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INFORMATION CONSUMERS

THE COMMON MARKET AND THE EUROPEAN CONSUMER (1973 Edition) 45/73

It is now fifteen years since the Treaty of Rome was signed and work began on the building of the great edifice known as the European Community. It is, however, only during the last few years that the man in the street has become conscious that something has changed in his everyday life and that there are many more changes ahead. He is, nevertheless, the kingpin of this new enterprise which is at the moment only an economic undertaking, but which will one day become a reality in the political field.

The Community has indeed reached down into every aspect of the daily life of the ordinary citizen; and he is beginning to understand that things are subtly different and that this goes beyond abstract concepts, such as the national economy, conditioning the life of the consumer himself and making him a factor in the wider relationships of european integration, in which he cooperates to the full and is in fact the person most concerned.

His participation was given official recognition in 1973. The new thirteen-man Commission which came into office in the first days of January, with the adhesion to the Community of Great Britain, Denmark and Ireland, undertook for the first time the task of consumer protection. This is a new portfolio among the Commission's assignments; and it is in the hands of the Commission Vice-President Signore Carlo Scarascia Mugnozza. In setting up this new machinery, the Commission was fulfilling the wishes of the Summit meeting in Paris last October, which expressed the desire that there should be a joint Community policy for protecting the consumers' interests.

These interests, of course, depend on the oldest of the equations in economic and social matters -- the relationship between prices to the consumer and the standard of living which means the consumers' purchasing power.

Unfortunately the buyer of consumers' goods,most important among whom is the housewife, often loses sight of the fact that there are two terms to every equation. He,or she, is thus unduly apt to focus criticism on the daily protest against higher prices.

Prices,indeed,are the bugbear of the family hearth; and it is true that they are rising fast enough to bring sleepless nights to the heads of many families; but none the less people go on buying,and they are buying more and more goods of better quality and higher cost. Even families in the lower income brackets are now able to satisfy many consumption wants which, barely ten years ago, they would have considered to be out of their reach.

Purchasing power

The increase in the purchasing power of the citizen-consumer has in fact been faster than the rise in retail prices. Ten years ago,for example, the consumer would be earning 1,000 Italian lire per day and spending 100 lire on buying a loaf of bread; but today,though he would be paying 120 lire for his bread, it would be from earnings of 1,500 lire. In this case there has been a 20 % rise in the price of the product,but the purchasing power has risen 50 %. The citizen-consumer,therefore, can not only deal with the rise in prices,but he has margin enough to improve his living standards without any cutbacks in his ordinary shopping.

The factor which has to be considered,therefore, is not the rise in prices,but the real income, or purchasing power, per head. On the lines of the example we have given,this real income increased in the EEC in 1971 by 2.5 %,which compares with 1.7 % in Great Britain and 1.1 % in the United States. Over the period 1958-71 the increase in the EEC was 74 % against 34 % in Great Britain and 39 % in the United States.

The prices of some goods,of course, have risen faster than others,so that this reasoning is not equally applicable over the whole range of goods. Nevertheless, even in 1971 -- and indeed throughout the integration period -- the impact of the Common Market for the european consumer has been definitely to his advantage,despite the rise in prices and the differences which still subsist between the Six origina l members of the Community in the price structures for similar goods (1).

Some people might argue that, with or without the Common Market, social and economic progress was on the loom in any case, and consumers in the different countries would have had the same advantages if it had never existed. History, of course, and more especially economic history, cannot be recounted in terms of "ifs and ans"; but it is proved quite clearly that the rise in the real purchasing power was decisively greater in the countries of the European Community than it was, for example, in Great Britain which, in the period concerned, was not a member of the European Community.

While the disappearance of the internal commercial frontiers between the countries undoubtedly facilitated the trade in goods, and extended the range which could be offered in each of the Six countries, it also had a powerful influence in increasing competition, so that there was a positive race to improve the quality of products, their presentation and the advertising techniques aimed at increasing sales.

If we study the figures we can find another indication. In the Six countries of the Common Market it took on the average 508 hours work to buy a washing machine in 1960; but today it can be bought for 158. In the same way the cost of a refrigerator has come down in 10 years from 361 hours work to a present figure of 74; the price of a mackintosh has come down from 60 to 14 hours work and that of a shirt from 12 hours to 3 hours.

The expansion in trade

There are other economic indicators which, when they are analysed, also show the improvement in consumers' living standards and the extent to which these have been influenced by Europe's economic integration.

In the first instance, the growth in trade between the Six countries in 1970-71 shows a definite increase in the proportion of the total demand which has been for consumption goods; and the same general trend has been in progress since 1958. The trade in goods for private consumption increased in 1971 by 21 % over

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(1) The Commission departments, in consultation with experts from the National Statistical Office, have come to the conclusion that the results of the 1971 enquiry were effected by various technical difficulties and changes in the methods of data collection, so that they should not be used. In October and November 1972, however, the national offices put in hand a new enquiry, using a different method; but the results of this are not yet available.

the 1970 figures; but this was part of a total trade in all goods which rose by only 15 %.

This trend has been going on almost consistently since 1958. Over the 1958-71 period the average annual increase in all trades between the Community countries was 15.21 %,which compares with 17.14 % for private consumption goods (period 1960-71).

Significance also attaches to the expansion in the trade in certain specific products which have a wide consumer market.

Expansion in trade in certain important consumer articles,1958-71 and 1970-71 (%)

	1958-71	1970-71
- Private cars	+ 1233	+ 18
- Cameras	+ 2270	+ 38
- Radio sets	+ 72	+ 28
- Domestic refrigerators	+ 385 (1960 -71)	+ 18

Over the 1958-71 period there was a vigorous growth in the trade in the products shown. For private cars,the annual average was 20.35 %,for cameras 25 .35 %,for radio sets 3.95 % and for refrigerators 14.06 %. The phenomenon is all the more remarkable for the fact that,with the single exception of private cars,the growth between 1970 and 1971 was still greater than the average for the period.

Though it is not possible to establish a definite relationship between these figures and the reduction in customs duties (between 1958 and 1968) and the resulting increase in competition, it is nevertheless interesting to see what the duties formerly were on entry of these goods into the individual countries :

Customs duties in 1958 on import of above articles into EEC countries (% ad valorem)

	Benelux	France	Germany F.R.	Italy
- Private cars	24	30	17 - 21	35 - 45
- Cameras	15	25	6	25
- Radio sets	20	24	15	25
- Domestic refrigerators	12	15	5	20

Another important indicator of improving standards of living,is the change in the structure of consumption. Between 1970 and 1971 the total increase in private consumption was 10.6 %,and the average for 1958-71 was 8.45 % annually. This rise went hand in hand with a gradual decline in the rate of growth for the consumption of food products (8.65 % in 1969-70 and 7.28 % in 197)-71) and clothing (12.28 % falling to 7.02 %) but the rate of growth in the expenditure on health and articles of personal hygiene quickened from 10.36 % to 12.21 % and expenditure on transport and communications from 13.9 % to 14.92 %.

The distribution structure

The improvement in purchasing power and in the quality and quantity of the products concerned has been accompanied by a fundamental change in the structures of distribution. The 1972 particulars are not yet available; but in 1971 there was still a continuation of the concentration and modernisation which had been noted in the commercial and shop-keeping practices in the Community.

In some countries the number of shop-keeping firms continued decreasing,though rather less rapidly. In France,for example, the fall in the number of retail shops in 1979 was 739 units,which compares with 6,000 units in 1970. In Italy, on the other hand, the number again showed an increase,though this was less rapid than in the previous years. The increase suggests,in this case, that the trend towards concentration in Italy is not very marked.

In parallel with this,there was a further increase in the size of shops. In Germany the data available for the retail trade show this very distinctly. Within 8 years the number of shop-keeping firms with an annual turnover of less than half a million DM has fallen from 95 % to 87 % of the total number of shops; and their share in the total turnover of the retail trade fell from 46 % to 29 %.

In all the countries there was an accentuated trend towards modernisation,which is reflected in the improvement in the sales formulae based entirely on free service. In Italy,where there had been a less spectacular movement into the new forms of retail trading,than in the other countries, it now seems that 1971 was a year of reorientation,marked by the opening of 69 supermarkets and the first hypermarket.

Importance of big-surface retailing (as of January 1,1972)

C o u n t r y	Number of supermarkets and hypermarkets per million population	Percentage of free-service shops in sales of food products.
Germany FR	52.1	90 (1)
France	43.0	39 (2)
Italy	11.1	c. 10 (3)
Netherlands	47.1	85 (2)
Belgium	67.2	66 (1)

By comparison with the previous year,there was a considerable increase in the number of up-to-date shop-keeping firms,and in their proportion of the total sales of food products. The resulting intensification of competition,however, leads each year to the disappearance of many sales-points.

Tax harmonisation

One of the chief aspects of Community policy for defending the interests of the consumer is the coordination and closer similarity between the fiscal legislation in the different countries.A first step in this direction was the introduction of value added taxation. Since January 1,1973 this tax has been in operation in Italy as well as the other countries.

There is,unfortunately, still a considerable difference between the VAT rates in the different countries; and for the time being, this prevents the consumer from having the full advantage of the bigger supply of different products and the full impact of competition. In Italy,more especially, increases in price have been noted in a number of products, partly because of "circumspect" reaction on the part of shop-keepers, and partly through faulty application of the new tax arising through the ignorance and bad faith of shop-keepers.

Because of technical and administrative obstacles which still persist,the wholesale trade is up against difficulties which are almost insurmountable in supplying the

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(1) Excluding shops specialising in food products
(2) Including shops specialising in food products
(3) Estimated

retail market on both sides of the border in frontier regions. The delivery of a selection of goods requires a separate set of formalities for each group of items, implying administrative delays and discussions at the frontier and adding to the administrative task falling on the trader.

These obstacles to the free development of cross-frontier sales have also checked the growth in sales by correspondence. In some cases the flow of trade is checked because of the multiple formalities involved in the import; and in others, the mail order firms have put a flat-rate supplement of 20 % on their national prices to cover all the costs (including the different rates of VAT) inherent in delivering the goods in another member country.

One thing is, nevertheless, certain. Throughout the European Community the difference between the national prices for a large number of consumer goods are tending to disappear. This is particularly true for food products, toilet articles and electric household goods.

The work of those responsible for economic and political affairs in the Common Market is thus beginning to bear fruit. The extreme importance of this is seen in the fact that only part of the many technical, commercial and customs house obstacles affecting hundreds of products has still to be eliminated. One of the great tasks in the years ahead will be the full harmonisation of fiscal and monetary systems between the different countries.