



*European Communities  
Commission  
Press Release*

20 Kensington Palace Gardens  
London W8 4QQ  
Telephone: 01-727 8090

ISEC/29/78

July 20, 1978

EMBARGO: Not for use by media or on agency or club tapes before 15.00 hours, Thursday, July 20, 1978.

Address by the Rt. Hon. Roy Jenkins, President of the Commission of the European Communities, to the Degree Congregation, University of Essex, July 20, 1978.

The European Community is often accused of being obsessed by detail and losing sight of the big issues. No one can say this was true of the Bremen Council with its major initiative towards stable and united money.

The construction of Europe in the fifties and sixties was born out of the radical aspirations of the people channelled by the courageous leadership of a few statesmen, as a conscious rejection of the past, of the two nearly fatal European civil wars in this century and of the political and economic nationalism out of which they sprang. This determined and imaginative thrust towards unity opened up hitherto rigid national frontiers and created a real Economic Community. It was a revolutionary framework. It underpinned the creation of Europe's new economic wealth and a hitherto undreamt-of material well-being of society. An unique historic chance was taken and turned to the benefit of Europe as a whole.

In the late sixties and early seventies some of the momentum was lost, despite a sense of real potential. Relatively favourable economic conditions seemed to provide a soft pillow for what can now, with hindsight, be seen as deceptively easy surge to European integration. It established, understandably at the time, the idea that progress towards the ambitious aim of economic and monetary union would come about painlessly. But the ideas of automatic action proved illusory. We have learned from that experience. Easy times can certainly induce easy optimism, but the translation of such optimism into action needs a sustained act of political will.

There is a vital difference between the economic situation of today and the 'easy' high growth economies to which we became so used during the previous decades. The world's economic climate has changed markedly and the European Community, which more than any other major economic entity lives on international trade, is deeply affected. All our traditional economic terms of reference are under review.

The opportunity has been enhanced in the past month, first at Bremen, then at Bonn. When, at Florence in October last year, I advanced the then unfashionable view that progress towards greater economic and monetary solidarity in Europe was both necessary and possible, I at first hoped for little more than that the debate would become engaged. It was. There was support, but there was a lot of scepticism. Now, eight months later, we have a communiqué from the European Council at Bremen whose centre-piece is an imaginative plan for greater monetary stability. Such progress was not simply a question of waiting for some German magic. There was a good deal of preparation. But to plagiarise the Chancellor of this University for a moment - a good academic custom - the vision of the desirable, through the application of the art of the possible, has now become a probable political achievement.

.../

I will not give you a detailed explanation of the European monetary system proposed at Bremen. You will have heard enough of snakes, ECUs, narrower margins and pooled reserves. It must to most people sound like an economist's or banker's game, a sort of Euro-monopoly, entertaining for a while, but boring for too long - and unrelated to ordinary life. Some people, on the other hand, will see it as threatening: another banker's ramp, with more 'gnomes', this time of Bonn or Paris or Brussels - rather than Zurich - seeking to hamper the freedom of the British to fall behind in their own way. In this confusion of technical jargon and political prejudice the real message can get lost.

What is that message? It may seem an old song from former Chancellors of the Exchequer - like Lord Butler and myself - but the central British problem is still economic. Jobs, inflation, competitiveness; paying our way and earning a good standard of living. We, in Britain, democratically endorsed, three years ago, in an unprecedented referendum, the historical and geographical fact that our lot is cast with Europe. And Europe is an economic Community, although inspired by a political purpose. It deals with the central issue each member country faces.

No single European state, however economically strong, now has its own salvation in its hands. Each, if it tries to believe this, is caught in a strait-jacket. Action to stimulate a national economy is undercut either by fears of a fall in the exchange rate or by dependence upon what other Governments are doing. I do not claim that greater monetary unity, the drastic reduction of exchange rate uncertainties, would automatically lead to higher employment. But I do believe that there is little hope of returning to acceptable employment levels without such greater stability.

The reasons are simple. First, monetary upheaval has been a major cause of our troubles of the past five years. A world monetary system, as we knew it for the quarter century of Bretton Woods, no longer exists. The stability of the dollar, on which the system depended, underpinned a period of growth and increase in living standards unsurpassed in recorded history. We cannot expect the United States again to carry the central burden in the same way.

Second, Britain lives by trade in a Community which also lives by trade. Not only is the European Community the largest trading bloc in the world but 50% of Community trade is inter-Community trade. And we have suffered immensely from having currency upheavals, not merely external to us as with the United States and Japan, but in our midst. The result is insufficient financial and trading stability to encourage trade flows and the productive investment necessary to reconstruct and replace threatened industries. This is not balanced by the freedom to float our currency, which has recently been a euphemism for the freedom to sink. And that freedom has been singularly unsuccessful in giving us either higher growth or lower unemployment. It has merely given us higher inflation. Industry needs a surer prospect.

Third, the combination of more stable international environment for investment and greater financial discipline can give us a sustained prospect of mastering inflation and thus giving real value to wage and salary increases. Too often in the past a spurt of growth, without the backing of overall financial stability, has frittered away the real value of every increase in the pay packet. And this has been true under Governments of either party.

Fourth, unless these preconditions are met, the prospect of unemployment will grow and not diminish. Demographic factors, with nine million more young people entering the European labour market over the next five years than there will be old people leaving it, threaten that. Individual national palliative action can make temporary dents in the figures. But it cannot on its own provide a longer-term solution.

I therefore believe that the results of the Summits of Bremen and Bonn should make us realise that Britain's hard-headed interest, not prospectively but actually, is with the Community. Current European monetary plans are not distant academic talk but political reality. Most of the European countries, including the most economically powerful are determined to go ahead. The launching at Bremen of the concept of a European Monetary Fund on an unprecedented scale, with reserves of over 50 billion dollars, a quarter as much again as that which the International Monetary Fund has for the whole world, underlines this.

In the past we have shown too great a capacity in Britain for longer periods of self-deprecation, punctuated by brief bursts of unfounded optimism. There has been an apparent readiness to blame others for our difficulties - the European Community included. The result is that we may be tempted to hang back - too much and too often - when the chance is there for us to give a lead. We hung back in 1950 when the Schuman Plan was launched. We did so in 1955 when we refused to play our part in moulding the Treaty of Rome. Then we complain that the results are not tailor-made for us. Surely we must have learnt enough not to make the same mistake a third time. On an optimistic note I can assure you that the United Kingdom looks better from outside than it often does from within and thus our capacity for influence and even leadership based on full participation is still considerable. There is sometimes legitimate complaint that Europe has been too much concerned with minutiae and has lost its way in a maze of detail. But that is not remotely true of the Bremen plan. We cannot at one and the same time complain that everything is either too little or too big, too nit-picking or too imaginative. I have always believed that it is primary duty of politicians to seek to raise the sights and aspirations of those whom they represent. Now, after a period of dull and discouraging weather, there is a new and historical opportunity to exercise such qualities.

\*

\*

\*