

An interview with the President of the Commission
of the European Economic Community, Professor Walter HALLSTEIN,
published in the weekly magazine "der Verbraucher" (The Consumer)
of 11th February 1967, entitled "The EEC and the consumer"

Question 1

The way "green Europe" has developed so far has been a disappointment to the consumer. Instead of benefiting from the expected price reductions the consumer finds that the price of all types of food is rising. What have you to say about these reproaches?

Reply 1

One fact is of basic importance. The Community does not fix retail prices. They are formed by the well-known forces of market supply and demand. In an expanding economy it seems to be inevitable that prices for services should increase disproportionately. In spite of all rationalization and concentration, the cost of turning grain into bread, pastry and cake goes up and up. It is only the economic policy of each individual Community country - supported, to be sure, by successful co-ordination at Community level - which can exert an influence on the rise in retail prices or in the trading profit margins. Neither Council nor Commission determines prices to the consumer. It must at the same time be kept in mind that one reason why trading margins are rising is that in general the consumer of today makes more exacting demands on the processing and presentation of foodstuffs.

The Community is responsible only for the producer prices and the wholesale prices of certain agricultural products, namely sugar, cereals, milk, rice, beef, and olive oil. For some of these products - not even for all - the Community has so

far done no more than lay down the limits within which the Member States may fix their prices. Uniform cereal prices at producer level will not come into force until 1 July 1967; producer prices for the remaining products will become effective from 1 July 1968.

Question 2

In July 1966 the Council of Ministers decided to establish a single agricultural market with a common producer price level for 1967/68. On this occasion the Council revised upward the prices the Commission had proposed for a number of products. This is not exactly calculated to gain the consumer's confidence. Why was the Commission to impose its views?

Reply 2

Yes, you are right; originally the Commission had proposed lower producer prices. During the negotiations in the EEC Council of Ministers, however, these proposals did not receive the support of the majority.

The interest of consumers is not the only yardstick for fixing prices. In this field as in others we are living in a world of divergent, indeed conflicting interests, and the EEC had naturally not been able to change this unhappy state of affairs; we have therefore to consider at one and the same time the interests of producers, taxpayers, consumers and non-member countries. Moreover, natural conditions vary greatly from member country to member country. Finally, allowance must also be made for the technical conditions governing production in agriculture, as a balance must be ensured between prices.

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Question 3

Do you expect the single market for agricultural products to bring about changes - apart from the harmonization of prices - from which the consumer could benefit?

Reply 3

With the establishment of the common market for agricultural products, which will become a reality as common price levels are introduced between 10 November 1966 and 1 July 1968, the German farmer, whatever he produces, will find himself in direct and broad competition with producers in the five other Community countries. Great importance will then attach to the question of quality and to the ability to adjust supply to demand. This competition will naturally exert a regulating influence on prices. The common market will also increase the basis of agricultural supply. What we are witnessing is certainly only the start of a new development. Our habits as consumers are becoming "europeanized", although this process of adaptation will take time.

Question 4

I now want to leave the subject of the agricultural market and should like to ask some questions on the common market for industrial goods. What has the customs union brought in the industrial field?

Reply 4

Let me start by giving you some concrete examples: since 1958 prices for motor-cars, for instance, have been extraordinarily stable; it even appears that technical improvements in this field are now being

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introduced much faster. For household appliances such as washing machines, radio and television sets, and refrigerators prices have come down. The consumer is already benefiting from the start of large-scale production and keener competition. Today, refrigerators are produced in considerably longer runs, and so more economically. In the clothing industry there has been a distinct shift towards an international division of labour. All these developments - rationalization, specialization and large-scale production - have in one way or another been to the advantage of the consumer. This view is confirmed by trading companies which are able to survey a large range of goods offered on the international market. The heavy increase in intra-Community trade has not only entailed actual price reductions but it also accounts for a long list of Community products for which price increases have been avoided or have been relatively slight.

To be sure, it is not possible to report such positive results for all fields. But we have not yet reached the end of the third phase of the transitional period. About 20% of the original duties are still in existence, and so are numerous administrative obstacles and above all the tax frontier. All this still represents an impediment to free trade between the Community countries.

In addition it should also be clearly understood that the effects of the customs union for the consumer cannot be judged on prices alone. Prices are only one side of the medal. Production, personal consumption, the social and even more the employment situation, and the length of the working week have developed very favourably in a way which distinctly shows the influence of the Community. The mere fact that the consumer is at the same time the earner of an income is in itself enough to prove that prices are of quite relative importance. From 1958 to 1965 prices in Germany rose by an average of 14% while the national income per head increased by 54%. The growth of income has therefore been much faster than the increase in prices, and it has been of considerable benefit to every consumer in spite of higher prices.

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Question 5

You are in other words confident that in future the EEC will work to the advantage of the consumer. On what do you base such a favourable forecast?

Reply 5

I want to give you a systematic summary of the advantages which the EEC offers to the consumer:

- (i) The last customs duties and levies between the Member States are being cut away. These charges, which at present still amount to some DM 800 million per year in Germany, will be removed by 1 July 1968. This allows absolute or relative price reductions; by relative price reductions I mean that price increases which would otherwise have occurred are avoided or are smaller than they would otherwise have been.
- (ii) Competition is becoming keener in the Community in all industries. This development is reflected in the persistently high growth rate of intra-Community trade. The markets of the individual member countries are no longer protected against international competition; they are being fought for, and price and quality will be the deciding factors. The Community's competition policy will help to make this trend as effective as possible.
- (iii) The range of goods put at the disposal of the consumer has at the same time been extended. The consumer can choose among the most advantageous and most interesting offers from the six countries. I have already pointed out that since 1958 the supply of foodstuffs has been "europeanized". We are witnessing a similar development in manufactured goods.

- (iv) In order to adapt themselves to the common market, enterprises have to make increased efforts to rationalize and specialize. Competition becomes keener. At the same time the large-scale European market calls for larger enterprises; increased size is in many cases essential if full advantage is to be taken of technological progress.
- (v) The customs and agricultural union established between the Member States encourages faster additional imports which make it possible to check prices once they show an upward tendency. In 1965, for instance, when in Germany supply and demand were out of phase, additional goods worth DM 6 200 million were imported from the five partner countries. This process undoubtedly had a stabilizing influence on prices.
- (vi) The existence of the Community has accelerated economic growth in Europe. The rapid expansion of foreign investment in Europe, which set in after the creation of the Common Market, is in itself a sign of stronger growth. This of course means faster expansion of the national income, which in turn enables the recipient of an income to spend more on consumption.
- (vii) Finally, the Community lends strength to the free economy, which is not shaped by the so-called collective requirements of the East but is guided by the requirements of the individual consumer.

Question 6

In the institutional field consumers have for a long time been worried that the European consumer associations are not given an adequate say. Is this correct?

Reply 6

It should be remembered that ever since the beginning of our work in 1958 there has been close co-operation with the European consumer associations. This co-operation has found its institutional expression in the Economic and Social Committee, which comprises representatives from all walks of life, including consumers, and which deals with all problems of economic and social policy in the EEC.

In addition, there are frequent discussions between the various services of the EEC Commission and the Consumers' Contact Committee on questions which arise every day out of the establishment of the common market. The most important example is provided by the contacts over the formulation and implementation of the common agricultural policy. Advisory committees are attached to the Commission for those agricultural products which are covered by a common market organization; the consumers sit and vote in these committees.

Finally, it must be realized that, in the institutional framework of the EEC, the Commission - and the Commission alone - has the right to initiate proposals, but that it is the EEC Council of Ministers - that is to say the body in which the governments of the Member States are represented - which has to take the decisions. It follows from this distribution of responsibilities that it is as important as ever that consumers should continue to exert their influence at national level also.

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In the battle for low consumer prices we must in addition welcome any campaign designed to keep the consumer informed. The large-scale European market requires even more than another that consumers be well informed when they take their decisions as otherwise they will not share to the full in its success.

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FRANCE

en France française

Prix (I: à la production
II: à la consommation)

	Volaille ϕ a.c.		oeuf ϕ a.c.		porcs ϕ a.c.		blé ϕ a.c.	
	1 kg poulet		100 pièces		côte porc kg	1 kg jambon	quintable de blé	1 kg farine
	I	II	I	II	I	II	I	II
1958	6,00	6,75	18,51	24,9	3,78	12,91	36,94 x (ϕ W.J.)	0,982
1960	4,52	6,55	19,36	23,9	3,92	13,23	37,69	1,09
1962	4,08	6,21	19,73	25,2	4,13	14,00	40,28	1,21
1964	3,92	6,91	15,94	23,8	5,14	15,28	50,51	1,28
1965	3,82	5,51	22,32	29,1	4,83	14,76		1,29