. If we want to get back to the high levels of employment of the post-war period, we will only do it by painful effort as a Community. Economic nationalism knows no answers to the problems of the end of the century.

When the present high tide of slump recedes, as it is beginning to do, we shall discover that down on the seabed convulsions have been taking place, and we shall find left behind big new pools of permanent unemployment in industries and areas accustomed in the past to prosperity.

Even on optimistic assumptions of a return to a Community-wide growth rate of four or five percent, it is likely to mean a continuing unemployment of three million. Because of the bulges in the birth rate, too many of these will be young men and women arriving on the labour market for the first time.

The unemployment problem has been stirring the conscience of the Community. A Tripartite Conference of Ministers, trade unions and employers has started the search for solutions. But it would be foolish to believe there are any simple solutions.

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What is needed is an active policy of positive structural change to adapt our industrial society to the new situation which has arisen. When the oil producers quadrupled the price of their black gold, they marked the end of an era - and the beginning of a new era. The character of our new era - and whether it will be able to provide its citizens with work, and liberty to enjoy the fruits of that work - is still to be decided and will depend on our own intelligence and democratic self-restraint.

No nation states of the Community - even the strongest - can any longer meet the needs of its citizens by policies of economic nationalism. They are all too economically interdependent. In a situation in which we are faced with unacceptable levels of long-term unemployment, it is no good seeking to solve a national unemployment problem by exporting unemployment across one's neighbour's frontier. Economically and politically it is disastrous, for your Community neighbours are also your best customers

But what does a Community strategy against the new unemployment imply ? Massive new investment is needed to make the Community less dependent on imported oil. Massive new investment is needed to bring about the structural changes in Europe which follow from the fact that the new countries are going to develop their own industrial base and do for themselves many of the processes that at present provide jobs for European workers.

But all this will require careful identification of the sectors and regions most affected. It will demand a higher growth rate for investment and a lower growth rate for consumption than is politically agreeable.

This will raise big problems of gaining public consent for painful changes - for readiness to retrain for new jobs; for restraint in wage demands.

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It will require the fullest flow of information from Government right down to the shop floor and the spread of effective and well-informed participation in industrial decision-making.

It will also raise the question of participation in an even more politically sensitive way - the need for a wide participation in the ownership of the new investment. For if consumption is to be held back in favour of investment in restructuring, it cannot expect to enjoy public consent if it simply leads to greater concentrations of private and corporate wealth.

The European Community has been taking the lead in promoting democratic debate about the forms of participation by workers in the industries in which they are employed.

For example, in its directive on the financial structure of companies and for a Statute for European companies it has suggested not only the introduction of the two-tier structure, that is the company with two governing bodies, a supervisory board and a board of management, in all Member States, but also the participation of workers in the appointment of the supervisory board. For the European company, for example, the Commission is proposing tripartite control, i.e. a third of the members of the supervisory board will be appointed by the workers, a third by the general meeting and a third will be coopted. I am not concerned here with the details of this arrangement, nor with the complex discussion of all the individual questions arising, but with the basic principle : the European Community is aiming at the introduction of workers participation in all countries. These proposals are still highly controversial in many States. But the mere fact that they have been made by the Commission shows precisely that we are not concerned

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with the incorporation of individuals in an impersonal system but that we as a Community are endeavouring to build up the rights of the citizen.

Another essential condition of gaining the political consent of the citizen for painful change is the preventing of the over-concentration of new investment in the central areas of the Community. Perhaps the major way in which the Community has broken new ground over the last few years has been in the setting up of the Regional Development Fund. It has been operating now for little more than a year, and on a relatively modest scale, but I know from the mountains of newspaper cuttings that pass across my desk, from the local and provincial press all over the Community, that no Community policy has done more to bring the benefits of the Community's operations home to millions of citizens in the less privileged areas of the Community.

Obviously, within the limits set by the subject I have chosen today, I cannot give you a general account of the Communities' Social Policy.

But I would like to mention one detail which is perhaps of particular interest for you : the question of building homes. Freedom of movement for workers in the Common Market involves housing problems. Discrimination in an E.E.C. country against workers from other E.E.C. countries in respect of assistance in home building, "council" housing, housing subsidies and the like is completely illegal. But despite that, their accommodation is often in fact not as good as that available to the nationals of the countries in which they are working. In the coal and steel industries, the Community can provide direct help: that Community has funds and programmes enabling it to allocate building loans for long periods at rates of interest as low as 1% to workers employed in the mines and in steel firms.

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No such direct financial assistance is possible outside the ECSC area, but the Commission is endeavouring to influence and coordinate the housing policies of the individual Member States. In addition to its annual social policy, which always contains a chapter on housing, the Commission is preparing two studies, one slum clearance and town improvement and the other on subsidised housing in the Community. In addition, a Council Regulation of May 1975 set up a "European foundation for the improvement of living and working conditions" which will include housing problems in its study programme as well as other matters. The Commission will use the results of these studies to elaborate the basic principles of a Community housing policy which will then be proposed to the Member States.

The objectives of our Community are no longer mainly greater wealth, more consumption, more comfort (they

were never exclusively these objectives, as I hope I have already made clear in my remarks so far), but, in fact, more rights, more freedom, more protection for our citizens. I should like to bring this out more clearly with two further examples : consumer protection and protection of the environment.

The E.E.C. has always taken measures which protected the consumer: there are directives, proposals and drafts concerning the use of colouring matters and preservatives in food, on the packaging of branded pharmaceuticals, on the safety and insurance of motor vehicles, on advertising and on unfair competition, on manufacturers' liability in respect of goods offered for sale, to name only a small selection. Early in 1975 all these measures were given a broader framework: the Council of Ministers adopted an overall "Programme for a policy for the protection and information for the consumer". The programme notes first that the consumer has a basic right to protection of his health and safety, to protection of his economic interests, to information, consultation and, where necessary, to

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compensation for damage suffered. Secondly, the programme contains a plan for all Europe-wide measures which are to serve these objectives.

I should like only to emphasise two points from this wide area, concerning credit in particular.

The first point, which I can only mention here, is that we are now working out a directive on consumer credit.

The second point concerns you, ladies and gentlemen, somewhat more directly. You are all aware, were it only through the work of your Committee on Building Society Law, of our efforts to bring into being a European banking law. As you know, we have been trying for many months - and there have been repeated delays - to get an "umbrella" directive through the Council of Ministers which at least would outline the basic principles for European bank supervision arrangements. The aim is that credit institutions from all Member States

should be free to set up and conduct business anywhere in the Community. However, as soon as possible we must extend this basis along lines dictated by the new approach to all our Community work, giving even more attention to the individual, the citizen. Bank customers, too, are consumers: they are the consumers of the services provided by their institutions. "Consumer protection" in this sector, ladies and gentlemen, is "protection of the saver". And this is what we have had in mind when we presented, for example, only recently, drafts for European deposit insurance arrangements and for the creation of a credit information exchange system in the Community. Let us take this example of the credit information system, which will cover the exchange of information on major risks in respect of individual, particularly foreign, customers. This is not a matter of freedom of movement. The information is to be available also, and particularly, for institutions retaining their establishment in their country of origin.

The Common Market also involves continental protection of our environment - and this brings me to my last example of a new dimension which makes of our Community a "social" Community. For nowhere else is the concept of "quality of life" clearer than when it concerns the purity of the air we breathe and of the water we drink, where it concerns recreation areas, and the protection from noise or poisons. Here too, the Community shoulders responsibilities in line with its new approach. The pollution of our rivers or our air space is a phenomenon which is no respecter of frontiers. It is an interregional problem and must therefore be tackled and defeated at a level which straddles national frontiers. Twenty years after the signing of the Rome Treaties in 1957, the environment pollution problem has become so acute that we cannot possibly hope to go on raising living standards - a key Treaty objective - unless we can find adequate solutions to it. This is, then, another task for the European Commission. It has already drafted and laid

before the Council of Ministers more than forty directives for the implementation of a European environmental programme, adopted in November 1973. This is now to be replaced by a new environment programme for 1977-81. Nineteen of the directives are already in force. They concern points as detailed as noise thresholds for certain appliances, the degree of purity of surface waters and the toxicity of individual chemicals.

I have now mentioned the large number of matters in which the Community is developing policies of direct benefit and concern to its citizens. Can we really deal properly and completely with the subject of the Community and its citizens without considering directly the final political dimension? - Is there in fact already as such a European citizenship?

I believe such a citizenship is coming into existence. Lawyers have long been aware of this.

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For the existence of notions such as freedom of establishment and freedom of movement of workers immediately raises the question as to who can claim these freedoms. It certainly does not matter which Member State a person belongs to: the mere fact that an individual is a citizen of any of the Nine States gives him rights and, also, obligations, in Community law: there are wide areas of Community law in which the Community institutions are in direct contact with Common Market citizens, for example through agricultural regulations or anti-trust decisions. Nationals of a Member State are no longer simply "foreigners" or "aliens" in another Member State, but enjoy specific rights through the E.E.C. Treaty.

Now there is the decision to introduce a European passport, that is to give a standardised European form to the most important evidence of identity by which citizens normally claim their civil rights in a Member State. It is true, as you will have noticed.

that when you landed here at the Vienna airport and came through Passport Control, it took no longer than it takes to cross from France to Germany or through controls into the United Kingdom. On the contrary, the celebrated Viennese charm and the brilliant organisation of this Congress - for which I take this opportunity to offer a warm word of thanks to our hosts - have perhaps made life easier for us in this "third" country, which is Austria, than is often the case when we are at "home" in the E.E.C. Nor will matters in fact change much when, as will soon be the case, we are all carrying the same wine-coloured E.E.C. passport in our pockets. For the truth is that in this area we have still not made enough progress with our work in Brussels.

There may no longer be tariff barriers in our Community Customs Union, but there remain plenty of

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non-tariff barriers, differing V.A.T. rates and so on, still leaving a formidable curtain of red tape at each of our internal frontiers. We may aspire to a single passport, but until there is a single currency there will remain the currency smugglers against whom checks have to be made at our internal frontiers inside the Community.

There is a long way to go yet. There is no building Community Europe overnight, and yet every now and then we do have a break-through.

The new Europe of the citizen will receive a great impetus from the establishment of direct elections to the European Parliament in 1978. The powers of the Parliament will still remain to be fought for, and the underlying problems of getting national governments to agree on bringing their nine national economies together will remain as forbidding as ever. Nevertheless, once direct elections are underway, things will never be

the same again. A direct democratic link will have been forged between the citizen and his Community. The Community of the common man will be on its way - irrevocably and irreversibly.