

'Iron and steel productivity and research within the scope of the Schuman Plan' from the Luxemburger Wort (9 August 1952)

Caption: On the day before the High Authority of the European Coal and Steel Community (ECSC) in Luxembourg takes up its duties, the Luxembourg daily newspaper Luxemburger Wort publishes an article by Albert Coppé, Vice-President of the High Authority, in which he outlines the economic and social role of the Schuman Plan.

Source: Luxemburger Wort. Für Wahrheit und Recht. 09.08.1952, n° 222/223; 105e année, édition spéciale. Luxembourg: Imprimerie Saint-Paul. "Productivité et recherche en sidérurgie dans le cadre du Plan Schuman", auteur:Coppé, Albert.

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Iron and steel productivity and research within the scope of the Schuman Plan

Steel being the base of all industrial activity, it is of vital importance that a country has a sufficient supply of inexpensive steel. That is why, since the beginning of the century, more or less ambitious expansion plans have been established almost everywhere in the iron and steel industry. Between 1913 and 1951, worldwide steel production rose from 77 to 210 million tonnes, as shown on the table below:

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The scope and buoyancy of this expansion were strongly influenced by the war. Production volume for 1953 is predicted at 240 million tonnes, with American factories alone representing more than half of production.

This is all well and good. But if taken as a whole, these nation-wide plans for expansion and autarchy risk being incompatible with one another. Even though production levels rose to new heights, the tendency for international trading to restrain rather than expand is a concern for all exporting countries.

Moreover, the risk of iron and steel overproduction is greater than in other industries for both technical and economic reasons:

Technical, because the set-up of iron and steel industries implies the large-scale creation of facilities which, technically, cannot slip below a relatively high production level.

Economic, because these facilities imply considerable fixed assets that must be remunerated and amortised all the while striving for the lowest cost, which leads to a tendency to multiply products and maintain production. The higher the production, the lower the fixed costs weighing down on each production unit. In the iron and steel industry, manufacturing costs rise quickly when manufacturing falls below the normal yield. Massive non-stop production is thus the essential condition for a successful iron and steel industry.

It was in this 'climate' that the idea of creating the European Coal and Steel Community, more commonly known as the Schuman Plan, came to be.

If, in its initial intent, Robert Schuman's proposal met political concerns above all, the creation of a broad competitive market, in which products of the coal and steel industries would circulate free of any obstruction or discrimination whatsoever, was meant at the same time, according to Plan proponents, to be the best means of moving towards European economic integration.

In the wake of these preliminary remarks, we would like to discuss here two current issues that may find a positive solution within the scope of the Plan: productivity and scientific research relative to heavy industry. Let us examine in succession these two issues that, in many respects, present a particular interest.

Let us keep in mind that the general aim of the 'Community' is to establish a common market for coal and steel by abolishing all customs duties between member countries. Everything leads us to believe it is precisely the existence of this single market that will foster resource development and stimulate modern and specialised production.

Modern iron and steel equipment is designed for mass production, and mass production demands a large market.

National markets forbid the use of this equipment. Plants working for a limited market must produce a wide range of products, constantly modifying their specifications. In this way, production is reduced and costs are higher.

It would be completely different if there were a prospect of a domestic market of 136 million consumers, which would render specialised production — a fundamental element of productivity — possible.

Who can say whether high American productivity is less the result of technical superiority and greater individual efficiency than the result of the economic proportions themselves. The free flow of human resources, merchandise and capital in this immense market of 150 million inhabitants allows for a rational use of production factors and such large-scale business development that the productivity must necessarily be strong.

A considerable increase in European production is not realistically conceivable save within the context of the integration of our continent. And European integration will not suffice in terms of economic health, if we do not increase our productivity.

For several years now, productivity is becoming more and more of an issue amongst all those concerned with the major modern economic problems.

But this is not the place to delve into an analysis of the notion of productivity: let us simply point out that the issue of productivity can be seen as one that is two-fold: physical productivity (a technical notion) and production in terms of value (an economic notion). The former corresponds to productivity per salaried employee, calculated for a given unit of time and compared to the production of a reference period. The latter corresponds to a production value related to the number of employees involved in its manufacture.

We are aware of the fact that the word 'productivity' arouses very complex and sometimes hostile feelings within the working class. That is why it would seem indispensable that future efforts made in the field of productivity reassure workers that their efforts will not cause the current social situation to become fixed and definite. And workers will only rally together unanimously for the production effort if this effort is followed up with progress in terms of distribution of goods.

Obviously, this cannot imply backtracking when it comes to social benefits. Just the opposite, all efforts must be concentrated with a view to maintaining and improving the standard of living; it is a human and social obligation.

Generally speaking, increased productivity must coincide with an increased standard of living for each individual participating in the production effort.

We know that the level of salary depends on a series of factors, among which productivity ranks first. Hence, in the American iron and steel industry, the wage varies from 1.40 dollars for handling to 2.40 dollars for the head steel roller. The average wage is approximately 2.00 dollars an hour, including overtime. If we base the exchange rate at 1 dollar: 50 francs, the average hourly wage in the United States is thus 100 francs as opposed to approximately 35 francs in Luxembourg. High productivity is the secret to high wages in the United States.

If differences in structure and production conditions between the United States and European countries are too wide for such comparisons to be truly meaningful, it is nonetheless American competition that European countries will have to affront and the battle to be fought will be against American productivity.

In sum, one of the fundamental economic ideas of the coal and steel pool is productivity development, but this productivity is not an end in itself. It is the condition for raising the standard of living.

Let us move on now to the second problem: research.

History has taught us that there are two major driving forces behind economic expansion; on one hand, the opening of new markets; on the other hand, technical invention, the result of scientific research.

In modern times, research is expanding, developing, organising. It seems even more urgent and important now than ever. We must nevertheless observe that, despite efforts made in this direction, western European countries — last century's research leaders — are seeing their level drop constantly with respect to the United States. This is mainly due to insufficient funds, if we are to compare them to the means available to

the latter country. In America, it is recognized that expenditure for scientific research is, in the long run, the best investment.

Furthermore, it is important to note that the relations between research and industry have been poorly developed in the majority of European countries, which is a particularly serious problem, for science and industry ought to be in a constant state of mutual enrichment.

To remedy the situation for the iron and steel industry, the European Coal and Steel Community seems to represent the body capable of promoting scientific and technical research through the possible creation of an International Institute for Metallurgical Research.

Placed under the supervision of the six countries of the Schuman Plan, funded by these countries, nurtured by these countries in terms of competent minds, equipment and research problems, this institute would be called upon to become a grand institution that could claim the honour of assuring the iron and steel industry progress and of contributing to the good of mankind.

To do so, we need not only to search, through scientific work, for a maximum of technical applications for the knowledge acquired, but also and above all to promote original research, which is the only key to truly new avenues.

Although it is impossible to predict the practical outcome of the Schuman Plan, one thing seems clear: European iron and steel is currently in a pivotal position.

In any event, this quick overview has allowed us to hope that after a transitory stage, European countries will, through economic integration and the breakdown of existing fences, enter a new era of economic expansion and prosperity.