

TWENTY-FIRST JOINT MEETING

of the Members of

THE PARLIAMENTARY ASSEMBLY

OF THE COUNCIL OF EUROPE

and the Members of

THE EUROPEAN PARLIAMENT

(STRASBOURG, 21 JANUARY 1975)

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*OFFICIAL REPORT OF DEBATES*

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## NOTE

This edition contains the original texts of the English speeches and translations of those delivered in other languages.

The latter are denoted by letters as follows :

(*D*) = speech delivered in German.

(*F*) = speech delivered in French.

(*I*) = speech delivered in Italian.

(*NL*) = speech delivered in Dutch.

The original texts of these speeches will be found in the separate editions which are published for each language.

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SITTING OF TUESDAY,  
21 JANUARY 1975

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**IN THE CHAIR : MR BERKHOUWER**  
**President of the European Parliament**

*(The sitting was opened at 3.05 p.m.)*

**1. Opening of the Joint Meeting**

**The Chairman.** — I declare the 21st Joint Meeting of Members of the Parliamentary Assembly of the Council of Europe and Members of the European Parliament open. It is a great pleasure for me to welcome you here, and I should like to begin by wishing you all a prosperous 1975.

It will not surprise you to hear that I feel the need at the opening of this sitting to express my feelings on a number of matters of topical importance, and I am primarily referring to the return of our Greek friends to our midst.

*(Applause)*

For about seven years they have suffered under the yolk of tyranny, their democratic rights suppressed by dictators.

The year 1974 saw the restoration of democracy to Greece, and we will never forget that we are among the first witnesses of the rebirth of democracy in Greece.

The government and people of Greece face formidable tasks. It is up to us to do everything in our power to ensure that Greece becomes a real part of Europe.

Ladies and gentlemen, the Western world is afflicted with a number of diseases that are a serious threat to its continued existence. We are confronted with growing unemployment, the energy crisis and the destructive forces of inflation. Our Joint Meeting is devoted to the fight against and elimination of this epidemic, which is eating away the very roots of our democratic system.

I hope that this meeting will not only diagnose the disease, but also produce a recommendation for an effective remedy.

I should also like to take this opportunity to refer for a moment to the constant increase in terror and aggressiveness, which threaten to destroy the structures of Western society.

We see crime increasing and the lives of defenceless human beings endangered. It is not unusual for children to be taken hostage and for old people to be murdered for a handful of money. In addition, travel is today completely disrupted by the terrorism that rages at our airports: at Munich, Athens, the Hague and finally Orly, innocent people who have nothing to do with the conflicts, to solve which it is claimed these international crimes are committed, have been murdered and maimed.

I utterly reject all the speculation as to the reasons why a certain country in our Community should be the last to fall victim to this terrorism. What we must do is jointly protect our-



selves, put a stop to this terror and destroy it root and branch. Fine words can no longer save us. We must take effective joint action now.

Ladies and gentlemen, our joint efforts to achieve the integration of Europe are meeting with success and failure. A setback in these efforts was the recent decision to discontinue work on the tunnel under the Channel. I have always held the view that this project was of importance not only for our partners England and France, but for all countries in the Community and in particular those directly adjacent to the Channel or near it.

In this connection I should again like to put forward an idea which I have championed in the past : if the construction of the tunnel presents technical and financial problems, why not make it into a European undertaking ?

*(Applause)*

This could be done in all kinds of ways. For example, a European consortium could issue small shares for the 250 million people working and living in the European Community to buy.

Those were, honourable Members, some of the thoughts that I have been having. I hope that you, too, will turn them over in your minds.

I would remind you that our proceedings will be governed by the procedure agreed by the Bureaux of our two Assemblies.

I would ask all Members wishing to speak during this meeting to enter their names in the list of speakers in Room A 93.

It is the usual practice both in the Parliamentary Assembly and in the European Parliament to limit speaking time to ten

minutes, both for rapporteurs and for Members speaking on behalf of political groups. I feel that it would be advisable to apply the same procedure during this Joint Meeting.

Are there any objections ?

That is agreed.

The object of this meeting is to enable the Members of the two Assemblies to exchange views, but there will be no voting.

I should also like to say how pleased we are to see Mr Simonet, Vice-President of the Commission of the European Communities, here with us today.

I call Mr Stavropoulos, who has asked to be allowed to make a brief statement on behalf of the Greek Members of the Parliamentary Assembly of the Council of Europe.

**Mr Stavropoulos.** — I should like to thank you, Mr Chairman, for having been good enough to give me permission to say a few words in reply to the very kind comments you made about my country. I wish also to thank Members for the reception they gave to those words.

You cannot imagine how long years can be, but now Greece is free again, free to be with you in the middle of Europe. Tomorrow we shall be accepted formally into the Council of Europe. We hope soon to be working very closely with the European Community and the European Parliament. You may be sure of our desire to work as closely as possible with you for the creation, for the establishment, for the continuation, if you like, of a European democratic community and for the solidarity of the Europeans in such a community.

*(Applause)*

## 2. Apologies

**The Chairman.** — Apologies have been received from Mrs Orth and Mr Burgbacher, who regret their inability to attend this meeting.

## 3. Inflation and its political consequences

**The Chairman.** — The next item on the agenda is the debate on inflation and its political consequences. I call Mr de Clercq, rapporteur for the European Parliament.

**Mr de Clercq, rapporteur.** — (NL) Mr Chairman, Mr Vice-President, honourable Members, the study of inflation is an important subject, which goes far beyond the actual limits of economic events, involving also sociological and political aspects. It is particularly important for us to discuss the subject here today in view of the staggering inflation we are experiencing.

The present bout of inflation is above all an economic phenomenon. It has been very well analysed in Mr Aubert's report, which also contains interesting proposals for combating it. The draft final communiqué drawn up by your two rapporteurs is also already on the table, but we are of course prepared to amend it or supplement it to include your observations. We shall take broad account of your views on the topic and at the end of this meeting draw up a final communiqué which broadly reflects the views of this Joint Meeting.

There may be doubts about the desirability and effectiveness of the expedients proposed by Mr Aubert in his report. But one consideration is in my view beyond all doubt : Success in the fight against inflation, whatever measures are used, will depend mainly on the political will applied to this fight. There has to be sufficient will to cope with the political risks lurking

in the continued growth of inflation and hindering a solution to it. In particular, I should like to emphasize the sociological and political aspects of inflation. These are, moreover, the aspects the politician should seek to inform himself about, since they should determine his actions.

As far as analysing the causes of inflation is concerned, I wish to spare you the innumerable and learned economic explanations. We have emphasized—and the analyses in Mr Aubert's report point in the same direction—that what we are concerned with is not one single kind of inflation, but a confluence of various kinds of inflation: inflation caused by excessive demand, inflation of costs and of the prices of raw materials, inflation from the coining of too much money and inflation due to the fall in the productivity of capital.

It was therefore pointless to look for a more specific cause. There are important and less important factors, and a cumulative effect takes place. It would be dangerous and lackadaisical politics, as well as being wrong, to think that the only real cause has been only the rise in the prices of oil products. It is just as dangerous to think that it is a sign of civilization, the cap that fits our industrial society, that we must wear and that we must presume we can keep on wearing.

15% inflation in the Community as a whole, and 20% or even more in some countries, with total unemployment of 3 million or soon 4 million or more in the EEC—all this is unacceptable. This is stressed in Mr Aubert's report, which rightly states: '*L'inflation n'est plus tonique, elle est toxique*'. It is no longer good enough just to talk about inflation; it is high time to get to grips with this inflationary society that we ourselves have allowed to develop. The society we live in is an inflationary society. Constantly increasing growth and consumption mean a kind of headlong flight, driven by forces that are no longer controllable.

If we look at the bones of our society today, we find that this artificial cultivation of needs no longer brings even a trace

of happiness with it ; a doubling of economic growth destroys itself through constantly increasing pollution of the environment.

Inflation as we know it today is no longer a sign of power ; on the contrary, it threatens to destroy our society. The consequences of inflation are too numerous to list. I shall therefore confine myself to two which call primarily for attention. Inflation generates social inequality. It is dangerous to try to believe that inflation, however extensive, affects the various social and professional groups in the same way and to the same extent. All are affected by it, but not in the same way. On the contrary, some can even profit from it.

From the economic point of view, the classical anti-inflationary measures of credit restriction hit small and medium-sized firms hardest. In the social sphere, women, young people and migrant workers are the first to fall victim to unemployment.

Looking at it technically, those who borrow money earn the amount that those who provide them with it lose.

In general, inflation upsets all branches of society ; all contracts become uncertain, and economic life becomes a game of chance in which those who can increase their chances run the least risk. It becomes an unequal game. Inflation sharpens inequality. The success of some feeds both the inflation and the misfortune of others. It arouses bitterness and favours violent reaction.

Inflation is also a major cause of disorganization. As a Member of the European Parliament, I should particularly like to point out the dangers inflation involves for the process of integration that has been set in motion with so much patience and trouble. The most notable finding is that the differing rates of inflation, varying between 7 and 20% in the countries of the European Community, divide the Community into two groups of countries which show unequal development. These differ-

ences, which are not minor, are a threat to the Community, and to its structures, its development and its spirit. Differences like these make genuine coherent development impossible and hinder the smooth functioning of common policies, in particular the agricultural policy.

Economic difficulties involve the danger of protectionism, which threatens the completion of customs union and the achievement of economic and monetary union. There is more than enough reason to fear that the least favoured regions of the Community will suffer most from inflation.

On a world scale, inflation is weakening the Community at a time when it needs financial aid to secure energy sources, give its industry a new impulse and improve the balance of payments of the Member States. The key question is what we can do about this.

The conclusion to be drawn from Mr Aubert's report is that the short-term measures should be supplemented by a large number of medium- and long-term measures. Thus, the inflation we are undergoing now goes much further than the daily problems that economic experts have to deal with. This is a problem of our civilization, and inflation constitutes a political challenge.

The inflationary society poses a problem of political philosophy, the problem of the autonomy of political power as against the economy. This autonomy must be reaffirmed as regards the economic system and its supporting elements, the social and economic groups. Political power has restricted itself too much to administering, instead of giving a lead to the economy. As a result of the increase in economic growth—the apparently striking progress of the industrialized countries despite the constant increase in inflation, although not of the extent we know today—the State could afford to leave the economy to the technocrats. But now that we are going through a severe crisis, public opinion is turning towards political authority. Now it is up to political power to intervene ; it is being called upon to take a very close look at the economic system

because it is simply no longer possible to leave economic development to itself.

It would certainly not be a good thing to abandon economic growth, but it must be directed and controlled. If this does not happen, it will be accompanied by many extremely harmful factors which will ultimately mean its destruction. So we must not restrict ourselves to the classical anti-inflationary measures, which for one thing are inadequate and for another involve a risk of 'stagflation'.

At national level, reorientation, the rewriting of the objectives of production and consumption, will necessitate measures for a new investment policy, a new policy on savings and taxation and all the measures Mr Aubert's report goes into in greater detail, as well as genuine political will and creative democracy.

At international level, the solution of the many problems—whether they are connected with the monetary system, the stabilization of raw material cost prices or aid to the developing countries—requires the creation of genuine solidarity.

As regards the Community, I sincerely hope that the concern for the strengthening of its institutions, given expression in December, will be reflected in concrete measures. This, too, is a question of political will.

Whether it is a case of regional, national or international problems, there is no hope of a cure for our inflationary society without the restoration of strong democracy, with the power to reorient the economy. The autonomy of political power must be real where all social and economic groups are concerned, for this reorientation will not come about by itself, especially not in a period of crisis. Political power should, now more than ever, not only create the conditions for a new economic system, but have the ability to impose the discipline that is required of all the social and economic groups involved.

Embarking on a new way of life, based less on growth, will, at least for a certain period, clash with the habits which have been formed in the industrial countries during the period of plenty and extravagance. The genuine cooperation this requires from the social partners should be based on good mutual understanding and on improving social relations—especially within firms—and political authority must be strong enough at all national or international levels to ensure that certain decisions are respected by all social groups—those decisions which best serve the general interest, such as the introduction of codes of conduct. For as Mr Aubert very correctly observes in his report, inflation is a sign not only of an economic, but also of a political crisis. Inflation constitutes a political challenge to our international organizations, too, and puts solidarity very much to the test.

In this fight against inflation I should like to say just one more thing : we must not rest before the whole range of possibilities is exhausted.

*(Applause)*

**The Chairman.** — I call Mr Aubert, rapporteur for the Parliamentary Assembly of the Council of Europe.

**Mr Aubert, rapporteur.** — *(F)* To attenuate the virulence of any criticism that my report may arouse, let me begin by saying in my own defence that it was only on 16 December 1974 that I was given the assignment to submit to you today a report on inflation, its political consequences and the means to combat it. I have to add—and this is very damning for me—that I am not an economist. Consequently, I do not pretend to be presenting you with a complete and exhaustive report on the causes of inflation and its cure.

Besides, no one in this Chamber would claim to be able to obtain a consensus on so complex and controversial a subject. The most distinguished politicians and economists are themselves divided as to the proper means for dealing with the



present situation. Most of the industrialized countries have taken economic steps to fight inflation, but without any apparent success.

Galloping inflation is now coupled by galloping unemployment, for which the states have found no remedy other than boosting their economy at the risk of boosting inflation as well. It is high time the European countries realized that the problems they have to face make multilateral collaboration and cooperation, not only between the nine Member States of the EEC but between all European States, urgent and imperative.

It is essential to solve these problems at European level first before passing on to a higher international level, such as the OECD or the International Monetary Fund. In those organizations decisions are taken by the governments, generally without the national parliaments being consulted: hence the immense importance of a joint meeting, such as this, of parliamentarians from the Member States of the EEC and from those states which are not members.

It is a fact that inflation rose from between 2 and 3% a year—in the period from 1950 to 1960 to between 10 and 20% in 1973 and 1974. It was claimed that inflation was necessary in order to maintain full employment and full economic activity, and for that reason it was tolerated.

But it is not even serving that purpose any more, as is proved by the alarming increase in unemployment. The inability of political leaders to overcome this crisis by full-scale multilateral cooperation has brought about a dangerous division of the electorate into two opposing groups of more or less equal size, and a resultant succession of governments with precarious majorities. That is why we have stated that inflation, as Mr de Clercq pointed out just now, is the sign not only of an economic crisis, but also of a political crisis in our democracies.

We have tried, in a modest way, to analyse the causes of inflation, which meant that we had to begin by asking ourselves

why the conventional economic mechanisms had not functioned. To answer that question, we considered two sets of factors which seemed to us important : the internal and the external factors.

Where the internal factors are concerned, we took as our starting-point the view that the economic theory expounded by Keynes, among others, and based on the balance between supply and demand, indisputably favoured the Western countries, or at any rate those in the OECD, for about fifteen years after the Second World War.

A 2 to 3% rate of inflation, as I said just now, made it possible to maintain a high rate of employment and economic activity. State budgets met cyclical liquidity shortages by a system of counter-cyclical state credits. But the unprecedented world expansion of these last three years has shown up all the weaknesses of that system.

The first thing we noted among these internal factors is the complete absence of any synchronization of trade cycles. In the absence of any coordination at international level, it became impossible to control demand at European and world level, so that a State which, for example, had already realized its production potential, was unable to prevent its excess national demand from crossing its frontiers to be met abroad ; this had the effect of increasing the deficit in its balance of payments and causing a rise in prices.

The second internal factor we noted was the problem of growth and decreasing productivity or a reduction in the productivity of capital. The growth in the demand for minerals and materials has outstripped the supply, in spite of record production by the mines. The rise in the price of these exhaustible resources is the result of this inflationary pressure, not its cause. The states have not been able to restrain growth. Against this, the productivity of capital is decreasing. More and more capital is needed to produce the same unit of added value.

The causes are said to be excessive division of labour, waste in many sectors, shortcomings in social and industrial organization, and so on.

The result of this general decline in productivity is, first of all, that there is less and less investment in the basic industrial sectors and in the public services such as the postal service, railways, schools, research centres, etc., whose profitability rate is low, although it is on these basic sectors and public services that overall profitability in the long run depends. In the second place, to meet this decrease in profitability prices are increased, either directly by bringing out new and dearer products to replace those no longer on the market, or by making them less durable so as to sell more of them.

The third internal factor we noted was the consumer society. I will confine myself here to denouncing the quite intolerable expansion of consumer credit which leads precisely to that excessive consumption I have been condemning.

The fourth internal factor is the inequalities which betray the absence of any sectoral or regional analysis.

Here, we can criticize our governments for being too concerned about world supply and demand conditions and failing to take sufficient account of the situation in individual economic or regional sectors. Scarcity or inflation in one sector or region leads to what the economists call bottlenecks which—as has been proved—pass on inflation to the rest of the economy. An example of this is the serious imbalance which occurred in the agricultural sector in 1972.

Where inequalities between sectors and regions are concerned, there is another structural cause of inflation : inequality of incomes, which leads to claims for increases. Certain social categories cannot tolerate a lower social category obtaining a rise in income which might jeopardize the differentials. To restore the previous differentials, sale-prices have to be increased.

The process is the same in the case of inequalities between undertakings in the same sector but of differing productivity.

By agreement between themselves, undertakings can increase their prices to a point that will ensure the profitability of the weakest. This is standard practice in sectors where modern and old undertakings exist side by side.

The fifth internal factor is the expansion of credit and money supply. In his excellent report on European economic problems, Mr Vallex called attention to the fact that the money supply in 11 large industrial countries had increased in 1970, 1971, 1972 and 1973 by 10.6%, 17.6%, 15.5% and 14% respectively. With so large a money supply, it is quite impossible to guarantee reasonably stable price levels. Expanding credit is also a way of creating money. The Eurodollar market has now reached the alarming figure of \$190 000 million, and we all know that expansion of credit and money supply creates excess demand not offset by supply, and hence inflation.

Finally, the sixth internal factor analysed is the easing of restraints on the balance of payments. Exchange rates between the member countries of the International Monetary Fund have been flexible since 1971—since 15 August 1971, to be exact—when President Nixon floated the dollar.

Thus, no country is safe any longer from a world rise in prices and, as Professor Jacques Attali, the eminent French economist, has so rightly said, it is imperative to stabilize the international monetary system by creating a genuinely international monetary standard which will attribute a fair value to the various world sources of wealth, raw materials and strong currencies.

Turning now to the external factors which have prevented the proper working of the traditional economic mechanisms, we feel that if the state, the employers and the wage-earners, the producers and the consumers, would come to an understanding on the distribution of the growth in the gross national

product, inflation could be reduced to a problem of the balance between supply and demand. But a selfish and merciless battle is being waged between the two sides of industry and between producers and consumers to preserve or increase their own share of the gross national product.

At international level, the recent conflicts between the oil-producing and the oil-consuming countries illustrate very clearly this struggle to achieve a new distribution of world income. By winning the first round the producer countries started the crisis in the industrial countries. It has to be admitted that since the Second World war we have been far more concerned to increase income than to distribute it. It was obviously easier to increase incomes all round without bothering to preserve the value relationship between them which was steadily getting worse.

For this kind of fair distribution there has to be agreement among the parties concerned.

At national level, the only way to bring about such agreement is by the conclusion of a genuine social contract, and at international level by what I would call a genuine economic contract between the countries, providing for a fairer division of labour.

The enormous inequalities of income between the developed countries, the oil-producing countries and the developing countries will not only accelerate inflation, but threaten world peace if we delay any longer in taking some systematic and vigorous action to remedy these inequalities.

What are the best means of fighting inflation? We know from the start that there is no miraculous cure. Once again I shall refrain from going into details and confine myself to outlining a few economic policy proposals for improving the traditional economic mechanisms first of all, for they can be improved.

In the first place, we felt it was essential to limit growth by scaling down on economic objectives.

Secondly, it seemed to us that we must concert our efforts internationally to regulate demand, for only efficient machinery for international cooperation can regulate demand effectively. When we consider that the external trade of the Western European countries represents 20 to 50% of our gross national product, we have to admit that these States are utterly incapable individually of influencing demand.

Thirdly, we envisage and would like to encourage a sectoral and regional economic policy. A balance between supply and demand must be ensured, no longer at world level, but in each economic and regional sector, to prevent inflationary bottlenecks, and this must be done by redirecting investments in those sectors.

At regional level, we shall have to reduce the overheating of the most highly developed regions and see that economic prosperity is distributed equitably over the whole country.

Then, I believe, a way must be found of making public spending more effective, in other words, of instituting a selective policy of investment to help equip the basic sectors and public services for the sole purpose of raising overall productivity in the medium or long-term.

States should have the courage to choose between expenditure that creates employment and expenditure that does not, or does so to a lesser degree.

I have cited military expenditure as an example and have been much criticized for doing so. I know that there is little likelihood of our agreeing on that point. But what I am referring to is unproductive public expenditure, all forms of expenditure due to the over-expansion of our consumer society, over which we have lost control, and it seems to me that military expenditure in Europe could be better synchronized, better

regulated between the various states, if there were prior agreement between them within the framework of bilateral or multi-lateral negotiations between East and West.

We have also made proposals for a qualitative improvement in the socio-economic superstructure, this to be achieved at national level, as I have already said, by means of an agreement on the direction and use of the gross national product, concluded between the two sides of industry on the basis of a social contract embodying an undertaking by all the contracting parties to abide by it faithfully.

In my view, that is the only way of finding a lasting settlement of the socio-economic crisis in the Western democracies, which, unfortunately, are not suffering from inflation alone.

At international level, we have to realize that the developing countries are no longer prepared to allow trade, particularly in the oil and raw material sectors, to continue to follow trends consistently to their disadvantage. They have made that quite clear. We simply have to create a fairer international economic system through trade and monetary negotiations which will at last enable the gross world product to be fairly distributed.

The developing countries must be assured of being able to export at a profit. They must be assured of markets, and helped to play an active part in international organization. Here, I would remind you of Resolution 567 on cooperation for development, which was passed unanimously in 1974 by Council of Europe parliamentarians of all political affiliations.

I will not enter into details, but simply refer you to pages 14, 15 and 16 of my report and the points made in our joint draft communiqué.

In conclusion, we must assume our full rights, duties and obligations as European Members of Parliament. We must have the political courage to explain clearly to our constituents that

it is imperative for us to fight shoulder to shoulder on all fronts regardless of our political opinions, for the truth is that, in the present grave confrontation between inflation on the one hand and economics and politics on the other, politics will soon be reduced to the status of a mere spectator.

We must have the political courage to promote an international redistribution of resources, even if that means for our countries a temporary slowing down in growth, which would not be acceptable unless accompanied by a fairer worldwide distribution of the net world product and, as a consequence, by a genuine improvement in the quality of life, greater justice and more lasting quality of peace.

*(Applause)*

**The Chairman.** — I call Mr Simonet.

**Mr Simonet, Vice-President of the Commission of the European Communities.** — (F) May I begin, Mr Chairman, by thanking you, on behalf of the Commission, for inviting us to take part in this important debate. I want to say straight away that I have no intention of adding anything to the brilliant exposition by the two rapporteurs ; what I want to do is to talk about certain general aspects of the problem as it affects the countries of Europe.

During the fifties and sixties we lived through a period of stability, or at least relative stability. Over those twenty years, the average rise in prices, in five-year periods, came out at about 3-4%. Today the average rate of inflation since 1967 reveals an almost continual acceleration in the rise of consumer prices, from 2.7% in 1967 to 13.2% in 1974.

The bounding inflation of recent years is apparently first of all due to what I would call 'permissive conditions', followed by a sharper turn in the conflict between the aims of the various social and occupational strata of the population and the actual chances of fulfilling them.



We have also seen, over recent years, inflationary pressures swiftly relayed across the international scene.

Let me dwell on each of these points for a moment.

The sharper conflict which I mentioned just now intensified the battle of distribution which emerged inside the industrialized countries, particularly those within the Community, and on a worldwide front.

Within our countries, this struggle is over the distribution of income or national product, meaning distribution between wages and profits, socio-economic categories, particular wage-earning groups themselves, income levels, sectors, regions and lastly individual and public requirements.

It can be seen in various processes, the most typical being the alignment of wage rises in the various economic sectors with those gained in sectors enjoying higher productivity. These claims for parity are proliferating and can be said even to have impinged on nearly every sector.

On the world scale, the battle of distribution is being waged between countries and economic regions, some countries having a dominant position in the world economy or on certain markets. Here developments in the terms of trade and in methods of financing external deficits are very revealing.

The second factor which I alluded to a few moments ago is the medium-term link between the course of inflation and liquidity developments.

If there is no corresponding increase in liquidity, there can be no medium-term inflation. Disproportionately swollen liquidity is an open door to inflation ; it allows the never-ending conflict between aims and needs on one side and the chances of fulfilling them on the other, to fuse into an inflationary process.

Over the last twenty years liquidity has expanded more rapidly than the real national product, even allowing for the greater number of economic agents and the changes in the customary methods of payment. But mainly as a result of the deficit in the United States' balance of payments, international liquidity began its massive flood from 1970 on.

This torrent appreciably weakened the balance-of-payments constraint on domestic economic policies. It encouraged the internal liquidity of the European countries to overexpand and bred inflationary solutions to the battle of distribution. And, finally, the international spread of inflation did not come about solely through the trend in international liquidity; the worldwide interdependence of prices was equally responsible.

Until the second half of the sixties, there were still some 'poles of stability', such as the United States and Germany, plus Belgium, Switzerland and the Netherlands. But since the system of floating exchange rates was introduced in 1971—as Mr Aubert reminded us—we have been caught up in a new process, whereby isolated efforts towards stabilization are scarcely effective any longer and, if anything, tend to work themselves out, in the medium-term, in adjustments in the relevant exchange rates.

Apart from this, sizeable increases in raw material costs have helped to send up prices. Their mechanical effect on price levels in the Community countries can be put at between 3 and 4<sup>0</sup>/<sub>10</sub>, meaning that if we try to distinguish between the rise in oil product prices and the increase in other raw material costs, the figures show 2 to 3<sup>0</sup>/<sub>10</sub> for oil products as against 1<sup>0</sup>/<sub>10</sub> for raw materials.

A major new threat has loomed up over the international financial horizon, with the pressure on the stability of the international monetary economy from huge amounts of capital which come and will go on coming from the surpluses amassed by the oil-producing countries; we still do not know for certain what

will happen to this liquidity, which we hope some day will be stabilized, that is to say invested.

To define the relationship between inflation and all of our socio-political structures, the first thing to note is that most of our institutions and political procedures were designed, a long time ago, in economic and political conditions very different from those prevailing today.

The result is misalignment on more than one side. In the first place, a basic problem arises regarding inflation, i.e. the major priorities. The last twenty years have been an age of growth. We took it to be an acquired right and something which was always to be accepted. The education of our minds and our students, the training to some extent of our union leaders, politicians and businessmen has been substantially coloured by this question of priorities and I think that, as a matter of course, growth has been affected by this overall concept which goes to the roots of our civilization, and has culminated in a chain of developments and problems each more intolerable than the last.

Let me mention first three of them. Unequal distribution of incomes and wealth ; inadequate public facilities ; and environmental problems.

Then there is an ingrained tendency to get the consumption growth rate up to a level which, as I said earlier, exceeds the actual physical potential of our economies.

The net result of these conflicting aims is to outstrip the real potential which had been considered as already secured.

So inflation is really an offshoot of the unresolved conflicts between objectives and aspirations, heightened sometimes by inadequate knowledge of the processes which develop and spread it. Resolving the conflict between objectives is now even more complicated because of the fact that our Western societies offer citizens two avenues to express their aims. First there is

the time honoured one, to which this House gives voice, through the political parties, either by using the right of control accruing to them in Parliament, or in forming the mandatory channel to executive power.

But beside these normal traditional channels through the political institutions representing our democratic societies, others have developed over the years which can serve to express, more or less systematically, the sometimes immoderate aims of our people. I am thinking here of the various social groups which have grown up and have been institutionalized, the most powerful, the most legitimate of which are the trade unions or employers' associations. Over recent years the various social groups have thus gained the opportunity of influencing the working of the economy so extensively that they can prevent the attainment of basic objectives planned politically, even when they have been tacitly or explicitly approved by the highest political authority.

In most countries, there is no process compelling the freely elected representatives of the various political and social groups to agree, without disrupting economic and social life, on aims and objectives and on how to apply their resources.

This being so, the pressure of inflation serves *a posteriori* as a knife to trim the aims and objectives down to the actual potential, even though everyone now acknowledges and denounces the fact that it works unfairly and harmfully.

But it has become even harder to master inflation because a number of rules and constraints have gone by the board. I mean the productivity rule, the balance of payments constraint and the more or less automatic mechanism which, up to a few years ago, governed international monetary relations.

On the other hand what I would term the already existing autonomies, i.e. both sides of industry and in some countries the central banks, have been maintained.

Then the social partners often reject responsibility for full employment and the public authorities on whom it rebounds cannot at the same time follow that objective and aim for economic stability, especially by combating inflation.

Finally, a last aspect concerns the relationships between the various bodies taking decisions crucial to the development or, on the contrary—which should be the case—the control of inflation. These bodies by and large recognize the need to pursue the various objectives of social and economic policy simultaneously. Nevertheless their action often favours one or other of these objectives. The monetary authorities will tend to emphasize price stability and the unions will put more weight on raising wages, while the employers' associations and company groups will go for growth. The result is a chain of immoderate reactions between these decision centres, which inevitably leads to inflationary turmoil.

I will not dwell on the diagnosis or the causes of the complaint. I will simply put forward in conclusion a few ways to a cure.

As matters stand most of the fire power and the traditional weapons against inflation are still in the hands of the Member States. They still bear the crucial responsibilities concerning the trend of internal liquidity, public finance, employment, guidance of growth, competition, regional development and the development of industrial sectors.

But experience has shown that the stage of semi-integration or unaccomplished integration, which the Community is now passing through, is an unstable one, and in fact, in the long term, one which is untenable. It negates effective action against inflation. Certain methods can no longer be employed without jeopardizing the present state of integration. I am thinking of customs duties and how they are handled. Moreover, international interdependence restricts the scope for individual action by governments. Existing socio-political machinery no longer allows us to act forcefully or effectively enough. Further-

more, the semi-integration stage to which I have alluded, always harbours a certain tendency towards a break-up. This is a danger which Parliament must bear in mind. I know this to be so. You only have to look at the wider disparities in the trends of liquidity and prices, balance-of-payments figures, and capital movements which run counter to the objectives stated scarcely four years ago by the members of the Community when they passed their resolution on economic and monetary union with its implication, *inter alia*, that their economic policies would make for convergence.

There is, therefore, a greater need of supplementary remedies. And if they are to be clear-cut, they will require completely new thinking on our part. To secure non-inflationary growth, we shall have to think and act very differently.

Perhaps the fear of an even more serious economic and political crisis than the one facing us today will create the political climate required to set up the machinery making possible a sound and effective stabilization policy in the Community.

The required remedies would appear to lie on three levels.

First of all new instruments should be created on the monetary side of our economies. This primarily means creating the possibility of effectively controlling the trend of liquidity in the Member States. This is a vital prerequisite for any non-inflationary growth policy.

Several things must be done here. The first is to define rules for handling the amount of money in circulation, the idea being to make the growth of liquidity dependent upon the economy's potential developmental capacity. I can assure you that this simple rule will need a massive dose of political will, as Mr De Clercq, has warned us. But it is not beyond our powers. This new approach has already been taken recently in two countries: in Germany the Federal Bank has announced that, with stability the objective, an approximately 8% growth

in the monetary base during 1975 appears acceptable and even necessary. In Switzerland the National Bank has declared that it intends to bring the growth of the monetary base back to about 6% for 1975.

The second requirement in overhauling our economic policy is to monitor the sectoral distribution of created liquidity, meaning the credits granted to the economy, the public authorities and the outside world. The main point is to avoid inflationary pressures deriving from the monetary financing of public deficits. Here we might take our cue from the example of the Netherlands. The public services, including provincial and local, could be required to contract debts solely with a public credit institution acting within the framework of directives from the monetary authorities.

After talking about it for many years, it is now imperative for the Community countries to get down to preparing and applying a common strategy for capital movements. The aim is to avoid over-erratic swings in exchange rates triggered by abrupt shifts of masses of capital, which have had a damaging and sometimes devastating impact on the monetary stability of some countries, as we have seen.

The disparities between the political and economic development of the Member States highlight their failure, I am sorry to say and you will be, too, to coordinate their policies at Community level. This is no great surprise, if we remember that the public authorities are no longer able to maintain sufficient control over economic and social development in their countries. At the moment this trend is co-determined by the decisions of a certain number of social groups.

As was recently emphasized in the report to the Council and Commission on the Community's medium-term economic situation and prospects, past experience has shown that rigidly national approaches to prices and incomes policies were rarely, if ever, successful. The main criticism, in my view, is that such

approaches are too one-sided. Fresh attempts should be made which aim at a broader view, embracing the mutual exchange of information and a process of aligning viewpoints covering not only prices and incomes, but taking in economic policy as a whole and including norms for public finance, monetary policy, vocational training and the restructuring of sectors.

Some experiments along these lines have already been started in certain countries, both within the Community and outside it. The dialogue between public authorities and social groups must be established at national as well as at Community level.

It should not merely set objectives. It should also define the lines of action. A first step in this direction was recently taken by the Community's social partners at the Conference of 16 December 1974, attended by the organizations of both sides of industry together with the Council, the Member States' Permanent Representatives and the Commission. During the proceedings, the social partners expressed the wish to have a comprehensive debate on the Community's economic and social situation with the Ministers of Economy and Finance and the Ministers for Social Affairs.

But all this must be backed up by a sister plan embodying structural changes whose effects will only be felt later on.

The plan should first of all tackle the increasing rigidity of labour, which is obstructing the necessary adjustments to the production and distribution machinery. Mobility between sectors and occupations must therefore be encouraged. A specific policy here seems to be the best way of absorbing sectoral unemployment.

Secondly, it is important that an economic view should prevail in the competition sphere. This applies particularly to the surveillance of concentrations and multinational companies.



Thirdly, we must promptly move towards strengthening consumption policy. This is particularly necessary in the Community.

Lastly, I do not think that we can shirk a reappraisal of the quality of growth.

It would certainly be easier to scrutinize these problems if we had a functional classification of internal demand, showing how far the various sectors of the national economy, (households, public services, and firms) help to meet the different needs and fulfil the different functions essential to a society.

So it is important to command an overall view of how our economy works.

Regarding external relations, several moves are imperative. They involve measures to stabilize the revenue of the developing countries rather than safeguard their prices. We should therefore work out amounts of aid in terms of raw material prices as well. At all events, we should pay more attention to compatibility between raw material prices, Member States' export prices, exchange rates and the development objectives of those countries.

Finally, it is imperative to study in more detail how far wider use of indexing mechanisms, applied as supplements to a consistent programme of non-inflationary growth, could play a key part, discourage inflationary expectations, relieve the impact on employment and the growth of other anti-inflation measures, make the longer-term investment of savings more attractive and finally protect purchasing power.

In conclusion, I would say that realism, and this is nothing new to politicians, is a *sine qua non* for any effective policy. In this connection, it must be noted that as regards anti-inflationary policy, in view of the more or less satisfactory results recorded in some countries, a certain 'enlightened scepticism' prevails; and one hears too often that nothing can be done,

because this is something against which the States are powerless, either individually or all together. I think that a politician's first job is to combat this kind of scepticism.

The second conclusion which I draw from this communication is that the Community accounts for a quarter of the national product of all the free market-economy countries and 40 % of external world trade. Member States would have a greater chance of regaining non-inflationary growth if they acted together and in practical fashion. This is the only approach which will make the Community's economic weight in the world felt so as to have a stabilizing effect on the international environment, and no longer merely undergo the effects of outside stabilizing factors.

*(Applause)*

**The Chairman.** — I call Mr Cousté to speak on behalf of the Group of European Progressive Democrats of the European Parliament.

**Mr Cousté.** — (*F*) I just want to tell the two rapporteurs that the very full analysis they have given us will allow me to be extremely brief in what I have to say about the causes of inflation.

I think, in fact, that this analysis is quite sufficient to make us realize that, the causes being many, the remedies, too, must be many and complex. But there is one thing I want to say to Mr de Clercq. It is an exaggeration—and, I think, unwise—to talk about an inflationary society. In my view, we should not confuse a temporary economic accident, even if it is lasting too long for the comfort of its victims—which we all are—with growth, with development, I might even say, with the relatively harmonized behaviour of currencies. I think we should beware of confusing the fortuitous with what is inherent in society, which presupposes a certain volition and a coherent set of facts and policies.

We all fight inflation because it is an evil, but we should also remember that there is no occasion to recall the precedent of 1929. The analogy with that spectre, to which increasing reference is made, seems to me a false one. For one thing, industrial production in the United States fell by a third between 1929 and 1933 ; the gross national product decreased by 15% between 1929 and 1931, and by 17% between 1931 and 1933. Consequently trade slacked of considerably.

It was not like that in 1974 and the forecast for 1975 will doubtless not be pessimistic, either. Trade increased in value by 37% in 1973 and by 38% in 1974, although allowance has to be made for the rise in prices. The increase in real terms, when rising prices are taken into account, was 13% in 1973 and 5.5% in 1974. So, for the whole of 1974 we may say it was 2.5% as against 5.6% in 1973.

The prospects for 1975—Mr Simonet confirmed this just now—are about the same as for 1974, that is, around 5.5% and for the Community alone an increase in the gross domestic product of about 3% is forecast, as against 2.5% in 1974.

Therefore, since the crisis is not the same, let us recognize that conditions in the monetary field have also changed. The devastating effects of the American recession were passed on outside the United States by a rigid world monetary system based on the gold standard. The depression had particularly serious consequences for Germany, which at the time was largely dependent on American capital to consolidate its currency.

Today, it is politically impossible for the central banks not to pursue an active policy of support for the other banks. Thus, since no central bank dares to let the hundreds of banking institutions go bankrupt there is no need to fear a chain reaction like that of 1929-30.

As to floating exchange rates, these have now taken the place of fixed parities, and there is no possible analogy between

the 1929-33 exchange system and a monetary system based on the generalized floating of exchange rates, the flexibility of the latter being in complete contrast to the rigidity of the former. The only possible point of similarity is unemployment, which is the real problem.

In 1974, unemployment increased because of the slow rate of economic expansion. We therefore find ourselves in a position where we have to fight unemployment with the weapons mentioned by Mr Simonet and the rapporteurs, of which I approve.

Let no one imagine, either, that the Community has done nothing in this battle against inflation. I would remind you that the Council, like the Commission, has made several very clear analyses of the situation since 8 December 1973 ; it considered it imperative in order to deal with it, to bring the rate of expansion of the money supply gradually into line with that of the gross national product, and also to create jobs wherever necessary.

On 4 July 1974 we had evidence of a much keener perception of the complexity of the economic situation. This better understanding of the economic and monetary position is reassuring.

In conclusion, I would just like to say that, even if the fact passed unnoticed, all this was taken into account in a responsible way at the last Summit Conference in December. Perhaps it has not been sufficiently realized that this Summit—the last Summit and the first meeting of the European Council—showed a considerable understanding of these problems, and, in my opinion, made proposals which, if followed, offer valid solutions. In view of the complexity of these problems—and the communiqué made this quite clear—the allowance would have to be made wherever the special position of a Member State of the Community rendered the application of a uniform policy inappropriate.

The Heads of Government emphasized the urgent need for common agreement on the policies to be pursued.

Common policies will be pointless unless they fulfil some Community aim and are supported by permanent and effective consultative machinery. In other words, recognizing the extent of the difficulties we face, the Heads of Government finally decided that Europe must be present and upstanding, and gave themselves the means to that end.

What are these means ? Most important of all, periodic meetings of the European Council.

What is the procedure ? To take important policy decisions by a majority, and no longer unanimously ; no unanimity system, even in the Committee of Experts ; increasing democracy, including, in conditions still to be settled, the election of the European Parliament ; finally, a new balance between the institutions, with a view to future European Union.

There you have what I believe to be the answer at the highest possible level, based on Community solidarity and machinery which is permanent and effective.

That is why, ladies and gentlemen, I am neither pessimistic nor sad, but hopeful if we act together.

*(Applause)*

**The Chairman.** — I call Mr Schwörer to speak on behalf of the Christian-Democratic Groups of both Assemblies.

**Mr Schwörer.** — *(D)* You will all no doubt understand if, in view of the short time at my disposal, I concern myself principally with the activities which the European Parliament is undertaking in conjunction with the Commission and the Council to combat inflation. But I should like to add that as Members of the European Parliament we shall cooperate with our colleagues from the Council of Europe in any action which

serves the common aim of combating inflation. I am able to say this the more easily and convincingly as the economic aims of all European Christian Democrats have always been to maintain purchasing power, full employment, social security and a viable world monetary order.

We have consequently always stressed the dangers of inflation, most recently in a written question, which was debated in this Chamber in the autumn of 1973. At that time the rates of inflation were beginning to reach alarming heights. It was then our concern to undertake some redistribution of functions in the spheres of economic, monetary, financial and incomes policy at the level of the Community, which would then press for efficient measures to be taken in all countries to combat inflation.

On that occasion the President of the Council of the EEC replied bluntly that only Member States were in a position to carry out effectively their responsibility for maintaining stability. Mr Haferkamp, Vice-President of the Commission, also said at that time that Community responsibilities would have to be considerably increased, and that this was planned for the second stage of monetary and economic union.

You know what happened about the deadline of 1 January 1974. This second stage has not materialized, and the process of integration in this field has unfortunately been held up.

Some weeks ago now the Summit Conference was held in Paris—Mr Cousté has just referred to it—and many people expected from this conference a European lead in the fight against unemployment. The results reached in Paris, particularly in this very field of economic policy, did nothing to encourage me. There were hardly any concrete developments, although surely everyone must realize that it is not so much the institutional questions discussed here which impede progress in cooperation as the economic preoccupations and difficulties of individual Member States.

Among the positive results of the conference in matters of economic policy was the express declaration that the aim of economic and monetary union would be adhered to. Secondly, it emerged that the fight against inflation would continue to be a matter of urgency and that a new upswing would only be possible in stable conditions.

It could be said on the basis of this declaration alone that the word stability appears a good many times in the communiqué, but the contents of the declaration are so vague that a major economic journal has written this : 'The Nine have not advanced one step towards a common fight against inflation ; rather, the tendency towards a Community of inflation has been reinforced'.

This criticism stems chiefly from the fact that the measures to be taken in the future have not been examined in sufficiently practical detail : I wonder why the Commission was not asked in this communiqué to word for the aim of stability in future with all the experience and resources at its disposal. I would regard it as disastrous if the Commission relaxed its efforts to achieve stability. You have once again heard Mr Simonet develop a number of ideas along these lines, which are worthy of constituting a basis for a common policy on stability in the future.

I was particularly glad to hear what Mr Simonet had to say about monetary and credit policy. I, too, feel that a strict limitation on the growth of the amount of money in circulation is necessary. In its last report the Commission produced some striking figures in this connection. It is interesting that the countries with the greatest increase in the money supply are also the countries with the highest rate of inflation. Conversely, the country with the lowest rate of inflation also reported by far the lowest increase in the money supply. I think we have here one of the keys to an effective anti-inflation policy.

I am also optimistic since I know that this policy will be carried out mainly by the central banks, which are relatively

independent and are not subject to the influence of pressure groups. Furthermore they have already developed a good working relationship with one another. In this context there are undoubtedly still a number of shortcomings to be put right and problems to be solved, and Mr Simonet has indeed mentioned some of them ; but I believe that there is a real chance of achieving an effective policy on stability.

I am particularly glad that this will also provide a means of eliminating the perpetual stop-go in short-term economic policy, which in the long run contributes not to stability but to instability. In economic life any attempt at rationalization obviously loses its meaning and purpose if overheating is constantly alternating with recession.

In all our deliberations in the coming months concerning a solution of this serious European problem the Commission of the Communities will have an important part to play. I should like to say quite clearly that I should have very great misgivings if, as a result of the establishment of the European Council, the role of the Commission were reduced and there were in the future only a convergence of the economic policies of individual states instead of a single Community economic policy. There are here, I believe, important differences of outlook, even over the view which Mr Cousté has just put forward. I am convinced of the necessity for a common economic policy and also, of course, of transferring powers to the Community for that purpose.

The word 'stability' may be unpopular with many people ; today, faced with the problems of unemployment, they would gladly remove this topic, which is sometimes embarrassing, from the agenda. It must be spelled out to these people that it is precisely the employment situation in the Community which has made the need for a consistent policy of stability crystal clear. It was precisely inflation which caused us these grave unemployment problems in Europe. In recent months and even years it has, I think, become clear to most that no one gains from inflation, least of all the Community and the cause of integration. We know that inflation is the greatest obstacle



to progress towards European unity. It will always impede the progress of integration because in times of need charity begins at home. Let us first solve this problem of stability and of the fight against inflation and then we shall be able to solve all the other problems, even the institutional ones. If we do not overcome inflation in Europe, this continent will never achieve any lasting unity.

It is our responsibility as Members of this Parliament, together with the organs of the Community, to see to it that the Europe of the future is a stable community and thus best fitted to look after the welfare of its citizens.

*(Applause)*

#### IN THE CHAIR : MR VEDOVATO

##### President of the Parliamentary Assembly of the Council of Europe

**The Chairman.** — I call Mr Radoux to speak on behalf of the Socialist Group of the European Parliament.

**Mr Radoux.** — (*F*) As my political friends will be explaining how our group feel about the important debate which is taking place in this Chamber, all I want to do is to state, on behalf of the Socialist Group of the European Parliament, how delighted we are to have an opportunity of discussing so important a subject with representatives of all the Council of Europe countries. But above all I want to thank you, Mr Chairman and you, Mr Berkhouwer, for all you have done in seeking a way of concluding this debate. As we all know, we have very little time at our disposal. There are a great many speakers on the list, and it would have been practically impossible to end this important exchange of views with a resolution. Therefore, on behalf of the Socialist Group of the European Parliament, I thank you for having found the solution in the shape of a

statement which you and the two rapporteurs will make in the form you think best and which will satisfy all the Members of the two Assemblies.

*(Applause)*

**The Chairman.** — Ladies and gentlemen, I should like to remind you that it has been agreed that since our meeting cannot end with a resolution, it will conclude with a joint communiqué drawn up by the two rapporteurs and for which the Presidents of the two Assemblies will be responsible.

Since, however, the opinions voiced in the course of this debate have not always been in agreement, I should like to ask the Vice-President delegated by Mr Berkhouwer, the two rapporteurs and the chairman of the Committee on Economic Affairs and Development of the Parliamentary Assembly of the Council of Europe to come together for a meeting at the end of this sitting. This meeting will be chaired by me and will endeavour to agree on the text of a joint communiqué which will give an accurate synthesis of the major political and technical points on which we have been able to reach agreement in the course of this debate.

I call Mr Portheine to speak on behalf of the Liberal Groups of both Assemblies.

**Mr Portheine.** — *(NL)* Mr President, it is not usual for me to address you in my own language, but this has become possible again today, and I certainly appreciate that, since it makes it somewhat easier for me to report on the discussions which are taking place in the Liberal Groups of the European Parliament and the Council of Europe, on whose behalf I am speaking. I think it is to be welcomed that the discussions in the Liberal Groups were exhaustive and characterized, like this Joint Meeting in general, by a higher attendance of Members than had been usual in the past. I regard this as a point of essential importance. Although improvements can, of course, be made to the Joint Meeting and the preparations for it, it is an

important point in the context of the essential cooperation and of the possible demarcation of work areas between the Parliamentary Assembly of the Council of Europe and the European Parliament.

I come now to the subject of our debate, inflation. We Liberals are—and have always been—great opponents of inflation with its extremely pernicious consequences for all in the Community. In the words of a Dutch statesman, I would say that inflation is—and I hope that the interpreters can translate this—concealed robbery. It is a kind of robbery which, just because it does not take place openly, works indirectly and harms us all.

When I was busy preparing for this meeting, I wondered what everyone of course wonders : why in the fight against inflation everyone puts the blame on others. This is a natural phenomenon, and I think I can state that the reports that have been brought out, which we appreciate, depart somewhat from this natural inclination. I should still like to follow the general line here that in the first place it is democracy that is on the agenda when we talk about fighting inflation. I think, too, that in the last few years the influence of, in particular, employers' and employees' organizations has made it extremely difficult in Europe in general—and that is what we are speaking about today—to govern.

The emphasis should firstly be placed on the small undertaking—and it is particularly on these that we wish to lay the emphasis in our policy—but also on the medium-sized and even on the large undertakings, for they are also privately owned. We do not want these undertakings to be talked about in the negative sense, as sometimes happens. It is fortunate that this has not so far been the case here.

We regard the private undertaking as the nucleus, and that includes our future prosperity as well, with due account taken of environment and other factors. This also means that these private undertakings and their organizations have the

task of adopting a positive attitude and speaking with employees' organizations on general questions such as inflation. Employees' organizations have an enormous influence on this. They, too, should show far greater appreciation than hitherto of their responsibility for their actions and for their demands in these important areas. Both employers and employees must adopt a positive attitude towards worker participation. I am not talking about co-decision. I am speaking about a form of participation and greater harmony between the two groups. In this connection, the progressive legislation introduced in the Netherlands under the leadership of a Liberal minister could be an example to many here today.

We are of the opinion—although this is perhaps overstressed in the report—that governments ought not to do too much here. The state should have a watching brief, not a decision-making task, even as regards the introduction of price freezes and the like. We regard this as an unnatural development.

Nor should the state have a decisive influence on the investment sector. Privately owned undertakings have the right to take the decisions for themselves. We think that the report and its conclusions pay too much lip service to those who assert the contrary.

As far as the multinationals are concerned, I do not think that the observations on this subject will have any direct influence on the occurrence, increase or decrease of inflation. There are different kinds of multinational, and in a limited market it is quite possible for multinationals to be very welcome. The well-known Dutch socialist Professor Tinbergen said this very clearly recently, although it was the developing countries he had in mind. I would also point to the positive role of the multinationals in my country during the oil crisis as regards oil supplies.

We also have doubts about the points made in paragraph 15 on coordinating economic policy. If this is to mean that the state is to have the say, we cannot agree.

Now the point about state expenditure. All that the conclusions refer to is state expenditure on defence. In itself this is important. In percentage terms, however, this expenditure is in many countries a small part of their total budget. What is really the point is efficiency, the possibility of making savings, and investigating the various aspects of the state's budget.

I think that this can be one of the most important ways to fight inflation. In my opinion, this is brought out too little in the report we are now discussing. The role of the trade unions here is very important.

From the monetary point of view, what is happening with oil money is of essential significance. The report merely touches on this question. We should like to see this point brought out more clearly in the final text. I would point out here that the solution involving the IMF, a solution proposed by the great Dutch Liberal Witteveen, now director of the IMF, seems to come nearer to it, since it provides an acceptable solution for our countries, too.

With these observations, which are a summary of the extensive discussions held this morning in our group, I wish merely to make a modest contribution to solving the problems under discussion. I would say here that, with the state, all the parties concerned, employers and employees, must make a very serious effort to find solutions, without being demagogic and without using unfair arguments. Unfortunately, demagogy and unfair arguments are all too frequently used. These must be an attempt to find the synthesis that, if I understand it rightly, is being talked about in paragraph 8 of the communiqué, which mentions the social contract. If this happens—and we very sincerely hope it will—it must happen in the full understanding that our society is based on private manufacturing undertakings. In our opinion, this principle must be respected in everything we do in this area.

*(Applause)*

**The Chairman.** — I call Mr Beauguitte.

**Mr Beauguitte.** — (*F*) I read with great interest the reports distributed to us before this Joint Meeting, and I have listened very attentively to the speakers who have preceded me, in particular, Mr de Clercq, Mr Aubert and Mr Simonet.

Among the documents I went through, I was particularly struck by paragraph 17 of the preliminary draft joint communiqué drawn up by Mr Aubert, which alludes indirectly to agriculture.

I want to spend a little time on this point, because it is hard to imagine that in a debate of this kind we can avoid analysing the decisions that will soon be taken on the fixing of agricultural prices, since they have a bearing on the objects of our agenda and the foundations of European unity.

Here we are, very nearly at 1 February 1975, which was set as the time-limit for deciding the agricultural prices for the 1975-76 marketing year. Yet we cannot help but note that the attitudes of the different countries are far from convergent and that our producers are waiting with understandable anxiety to know what the readjustments, which all realize will be useful, are to be.

If there is any possibility of making our voices heard outside these four walls as a result of this meeting, it must be to support the cause of all and, in particular, the legitimate interests of the agricultural population, by insisting on solutions that bear out our determination to preserve what the Community has won and to ensure progress in building Europe.

I will confine myself here to dealing with two aspects of the problem which come within the scope of our discussion.

The first is the differentiation in price adjustments between the various types of products. We all know that the

present state of Europe and the world makes it vitally necessary to promote the production of essential foodstuffs such as cereals and sugar, and we also know that it is precisely these foodstuffs whose production costs increased most in 1974 on account of the high degree of mechanization involved. So it is easy to understand the temptation to grant higher increase rates to these vegetable products than to animal products.

The position adopted by the Commission is thus in line with the hopes of certain Member States which are particularly concerned about their agriculture. I quite understand that, but I hope steps will be taken to avoid upsetting the medium-term course agreed upon for production, and particularly for the support of agricultural incomes in the most underprivileged areas, whereby we promised a higher annual increase rate for animal products than for vegetable products. The latter often provide an income double that from animal products, and we really must look beyond our short-term anxieties and maintain price differentials which accord with our permanent objectives of revaluing incomes from animal products.

The second point I want to take up is the overall rate of increase and possible ways of ensuring its implementation right down to the individual farm.

We know that the Commission has completed its increase proposals by monetary proposals for reducing the considerable divergence which exists between the actual prices paid to producers in the various Community countries. One of the positive consequences of this strictly Community concept would be an appreciable initial reduction in the compensatory payments which infringe the single market principle. This is a particularly realistic attitude, because it gives us a chance of dealing with the divergent evolution of agricultural production costs in our different countries. In our present position it is as if a uniform readjustment of prices was contrary to the single market principle simply because the national starting-points are, unfortunately, so very different.

Agricultural Europe today is characterized by a veritable mosaic of prices, which distorts its whole purpose and constitutes a threat to the future. It has therefore become essential, by differentiating readjustments through appropriate monetary correctives, to take an obviously political step towards restoring the single market.

What the Commission is proposing is in fact a 'green franc' diminished by 3.5%, which, added to the average 10% increase, would permit a 13.5% adjustment to our production costs without a similar rate being imposed on those of our partners who have been more successful in combating inflation.

The figure of 3.5% is justified because, since the franc was floated in January 1974, the depreciation rate seems to have become stabilized at about 4 to 5%. France is not the only country affected by the proposal for monetary correctives, since other States are being asked to reduce the increase in the intervention prices to make allowance for the revaluation of their currencies.

At European level, therefore, I believe that not only France but all the countries concerned should agree to accept this return to real uniformity in European prices.

That is what I wanted to say at this Joint Meeting at a particularly critical moment for the future of agriculture in Europe.

I would like to end by asking Mr Aubert to amend paragraph 17 of his preliminary draft joint communiqué which now reads: 'Ensure regional development in order to prevent backward regions from falling further behind and to preserve an economic balance throughout Europe'. I feel it should read: 'Ensure a better sectoral and regional balance' which would obviously involve the adoption of a policy for keeping farming competitive and preventing it bearing the brunt of inflation.

*(Applause)*



**The Chairman.** — I call Mr Wyler.

**Mr Wyler.** — (I) Mr Chairman, Mr Vice-President, Ladies and Gentlemen, it would be stating the obvious to repeat that a report such as that before us here on the consequences of inflation calls for an examination in depth. I shall therefore confine my remarks to the consequences of inflation on the workers who are the main victims and of whom, in my opinion, not enough is said in the draft joint communiqué. What are the consequences of inflation for the workers? First, it has been said, unemployment. But that is not the only consequence, for inflation also leads to a very marked decrease in workers' incomes owing to lack of adjustment to the cost of living and a reduction in working hours. Many of them are also forced to change their trade and place of work; lastly, the workers are affected as consumers.

Therefore, it can rightfully be said that the workers are indeed the main victims of inflation. I must immediately stress the fact that I do not find it in the least normal that it should be the workers who have to bear the brunt of a difficult economic situation for which they are in no way responsible. At the same time there is an alarmist climate which tends to aggravate the crisis artificially and whose effects are directly passed on to the most vulnerable sections of the population. It is not by chance that those most seriously affected are the migrant workers (or guest workers, if they prefer), mentioned under paragraph 9 of the draft joint communiqué: 'Abolition through legislation of all discrimination between indigenous and migrant workers in cases of dismissal resulting from economic recession'.

In my country, Switzerland, it is said that native workers do not feel themselves particularly concerned by the present recession because they are convinced that, after hundreds of thousands of foreign workers have left the country, they will have security of employment at their place of work. But nothing could be further from the truth. In an economy such as Switzerland's, with more than one-fifth of the workers

foreigners, it is impossible to believe that the departure of the latter could contribute to solving the crisis for which the country is heading. On the contrary, other difficulties are to be feared, with consequences that are easy to imagine. Therefore it is essential to place migrant workers on an equal footing with nationals. In my view, the major problem at present is to guarantee employment or at least workers' incomes, and at this juncture I wish to pay tribute to the French Government's decision—referred to in the Aubert report—to guarantee for one year the income of workers who have become redundant. Guaranteed wages for three months, although not to be despised, are clearly not enough, for we are well aware that this period of recession and inflation will be very long, and, I repeat, three months will not be long enough to enable the victims of unemployment or redundancy to find suitable work.

Then comes the very complex problem of redeployment, which once again concerns the workers who are forced to learn a new trade and may have to move a long way from the place where they have been working for many years. Here I disagree with Mr Porthéine when he says that the government should not intervene in this field. In my opinion, if there is any sector where the state should intervene, then it is that of guaranteed employment.

Lastly, the present situation carries with it the seeds of another danger which can threaten workers, namely that the recession and the inflationary trend may be used as a pretext for abandoning social measures already being implemented or about to be, with the risk of a later deterioration in the very conditions which people now rightly claim should be improved. That is a grave danger which could also have unfortunate consequences on the labour market. At present industrial peace reigns in our country, but, since this idea is being challenged increasingly every day, it would appear very difficult to maintain it for long. But this is a general problem which could be solved at international level, having regard to the interdependence of the problems and the interests of the states concerned. Let it not be forgotten that what is true of human

beings is also true of states. And if the present inequality between the haves and the have-nots (men or states) continues to become more marked, it will be increasingly difficult to find a solution to the problem of inflation. In my view, remedies should be sought in the field of fiscal justice and full employment, not in deflation.

*(Applause)*

**The Chairman.** — I call Mr Blumenfeld.

**Mr Blumenfeld.** — (*D*) Before I express a few thoughts on our subject I, too, should like to say once again how glad I am that today we can again debate with our Greek colleagues here for the first time after their long absence. As long-standing Members of the Consultative Assembly of the Council of Europe we were in the forefront of the fight for parliamentary democracy in Greece. We are happy to find our Greek colleagues here among us once more.

I should also like to thank the two rapporteurs for their reports. Unfortunately we received your report, Mr de Clercq, only a few days before the report from Mr Aubert, and consequently were not able to make a more thorough study of it, but what I have read of it was of great interest.

The rates of inflation in our European countries have steadily risen year after year. But what is worse, a considerable difference has emerged between the rates of inflation of different countries. For example, in 1971 the average annual increase in inflation varied in the Community countries in particular between 4.3% and just over 7%, whereas in the first 9 months of 1974 the range was from 7% to nearly 18%, particularly in those Community countries whose development had until then been roughly parallel.

The initial ratio of inflation between the Community countries has thus considerably deteriorated; the gap is

unfortunately still widening and will no doubt continue to do so for the greater part of 1975.

And in the future, too, we must reckon on a fairly substantial inflation potential in the states of Europe. It could also be shown statistically that the rise in prices and its uneven progression is essentially home-made. I will mention the other factors in a moment.

At the same time the unemployment figures and their disparity as between different European states have in the main worsened considerably. The medium-term prospects until 1978 as predicted, for example, by the EEC's Economic Policy Committee—even presupposing normal short-term trends, as they do—are, alas, of an even higher rate of unemployment in the European Community.

From this diverging development of inflation and unemployment in Europe two major conclusions are to be drawn. Firstly, the view which prevails with many governments, namely that inflation will promote economic growth and make jobs more secure, has been shown by actual developments to be totally erroneous.

Secondly, in the course of this development the economic circumstances of Member States have become so fundamentally different, while the regional and social imbalances have remained as great as ever, that the plan for economic and monetary union must be regarded for the time being as having totally failed. The restoration of a better and more stable situation is a prerequisite of any new beginnings in this direction.

This has three practical implications for politics in Europe.

Firstly, in view of worldwide inflation, of a recession in the world economy and of structural changes in the international distribution of industrial production, the imbalances in the Community—which are already considerable quite apart from

the oil crisis—cannot be resolved by shirking the now imperative stabilization measures. If the observable downward trend in Europe is to be prevented from deteriorating into a crisis of economic stability, a phase of economic development must be initiated that will not endanger the desired process of stabilizing costs and prices. I am convinced that this is the only way of increasing the profitability of firms in the Community and in all European countries, that is required to ensure growth and job security. The risk of cyclical unemployment in this process will be that much less if the authorities responsible for economic policy clearly state in advance their determination to adhere to the principles of stability and so facilitate a wages and prices policy that will increase productivity and encourage stability.

Secondly, the problems of adjustment in the Community have become alarmingly acute thanks to the oil-producing states' policy on prices. It is our duty to state as emphatically as possible that in the negotiations between the oil producers, the industrial countries and consumers in the developing countries, which we hope will begin in March, one aim must be achieved, namely getting the price of oil reduced. An appreciation of our mutual dependence has hitherto prevented European countries from having recourse on a large scale to protectionism as a last, desperate step and has thus averted counter-measures being taken by other countries and prevented a world economic crisis. But the acid test is of course still to come. How serious the Western world is about the much-invoked international solidarity will only be seen in future negotiations on extending the oil facility and the financial safety-net provided for in the Kissinger plan. More important still than the success of the recycling of petro-dollars will be the deficit countries' ability in coming years to transfer resources to the oil countries in particular. A tightening of the belt and a reduction of internal claims on the national product in the countries affected will therefore be inevitable.

Thirdly and lastly, if the industrial countries do not meanwhile find through international solidarity the necessary

discipline to correct imbalances between them within the safety-net—a solidarity which should help to prevent an escalation of political forces in those countries—the imbalances must become considerably more acute and with them the conflicts in economic aims even between the European partners, and hopes of a successful coordination of economic policy in the Community would be dashed. A time could be foreseen when a number of countries would have to withdraw into a race to devalue and ultimately into an isolationism that none of the partners in the EEC wants. More than ever before, then, Europe is called upon to do something for the viability of the world economy through the performance of individual states and through Community efforts.

Finally, let me say something about the draft communiqué which the two rapporteurs have submitted to us. We discussed it this morning in our political groups. Despite the obvious trouble taken by the two rapporteurs to produce a joint communiqué, we must record — and I say this quite plainly—that this draft is unacceptable to us. And here I speak not only for the Christian Democrats but also, I believe, for the Conservatives, Independents and a number of other parliamentary and political alignments in this House with whom we have had informal contact.

We agree to the procedure which you, Mr Chairman, suggested just now. I am one of the authors of an attempt at a new draft communiqué, which I do not wish to introduce officially or formally, but which we hope will serve as a basis for the rapporteurs, the Presidents and the chairman of the Council of Europe's Committee on Economic Affairs and Development in summarizing our debate today. It is a short document with only a small number of political and economic priorities which we thought should be set forth. I should be grateful, Mr Chairman, if you would not only permit us to place this draft joint communiqué in your capable hands, but also if you would agree to expand on it.

*(Applause)*

**The Chairman.** — With reference to what has just been said by Mr Blumenfeld, I can confirm that at the end of this sitting there will be a meeting between the Presidents of the two Assemblies or their representatives, the two rapporteurs and the chairman of the Committee on Economic Affairs and Development. I should also like to add, that in the light of the speeches made in this Chamber and of information received on the attitudes of the political groups, the two rapporteurs have already made some amendments to the draft joint communiqué that has been distributed. Mr Blumenfeld, has referred to a new draft joint communiqué prepared by the Christian-Democratic Group and other groups, and I am making arrangements for the text of this document to be distributed.

Whereas the joint communiqué drawn up by the two rapporteurs emphasizes the many technical aspects of the problem that should be brought to the attention of the governments and parliaments, the new draft communiqué drawn up by the Christian-Democratic Group and other groups stresses mainly political motivations and how essential it is that the common vision we need if the serious problems outlined in the report are to be solved should be backed up by a united front and a common resolve on the part of the Member States of the European Community and the Council of Europe.

I call Mr Osborn.

**Mr Osborn.** — Mr Chairman, I thank you for your comments. May I first deal with the suggestion put forward by Mr Blumenfeld that we should have a communiqué which is more representative of our common interests and our common attitudes, a communiqué which appreciates that each country has its own problems and its own solutions. Working with the Christian Democrats, Independents and Conservatives, I have helped in the drafting of this additional communiqué, and I hope that you and the rapporteurs will consider it.

In rising to speak in this debate, I am aware that I am the first British delegate to speak and that you, Mr Chairman, and I have one thing in common : we represent countries that are facing inflation and economic difficulties of greater severity perhaps than the rest of Europe. Secondly, I rise as a Conservative, and I regret that in this joint gathering the party in government in Britain is not represented because it is not too certain about our relationship with the Community.

I also rise as an industrialist. I have attended many meetings of industrialists on this subject. I rise, too, as a citizen concerned not only with my own people in South Yorkshire and Sheffield and my own country but with Europe and our continued prosperity and welfare.

This debate is about inflation. Mr Simonet pointed out that we are living with inflation, and I welcome the statement, particularly of the Christian Democrats in Germany, that inflation must be fought if our way of life is not to become eroded. I very much hope this point will come out of the debate today.

Inflation can be caused by two factors. Over the last three or four years it has been caused by materials inflation, that is, the rising cost of materials and food coming into Europe from outside. Today, in Britain particularly, the cause of inflation is wage inflation, and if we parliamentarians are not able to face up to that fact, inflation will continue.

I should like to go back over the work of the Committee on Economic Affairs and Development, the Committee on Social and Health Questions and the Committee on Science and Technology of the Council of Europe. For two years we have discussed the Club of Rome's *Limits to Growth*, and we have recognized that there are more and more people on earth who want a higher standard of living. Because there are more people, we are taking up more space in the cities in which we live, which brings problems to the environment, of which we are aware ; and because more people want a higher standard of



living in the world, materials, energy and food are becoming scarce. If more people in the newly developing world—and we have supported this aim in theory, without realizing the consequences—want a higher standard of living, it can be achieved only at the cost of our standard of living in Western Europe, the United States of America, Canada and other developed countries. If that is what we wish, then we as parliamentarians here must make it clear that if we are to be fair to other people in the world, it must be, and will be, at the cost of our own standard of living—and I mean at a cost of a 15 to 20% reduction on average of the standard over the last few years, though perhaps we can ameliorate that. Therefore, if we take note of paragraphs 24 and 25 in the communiqué, that can only be at the cost of our own standard of living in Europe ; and we as politicians must make that clear.

In Great Britain the wealthiest people have taken a knock, as have those living on savings, for £520 invested in the summer of 1972—two and a half years ago—was last week, before a slight rise in value, worth only £150. Those living on accrued savings and past wealth, and many in my constituency who are professional and managerial workers, have suffered a marked drop in their standard of living.

Today in Britain and other countries those who manage industry are having to live with inflation. In Britain, because we have a policy that controls prices and allows wages to run riot, it is more severe. But Britain is not alone in facing rising unemployment. It is rising, too, in Germany, Canada and the United States. It is cash flow that is determining whether our industries stay in business. We have had one or two severe examples in Britain.

I have attended the last two meetings of the Confederation of British Industry, at which those leading our public and private sector activities have spoken of the problems of economic survival that they face. My last contribution was pointing out to heads of British industry—and this applies to heads of Europe's industry—that those whom we employ have never

had more purchasing power than they had this Christmas. They had not only more than last year, but more than the year before that. Thus, those employed by industry do not see a crisis. The man in the street in Europe asks, 'What crisis? What are you industrialists and politicians talking about?' That is a second challenge. We as politicians must first persuade, explain and demonstrate that if we are to be fair, our standard of living will have to drop and will drop; and, secondly, that there is a crisis which we must face with coolness and equanimity and that in Europe we must work together.

If there is a crisis which causes a sudden increase in unemployment, there will be bitter people—people who have said that there is no crisis and then find that in fact there is a crisis. We must point that out as well.

We must face the fact that we are seeing political, social and economic changes of major proportions. On the political and industrial side, Mr Portheine spoke of investment decisions being made by government, not by industry. I believe that many of those decisions should be made by industry, the banks, institutions, the stock exchange and those who support industry, rather than by governments. I believe that in Western Europe the survival of a free enterprise system is vital. But we should note that there are in this Assembly many who like the system that operates in the Warsaw Pact Countries and the Soviet Bloc, many who want to see the disintegration of free enterprise and free capitalism. They want it replaced by state capitalism and state planning or the Gosplan approach that operates in the Soviet Bloc.

There are many in trade unions who are motivated by this philosophy. There are many in the British Labour Party who are encouraged by Michael Foot and Wedgwood Benn to seek to impose state capitalism on free enterprise. We must point out to the people of Europe that we have two alternatives—a Soviet type of economy and its consequences or a free enterprise system; and we must study how to make that free enterprise system work better in the interests of all our people.

We have each to decide which way we want to go. One-third of the British Labour Party want to follow the Soviet or Marxist type of economy. Again, we have social differences, a point brought up by Mr Simonet. Should the manual worker earn more for his work than the professional man with qualifications ?

We have had this problem with consultants in our hospitals. There was an example of it even in the Don Basin in the Soviet Union, where miners at the pithead are among the highest paid members of Soviet society. We should take note of these changes, which are bound to happen.

Again, in the economic and industrial fields, cheap power has disappeared. In the economic field, our people have expected more and more for less work, and unless our technology meets that demand, we as a people are consuming more than we are producing. This is the problem facing Europe.

Therefore, if there are these alternatives which Mr de Clercq has raised, if we are to avoid rising unemployment, we must consider productivity to a greater extent and reduce working hours—perhaps have two or three-day working rather than cause mass unemployment and the disillusionment that goes with it. If we are consuming more than we are producing, it is inevitable that construction becomes costly and difficult. This is one of the problems we have had to deal with in respect of the Channel Tunnel.

I have more notes of my speech, Mr President, but my time is up. We have to decide, I suggest, to keep our industry, our distribution and our commerce running at as high a pitch as possible, otherwise that standard of living we want to maintain, or that standard of living we want to see diminish only slightly, will fall more than we can endure, and those who have no employment will suffer more.

The leaders of Europe and those representing the Council of Europe countries face an unprecedented challenge. I con-

gratulate our two rapporteurs on introducing this subject. The challenge is that unless we handle this problem with sanity and equanimity, there may first be a collapse of our economy and secondly a disenchantment with our Western way of life.

The manifestation of that challenge is inflation. We have this manifestation in, for instance, our automobile industries. We have the high cost of energy and the high cost of motoring. It can be said that some nations have up to 20% of their manufacturing capacity directly or indirectly involved in the problems of transportation—transportation that is still vital, but the resources for which are becoming more costly.

Therefore, besides dealing with the immediate monetary and fiscal issues we must look at the long term pattern. That is the challenge we have to deal with, and I welcome the opportunity those of us in the Council of Europe have had to discuss the issue with those who are in the European Parliament. Parliamentarians of Europe, industrialists, industrial leaders and trade union leaders face a challenge. I therefore hope that the Community will accept the fact that we recognize this challenge and that we want the people of Europe to recognize it, too.

**The Chairman.** — I call Mr Valleix.

**Mr Valleix.** — (*F*) A great deal has been said, and very well said, by the rapporteurs, so I have no desire to go over the analysis of the causes or symptoms again, but will turn as quickly as possible to the draft communiqué.

Among all our anxieties, there is one very striking fact that comes to light when we talk about inflation, but is not brought out sufficiently in the communiqué, and that is that in all our countries there is a close link between inflation and unemployment. Those who have been most successful in fighting inflation are precisely the ones who understand best what unemployment means.

This is, therefore, a problem we must bear in mind because as politicians, Members of the Council of Europe or of the European Parliament, we cannot disregard its human, domestic, national and political aspect, since it is not only important, I repeat, from the human point of view, but also serious from the political angle.

Inflation has taken different forms depending on the varying economic balance in our countries: its cause has sometimes been over-production, sometimes over-consumption. In Germany, the *Länder*—what we, in France, would call the *départements*—have been fighting inflation by reducing investment, as the Federal Government itself has done. For we have to remember that inflation may be caused by state investment, naturally, but also by investment by local authorities or by the member states of a federal state.

We have also to realize—and this emerges clearly from the reports by Mr Aubert and Mr de Clercq—that there is a close link between inflation as an economic, financial and monetary phenomenon, and its social and political aspects. Very often in our debates we have seen the discussion ‘raised’, if I may so express it, to the level of principles, according to which inflation may doom an economic system and even jeopardize a political one.

We must preserve a balance between these positions, some of which are very technical, very immediate, very material, and at the same time very human, and others which are very doctrinal, but important and may have to be faced if the circumstances arise. I say we must preserve a balance because we may be tempted to adopt too doctrinal an attitude, or fail to deal with certain aspects of the problem resulting from a development in the crisis that might have social and even, possibly, political consequences.

That is why when I have spoken in the debates and in committee, as I did again this morning, I have taken the liberty of observing that it might be a good idea to get all the proposals

under one hat, if I may put it that way, to group them together better, to make them clearer, let us say, so that they correspond with choices on which we may be able to reach agreement. These choices might centre on such concepts as a social contract or an economic contract, concepts which have already been launched and seem to me fundamental, or on any others which put European cooperation, at all levels, first.

With regard to the idea of a social or economic contract, already discussed, this should, in my view, gradually transcend the purely national conception envisaged in the draft communiqué, and be proposed at least at European level. This certainly applies to the social contract, for it is obvious that if we continue to live with the social distortions that exist in our countries, our economic analyses and economic positions will be profoundly affected, and social distortions lead to serious economic distortions. If we take our British friends as an example, they seem to be experiencing great social difficulties which, it appears, have been preventing them for years from carrying out the indispensable reforms to their economic structure. As a Frenchman, I can talk from experience, for we, in our country, had to carry out the political reforms necessary to enable us to take the economic leap forward which was absolutely essential in view of the out-of-date structure of our French economy 20 years ago.

In my view, the shaping of social Europe is not being done thoroughly enough or quickly enough. When I talk about 'social Europe' here, it is with one solemnity, for I know how important the European Communities feel it to be and how daunting the difficulties they have to face. I am one of those who believe that any initiative in this field would gradually bring first our ideas and then our practices into line, or would help to do so, perhaps first in spirit and on paper only, but subsequently by human contact, always allowing, of course, for differences due to historical background, race and customs. We realize this when we tackle subjects like joint management, for instance, a subject which has apparently been settled, at least to their own satisfaction, by our German neighbours, while in France, for

some people, the term is dynamite. Judging from some of my colleagues in other political parties, but French like myself, I am convinced that we have evolved in more or less the same direction as our German neighbours, but are conscious that our French structures are not yet fully adapted. We find the same applies when we come to tackle company reform. That is one way, I believe, of bringing in this aspect of the problem. So, in the social field, a social contract certainly, but at European level.

I see from the proposals on multinational companies that the question is under discussion again. We must reach agreement on everything covered by the concept of multinational companies. In my opinion, they provide an economic dynamism which it would be folly to destroy. We must learn to distinguish the good from the bad in what we already have, and make the most of the former. As things are, when a multinational company tries to impose its will on a political authority, that is bad. Similarly, when one of them sets up an industrial complex of 14 000 hectares in a town on the shores of the North Sea and then abandons it because multinational interests so require, that is bad, too. People cannot behave like that.

This problem is important at a time when efforts are being made to draw up a model statute for a European company : I know there are difficulties as we have learned from experience in France, when it comes to introducing legislation to give European form to the legal framework for these companies. Our efforts in this direction will have to be coordinated with endeavours to master the multinational problem, even if it means giving the future statute a form which goes beyond a strictly European framework.

The political leaders will have to tackle this problem in a positive way so that the law protects the human interests of the wage-earners, the companies, and also the political freedom of the states.

I understand from the communiqué just mentioned that the idea of European cooperation is to be regarded as fundamental. Obviously I am entirely in favour of that. In the report I shall be presenting next week to the Council of Europe Assembly, I shall be speaking of 1975 as a year of non-cooperation. In actual fact, it merely seemed to be so, for the year ended in a spirit of more intense European cooperation than it had begun. That is quite natural, since 1974 started with a crisis, and we all know that in time of crisis it is every man for himself.

It is true that, by the end of the year, we had discovered that it was possible to control the situation. Europe was thus better able to make its voice heard. Where inflation is concerned, things would go better if Europeans managed quickly to agree to speak with a single voice in the international concert of nations, even if they did use different methods for containing inflation at home.

But if there is no common will resolutely to seek means of curbing inflation, on the lines of those suggested by Mr Simonet, which I found extremely interesting, whether monetary symbols, credits, public deficits or a strategy to deal with capital movements, we may well see a plethora of conventional, fragmentary solutions being applied again without any effort to coordinate them.

I would like to conclude these remarks, offered in a somewhat hasty and disorganized fashion—for it is rather late in the debate—with the suggestion that, in our concerted efforts to fight inflation, we should make much greater use of our techniques for informing the public, for they seem to be taking very little interest in what any of our governments is trying to do. That being so, how can you expect them to follow the too often incoherent anti-inflation measures of the European countries as a group? Just as I have advocated action in regard to multinational companies, so I believe procedures must be devised in our respective countries, for consultation between the two sides of industry at European level. Consultation between heads of companies, trade unions and trade



associations must be systematically organized. We shall not fight inflation by government decisions alone, nor—I was going to say, still less—by European directives.

A country will fight inflation when it understands that sacrifices have to be made at the expense of leisure, of unprofitable and therefore unproductive spending, and consequently of national wealth. It must therefore have some understanding of economies and, at the same time, realize that its foreign neighbours are in more or less the same position, not because distress is more bearable if shared, but because it can enable people to understand better and respond more readily. We have to make consumers and trade unionists in our countries—and soon, in France, when companies have been reformed—heads of companies behave as responsible citizens.

Then perhaps, our efforts will be more fruitful, not only because they are better coordinated, but because they are better applied. That, too, is democracy.

Finally, I would be very much in favour—as is proposed in the draft communiqué—of our agreeing to an increase in the price of raw materials in the world, contradictory as that may seem when we are confronted with rising prices.

I am one of those who believe that the oil crisis, for example, was not the only cause of the sudden realization by the Arab countries that in oil they held a trump-card, but that it was the result of the Kennedy Round which perhaps forgot about the Arab countries in its tariff negotiations.

In its fight against inflation, Europe must not forget that, although it may have only one target at the moment, in two or three years' time it may wake up to find itself facing another crisis which has nothing to do with oil, but which, like the oil crisis, may provoke recurrence of inflation.

*(Applause)*

**The Chairman.** — I call Mr Aano.

**Mr Aano.** — We are discussing a very complicated matter this afternoon—one which presents perhaps the greatest challenge with which democratic government has been confronted since the Second World War. Democratic government has proved able to create an affluent society, the blessings of which are shared more equally by more people than in any other age in history, and more than any other type of government has been able to create. However, it seems as though the very tool used for this cause—namely, modern technology—has now become the main obstacle to a controlled development from here, when our societies are faced with the very results of the work of modern technology. I will give one practical example from an area about which I am deeply concerned. One of the practical problems facing governments in democratic nations in times of inflation is that the first sections of society to suffer are those which do not produce results directly measurable in economic terms.

In the interesting reports of the two rapporteurs I have seen no specific mention of one important section of modern society—namely, that which is politically covered under the broad headings of education and culture. At a time of inflation it is indeed difficult, with the decreasing value of currencies, to keep budgets on fixed levels and to obtain the increases necessary to meet just demands.

The result often is that even necessary funds for schools and universities cannot be made available, with all the disastrous results to the hopes of young people in particular and to the needs of society in general. If this be so for education policy, it will be all due more so for the upkeep of the minimum support for the so-called fine arts and wider cultural activities.

In particular I am worried about the outcome of all the high and idealistic plans to make 1975 European Architectural Heritage Year, the aim being to launch a long-term, even a permanent, plan of conservation and renewal of Europe's

architectural heritage to give a future to our past, as it has been described, not for the benefit of our past, but, on the contrary, to protect the human and spiritual values linked to the live environments. If we do not have plans to save our traditional towns and sites, we may soon find ourselves among neglected old areas and imprisoned among new glass and concrete skyscrapers in our towns.

This is, even at times of inflation and distress, a matter of priorities. If we decide that we cannot afford to protect our past and revitalize our cultural values in general there may be a sterile future for us Europeans, even if we regain our materialistic affluence. In this context, I support the idea in Mr de Clercq's report of creative democracy. In my view it applies also to what I have been mentioning.

To return to the direct problems of inflation, after the very valuable and partly technical points that have been stressed by many speakers, much of what is said on this issue may be summed up in a simplified manner as follows. Inflation may be compared to an unwanted child. People buy what they do not need in order to impress neighbours they do not like. More people desire more and more. This we call affluence. However, it gives birth to another unwanted child, namely pollution of nature. Man rapes the resources and the offspring is polluted water, bad air and dead fish and birds.

Inflation is the economist's word for over-consumption—*wohlstand*. Over-consumption of resources we call progress. It is this type of progress that has placed us where we are in our Western democracies today, fighting a day-to-day battle—a losing battle—against inflation, and looking into a very gloomy future.

The question we have to put to ourselves, and bluntly, is the one raised by responsible politicians and government members all over Europe during this last year: must not the rich European countries deliberately cut down their own standard of living? I refer here to Federal Chancellor Helmut Schmidt

and also to what Mr Osborn said this afternoon. In other words, to put a paradoxical question, can we afford to get richer? Scientists tell us with more and more convincing evidence that very soon we may be at the end of the so-called harvesting economy where we could count on an unending use of non-renewable resources. We now know that all resources are limited. We know that food can be produced only as long as we do not destroy the soil by misuse, poison our fresh water and over-harvest our fish resources and our wild game.

But we know that this is exactly what is being done. That is why there are almost no more whales to catch. It is also why the big herring catches have ended. This is why it is of paramount importance to reach an agreement on fishing quotas and national fishing limits in the North Atlantic. That is why hundreds of species of birds have been destroyed in Europe and that is why the deserts of the world, as in Africa, are expanding at a catastrophic speed.

The answer is that we rich Europeans have no right, and cannot afford, to become richer. There is very little room for a substantial increase of consumption per individual if the generations after us are to have a future at all.

I believe that this is becoming evident to more and more people. It must lead to a change of attitude towards life. We must stop making solely materialistic claims to life. The fight for a better standard of living in the past was not wrong. Today, we must admit that it will be more and more difficult and, indeed, undesirable to put purely materialistic economic goals forward as our political endeavour. Is it not also close to a declaration of failure that the only ideology that people and politicians in the Western democracies can agree upon is the belief in, and promise of, a continuing yearly increase of 3-4 % in fixed salary values or standards of living?

From now on the main effort of our society must lie in securing, if possible, our present level of economic standards—or a controlled decrease—and in aiming at sharing what we

manage to produce more equally than before, both internally, nationally, in Europe, and on a global basis. In the words of the Second Report to the Club of Rome, *Mankind at Turning Point*, which was issued just half a year ago :

‘The way to make doomsday prophecies self-fulfilling is to ignore the obvious signs of perils that lie ahead—which indeed are already felt—and rely solely on “faith”... Scientifically conducted analysis of the long-term world development based on all available data points out quite clearly that such a passive course leads to disaster.’

Later the report notes :

‘...the “real solutions are apparently interdependent ; collectively, the whole multitude of crises appears to constitute a single global crisis-syndrome of world development”.’

It continues :

‘The old premises must therefore be re-examined, for mankind appears to be at a turning point : either to face the future on the old and traditional route or to walk along a new road.

Because the modern crises challenging humanity “are, in fact, man-made and differ from many of their predecessors... they can be dealt with.” While the choices are going to be complicated, they do exist.’

Finally, I quote :

‘Man is here the controlling agent. It is therefore man himself who must initiate change—and he must do it within a certain time-frame so that adjustment procedures have a chance to be effective before events will cause regional and ultimately global catastrophe.’

Even if the near future seems gloomy indeed, not only in my speech but in most of the speeches made today, I want to conclude with this word of at least a long-term hope from the experts of the Club of Rome. To fulfil this hope, I am convinced that we need as politicians and as people both a change of mentality and the courage to tell our voters and our peoples the hard and simple truth.

*(Applause)*

**The Chairman.** — I call Lord Reay.

**Lord Reay.** — I would like at the outset to apologize to those Members attending this debate for the discourtesy done to them in my having to leave before the end.

We have a difficult task in trying to give our solutions, even our observations, on the question of inflation within 10 minutes. There is no doubt that inflation can have different causes or a combination of causes. The problem is one of quantifying different factors. That this is difficult is proved by the fact that no one has yet convincingly done it. Because the factors have not been quantified there is a tendency for different schools, even different individuals, to give priority to one single factor and to announce one single factor as being the principal factor. The rivalry between the claims of the different schools as to what is and what is not the principal cause of inflation is clouded itself by the factor of political interest.

There is a theory advanced persuasively by Mr Charles Levinson, Secretary-General of the International Federation of Chemical and General Workers' Unions, in a highly intelligent and stimulating book, 'Capital, Inflation and the Multinationals', published before the rise in the price of oil, which puts forward the argument that in the modern economy one of the principal causes of inflation has been the investment needs of companies in the high technology capital-intensive sectors. The policy of such companies is to maximize their retained earnings in order to expand their investment, and to do this they

have a spontaneous tendency to raise prices, in advance of any need to do so, as a result of wage increases, and by a larger margin than any increases in wage costs would require, owing to the low element of wage costs in their total costs.

They are able to do so without forfeiting their competitive position because competition by price, contrary to classical theory, is not the means by which competition is now waged in that sector. If one company puts up its prices, this is taken as an opportunity for other companies to do the same rather than as an opportunity for those companies to try to sell more of their products at the previous price. It is also—although I must say Mr Levinson does not go so far as to say this—made possible by the knowledge that wage rises will follow the rise in prices to enable the same amounts of products to be sold at the higher price.

An evaluation of the importance of this theory would depend on a quantification of the importance of the high technology capital-intensive sector in each economy. But if the theory is true, it has important consequences for the development of attitudes toward investment policy. The policy of investment at all costs, protected by the knowledge that wages will rise to follow prices and by the knowledge that competitive positions will not be harmed by price rises, cannot be consistent with a policy of containing inflation. Indeed, if account is taken of the pressure on raw materials, the rising marginal cost of their production, and the rising level of political organization and aggression of the producers of raw materials, the continuation of present trends promises only ever-rising rates of inflation. Perhaps one of the greatest problems for the future is going to be how to control and organize investment policies without encroaching more than is necessary on the initiatives and freedoms of the private sector.

It is also necessary for an understanding of the present phenomenon of inflation to examine who has at least some interest in maintaining inflation, and what that interest is. At present, it could even be the case that no major or social economic

group is sufficiently strongly opposed to inflation to enable governments to act to control it. At any rate, it is possible to detect certain interests in inflation. The high technology sector about which I have been talking can tolerate inflation, but it may even have an advantage in circumstances of inflation, for one of the principal opportunities for that sector is to expand at the expense of the low capital-intensive, high labour-intensive sector. But since that sector is labour-intensive, it is much less able to tolerate high wage increases. Consequently, since wage increases do not respect frontiers between different economic sectors, inflation benefits the capital-intensive sector at their expense. So from that point of view the capital-intensive sector, if it wants to expand, and it does, has an interest in inflation. Similarly, with regard to labour, the combination of inflation and progressive structures of income tax which are a norm throughout Europe is having a sharp and brutal effect in reducing high and higher incomes in real terms. My colleague, Mr Osborn, was able to give vivid examples of this from his experience with his constituents. At present, one of the chief objectives of labour leaders is the reduction of inequalities. In some countries the same thing applies with regard to reducing concentrations of wealth. In the United Kingdom, inflation has turned the capital gains tax into an unusually severe tax on wealth. A rate of inflation of 20% turns a capital gains tax at 30% into a wealth tax of 6%, and the fact that it is payable only on disposal in principle makes no difference. In other words, taxation can remove the built-in protection against inflation traditionally given by the ownership of assets and can therefore, relatively speaking, in conditions of organized labour, restore the advantage to the wage-earner. It is for those reasons, or at least for one of them, that I, like some other speakers before me, would not have liked to have been forced to accept the original resolution that was put forward. But on this matter I thought it was almost certainly wrong in its reference to inequalities.

If it could be shown that no major interest demands the control of inflation, and it is to the advantage of some at present, does that mean we should learn to live with it at current



rates ? I do not think so. I have no time to go into the matter of some of the arbitrary injustices caused by inflation, to which some other speakers have referred. Let me say on a general level that inflation at a high rate is essentially unstable. It removes too much from the area of rational choice and planning and places it in the field where luck predominates. An inflation rate of 3% to 4% can be lived with—in such a case the target can be seen as price stability, and the inflation rate seen as a minor failure. But if the inflation rate is 25%, or even 15%, what can be explained as being the target ? How can the rate be seen except as an enormous failure to maintain price stability ?

Therefore, I think governments will have to reduce and control inflation ; in some cases they must start to do so. Internal factors may improve the chances of their doing so once certain internal grievances of long standing have been settled or substantially settled. Whether or not they will be able to do so within existing international political structures, in the face of the demands of the vast developing world to attain levels of wealth and levels of industrial development comparable to our own, given their ever-growing power and the pressure this will mean on natural resources, is one of the great and dangerous problems for the future.

*(Applause)*

**The Chairman.** — I call Mr Topaloglu.

**Mr Topaloglu.** — *(D)* I should like first of all to thank Mr de Clercq and Mr Aubert for their admirable reports.

The subject of our debate is inflation. It is true that inflation is threatening our cherished democracy. If this inflation continues, there will naturally be much unrest in the cities. Exactly what form this will take it is not yet of course possible to see clearly. I do not wish to say very much about the reports since many speakers have already made excellent

observations on them. I should like to discuss only one point, which is raised on the last page of Mr Aubert's report. Mr Aubert suggests holding a meeting of Ministers of Labour to consider the employment situation. A similar resolution was passed as long ago as 1972, but until now no decision has been reached in the Committee of Ministers of the Council of Europe. Turkey has already stated her willingness to organize such a conference. I have asked our Representatives here in the Assembly about this. The Government is still willing to organize such a conference. Obviously it would be a great step forward if we could do something towards solving these employment problems.

I will now turn to the draft joint communiqué. I should like to discuss one or two points in detail. Paragraph 12 refers to the strengthening of anti-trust laws. I think it is time that multinational companies, too, were subject to some kind of legal control. We have heard from many speakers here of the good and bad sides of multinational companies. These companies unfortunately have a very bad influence on economic life, particularly in developing countries. Their profit-seeking and their price increases have a deleterious effect on the economic situation in these countries. They interfere in internal political matters. They even played a definite part in the oil crisis. We must therefore give some of our attention to these international companies.

In paragraph 16 we find the term 'codes of conduct'. I do not think it will help very much if we only touch on the matter in a few words.

In paragraph 21 it is suggested that a 'tripartite conference' should be organized between the industrialized countries, the oil-exporting countries and the developing countries. The developing countries are very diverse. There are semi-industrialized countries and underdeveloped countries. Different problems present themselves in the two groups. This must be borne in mind when decisions are taken on this matter later on.

In paragraph 24 the developing countries' export prices and profits are mentioned, which naturally include the price of raw materials. The price of oil has risen sharply and the price of other raw materials is also rising at present, since those countries' economic development depends exclusively on these sources—the sale of raw materials or semi-manufactured goods.

We have discussed this at length, and the industrial countries have already understood that these products will no longer be obtainable at such low prices, that they are going up. Obviously a reasonable settlement must be reached between the buying and the selling countries.

With regard to paragraph 25 which deals with preference schemes, I should like, if you will allow me, Mr Chairman, to address myself to the gentlemen from the European Parliament and the EEC. As an Associate member of the EEC we have no right to speak in the European Parliament. I should therefore like to take the opportunity of saying something here about our relations.

We have signed two different protocols. Owing to the enlargement of the EEC these protocols have caused Turkey some difficulty. This position should be taken into account if Turkey's economic development is to be encouraged.

At the beginning we benefited from many preference schemes. But these schemes have been extended to third countries to such a degree that Turkey, as an Associate member, no longer has the requisite advantages, and our situation thus deserves consideration. The special tariffs have even imposed a heavy burden on Turkey. At the moment it is not immediately apparent how we can structure our tariffs *vis-à-vis* the third countries. The Turkish Government is naturally in touch with the EEC and is discussing this topic with it.

As a consequence of this situation we shall have to make some changes in the two schedules, the 12-year one and the 22-

year one. In some industrial countries the total abolition of customs tariffs was envisaged within 12 years, in others within 22 years. The situation is now such that it may well be necessary to make alterations to these schedules.

Many small modifications can only be made if accepted by the EEC Council. Turkey must be allowed to make some changes so that she can improve her economic position and combat inflation.

*(Applause)*

**The Chairman.** — I call Mr Boulloche.

**Mr Boulloche.** — (*F*) We would really have to be acrobats to deal with the subject we are discussing today. In all our countries everyone has been talking about inflation for years. Opinions are divided, and it is rare for two people to agree, which is not surprising. And yet here we are in this Chamber, where we represent not only different countries, but also different political parties which analyse the situation quite differently and come up with all kinds of solutions, trying to hold a debate which is to be followed by a communiqué. There is no doubt whatsoever that it would be very difficult to draft recommendations that would satisfy everybody, and that justifies the procedure which has been adopted and which seems sensible. I do not see how we could have voted on a text. All the same, I congratulate the rapporteurs on their courage, for they have tackled this debate with great good faith and have succeeded in putting forward a joint communiqué.

And I congratulate Mr de Clercq, who like me realizes that democracy is not enough to conquer inflation, on having reached agreement with Mr Aubert on a text to present to us which naturally satisfies no one.

I was rather surprised, however, to hear Mr Blumenfeld say that a new draft communiqué had been drawn up, for I thought it was clearly understood that the communiqué was to

be prepared under the responsibility of the chairmen and rapporteurs, and that they would all take account, so far as possible, of what was said today. But no amendment can be tabled. Consequently, the text which has just been distributed to us is simply there for debate and is not an alternative to the one discussed by the committees and political groups.

As a Socialist, I agree with some of the points but less so with others. I agree with the statement that the economic system works badly. I agree, perhaps much more, with the stress laid on social inequalities. As Socialists, we believe that when they reach a certain level, inequalities are a primary cause of inflation.

Many different remedies have been proposed. In the case of a liberal economy, almost any will do because it all depends on the dose. Which way you go depends on how big a dose you administer. By trying to cure inflation, you risk stopping growth but keeping prices high, and that is 'stagflation'. It is very difficult to avoid that with the mechanisms generally used.

I myself believe there is one essential remedy for inflation. It is implicit in some of the proposals, but not spelt out in detail, and I am rather sorry about that. This remedy is planning.

I know this will make some of my colleagues furious. Just now, one of them, caricaturing our economic systems, declared that no remedy existed between the paralysing Gosplan and some sort of free enterprise economy which everyone knows no longer works anywhere.

But there are gradations between these. There is such a thing as planning which is not an all-powerful and paralysing bureaucracy and which leaves a considerable amount of initiative to the private sector. But that kind of planning must have three characteristics: it must include an exhaustive analysis of the economic situation; it must have fixed objectives, both in the economic and in the various social fields and those responsible for the planning must provide themselves

with the means to carry it out, means which need not necessarily take the form of restraints, but may take a multitude of forms including the distribution of credit and all types of incentive.

We believe that, as things now stand, there is no other remedy for the inflation that all the countries of the Western world are experiencing.

There is another remedy, namely a serious recession, but that is so costly, particularly in the social field, that no one recommends it or would dare to risk it. So we shall have to resort to planning, at both national and European level—that is one of the central issues of our debate today—and even a minimum of world coordination.

That leads me to make some, by no means exhaustive, but less general remarks on the draft communiqué submitted to us for discussion.

First of all, I think we must go a little further than bringing currencies back into the 'snake' and try to lead agreement so as to arrive fairly quickly at the fixed parities essential for a minimum of order in monetary affairs.

I think, too, that to obtain that world economic coordination we need, we should tell our governments they must ensure that the countries of Eastern Europe play some part at least in the reorganization of the International Monetary Fund which must shortly take place to establish a new international monetary order. As regards the proposal for a tripartite conference at world level, I refer you to paragraphs 21 and 22 of the draft communiqué.

I do not think we should imagine a mere market economy can solve the problems of those countries of the Third World that we now call the Fourth World. A link must be established—and the authors of the communiqué saw this quite clearly—between the need to equip the underequipped countries, the

industrial capacity of the industrialized and technically developed countries, and the financial capacity of the main oil-producing countries. This link should not be based on market mechanisms alone, and I believe we should set in motion the mechanisms of complementary credit.

I would like to see mention made, in the final communiqué, of some effort to bring this about. As regards world solidarity at least, we might thus be able to find a proposal which would be unanimously accepted by our two Assemblies.

For the rest, I hope this interesting debate between men of good faith may help to convince us that we shall not preserve that freedom which is so dear to us all unless we introduce a minimum of organization, and therefore of planning, into a world which the population explosion and the advances of science render each day smaller and thus more vulnerable.

*(Applause)*

**The Chairman.** — I call Lord Gladwyn.

**Lord Gladwyn.** — I believe that the revised, shorter communiqué is better than the first if only because of the emphasis it places on concerted European action to combat inflation. But it is still rather in the nature of a document condemning sin, since, not unnaturally, it avoids mentioning some of the other highly unpleasant actions which will have to be taken if inflation is to be checked. This does not detract from the excellent work of the two rapporteurs, obviously both men of great intelligence and vision. It is only a reflection of the obvious difficulty of arriving at a generally acceptable view in a gathering of this kind after a short debate.

I was in any case sorry that the wise words of the rapporteurs, to say nothing of some of the speeches of our own colleagues, were not heard by British Socialist Members of the Council of Europe Assembly, who seem to regard Members of the European Parliament as untouchables with whom they cannot bring themselves to have any physical contact.

Few will deny that inflation, if it runs beyond a certain annual rate, usually defined as about 20 to 25<sup>o</sup>% per annum, will produce internal social stresses and strains sufficient to cause the collapse of democratic regimes and their replacement by regimes prepared to countenance so-called directed economies, whether of the Left or of the Right, the only distinction between them being the social groups likely to be favoured at the expense of other groups.

Why should dictatorships of some sort be inevitable in such circumstances? Evidently, it is because only a dictator or some small group possessing authoritarian powers would be able to impose the sacrifices necessary to avoid, or at any rate restrain, the inflation of the currency. How would they do this? They would do it by arbitrarily controlling wages and prices, by directing labour, no doubt by eliminating the remains of the old bourgeoisie or, alternatively, the so-called Left Wing intellectuals and, above all, by the employment of a secret police. If we reflect on it, we see that they could not do it by any other means.

But if we are to prevent inflation getting out of hand with such dire results, can we contemplate a system of entirely free bargaining on wages and no direct control over prices? Perhaps in theory we can, but in practice the possibility of so doing places an almost intolerable strain on human nature. How can democratically elected governments, often themselves of the Left, persuade the industrial workers that, in order to avoid dictatorships, from the installation of which, whether of the Left or Right, they would in practice be the first to suffer, they must accept not only a levelling out but possibly, or probably, also a positive reduction in their present standard of living? How can they persuade them of that, for until the wolf is actually at the door the great trade unions will not listen to such an appeal; 'wolf' in their opinion has been cried too often in the past.

What, then, if we are to avoid the assumption of power by the Marxists or the Colonels, is the only other possibility?



It is, of course, unemployment. I heard what Mr Bouulloche said, but this is the only alternative if we cannot get an agreed solution—unemployment, which no doubt can be kept within reasonable bounds by an intelligent and, above all, a concerted policy. In any case, it is obvious—though most politicians cannot say so in public—what we are likely to get in all the countries of the European Economic Community. We have only to consult the latest figures for unemployment in France, the United Kingdom, Italy and now even the Federal Republic, all largely the result of the present economic crisis in America.

But this need not necessarily be a disaster. It is certainly not a disaster comparable to the appearance of 'directed economies' and the consequent break up of free societies and the general system of international trade. It could not be comparable to that.

Public opinion is still, in all our countries, I believe, far too greatly influenced by memories of the 'thirties', with the accompanying vision of 'hunger marches' and semi-starvation on the miserable 'dole' on which the unemployed and their families had to subsist. It will not be so in the Western democracies even if unemployment reaches a million or more. It will not be so in the major countries of the Common Market.

Even now we hear accounts, anyhow in my own country, of how certain families find themselves actually better off by not working than by working. When and if this phase is generally reached, unemployment will perhaps no longer be an economic but rather a social problem. What will people do with their leisure and how can they keep themselves happily in action?

Quite irrespective of the present economic crisis, this is a problem which will increasingly face the Western industrialized democracies as 'automation', as it is called, by itself makes many workers redundant in industries which must, after all, accept modern inventions if they are to survive at all.

I will only throw out one more general and no doubt heretical thought—and here I echo the remarks of Mr Aano. It may be that the present wave of inflation which is hitting the whole industrialized world is Nature's response to what she no doubt regards as an unprovoked assault on her by the human race. One does not have to accept all the conclusions of the Club of Rome to admit that if the process of industrialization continues unchecked, even by the end of this century, not only will vast fertile areas of the world have been converted into deserts, but the world's resources of all raw materials will have been very seriously reduced.

Besides, what is the point of aiming at a situation in which every family in the world will have a motor car, a television set and a washing machine? How much petrol would be consumed annually, I wonder, by 3 000 million motor cars, how much energy by as many fully-electrified houses, how much concrete for a million motorways, how much steel for all the factories required?

But do the 'under-developed' nations really want to become the equivalent of Los Angeles? Some may, but as the consequences of unrestrained industrialization become apparent, they may very well change their view. I remember that when I had the honour to be a member of the Committee on Economic Affairs and Development of the Council of Europe I was responsible—with the support, I seem to remember, of Frank Judd, who is now one of Her Majesty's Ministers—for getting the Council to consider at least the example of China in connection with the future development of 'backward' countries. Surely there are some lessons—and I think that this was touched on by Lord Reay—notably as regards labour-intensive industries, which might be drawn even by the West from the Chinese example.

What we want, in a word, is a new industrial philosophy, and, though this may be perhaps verging on the contentious, I believe that it is chiefly by increasing cooperation within the

framework of a supranational Economic Community that we shall be likely to present such an example to the world.

I believe, in any case, that our Western democracies are sufficiently intelligent to overcome the present crisis and emerge victorious after a few very difficult years. But they will, I repeat, do so only if they accept new ideas for coping with quite new world conditions. It is here, I am confident, that Europe will eventually take the lead.

*(Applause)*

**The Chairman.** — I call Sir Frederic Bennett.

**Sir Frederic Bennett.** — Like my distinguished predecessor, Lord Gladwyn, I prefer the second communiqué, largely because it is innocuous, whereas Document No 3537 is in parts wholly contradictory and in others wholly irrelevant. As regards Document No 3537 I found difficulty in understanding what could conceivably have produced such a report, except a desire to reconcile a whole series of conflicting political views.

In paragraph 3 of the addendum there is a statement that inflation

‘is a more general reflection of the poor working of the economic system’.

There is always a tendency for politicians to make a mess of it and to blame the economic system, but it is not the poor working that is to blame ; it is the political content of that system which usually, in fact invariably, causes the trouble and in this case has given rise to the inflationary society. Paragraph 4 correctly states that the high rate of inflation has increased social inequality. I agree, but I am not sure that the authors of that paper would agree with my interpretation because I believe that so far, at least in my country, it is the middle classes who have been ground between the two stones of inflation. If social

inequality has been increased, the sufferers, at least in Britain, have certainly been the middle classes.

Turning to the recommendations, we see that from Recommendation 7 onwards they refer to 'the means to combat inflation'. The document then lists a whole series of steps which should be taken. There are some with which I agree. In view of the lateness of the hour, I will not go through those. However, there are some that I regard as wholly irrelevant. That is not a personal opinion ; I think that all the evidence supports it. We are referring to the means to combat inflation, not the means to further our own political ideology.

I cannot see how reinforcing anti-trust laws can be other than irrelevant in the context of reducing inflation. There has been a large number of anti-trust laws throughout the world for a very long time since long before inflation hit us. I have heard that international and national anti-trust laws are responsible for a whole lot of evils, but I have not previously read that they have contributed to inflation. The same would apply to codes of conduct for multinational companies. I have already said that politicians tend to blame economic systems when things go wrong. Multinational companies have become the new scapegoats. Again, I cannot see what any multinational company has yet done anywhere, however much its conduct might be condemned for other reasons, to produce an inflation rate of 20% to 25%. I wish that the authors of this document had given some examples of how the workings of multinational companies had led to the rising rate of inflation to which we are now subjected.

Paragraph 20 states :

'Control military spending on a reciprocal basis in the context of bilateral and multilateral East-West negotiations.'

That is best described as 'wishing will make it so'. I am not sure why it should be only military spending in an economic

appraisal and why control of this alone should have any effect on inflation. Surely we should be talking about controlling public spending. Military spending is no more inflationary than any other form of spending. In the working of this document, it depends on 'a reciprocal basis', which at present does not exist, because the Warsaw powers are increasing their military expenditure while we are decreasing ours.

I turn to those two items in this list which I think are wholly contrary to the stated aim of combating inflation.

The first is paragraph 17 :

'Ensure regional development in order to prevent backward regions from falling further behind and to preserve economic balance throughout Europe.'

That is an admirable aim in a social context, but again I should like to see some evidence as to how the furtherance of that desirable social aim in any way assists in combating inflation.

Paragraph 24 makes the almost staggering suggestion that one method of combating inflation is to

'improve developing countries' export prices and profits.'

How can we seriously sit in a European Assembly and say that one method of combating inflation is to increase further the price of raw materials which make up the products for which our people have to pay ? That passes my comprehension completely. There may be desirable ideological, ethical and sociological reasons for improving developing countries' export prices, but among those reasons can certainly not be that it is a method of combating inflation in our midst.

In fact, rather tardily, the two rapporteurs in the latest draft joint communiqué have accepted an entire contradiction of what they have put forward in the earlier report, because the

Addendum, which I have said is innocuous, refers to the basic influence of the rise in oil prices on the pace of inflation and therefore affirms the need for a joint energy policy, particularly in negotiations designed to establish a fair price for oil. I assume that what is meant by that is that we should try to reduce the price of one of the commodities produced by the developing or under-developed countries.

Paragraph 24 states that we should try to make the developing countries put up their exports prices further. How we can at the same time suggest that one of our aims should be to make the developing countries reduce the price of one of their main commodities, is difficult to comprehend.

I would talk longer on this matter, but I will close with this one observation. I am extremely grateful that we are not taking a vote tonight. Had we done so, I should certainly have voted categorically against the documents to which I have referred as being in the main contradictory and/or irrelevant.

*(Applause)*

**The Chairman.** — I call Mr Miller.

**Mr Miller.** — Mr Chairman, I am grateful to you for giving me the opportunity to make my first speech before this august Assembly on this significant occasion when we are joined by our colleagues from the European Parliament. It is a valuable initiative, and I congratulate you on having arranged this joint gathering for us. I sympathize with and understand your desire that this Joint Meeting should result in some declaration of joint opinion to demonstrate the political will of and to restore some credibility to the two Assemblies.

Whilst sympathizing very deeply with those aims, I fear that I part company from a previous speaker on the question of the chosen vehicle. The idea that two Assemblies of this size and stature should be confronted with a document at 6 p.m. and be

expected to reach some conclusions on a matter as contentious as the speeches of my colleagues Mr Bouulloche and Mr Osborn, to take two examples, have demonstrated it to be, shows that the endeavour may not have been well chosen.

I hesitate to voice a note of criticism in this gathering, but it might have been happier if this Joint Meeting could have been arranged after the meeting of our own Committee on Economic Affairs and Development and the Assembly's debate on Mr Valleix's document. We might then have been in a position, with these texts in front of us in our various groups, to elaborate some conclusions.

As a member of the committee which deals with the environment, I am concerned with the prevention of proliferation and with the optimum use of existing scarce resources. I very much hoped that we might have been able, with our colleagues from the European Parliament, to take some steps here towards seeing where our work could usefully be combined.

Before I give my conclusions on those points, may I congratulate the rapporteurs on their valiant efforts to define for us some conclusions that we might reach and on the valuable documents they have presented. I welcome the speeches of considerable distinction to which we have been privileged to listen this afternoon.

As one who has spent a considerable number of years on the United Nations economic circuit, I may perhaps be forgiven for saying that I have heard a good deal of this before. What we lack here this afternoon, and what we should reproach ourselves with, as parliamentarians and my colleague Mr Osborn have pointed out, is the fact that we need to develop some political initiative, to demonstrate some political will, to address ourselves to our constituents in our countries to alert them to dangers, to demonstrate to them the way forward and to encourage them to take the necessary steps.

If we are to issue a communiqué, should we not be asking ourselves to whom it should be addressed? Unfortunately, I believe it is the case that we in this Assembly, and our colleagues in the European Parliament, are confined to trying to put pressure on our own councils of ministers and to going back to our own national governments.

The significant lesson for us in this Assembly is that we must put our own houses in order first. One of the difficulties of bringing pressures to bear on ministers is that governments themselves have a commitment to inflation because, up until now, until it ran away from them, it has proved the easiest vehicle for achieving the redistribution of wealth in the comparatively painless manner that many of them have been seeking.

What we have all lost sight of during this process is the need to create the resources—and this is one of the aims that we are given here—that are necessary to maintain the purchasing power of the various social categories with an ever-increasing population in the world, let alone increasing that standard of living, as we have misled our people into believing will be permanently possible. I believe that we have to address ourselves to the whole question of the need to create the necessary resources.

I do not take a gloomy view on this subject, unlike the Club of Rome, because I believe that the advance in knowledge and techniques has given us the means whereby we can increase our resources as well as increase our opportunities for benefiting from them.

We in these Assemblies, to set an example, have an obligation to put our own houses in order and to demonstrate a sense of responsibility in the way that we manage our affairs and our resources.

I—and I believe I am speaking for the chairman of my group—very much hoped that we should have taken this



opportunity to address ourselves to the concrete and immediate question of how these two Assemblies could coordinate our work more closely and avoid the creation of overlapping areas of work in committees and the waste of what has been in this Consultative Assembly years of valuable work on many of the questions which the European Parliament is only now setting up committees to consider.

This opportunity is now not to be taken this afternoon. However, I sincerely ask you, Mr President, with your colleague the President of the European Parliament, to consider ways in which this work should go forward.

At the same time, I hope we shall so organize ourselves that when we come to consider subjects like inflation we can have the documents before us a sufficient time in advance and the time to deliberate them here in the manner to which in our own assemblies we should be accustomed. In that way we may be able to deliver for you that communiqué on which you have set your heart—an aim in which, as I have said, you have my sympathy.

*(Applause)*

**The Chairman.** — Notwithstanding the lateness of the hour, I feel that I must reply right away to the last two speakers in this debate in order to clear up some points raised by them. The custom of holding joint meetings had fallen into abeyance. I can claim some credit for my efforts towards reforging this link, which was, in fact, the only contact existing between the European Parliament and the Parliamentary Assembly of the Council of Europe.

At my initiative contacts were established with the corresponding bodies within the European Parliament, and having given careful thought to the question of how we might avoid duplication of effort, institutional overlapping and dissipation of energy, we did eventually succeed in coordinating our efforts to a great extent. The following procedure was

agreed upon for this joint sitting. Some topic of major importance and interest at the present time would be chosen, on which European public opinion, and indeed even public opinion outside Europe, could see all the democracies of Europe taking a united stand.

This topic having been chosen, the European Parliament and the Parliamentary Assembly of the Council of Europe would each appoint a rapporteur who, as a representative of his Assembly and working in harmony with the Presidents, would undertake a thorough and detailed study of the chosen topic.

As far as the final outcome of our meetings and of the contacts made at this Joint Meeting was concerned, the new feature that we decided to introduce as a departure from past usage, was the issue of a document that would, in a manner of speaking, reflect the lowest common denominator amongst the views expressed by the Members of the two Assemblies on the topic in question. The joint communiqué procedure was chosen, both because it was less binding and therefore more suited to achieving a certain consensus and also in order to avoid the difficulties that might arise from the preliminary consultation that would be necessary within the political groups if it were our intention to proceed to a vote. Indeed, our experiences during the monetary debates were such as to encourage us to adopt this course the second time round.

If I were to state on behalf of the Assembly over which I have the honour to preside that I am very happy with the way our proceedings are coming to an end, I should be guilty of a want of accuracy. I am not happy with it. This is not because of the work of the rapporteurs, which has been excellent, nor because of the debate and the contributions made by all the speakers, which have been admirable, nor because of the ideas expressed in the debate, but because of what I would call certain leaks and certain overhasty measures which I feel bound to deplore. A joint communiqué on which we would not have been obliged to vote had been prepared by the rapporteurs, because the agreement reached between the two Presidents and

the two Assemblies was that it was a matter for the rapporteurs, availing of the terms of their delegation, to draw up a draft communiqué.

What, in fact, has happened today? There have been meetings of the political groups, and some of them have made their views known on the draft joint communiqué. I had learned that there had been difficulties in the matter of reaching agreement on the text of a joint communiqué. I had been in touch with my colleague, Mr Berkhouwer, who agreed that I should take steps to try to bring together a certain number of ideas on which there could be no radical disagreement. This is why, with the agreement of the political groups or at least of those political groups that were represented at this morning's meeting of the competent committee, the Committee on Economic Affairs and Development, I announced a meeting for this evening to which were invited the two rapporteurs, because it had been agreed that they would be the authors of the joint communiqué, if a joint communiqué were to be issued, the two Presidents, because they would be ultimately responsible for issuing the communiqué, and *ratione materiae* the chairman of the Committee on Economic Affairs and Development.

I am coming now to the matter which I must publicly deplore in this fashion. During the debate you will have heard that another draft joint communiqué was submitted. After the speech made by our colleague, Mr Blumenfeld, I felt obliged to have this draft distributed so that all the members might be acquainted with its contents. But I have now learned that the Liberal Group has released a statement to the press in which, as well as referring to this morning's meeting of the Liberal Group and certain other topics, it has inserted at least five paragraphs dealing with the joint debate and taken up its own stand on those themes in the debate which were to have formed the subject of a joint communiqué.

In this situation it seems to me it must be put on record that the spirit of harmony and cooperation and understanding which led to the calling of this joint meeting is rapidly

disappearing. Indeed, this public show of dissension for which we are responsible is not a source of much encouragement.

I wished to make these few explanatory remarks before hearing the other speakers that are listed, because I feel that the two rapporteurs will want to say something by way of reply. Perhaps it would be wiser at this point to consider taking a decision on whether it is worthwhile at all, as things stand at present, to issue a joint communiqué.

I call Mr de Stexhe.

**Mr de Stexhe.** — (*F*) I share your view, Mr President, that what we have to consider in connection with the problems caused by inflation is what Europe's political attitude to them should be.

There are two preliminary points I want to make. First of all, inflation is a world problem, both by its causes and by its cure, and as such reveals fairly swiftly the limitations of European integration and the consequent need, perhaps, to look at it from a different angle. Then, inflation is not necessarily the cause of our present troubles, but may be a consequence of other worldwide problems, such as the monetary policy of certain major powers, and policy on oil.

In these circumstances, it seems to me that the members of the Council of Europe and of the European Parliament should review some of their objectives and also the means of achieving them.

As regards the objectives, we are Members of Parliament and should therefore be particularly concerned with their political aspects. So I think it is a political communiqué we need at the end of our debate, and not technical or doctrinal conclusions. It is our political aims we should stress or, at any rate, the political aspects of the economic and monetary problems resulting from inflation. I think we should emphasize, as a basic

necessity, that Europe must speak with a single voice to the outside world, and we should endeavour to adopt as often as possible, a common attitude to Europe's internal affairs.

A short time ago it was decided monetary and economic union should be the objective for 1980—several speakers have reminded us of the fact this afternoon—and it was said that it would lead naturally to political union. But now, what with worldwide inflation and monetary and energy problems, we are beginning to realize the difficulties of achieving European integration by means of economic and monetary union. There is a danger of states returning to their nationalist attitudes, which are all the more damaging in that they are often divergent, not to say contradictory.

That obviously means we must change our strategy and rely on political union as a springboard for achieving economic and monetary union. Thus I believe that the essential purpose of this debate is not so much to make a technical or doctrinal analysis of the situation as to demonstrate our European solidarity and political determination to reach an identity of political views at every stage.

I was surprised, therefore, to hear Mr Cousté speak so optimistically, at the opening of this debate, about the recent Paris Summit Conference where, he said, agreement was reached on some fine declarations of European solidarity. I will spare you a reminder of the communiqués which followed the Paris Conference of 1972 and the Copenhagen Conference of 1973, in which European integration was extolled in the same terms.

I think, myself, the time has come for fewer words and more deeds.

This political will must, I repeat, be achieved in two ways : inside Europe, by taking decisions which are basically common, with the necessary regional adaptations, and in supra-

European negotiations, in world negotiations within the OECD and the International Energy Agency, by stressing the need always to speak with one voice.

I hope these simple—some people might call them simplistic—ideas coincide with those of many representatives. The essential conclusion to this debate must be this : May our unanimity impel or strengthen the political determination of our governments and the leaders of the European Economic Community.

*(Applause)*

**The Chairman.** — I call Mr La Combe.

**Mr La Combe.** — *(F)* At this late hour I will be very brief. I want, however, to draw the attention of the rapporteurs to a word which, in my view, has been mentioned too infrequently in their reports, and that is the word 'waste'.

We all agree that inflation is a calamity when there is too much of it and that it can sometimes act as an incentive when there is only a little. But I think I am justified in saying that waste is now one of the scandals of our time. It precedes inflation, and efforts should therefore be made to stop it. In our so-called rich countries, as compared with the poor ones, waste is also a scandal, and what is more we are setting a bad example.

Admittedly, we are no longer living in the era when our grandmothers darned our socks and children were told not to waste bread. In the towns, and even in the country, nowadays, we find bread in the dust-bins.

Waste in agriculture, waste in industry, waste of food, have become the fashion in the rich countries, whether East or West. That is why it would have been a good thing to bring the word 'waste' into the report of our debate.

The Members of our two Assemblies would do well to consider urging people to follow the example set us by our fathers and to practise what used to be called 'economy' again. To practise economy and declare war on waste would certainly be an effective way of halting inflation.

(*Applause*)

**The Chairman.** — I call Mr de Clercq to reply to the various speakers.

**Mr de Clercq, rapporteur.** — (*NL*) Mr Chairman, honourable Members, first and foremost I should like to thank the Vice-President of the European Commission for having honoured us with his presence here today, attending this debate and making an important contribution to it. We are very pleased with the information he has been able to give us.

As far as today's discussion is concerned I am, unlike you Mr Chairman, very satisfied. I shall give good reasons for this. A successful meeting is for me one that starts off with sharp discussion and ends up with a final communiqué that shows that we are still in solidarity with one another. A meeting that did not give rise to discussion would in my view be a dull meeting, a flat meeting which would end up in nothing and just go on repeating what we have heard hundreds of times, with all the clichés we read every day in the papers and hear on the television and radio without any progress being made in the end. I myself am pleased that, together with my colleague and fellow rapporteur, I have submitted a draft final communiqué and made clear—as we said at the beginning of this meeting—that we should listen attentively to what would be said in this meeting. Furthermore, we promised that we would draw our conclusions from this, and that we are prepared to amend and supplement our final communiqué on the basis of the observations we have heard here. I think that the submission of the draft final communiqué is the reason why we are still here at this moment.

The speakers have said very little about our reports themselves, apart from congratulating us or making slight criticisms. Almost all of them looked at the preliminary draft final communiqué. I have drawn only one conclusion. There are in this Chamber two diametrically opposed views. I might almost say there are the optimists and the pessimists. The optimists are those who do not think things are all that bad yet ; they say that there is still enough time before the wolf is at the door. The optimists have all attacked the final communiqué, and all the same points of it. I concluded from this that the shoe was pinching somewhere for these people. I could see this very well in my own group this morning, too. It is well known that I belong to the Liberal Group, and since I am a Liberal, I can express myself very clearly even against my group when it comes to that. At this mornings' meeting we had a hard discussion of this final communiqué and finally agreed, after a few amendments had been made, which of course cannot be distributed yet, to submit the final communiqué to you.

Things went the same way in the Committee on Economic and Monetary Affairs. The items on the agenda were the social contracts, the multinationals, trusts and division of land. All these points were adjusted. Some people found certain aspects too sharp or too weak, but all the aspects have been treated in such a way that they were acceptable to all. I found this in my own group this morning and also in the Committee on Economic and Monetary Affairs. I listened with particular interest to what was said by Mr Valleix, who also brought out ideas in the Committee on Economic and Monetary Affairs that I do not entirely find now. Why not ? Because we had a healthy dialogue with each other, because we, the rapporteurs, are prepared to supplement and to amend this final communiqué, to make it acceptable, so that it will finally become the expression of the greatest possible unity we can achieve.

Something very peculiar struck me today and I regret it. We submitted the final communiqué. Mr Aubert and I are partly responsible for the fact that it could not be discussed in all the groups earlier. But where we were able to have dis-



cussions we managed to get the final communiqué through, after including certain ideas. It is unfortunate that we were not able to defend the communiqué before all the groups and all the committees with some interest in it.

It was a question of time. The communiqué is here before you as the responsibility of the rapporteurs and the two presidents.

What did I find ? Although our communiqué had not yet been discussed in this Assembly, there was already a text on my table, and I was asked on the spot whether I agreed to it. This is not the case. We still have to discuss it. We have to discuss it with you, Mr Chairman, and with Mr Berkhouwer. We have to decide whether to issue a final communiqué and if so, what it should say. It is, however, a very unusual state of affairs for a communiqué to be submitted here that says : 'The parliamentarians, Members of the Parliamentary Assembly of the Council of Europe and of the European Parliament...' Do they make the final communiqué ? No, this cannot be accepted by this Assembly which has certain fixed rules of procedure. I thank you, Mr Chairman, for having said twice—I do not know what the intention behind that was—that we shall have to discuss this some more.

I do not know what was going on in the House, but it was something that neither I nor my fellow rapporteur liked. We have to take thought and consider things, we must not let ourselves be led by emotions. We ought to speak here not only on behalf of a particular group, which happens to have the report and the final communiqué in its hands, whose first reaction might be a wrong one. I had that experience in two groups today, in my own group and in the Committee on Economic and Monetary Affairs.

It is unfortunate that everyone here is in such a hurry, that everyone wants to get away again quickly, that hardly any of the seats here are occupied, that we cannot have another

night to sleep on this. Then we would perhaps be able to bring out a meaningful communiqué.

I shall not answer the various speakers now : it is too late for that. There are the optimists and the pessimists. One of the optimists was Mr Cousté. It is a pity he is no longer here. Three to four million unemployed in the Community, is that not alarming ? In 1971 inflation in some countries of the EEC was 5%. In Italy at the moment it has gone up to 25%. Where are we going ? Are we facing a society with nothing but inflation ? It is not good enough to refer to philosophical mechanisms which have failed so often already. Who thought of things like floating currencies and the snake before ?

Who says that the oil price is going to fall ? Mr Kissinger's economic advisers have said this. How is this going to happen ? Mr Kissinger has his own opinion on this. I do not know if it can give us any satisfaction. Probably we do not agree with each other on this. On the other hand, there are the pessimists. I think that they are the realists at the moment. If we want to go on building a united Europe, if we want to overcome recession and inflation, we have to show a lot of solidarity. We have to break free of all pressure groups, whether multi-nationals or trade unions. We have to think again, we have to take initiatives and give new impulses.

It has been said that only one thing is possible : state economy or free economy, state trading or free trade. Economic development has proved that in a liberal society the state can nevertheless give the economy a stimulus. I think that we here have been witnesses to this. We accept this behaviour by governments not as an intervention but as a guideline. I hope that in this way we shall be able to overcome inflation and recession, and that we shall be able to create the united Europe we have been talking about for years. This united Europe has not been achieved yet in any respect despite all the summit conferences where one declaration after the other is made. These are not yet deeds.

The reality of this moment is that we are under threat. Everyone wants to protect himself against the consequences of inflation. On the other hand, the different countries are tending to grow further apart rather than closer together because of the enormous difference in inflation levels. All the mechanisms are starting to fail ; one need think only of the agricultural mechanisms, with which we are experiencing large-scale disaster at the moment. How, in a Europe divided, as far as inflation goes, into various groups, can you attain a Europe of solidarity unless we all show the necessary courage for it in the groups of society to which we belong. Everyone has obligations in this society, whatever group he belongs to and whatever political attitude he has.

*(Applause)*

**The Chairman.** — I call Mr Aubert.

**Mr Aubert, rapporteur.** — (*F*) Some people may find it surprising that we have been going on for 5 hours about this grand idea of European cooperation and integration and have devoted so little time to a subject which is so important, so distressing, and on which our future so vitally depends—I think we have all shown we realize this. But even that seems to have been too much, for only a few of the faithful have remained to the end of those 5 hours.

I myself have gained a great deal from the discussions. I am a new Member of the Council of Europe, which is why I may perhaps be permitted to say these things. And I am telling you how I feel because for me it has been a marvellous experience.

When talking about my fellow rapporteur, Mr de Clercq, today, I refer to him as my friend. He is a Liberal ; I am a Socialist. We got to know each other in Paris. We drafted together the communiqué which you have before you ; we were not exactly of the same mind, but after several hours' work we managed to present you with a joint text.

I entirely agree with all he said ; so much so, in fact, that I did not want to speak myself because he was speaking for me, too.

But I am rather surprised. I am a lawyer by profession, and therefore a great stickler for procedure, and yet today I hear talk of another joint communiqué being put forward, a party communiqué, not a text drawn up according to the agreed procedure.

It was decided that a report would be presented by two rapporteurs, one acting on behalf of the Council of Europe and the other on behalf of the European Parliament, and that a communiqué would then be drafted by the rapporteurs and submitted to the Assemblies, but that no decision would be taken.

The rapporteurs were to be responsible for drafting the communiqué and the Chairmen were to be responsible for issuing it. The matter was perfectly clear. We wanted to find a solution to the problem on which we could all agree.

I do not think a single person in this Assembly will disagree when we say that no one is capable of suggesting a miraculous cure.

How can anyone claim to be able after 5 hours of discussion, to issue a joint communiqué that will win unanimous approval ? It is quite impossible, and yet at the end of the day we have to issue a joint communiqué.

The Chairman has been kind enough to tell us during the debate that he will meet us after the sitting. We are quite prepared, Mr Chairman—and I think I can speak on behalf of my friend, Mr de Clercq, as well—to discuss this text, which is not a hard and fast one, as we have said over and over again. The matter is so complex that we never claimed we could present you with an exhaustive and perfect text.

I would be glad if we could go back to what we agreed and try to issue a joint communiqué. I think that for those of us who have talked so much about cooperation and coordination, it is a case of now or never if we are going to make a gesture and, by issuing our first communiqué, mark that initial step we have taken today.

*(Applause)*

**The Chairman.** — I call Mr de Stexhe.

**Mr de Stexhe.** — (*F*) I must admit I am somewhat surprised by the explanation given us by my good friend from the Belgian Parliament, Mr de Clercq. What we want at the end of this debate is a joint communiqué which reflects the substance of the debate, not the opinion of the rapporteurs alone, but that emerging from the debate, particularly as the communiqué, although drafted by the rapporteurs, will be issued on the Chairmen's responsibility. If the Chairmen are to take responsibility for issuing a draft communiqué, which up to then is confidential, it has to reflect the views of the meeting as a whole, otherwise it would simply be a personal communiqué by the rapporteurs.

Why does my friend Mr de Clercq protest so vehemently—as you heard just now—against the first sentence of this suggested draft put forward by the Christian-Democratic, Conservative and Independent Groups, and intended simply to provide a common denominator? He objects to the draft saying 'the Members of the Parliamentary Assembly...'. But if he will just re-read his own draft, he will see that the first 9 lines of the new draft are word for word the same as his own. They are an exact repetition. So, for pity's sake, there is no reason for him to protest at our endeavour to meet his concern by using the exact terms of his own communiqué. I have both before me. Ours says: 'The Members of the Parliamentary Assembly of the Council of Europe and of the European Parliament, meeting in Strasbourg...'. It is exactly what his says, without a comma changed.

So if we find, as many speakers have stated personally during the debate, that we do not agree with the draft communiqué, or if important parties do not agree with it, we must, after all, try to draft a final communiqué that will be a common denominator on which we can all agree. It is in that spirit that we have tried, not to launch into a discussion on doctrinal or technical options, but to put forward a different aspect of the views of the Council and the Parliament, in the hope that on these political options we might really represent the views of all.

If the rapporteurs think it their mission—I was going to say, their divine mission—to express their own personal opinion, I have nothing against that. But since the report is drawn up under the responsibility of the Chairmen, then in my view the communiqué must reflect the discussion that took place at the meeting, and it will not do that if it is just the initial communiqué with a few words changed.

**The Chairman.** — I call Mr de Clercq.

**Mr de Clercq, rapporteur.** — (NL) Mr Chairman, I must give Mr de Stexhe an answer. He just quotes what I said. The text was drawn up by us. We made no counterproposal since the highest common denominator had to be sought with the President of the European Parliament and with the authors of the preliminary draft.

Mr de Stexhe also had something to say about our text. But why, Mr de Stexhe, were you not there when the meeting began? At the beginning of my introduction I said quite clearly that we would take amendments into account, but not a counter-draft. I said that we would take amendments and observations and anything brought out in the meeting into account. I think it is quite unnecessary for you to want to emphasize something more now.

**The Chairman.** — I call Mr Heger.

**Mr Heger.** — (*D*) It is a pity, if I may be allowed to preface my remarks in this way, that a debate which has at many points been of a very high standard, should end on a slight note of discord. I rise to the defence of the Chairman, although he certainly does not need my protection. I do it only in my capacity as a supernumerary. I am in fact at the moment, as vice-chairman of the Committee on Economic Affairs and Development, its acting chairman and after this session, as the Chairman has announced, shall have the honour of collaborating with a few colleagues in drawing up the communiqué.

I may repeat that it was not the purpose of this debate, either directly or indirectly, to get some kind of vote out of this Assembly. The Chairman's intention in this situation—and he should be given a medal for it—was to take an initiative in view of the dangerousness of the crisis in which we find ourselves, so that at the eleventh hour we Europeans might still manage to get a grip on inflation, unemployment and monetary difficulties.

This is why the Chairman and his colleagues from the European Parliament provided the opportunity for a debate and suggested a communiqué on the subject in December.

I can assure you that it will not be possible today or tomorrow or even the day after to submit a document which faithfully reproduces everything that has been said here; but believe me, when I say that in the sitting about to be held we shall do our very best. Those who are now present are, I think, sufficient guarantee in themselves that the European idea is dearer to them than individual sectional interests.

**The Chairman.** — I call Mr Czernetz.

**Mr Czernetz.** — (*D*) I will not detain you long. I would only like to point out that the political groups — including mine — had before them and debated only the preliminary draft communiqué of the two rapporteurs. The draft subsequently distributed was not debated, nor was the one that

was apparently issued to the press by the Liberal Group. I therefore attach particular importance to making it clear that part of the Assembly had nothing whatever to do with it.

We had a valuable exchange of views. If the communiqués are now released on the responsibility of the two Presidents and the two rapporteurs, I would only ask that any misunderstanding should be avoided. Mr de Stexhe has just drawn attention to an important point. This document, which was prepared by the Christian-Democrats and Conservatives, contains in its introduction precisely the same wording as that used by the two rapporteurs. It refers to the parliamentarians of the two Assemblies. I ask that this wording should be avoided, for it is misleading. It is not the case that the parliamentarians have taken a decision : it is the Presidents and the rapporteurs who are expressing their opinion on the basis of the debate.

**The Chairman.** — I should like to thank the rapporteurs and would invite them and the chairman of the Committee on Economic Affairs and Development to join me in my office to consider the joint communiqué to be issued by the Joint Meeting of the Members of Parliamentary Assembly and of the European Parliament.

#### ***4. Closure of the Joint Meeting***

**The Chairman.** — I declare the 21st Joint Meeting of the Members of the Parliamentary Assembly of the Council of Europe and the Members of the European Parliament closed.

The meeting is closed.

*(The meeting was closed at 8.45 p.m.)*



