

**Address by Piero Malvestiti,
President of the High Authority,
to the European Parliamentary Assembly**

Strasbourg, 23 September, 1959

Mr. President, Ladies and Gentlemen,

It is with some emotion that I obey the rule which rightly prescribes that the new President of the High Authority shall make a statement to the European Parliament immediately upon his investiture, and that I address you for the first time in that capacity. It is understandable and human that I should be moved on appearing before an assembly rendered illustrious by its invaluable and irreplaceable contribution to the cause of European unity since 1952, a contribution which it has made with great dignity and profound conscientiousness. It is also understandable that I should feel moved to speak before your President, Robert Schuman, the personification and symbol of this dignity, of this conscience, and indeed of this clear and confident sense of purpose which interprets the irresistible will of the European peoples and the crowning task of their history.

But my feelings are intensified to-day — I am sure the Members will understand — by a personal circumstance which falls within the

broader framework of the present situation in our Communities.

As Vice-President of the Commission of the European Economic Community, I had the honour on various occasions to address this Assembly and its Internal Market Committee. The members present will have noticed that my words, if they lacked the knowledge and experience which I should have liked to have, revealed at least the sincerity and conviction which inspired me. I remain convinced not only of the need, but of the urgent need for European economic integration on as broad and full a scale as possible. Faced as we are by new power groupings in the world, this condition is indispensable for the very survival of the peoples of Europe.

My relations with President Hallstein and my esteemed colleagues at the European Economic Community Commission — to whom I send greetings which cannot fail to be veiled with affectionate melancholy — were always marked by a complete harmony of feeling, conviction and purpose. I should like to testify here that in my opinion the EEC Commission has so far coped with its appointed tasks in exemplary fashion, and that this Commission, jointly with the High Authority and the Euratom Commission, is today one of the surest guarantees that Europe is moving forward to unity.

Thus I could not have wished, and I did not wish, to leave the EEC Commission. When the

President of the Conference of Government representatives of the member States appealed to me, and I gave way, I had no illusions regarding the task and the responsibilities which I was going to face among new colleagues of exceptional competence and high reputation, following in the wake of Jean Monnet, René Mayer and Paul Finet, and, may I emphasize, following them at this *particular moment*.

I do not wish in these first words of mine to go into the circumstances of the present critical situation. These have been fully dealt with in various official documents, such as the interim report presented last June by M. Leemans on behalf of the Committee on Energy Policy ; the first report on the co-ordination of energy policy drawn up by the Joint Committee of the Council of Ministers and the High Authority ; and the special report on the coal situation laid before the Assembly by the High Authority. May I be allowed for the moment to express the view that when the European Coal and Steel Community started its work in 1952, it found itself — being, incidentally, conceived for such a situation — in an economic world or, if you like, facing a completely free (or, more accurately, un-organized) economic world, in which the different schools of thought could equally well praise or deplore the “invisible hand” of providence which would infallibly steer economic operations in search of minimum costs, or anarchical production, a breeding-ground for the disasters supposedly inherent in “capitalist” civilization. It is true that hindrances, obstacles and bans of every kind were hampering eco-

conomic life, but it is no less true that the obstacles were in the main of a political nature due to exceptional circumstances such as the two World Wars, in which it was in any case rather difficult, with few exceptions, to discover any considered, coherent long-term economic thought.

The need to protect the currency and the basic conditions of economic life had compelled the public authorities to resort to intervention which, far too often, was purely improvised. Such intervention was moreover severely condemned by some schools as superfluous and uselessly restrictive, and by other schools as inadequate and irrational. Today, doctrinaire argument on this point is still far from being settled, and we can calmly admit that both schools of critics had the best of reasons on their side.

Yet, amid this network of hindrances, obstacles and restrictions, we have seen the development of every possible kind of commercial relationship. Private enterprise remained free to adapt its size, its activity and its capacity for expansion to existing conditions. There were not even any of those guides which, many years ago, when I wrote on the subject of the controlled as opposed to the free economy, I myself called "economic lighthouses", designed not to deprive the pilot of initiative but to chart the safe channels and the harbours along his course. There have never been any guiding principles except those dictated by mere ability to assess a market or, too often, by instinct pure and simple.

The Common Market for Coal and Steel was an event of tremendous significance. A supra-national power, not bound by sovereign decisions of individual States, but capable of taking autonomous decisions binding on the enterprises with which it is in direct contact, had at last come into existence. The objectives of the Community were removed from the purely political influence of its States, and were directed, as René Mayer clearly reminded you on June 21, 1955, towards economic expansion, the development of employment and the improvement of living standards, those three aspects of the Community's fundamental purpose.

The whole world understands that all this presupposes, with implicit but striking clarity, peace in Europe; that it should logically lead to European unity; that it implies at the same time the irresistible overcoming of certain doctrinaire alternatives, as rigid and useless as the bastions of ancient fortresses — liberalism or dirigism, independence and responsibility for the producer or direction and protection by the State — all the world understands it, if only for the reason that it involved a shift in, and an enormous extension of, the economic struggle.

We were in the presence of a genuine revolution — and this language is not too strong, at least for anyone thinking of the world that Europe left behind her — and certainly in the presence of something which national legislation, inspired as it was by considerations involving a single State, had not foreseen at all. It

must, however, be said that this revolution was incomplete.

Jean Monnet, the first President of the High Authority, remarked in his inaugural address in Luxembourg on 10 August, 1952, that *"coal and steel are only a part of economic life"*, and that for this reason *"a constant liaison should be ensured between the High Authority and the Governments who remain responsible for the overall economic policy of their States"*. This liaison, in Jean Monnet's view, would be carried out by the Council of Ministers, which had been set up to establish it *"and to ensure harmony between the policy of the High Authority and that of the member States"*.

René Mayer, in his turn, said that *"in an economic world where many enterprises are now on a scale almost amounting to a monopoly and State intervention and the effects of State policy are an important factor in economic activity and production conditions, a common market can operate only if rules are imposed both on the States and on the enterprises concerned."*

Thus we find already in this early text a clear definition of a requirement the underlying reasons of which I believe I can summarize as follows :

it is impossible to pursue an overall policy without adequate powers (I have myself held posts in the Ministry of Finance and other ministries in my own country for several years, and cannot conceive that it is possible even to

harmonize different economic policies unless one has the power to impose rules and to apply sanctions); again, there is the urgent need to free the economy from the strait-jacket inherited from the past, or more precisely, from the irrational impediments introduced by the State, which are, moreover, the only impediments against which the responsible enterprise justly protests.

Herein, perhaps, lies the whole philosophy of the European Economic Community. When in February of last year, with the Common Market already a reality, Paul Finet delivered in your presence his inaugural address, he observed very wisely that *"We have often been brought to believe with regret that partial integration presented an obstacle to harmonizing the action of the High Authority with that of the Governments,"* and concluded that co-operation with the European Economic Community Commission and the Euratom Community was *"a condition sine qua non for the future of European integration itself, in that it forms an integral part of the future prospect."*

Mr. President, Ladies and Gentlemen, the new President of the High Authority can tell you nothing else to-day. His promise of co-operation with the two other Communities is as firm as it is sincere, but you will still allow him to remark that good intentions cannot make up for the absence or imperfect nature of institutions.

We are in the presence of two types of integration which I would hesitate to call contra-

dictory, but which nevertheless differ from one another. On the one hand, we have partial integration, which embraces two sectors, but is incomplete — incomplete because coal is not the only source of energy; on the other hand we have full integration, which affects the whole of an economic world, or, more accurately, aims at establishing complete equilibrium in a large economic area. Thus, we have, on the one hand clearly defined powers in a situation which today has changed completely, at least as regards its foreseeable development, and on the other hand, powers less clearly defined, it being always understood that, although it is possible to measure an economic area and, up to a certain point, its potential also, it is infinitely more difficult to forecast future variations with any accuracy. I am not expressing here any criticism of the Treaty of Rome; it has been called a lawyers' paradise, a definition which I have completed elsewhere by saying that it is perhaps also a hell for economists. I am expressing no criticism whatsoever, for I am still convinced that solving the unknown quantities of the market (when the market is not a barracks) amounts to solving the unknown quantities of life itself, and that it would be absurd to expect certain men, however well-informed and capable, to do something which could only be defined as foolish presumptuousness. The Treaty of Rome remains a masterpiece of political action and economic timeliness.

However, the situation, is what it is. Today, partial integration of coal and steel exists side by side with a free, but organized market —

or at least a market in the process of organization — a market which in a few years from now should bring about the complete harmonization of national economic policies. Would it be exaggerated to say that, while immediate needs merely demand ever-increasing co-operation between the three Executives and the Governments quite a different problem will arise in the long term, namely, the problem of adjustment between the three Communities?

There is no doubt that under the influence of the initial political drive, new exigencies imposed by the economy, with their problems of market, productivity, variability of economic factors, optimum size of the enterprises, and of new forms of public organization, will become imperative for the European nations now passing through this second industrial revolution, which will probably have effects and repercussions much more radical and decisive than the first.

After all, the new President of the High Authority does not ask today for sudden sweeping reforms; he even believes, with Vilfredo Pareto, that "the best we can do in a good number of cases is to preserve the organizations whose usefulness has been proved by experience, and to endeavour to improve them as much as possible. It is as absurd to wish to change everything and to be carried away by abstractions as it is to wish to preserve everything and to be guided simply by a dislike of anything new." But it was my duty — on the

strength of my experience at the European Economic Community — to place the whole problem in what I believe to be its proper perspective, principally and above all because it is a problem of the means and prospects for putting an end to the coal crisis.

It must also be recognized that in building a new and democratic Europe it is absolutely essential for rules and regulations to be freely negotiated and scrupulously observed.

As President of an institution responsible for ensuring compliance with the provisions of the Treaty, my principal duty will consist in continuing — and I am sure, with the support of your Parliament — the struggle to safeguard the essential elements of the ECSC, that is, the direct and independent powers of the High Authority.

The Governments and Parliaments concerned have moreover given an undertaking to that effect. They have signed a Treaty which states explicitly in Article 86 that the member States bind themselves to facilitate the accomplishment of the Community's objective.

However, seven years have passed since the Treaty was signed. Economic conditions have changed in certain sectors, and it would seem to us appropriate to adapt certain provisions to the new conditions. The main concern will be to improve the operation of the Common Market on the lines indicated by the Paris Treaty.

To this end the High Authority has already proposed an amendment to Article 56, and will in the coming months follow this up with such other proposals as may be deemed necessary.

Mr. President, Ladies and Gentlemen, I wish to apologize now for keeping you a little longer and for failing to emulate the discretion of my predecessors by respecting the time limits which they were able to observe. But I am speaking to you one of those times when what is called an "examination of conscience" becomes urgently necessary to review the past and to pause for breath at the threshold of a difficult future.

I am certain that the Assembly, with all its good sense, will not expect the new High Authority and its President to supply the new, precise and magic formula for a miracle cure to end the critical situation with which coal production is at present struggling. This crisis presents aspects and perspectives for the sources of energy which differ from those of steel production. The development of steel production, in spite of all its problems, follows the orthodox lines and the normal rhythm of general economic development, without suddenly requiring — because of the large-scale intervention of new, decisive and revolutionary factors — an almost immediate adaptation to an unforeseeable situation. As we shall see, this situation was in fact foreseen, with remarkable vision and clarity, but this has not prevented various opponents from offering, whether through habit, interest or expectation, any urgent and painful adapta-

tions. It is well known that man will refuse to suffer pain whenever he can, and for as long as he can ; and that he is irresistibly inclined to believe only what he wants to believe, rather than look at things with ruthless objectivity and see them as they are, instead of as he would like them to be.

It is, I repeat, above all an examination of conscience which we must make at the risk — which is always easy to run in economics — of coming to obvious conclusions. In doing so we must be wise enough to realize, as I reminded you before, that in a free economy, indeed in any economic system, it is pure folly to expect to discover all the unknown quantities ; we must, however, endeavour to single out some of the trends. We know that diagnosis is difficult and that treatment is comparatively easy once the diagnosis has been made. We shall therefore have done good work if we succeed, particularly on the basis of the excellent studies already prepared by the High Authority, the Council of Ministers and this Assembly, in working out a synthesis as clear and convincing as possible.

I must point out from the start that the problem has never, from the very first, escaped the watchful attention of the High Authority and the Assembly. As early as the end of 1952, the High Authority set up a Commission to study the long-term development of the coal and steel market, but the experts' main conclusion was that the Community was not yet in a position

to meet all the demand for coal. In its second general report (April 1953 to April 1954), the High Authority stated that it had the duty of keeping Governments well informed and stimulating them to action and that, in this common action, the High Authority drew a distinction between the maintenance and development of short-term economic activity and general long-term economic expansion. The Assembly, having in its turn pointed out that short-term economic policy remained to be defined and that uncertainty persisted on the subject of long-term forecasts, requested the High Authority to pay particular attention to trends in costs. Any increase of production which did not simultaneously bring about a reduction in costs was considered inopportune, and the High Authority's entire investment policy should aim at lowering the prices of coal and of steel products, and thereby contribute to raising living standards.

As early as February 1955, the High Authority noted in a memorandum that the Community's coal was no longer the only source of energy and was threatened by competition from other products and other sources of supply. On July 6 of the same year, in a memorandum on the General Objectives, the High Authority stressed the growing competition from the other sources of energy which reveals some doubt on the subject of future coal requirements. The Assembly, in an introductory report by M. de Menthon, observed — and this is very important — that the choice of long-term solutions was much more difficult for the Community than for a national economy, and that therefore the general

objectives had to be defined on the basis of an economic unity which did not yet exist *and an authority whose powers extended only to parts of a whole*. Since the Treaty rules out recourse both to autarky and to absolute competition, the general objectives and policies for coal and steel must lie somewhere between these two extremes, but the High Authority has no other indications which would enable it to define appropriate objectives and methods. A preliminary choice is required, but this cannot be absolute and must take account of all social, political and economic factors. On the other hand, *long-term forecasts of coal production cannot be made unless all other sources of energy are taken into account. It is therefore necessary to draw up a Community balance-sheet for energy.*

I believe, Ladies and Gentlemen, that already at that time — I repeat, in 1955 — the situation had been summed up perfectly ; and for its part the High Authority, in its fifth general report and in its second Memorandum on General Objectives, published in March 1957, makes several highly valuable observations :

1. The share taken by coal in covering the Community's energy requirements is constantly diminishing. And here I would emphasize, by the way, that the importance of the structural factor was thus clearly indicated already in 1957 ;

2. cyclical fluctuations in demand for coal are more marked than those in total energy consumption, and coal production varies little, in spite of the fluctuations in demand;

3. finally, the possible variation in the prices of coal produced is smaller than the variations in the prices of oil products.

The conclusion is obvious: coal production must be economic if it is to make the contribution to general economic expansion expected of it; but because of this economic aspect of coal production, the Community would no longer have a surplus production. The High Authority cannot fail to note that low-output mines tie down manpower which could usefully be employed elsewhere, and that the retention of marginal pits in fact reduces the Community's overall production.

In the protocol of October 1957 between the High Authority and the Council on ways and means of ensuring a co-ordinated energy policy, it is also confirmed once again that it is impossible to work out long-term forecasts of coal requirements on the basis of coherent data *without relating them to forecasts of energy requirements as a whole, because the latter is the only factor directly related to the general development of the economy.* Further, *the need is recognized for co-ordinating between energy policy (including trade with third countries) and the general economic policy of each individual country;* and the High Authority is asked to work out the forms of co-operation required, in consultation with the European Economic Community and the Euratom Community.

Finally at its session of February 1958, the European Parliament considered a report of its

Investment Committee, also submitted by M. de Menton, on High Authority action in the field of co-ordination of energy policies. It is stated in an experts' report published in October 1956 that during the next twenty years, the Community's energy requirements will increase faster than production. *During these twenty years, we shall need more coal and at the same time also more oil and the maximum quantity of nuclear energy. Two supplementary studies remain to be made: one on the choice to be made between the different sources of energy, the other on the choice to be made between developing coal production and increasing imports.*

I do not wish to remind the Assembly again of the studies which I have already mentioned and of the more recent events in the Community's activities, which are still present in everyone's memory. At this stage, I should rather like to try to draw a few conclusions.

I have perhaps taken advantage of the Assembly's patience by retracing the principal stages of the road we have travelled up to now, but I did want to emphasize that the situation was recognized, studied and diagnosed in good time and with great clarity. How, therefore, could it happen and how is it possible today that pithead stocks of coal are stationary and even increasing?

It may be said that the strong demand for coal and the high freight rates of the 1954-1957

period may have misled people ; that because the market was absorbing even the lowest-quality production, not only was the progressive closing of marginal pits not carried out, but long-term import contracts were concluded with the United States ; that, in any case, all long-term forecasts appeared to indicate that energy requirements — coal included — were continually increasing. Someone has even reminded us of the fears — actually those of the neo-malthusians rather than of Malthus himself — of a shortage of food for the growing population, without, however, stating with equal emphasis that these forecasts have been categorically disproved by the facts.

I know it is easy to criticize, and easier still to be wise after the event, and it is with some reluctance that I propose to make a few brief observations; but I consider it my duty to do so.

It seems paradoxical to me that in our time, strictly technical data tend to impress and convince some people more than reasoned economic argument. And yet, in the long years of my professional and administrative experience I have always come up against this short-sightedness which is by no means found only with the less well educated or less capable producers, but seems to occur even more strongly in eminent technologists and enlightened industrialists.

It cannot be repeated often enough that in any discussion of economic matters, in anything connected with the economy, the fundamental

problems is not technical but economic. And again, an economy is no longer a testing-bench for techniques : techniques die or take other directions, if they are not accepted and retained by the economy.

The mine, factory, mode of transport and the most perfect system of distribution will be useless if men do not make use of them. The science of economics has very rightly abandoned the old definition of the "Science of wealth", or that other definition of "Science of value" and has adopted the new definition of the "Science of choice", which comes closer to the nature and purpose of its researches ; for in this field we are today more than before faced with a problem of choice.

It is extremely difficult to divert the producer's attention from production to demand, especially when demand has for decades or centuries taken a routine course and followed traditionally constant curves ; or, to put it more precisely, it is difficult to divert the producer's attention from costs to prices. It is true that costs are a decisive element in price formation ; but it is less correct to say that they are the only factor which determines prices.

One is, however, almost instinctively led to believe that there exists only one single price-determining factor, incorporated in the goods themselves as some kind of common factor which makes them mutually interchangeable as though it were an infallible unit of measurement.

The great objective of the classical economists was to find a "law of prices" which does not exist. An attempt was then made to discover whether goods were exchanged merely on the basis of their cost of production. The economists then worked out the theory of marginal utility, as elegant as differential calculus in mathematics, and with which it was believed, the problem would be solved completely by studying the intersection of demand and supply at the *last* unit of goods produced. I mention this theory because I find eloquent traces of it, as we shall see, in the first report of the Council of Ministers (High Authority Joint Committee on the Co-ordination of Energy Policy). It is in this very connection that it has become customary to fix the price on the basis of the cost of bringing up from the mine the last ton of coal needed to meet the purchasers' requirements. This is a great scientific discovery : we are no longer concerned with the price inherent in the goods themselves and fixed independently of any outside relations, but with a balanced price detached from the goods, which brings the producer's interest in selling a new unit of goods in line with the consumer's interest in buying it.

Let there be no mistake : this criterion, by itself, is always valid, and when the Joint Committee of the Council of Ministers and the High Authority maintains that it is no longer admissible to reason on the basis of figures relating to requirements or resources, when it declares that henceforth general economic principles must be laid down concerning price formation, so that the consumers' choice will turn

spontaneously towards the most economic utilization of the available resources, when it states that it is essentially the long-term marginal costs which must determine the volume of justified investment, it states facts which call for only one observation: why have these things not been said before, and with the same emphasis, and if they have been said, why was action not taken with the necessary firmness? Because there has been talk of resources, requirements and costs, but too little talk of prices. Because it was not realized that while production costs are one of the elements in price, the market is still the decisive factor. It was obviously not enough to say: demand exceeds my production possibilities, therefore I shall always be able to sell my goods. It was not enough to say that, first of all, because it was not true since, on the whole, it has always been possible to meet the total demand for energy, in all its forms; secondly, because in any case as the demand became apparent, there was for a number of reasons, nothing to prevent imports of coal from third countries, or offers of other forms of energy from pushing down the price, or some of the prices, of Community coal.

Incidentally, the Joint Committee did not confirm itself to an elementary conception of "marginalism", but it did warn against an interpretation according to which the cost per kWh or per ton of coal to the consumer would vary according to whether demand was rising or falling, an interpretation which leads to the fallacy according to which marginal costs — depending on whether non-utilized production

capacity exists or not — are nil or almost nil, or rise sharply. Calculations should therefore not be based on the kWh or ton of coal for which there is a demand at a given moment, but on the probable total demand in particular periods and at particular hours. We have now got down to the graphs with their curves crossing and re-crossing each other, which are an intricate puzzle for the common man, but a valuable help for anyone who has to tackle the always difficult task of making an informed and reliable forecast.

Yet, this is still not enough, because prices are considered in their relations in space and time; they are interdependent, the one on the other and on price levels in general. Let us take a very simple example: one would not understand a particular type of energy being offered, during certain months of the year, at very low prices, certainly below production costs, unless it was intended to make up the difference at other periods.

It is therefore essential to study the movement of prices against a broader background of space and time, without being too much impressed by certain situations which may appear imminent and threatening, but which should not be credited with more disturbing effect than they have in reality: I am referring to monopolies. I agree that the power of monopolies, mergers and cartels to disturb price formation is not so great that a monopolist could completely ignore consumer reactions. Nor can he disregard the

two factors which, especially in our sector, are of tremendous importance and have been felt particularly acutely in the coal sector, namely the effect of substitutes and the possibility of the potential competition from other sources of energy becoming effective within the next few years.

On the other hand, of course, well-organized monopolies, mergers and cartels may often succeed in falsifying the laws of the market and thus retarding essential developments, and even in unduly delaying the progressive establishment of conditions which will in themselves assure the most rational distribution of production at the highest possible level of productivity, as is laid down in Article 2 of the Treaty. In addition, the High Authority cannot disregard, as it has already told your Assembly, that an excessive concentration of economic power is of political significance.

Gentlemen, if all that I have been able to say up to now — as briefly as possible, I hope — is reasonably justified, one conclusion leaps to the eye: we shall not be able to reach considered, long-term decisions unless we dispose of the necessary means, which in my view, can be summed up in two urgent requirements: first, an authentic and complete energy balance-sheet, and secondly, what Vice-President Coppé once aptly defined as the progressive introduction of co-ordinating powers at Community level. At the very least we must have the closest co-operation with the European Economic Com-

munity for drawing up the energy balance-sheet, for conducting market research, for studying the competitive situation and examining possible alternative solutions. We must also co-operate closely with Euratom on possible forecasts of this potential competition which, as I said just now, may make itself felt very soon : ten years are rarely enough to absorb a shock, and in any case, they go by very quickly !

I do not know for the moment whether the agreements with our sister Communities are adequate to such a task. Let me say straight away that I dread every kind of excessive logic, and for that reason am also not in favour of the proposal to set up a separate single Community for energy, which was so eloquently advocated by certain members during the last session of this Parliament. I feel that the Coal and Steel Community should continue to be the "team-leader" in this co-operation and that experience alone must show what institutional changes may be necessary.

I would add that already in its first working session, last week, the newly constituted High Authority considered the problems involved in co-ordinating the energy policies of the different member countries. It came to the conclusion that limited but practical action must be taken as a first step towards this co-ordination. The High Authority is fully aware that this is a long and exacting task, and that many difficulties will have to be overcome before we can get anywhere near a solution to all these problems.

We can see today how, under the pressure of events, the Governments of the member States are running the risk of taking individual action which could seriously jeopardize the chances of getting the co-ordination we want.

The High Authority believes that the creation, to begin with, of a framework for channelling discussions and opinions on energy problems would be a first and most useful contribution to the progressive achievement of the co-ordination provided for in the 1957 protocol.

To this end, in accordance with the mandate received from Governments by the protocol of October 1957, the High Authority has drawn up a series of concrete proposals.

Consultation with the other Executives is proceeding.

The High Authority will, as soon as possible, communicate to the Assembly or its Committees the contents of these proposals, which it intends to submit to the Special Council of Ministers at the earliest opportunity.

The High Authority realizes that, to obtain unanimous agreement in the Council of Ministers on the general orientation of energy policy, on the proposals regarding the conditions in which this policy could be implemented, and on the specific measures which it calls for, the matter will have to be thoroughly and carefully

prepared with the Governments and consultations will be required with all the parties concerned. The High Authority will carry out this preparatory work in close co-operation with the other Executives.

At this point, I could easily conclude my speech, if my conscience did not tell me that the Assembly may perhaps expect me to express an overall opinion on the situation.

It is difficult to appreciate the full meaning of the terms "optimism" and "pessimism", and I am not blind to the extreme danger of hazard-ing prophecies in economic matters. You probably all remember the story of that solemn American commission which was to have met to study ways and means of putting the prevailing trend into reverse; but the trend did not have the decency to wait for the Commission: it went into reverse by itself, before the Commission even had time to meet.

In my mother-tongue the meaning of the word "optimism" is tempered by that shade of relative meaning which seems to be firmly noted in Mediterranean civilizations. I can therefore use it without undue nervousness.

I am an optimist, Ladies and Gentlemen, not only because pessimism is always futile, whereas conscious and moderate optimism is a source of strength, but also for reasons on which I have pondered for a long time. Of course, this optimism should not result from emulation of the

policy of the ostrich, of whom it is said, perhaps maliciously, that it hides its head in the sand to avoid seeing danger. Our task is not only to see reality, but to look at it with wide-open eyes.

This reality teaches us that the entry into the market of new forms of energy cannot be prevented, and also that no illusions should be entertained as to what the consumer's choice will be.

Wherever a modern industrial enterprise can avoid using coal, it will do so without hesitation. It will not do so simply to avoid having to provide storage sites, store houses, railway sidings, shunting yards, workshops, as well as interest and amortization payments for all these installations; nor just to avoid a succession of starting-up, closing-down and re-starting operations, interruptions of work, fumes, ash, cinders, smoke, waste of material, wear and tear, and maintenance; nor perhaps will it avoid using coal just because of the difficulty of calculating with any degree of accuracy the cost of a fuel involving all these elements of direct and indirect overhead (it has been said, not without a grain of truth, that the price of a ton of coal is known exactly, but that one is almost always uncertain as to what one will receive in exchange for that price). The manufacturer will avoid using coal because the possibility of distributing energy to wherever it is needed, by means of grids and pipelines, with meters or gauges, will enable him — thanks to a more accurate assessment of fuel costs by daily con-

sumption readings and checking of fuel-supply charts — to obtain an overall picture of his plant and thereby much more rational operating conditions. A modern industry must today be in a position to extend, reduce or change its plant at short notice. Apart from these considerations, the visible and invisible economies achieved by using a fuel adaptable to any installation or process, a fuel of constant quality, one which can be distributed quickly, easily and continuously, and which involves no special problems regarding its use, are clearly demonstrated by the widespread use of high-quality fuel even though their cost per thermal unit is several times that of coal or lignite.

In this light, even the calculation of available calories must be unconvincing. Apart from the fact that calories effectively utilizable have to be assessed, the conclusions, would lead, for instance, to the condemnation of electric motors, which for a long time have been much more costly than Diesel or producer-gas engines ; but nobody has ever given up using electric motors. Just ask any housewife whether she would like to give up her electric iron and use instead an iron run on brown coal which costs practically nothing.

Finally, the transport services are abandoning the use of coal. But it would be foolish to assume that this valuable source of energy will be abandoned altogether by man.

There are production processes for which coal is technically irreplaceable. Metallurgical coke is

quite indispensable, as for instance in certain metal-reduction processes, in the treatment of certain electric furnace products, and finally, because the by-products of coal distillation have become a raw material for the chemical industry. And I do not even venture to think of the absolutely certain successes which science and technology are preparing for us, not only in the utilization of coal but also in their work on the economies which can be achieved in its use.

Coal, therefore, still has a future, particularly if maximum productivity can be achieved by judicious means and in good time. As for the costs, they will inevitably adjust themselves under the influence of world-market prices. I should not like my optimism to be understood as an invitation to laziness or to passive and fatalistic expectations of better times ahead, but as a challenge to courage and determination.

Future prospects for coal are brighter for the fundamental reason, which I stressed again and again in my first speech on the Common Market and which I have since repeated in various European cities : that if the Common Market is not to be a failure, its power of expansion must be the dominant feature above all other factors in development. In my view the general Common Market will need energy and steel just as much as the growing population will need bread. There is no doubt about this, and I should like to reverse the theory which Keynes propounded, not without a certain irony, regarding long-term views. Long-term views, said the eminent

British economist, are very beautiful ; the only objection to them is that in the long run we are all dead. I say, no : in the long term, the nations live and grow, and the European Communities came into being for the very purpose of ensuring peace, freedom and prosperity for this and future generations.

Today, however, we have to solve the difficult problem which the coal situation has set us. The High Authority can do no more than assure you that it will spare no effort to restore the balance in the coal market. In any case, it must be recognized, as I said in a recent interview, that without the ECSC the coal crisis would have been even more serious.

I would add here, and my colleagues at the High Authority share my opinion, that nothing could be more harmful to the Community at this stage than the simultaneous planning of divergent measures in the different member States. This would make subsequent co-ordination very difficult, if not impossible.

I point out this danger because, according to the latest available forecasts, pithead stocks and unemployment will continue to increase, although in general at a slower rate.

As you know only too well, any action limited to the national level triggers off chain reactions which affect neighbouring countries and ultimately lead to a system of compartmentation,

i.e. to the very negation of any community system.

For this reason, in any measures to be taken all the interests involved must be taken into account. In the name of the new High Authority, I wish to make before this Parliament an urgent appeal to the Governments, the employers' and workers' organizations and to the trade unions to co-operate to the full in co-solving this coal problem at Community level.

Gentlemen, as I said earlier : circumstances have obliged me to take advantage of your patience.

For this reason, I must now confine myself to a brief enumeration of a number of other questions which are occupying the High Authority at present.

As regards steel, I remind you of the problems of the French price-level, the operation of the scrap market and certain cases of concentration. And while on the subject of steel, I am glad to be able to tell you that it is already clear for the Community as a whole that production for the current year will exceed the record figures for 1957.

As regards coal, there is the problem of the probable extension of our financial assistance to Belgium, the question of pit closures, the recent action by the Belgian Government to curtail

trade within the Community, the problem of the coal-selling agencies in Germany and Belgium, and the control of imports into France. Lastly, I would mention the need for implementing the resolution adopted by the Council of Ministers at its session of 31 July on the organization of a meeting to consider problems raised by the industrial re-development of the areas affected by the pit closures.

We shall have an opportunity to examine all these questions with the Parliament and its committees.

May I now, before concluding, refer to two problems which constitute the ultimate objectives of the European Communities: the social problem and the political problem.

The European Coal and Steel Community has a fine record of action on labour questions; it needs only to continue it along the same lines and to intensify it. As an institution which is entirely new in economic history, it stands above any conflict of opinions: no one can accuse the E.C.S.C. of representing class interests, whatever they may be, but everyone can expect the Community to show particular understanding on labour problems, as part of the effort to achieve the economic and political aims laid down in the Treaty.

We are no longer living in the world of Ricardo, nor in the world of Marshall, nor indeed in that of Keynes. We can no longer reason on

the basis of economic doctrines and data which time has irresistibly overtaken.

We know today that the insistent demands of the workers — and please note that it would be easy for me, because of my political and sociological opinions, which I have never disguised, to talk at some length on the growth in the power of labour, but I want to limit myself to sound and uncontroversial economic reasoning — we know today, as I was saying, that the pressure exerted by the workers for an improvement in their living conditions is absolutely necessary to production and an essential part of the economic system of free world which we call the market economy.

The economist Robinson said recently that the new economic orthodoxy, if one could be established, would have to be considerably more comprehensive than the old one. Herein lies a truth which only the blind cannot see, namely that a policy based on costs which would operate at the expense of a proportional and adequate increase in the purchasing power of the masses would simply lead to economic suicide. An increase in productivity presupposes a corresponding increase in demand, to enable it to absorb the increase in production.

If productivity were to increase while wages remained unchanged, costs would be continually falling, particularly in conditions of oligopoly and generally when price competition was limited. This seems paradoxical, but it is a basic

truth that money wages must be able to keep profit margins in check, in order to keep constant the stimulus of wages to the level of production.

The coal and steel sectors are obviously no exception to these general considerations, which are at the basis of industrial production. The High Authority cannot afford either retrograde thinking or short-sightedness. Moreover, all this is reflected even more sharply in the problem of democracy and in the political problem which we cannot ignore.

I touch upon this problem with some hesitation, because I know how easily and readily the kind of criticism arises which likes to view us — by us I mean the High Authority and the Assembly — purely as a body of technocrats. But I still share the opinion expressed in November 1954 by M. Teitgen, rapporteur for the Political Affairs Committee, when he said that the High Authority's function was not purely technical. Its work includes fundamental decisions of a political nature, and the supervisory powers exercised by the Assembly over the High Authority's activity as a whole constitute, therefore, not just a purely technical control, but also a political control.

Mr. President, Ladies and Gentlemen, Jean Monnet told you, at the time when the Community was taking its first steps, that the great expansions in production which are needed, cannot be achieved *unless Europe unites instead of destroying herself*.

I have talked about an examination of conscience, but if we do not wish to deceive ourselves in the illusion that we are deceiving divine Providence, there is another point on which we should examine ourselves : are we still truly and firmly convinced, one and all, that we must not stop or turn back on the road leading to the unification of Europe? Are the imperative reasons which induced our States to set up the European Communities still fully alive in us and in the six Governments? Do we still remember that in 1870 Europe produced 68 % of all manufactured goods and controlled 50 % of world trade, whereas today we are doing well if percentages amount to half these figures? Are we still convinced that the troubles of Europe — compared with the enormous economic development in the United States and Russia — are essentially attributable to the absence of a single European market? Is it possible that the political conversations of the last few weeks have perhaps not made us fear that Europe is condemned to be excluded from the great decisions, and that the fault may lie mainly, if not entirely, with Europe herself?

I have not the courage to reply to these questions, but if you will allow me, there is an answer which I owe to myself : please forgive me for feeling obliged to recall a personal experience, if only so as to escape once again from literature.

During the war, in 1942, Alcide De Gasperi expressed the wish to see me. The question was

to avoid being taken by surprise by the then imminent collapse of Fascism and to prepare the name and programme of what was to become the largest political party in Italy. We did not reach agreement on all points, but we did agree at once and unreservedly on one principle, namely that we should have to reserve the traditional order of political catholicism, which proceeded from the individual to the State ; that we should have to regard politics as an instrument, rejecting all the autonomistic, pragmatic or categorical conceptions so dear to the followers of Hegel ; and that we must above all speak soon, clearly, and proudly of Europe.

A year later, on the eve of the coup d'état — at a moment when the war was raging more fiercely than ever — what was then called the "Milan programme" was ready : it had been drawn up by Giovanni Gronchi, now President of the Italian Republic, Count Stefano Jacini, and the leader of the "white" trade-unionists, Achille Grandi.

Well, the first point, — I emphasize, the first point — of this programme, read as follows :

"Within the framework of a reconstituted League of Nations — expression of solidarity among all nations — a Federation of European States devoted to a system of freedom.

Direct representation of the peoples — beside representation of the Governments — in the one as in the other.

General, simultaneous disarmament — armed forces, recruited from volunteers, at the exclusive disposal of the international Community.

Option to take out European citizenship in addition to national citizenship.

Legal equality of the citizens of all States.

Application of these principles of solidarity to the international economy.”

Mr. Président, Ladies and Gentlemen : I have quoted this point as it touches on a bitter experience I had in my own country — not because of any ambition on my part which, at this time and place, would be puerile, but because this was perhaps the first political document solemnly binding a major political party when the war was still on the cause of Europe, and because. it was a pledge which the noblest of my companions paid for with their blood. For my part, all I can do is to remain faithful to these ideas, cost what it may. And as President of the High Authority and speaking in its name, I can do no other than declare, in conclusion, that the “re-launching” of Europe will be our first fundamental and immutable concern.