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Jenkins’ great leap

by Heinz Stadlmann

If the idea did not come from the down-to-earth, pragmatic Roy Jenkins, one could be excused for thinking that here is someone who has taken leave of his senses. At a time when the ongoing economic crisis demands a dogged struggle for survival and ambitious projects are out of favour, the President of the EEC Commission is suggesting the creation of a European Monetary Union: a common currency for all Member States. The concept is that the associated impetus towards a unified economic policy and the fight against inflation will lead Europe out of the crisis. The time has come, according to Jenkins, to give serious thought to an ambitious plan that looks beyond the next 24 hours.

The idea goes back to the summer. In the first six months of his term of office in Brussels, Britain’s Roy Jenkins seemed rather colourless. And the Commission under his leadership did not seem to be generating the forces for integration required here and now to make progress on the difficult business of building Europe. The Commissioners were each pursuing their own concerns. Over the summer break, it apparently became clear to Jenkins that the Community once again stood at a crossroads. London had made it abundantly clear that it rejected all integrationist policies. The other partners were not particularly interested either in seeking more common ground on economic policy. The economic downturn was being fought everywhere with national programmes. After declarations from Paris and London on limitations to the European Parliament’s powers, nothing much remained of the outcome of the last show of strength by the Heads of Government and Foreign Ministers — to reach agreement on direct elections to the Parliament.

The fact that Greece, Spain and Portugal are pressing to join the EEC makes the dilemma all the more acute. Everyone knows that this will fundamentally change the Community. Many warn of the risk that it will be ‘diluted’. In particular, the smaller states want to make their agreement to enlargement conditional on prior progress towards integration and institutional safeguards (majority decision-making in the Council). The hitherto relatively liberal trade policy pursued by Brussels finds itself threatened by the growing protectionist demands not only of France, but also of Britain and Italy.

So what mattered most for Jenkins was to prevent the EEC lapsing into a mere customs union with a common agricultural policy. The time had also come, in his estimation, to establish his own profile. So, after the summer break, he assembled the Commissioners in a small town in the Ardennes ‘to think about the future of the Community free from day-to-day worries’. It was agreed that they had to try to make a ‘fresh start’. Jenkins’ belief was that the great leap now required could only be brought about through monetary union.

The old argument of the early seventies is thus revisited: economic and monetary union should come about progressively through an alignment of currencies. Opponents of this course maintained that unless economic conditions are brought into harmony, there can be no alignment of currencies. Jenkins is backing the monetary card. A common currency, the argument runs, would force the advent of uniform economic policy, the example being set by the countries with the lowest inflation rates. In a recent meeting in Bonn, Federal Chancellor Schmidt spoke with Jenkins for two hours about the latter’s ideas. The German Chancellor, who has never had much time for grand projects for Europe, said nothing after the talks. We will learn what he thinks about the ideas of his friend Jenkins at the Conference of European Heads of Government in December, when the issue will be on the agenda. The Finance Ministers will discuss the matter beforehand. Under no circumstances does Jenkins want a hasty decision. At the moment, it is just a matter of getting a discussion under way, of stirring things up. If the Heads of Government do not reject his ideas out of hand, he will be pleased enough.

While it may seem almost adventurous to consider such things these days, the idea is perhaps worth thinking about, all the same. Unlike in the early 1970s, Western Europe is today bogged down in a difficult economic situation. As yet, no country in the Community has managed to overcome the crisis by its own efforts. There are some six million unemployed in Europe, and so far no one has come up with a scheme for throwing off this potentially dangerous burden. The structural problems that are a principal cause of the economic crisis can no longer be tackled on a national basis. Solutions must be found at the European level — and, beyond, in cooperation with Japan and the United States — for the steel, textile and shipbuilding industries. The pressure to find a balance between larger units can no longer be avoided, and everything is being played out against a backdrop of an accelerating trend towards protectionism. Countries which themselves have a strong interest in exports are increasingly cutting down on their imports. It is already not beyond the bounds of possibility that, even within the Community, trade barriers will once again be imposed for certain goods. For the Federal Republic, with its high dependency on exports, these developments are dangerous. For that reason, it would be wise to consider whether the admittedly high price that the Germans would have to pay for monetary union, given their large reserves, might not in the long run be a wise investment.