

## The Monnet Plan

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## The Monnet Plan

Jean Monnet, Commissioner-General of the French National Planning Board, considered that prosperity and social progress depended absolutely upon closer economic ties between European States. This conviction was drawn from his considerable international experience, from the lessons learned from the War, and from his close ties with American businessmen and diplomats. In particular, he was the French Provisional Government's representative in the European Coal Organisation (ECO) and was responsible for negotiating, with the Americans, the allocation of Marshall Plan funds for the modernisation of France.

At the end of the war, he drafted the first revival and modernisation plan for France. He considered that economic cooperation with Germany was essential, particularly given its central position in Europe and its industrial potential, which the War had left largely unscathed. It was, without doubt, still too early to move towards total economic union at European level because of the vast discrepancies in prices, wages and tax regimes. Nor was the general public ready for it. At the end of the 1940s, several plans for limited customs unions, which could have helped generate economic integration in Western Europe, proved to be failures. Therefore, what was required was a new approach that would enable gradual progress to be made.

The idea of a European industrial pool began to appear regularly in the French press at that time, and from then on it was openly discussed in diplomatic circles. Monnet was very open to those ideas, since he was also seeking a way to alleviate Franco-German tension, and he was concerned by the threats arising from the Cold War. He believed that it would be extremely difficult to build a European edifice from the top down, a method which was often called for by the federalist movements. He foresaw, instead, a Europe that was built on a functional basis by integrating key sectors of the economy in order to create genuine solidarity between the partners. For this reason, from the spring of 1950 onwards, he began to consider the establishment of a common market based on the coal and steel sectors, which were vital for both civil and military industries. However, his plan differed from most of the international cooperation plans under consideration in the steel sector, since, from the outset, Monnet presented the coal and steel pool as an indispensable but transitional stage on the way to creating a European federation.

Putting coal and steel under international control also made it possible to envisage the end of Allied control over the Ruhr with confidence, and it eliminated all risk of industrial cartels being created in the German coalfields. On this basis, both France and Germany would agree to submit to international controls, in order to ensure that the common market in coal and steel ran smoothly.

Jean Monnet also knew that he could count on the support of the US High Commissioner in Germany, John McCloy, who also called for closer Franco-German ties and hoped that France would soon take steps in this direction.

### The pooling of coal and steel

There were two main reasons why Jean Monnet proposed the pooling of coal and steel in 1950.

The six Member States of the future ECSC used coal more than any other fuel, and the Ruhr was the principal region for coal deposits. At that time, coal alone accounted for nearly 70 % of fuel consumption in Western Europe. Although the Six together with Great Britain accounted for only 20 % of total world coal production, they had an almost total monopoly over supplies in Western Europe. Coal from Eastern Europe was becoming more and more scarce, while American coal was still very expensive and could be bought only with dollars, which were exactly what Europe lacked. French steel companies imported most of their coal, and the pooling of Franco-German resources provided a guarantee of free access to coal from the Ruhr, even if the International Authority for the Ruhr, in which France was actively involved, were to be abolished. The creation of a European pool made it impossible for Germany to sell its coal at high prices and, in so doing, cause difficulties for French industry.

Steel was the most important raw material for weapons manufacture and for industry in general. In the absence of any effective coordination of European plans for economic recovery, each country developed its

own steel capacity in relative isolation, and this carried the risk of over-production. A more fundamental French concern was that steel production in Germany would be controlled by strong industrial cartels and that the steel would be used for weapons production, which was what the French feared most of all. The pooling of steel was therefore seen as a means of destroying the cartels' potential influence and preventing future rearmament. Finally, from a symbolic point of view, the pooling of steel necessarily meant that a new Franco-German war would be out of the question.

In terms of how to proceed, Jean Monnet, who, in 1947, had initiated the planning process in France, could not envisage a common market for coal and steel that operated properly and was accessible to other interested countries without a certain degree of central control in order to guarantee a more coherent industrial policy in Europe. The coal and steel pool affected 150 million consumers.

### **The European institutions**

Jean Monnet believed that effective institutions were needed to exercise control over the planned Common Market. The sectors that were to be pooled were to be managed by an independent institution that would guarantee free competition, combat the creation of cartels, eliminate discriminatory practices, guarantee consumers equal access to supplies and coordinate investment. The supranational authority would have its own financial resources and would be responsible for managing the common market. It would facilitate the opening up of markets through flexible methods of support and control. To fulfil these tasks, it would operate as a collegial body with independent members, with a view to becoming the embryo of a European government.