

'The history of the ECSC: good times and bad' from Le Monde (9 May 1970)

Caption: On 9 May 1970, while reporting on the 20th anniversary of the Schuman Declaration, the French daily newspaper Le Monde outlines the successes and failures of the activities of the European Coal and Steel Community (ECSC).

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The history of the ECSC: good times and bad

by Gilbert Mathieu

The ECSC (European Coal and Steel Community), born of Robert Schuman's Declaration of 9 May 1950, did not really see the light of day until three years later, with the opening of the common market in coal among the Six, followed by the common market in steel. This happened 17 years ago. What has become of those promises of a 'pool', which Jean Monnet was entrusted to create at the time? Have the objectives laid down in the Treaty of Paris been attained?

It would be quite wrong to hold the ECSC responsible for the development — for better or worse — of the basic industries affected by a changing world. Throughout the world, over the past ten years, the coal mines have come up against the combined competition of oil, electricity and gas. The reduction in the amount of coal mined in the Six (by 28 % since 1952) has little connection with the Treaty of Paris which was drawn up in the expectation that mining output would rise. Would this decline have been more rapid without the ECSC? I would hesitate to say so, although it is true that, in this field, each of the Six went its own way in cutting its national coal mines without caring very much what its neighbours thought — except for calling for financial aid. Similarly, the rise in steel production — which rose from 42 million to 107.3 million tonnes in 17 years in the Community — has little to do with the existence of the ECSC. The Russians have done far better and the Japanese infinitely better.

So perhaps the coal and steel 'pool' did not promote trade among the Six, which until then had been embryonic. During these 17 years, steel deliveries between Community partners have risen by a factor of ten (17.6 million as opposed to 1.8 million tonnes), while steel production rose by a factor of only 2.5, from 4.3 % to 16.5 % of the steel produced by the Six. Similarly, the coal trade in 'little Europe' has remained healthy, despite the fact that mining output fell by more than a quarter, and has risen from 8 % to 11.1 % of mining output. This rise in the level of trade within the ECSC probably steadied the growth of the Six by making it easier for each country to obtain supplies during periods of growth and avoid cutbacks inside its borders during periods of crisis. It also saved them dollars by reducing the need to purchase American oil and coal. At the same time, however, it certainly increased production costs, since energy and steel were often more expensive within the ECSC than outside it.

The High Authority of the 'pool', followed, after the merger of the European executive bodies, by the Brussels Commission, did try to influence this trend. Over a period of 15 years, it borrowed some \$900 million (5 billion francs) in the ECSC, but also in Switzerland and the United States, which enabled it to grant 280 modernisation loans to Community coal and steel undertakings, totalling \$725 million (4 billion francs): 265 million for coal mines; 460 million for steelworks and iron mines. This supplementary financing, often granted at cheap rates, led to a change of heart in these sectors that were so often marked by a Malthusian past, with more concern being shown for improving output or reducing costs than for the risks of growth.

Welfare improvements

In the same spirit, the hunt for discriminatory railway tariffs, followed by the abolition of fictitious 'breaking bulk' when trains crossed borders — replaced by the introduction of 'direct tariffs' relating only to the distance travelled by the trains (and not their country of origin) — cut the cost price of steel, and that, at the same time, improved the steel manufacturers' trading account and, with it, their capacity to finance new investment.

Yet the ECSC's greatest success was not in the economic field. Its most marked achievements related to welfare issues. Over a period of 15 years, it helped finance some 112 500 flats for Community workers, paying out an average of \$1 770 (9 735 francs) per flat; this was often enough for workers to make a down payment to buy the property, which would not have been possible without the extra funding. Similarly, the ECSC paid half the occupational redeployment costs of workers who lost their jobs when coal mines or steelworks closed down. If we add to that the aid granted for redeveloping the regions concerned, we find

the ECSC spent more than \$150 million (835 million francs) on creating around 100 000 jobs, of which a good third were offered to unemployed coal and steel workers.

Aside from these figures, what is even more important is that the High Authority invented a system of welfare guarantees for workers who lost their jobs, which several of the Six then copied and extended to all their employees: substantial and long-term unemployment benefit, occupational retraining aid and a guaranteed income for workers changing their occupation, so that they would not find themselves at too much of a disadvantage in their new job. The one power that the ‘supranational technocrats’ of Luxembourg often put to intelligent use was their power of imagination — and this was ten years before May 1968 ...

Manifest failures

On the other hand, the ECSC patently failed to achieve several fundamental aims of the Treaty of Paris. We will confine ourselves to the essentials and look at four areas.

— The French parliamentarians who ratified its creation hoped that the ‘pool’ would be a means of controlling the power of the iron and steel companies in Europe and in particular prevent the resurgence of the iron and steel groups, the ‘Konzerne’ that had helped Hitler build his formidable war machine. It is clear today that neither of these objectives has been attained.

The German iron and steel industry patiently began to piece together again the groups which the Allies had broken up after the war in an attempt to break up the cartels, building up far more powerful steel empires than before: Thyssen (12.5 million tonnes a year), Hoesch, Kloeckner and others. Krupp may have had some problems, but the paradox is that the problems arose two years ago because he had refused to comply with the Allies’ orders and instead kept on a large coalfield that was making more and more of a loss. As for European control over the iron and steel giants, this could not really keep pace with the rising number of small mergers: in the case of steel, as elsewhere, the European Commission (and the six governments) gradually came to welcome the kind of regrouping they had initially feared, thereby losing the means of exerting pressure which they had originally looked for to prevent unfair mergers. At all events, the facts speak for themselves: 17 years ago, the first iron and steel company in the Six (Dortmunder Hoerder) produced 2.6 million tonnes of steel, and the ten main ECSC groups controlled 40 % of the total output of the Six; today, the leading company (Thyssen) produces five times as much steel as before, and the ten giants control 60 % of the total wage bill. The European Commission has little influence over them.

— This is possibly why it proved so difficult, at supranational level, to combat price agreements. Despite the Community rules requiring all undertakings to make their price lists public and transparent, the leading iron- and steel-masters have continued to fix the real prices (with or without discounts) of their entire output. Only the Belgians acted as troublemakers in this concerted effort to ‘organise’ prices.

— The Community had just as little control over the coal market; after 17 years of the supranational approach, it is still seeking a way to define a common energy policy and the form that it should take. In 1965, the Six authorised each other to subsidise their coal mines (to offset the very heavy welfare costs or organise their reconversion), but that was all. The European Commission did not play any major part in the national initiatives (such as the creation of Ruhrkohle GmbH) taken to cushion the crisis. Much the same could be said of the ‘restructuring’ of the iron and steel industry. Europe did not stop the French iron- and steelworks from rationalising too late, whether in Lorraine or in central France.

— Finally, the upward equalisation of pay, another key objective of the Treaty, remains no more than empty words. According to the latest official statistics, a steelworker in the Netherlands costs his company 38 % more than his French counterpart, and the gap between their basic wages is more than 43 %.

Perhaps it was impossible to achieve more in the space of a generation. Or perhaps the objectives that were set were based only on the search for a political balance, on the implicit understanding that this balance would be ignored, once the system was up and running. The historians of the ECSC will find it very hard to decide whether the blame lies more with excessive ambition or with national hypocrisy.