

'National budget and European budget' from the Luxemburger Wort (26 March 1957)

Caption: In an article published in the Luxemburger Wort the day after the signing of the Treaties establishing the European Economic Community (EEC) and Euratom by the Six in Rome on 25 March 1957, Pierre Werner, Luxembourg Finance Minister, outlines the mechanisms for financing the Community institutions.

Source: Luxemburger Wort. Für Wahrheit und Recht. 26.03.1957, n° 85; 110e année. Luxembourg: Imprimerie Saint-Paul. "Budget national et budget européen", auteur:Werner, Pierre, p. 3.

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National budget and European budget

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We like to tell ourselves that, at least in countries which are inspired by democratic principles, the budget adopted by parliament reflects the general policy of the country. Indeed, the figures and, in particular, the relationships between the figures speak volumes to anyone who makes the effort to understand them. Spending on welfare, investment and defence demonstrates what the country's priorities are. Will the same be true of spending on European economic integration? Without a doubt.

The recent World War marks an important stage in the development of relationships between nations. Human solidarity is affirmed by an upsurge of idealism which is supported by a clearer realisation of the economic interdependence of nations and of continents. Prosperity is considered to be indivisible. Foreign aid dominates the budgetary debates in the United States. The implementation of plans covered by military treaties, such as the North Atlantic Treaty, have been reflected in national budgets in the form of items of revenue and of expenditure.

Tomorrow, the European revival will be covered by budgetary appropriations under various headings. The operating costs of the European institutions, the endowment of the Rehabilitation Fund, of the Investment Bank, of Euratom and the aid to the French overseas territories will be charged to the budget and will constitute a new section to this document. In comparison with the overall total, those appropriations will still be very modest. Nevertheless, their objectives will vie with national objectives.

The national budget will feel the effects of the development of the Common Market in the structure of its revenue.

The customs revenue will increase at the end of the transitional period, although it is not possible to forecast the order of magnitude that it will account for in the national budgets. The limits to the possibility of converting customs duties into excise duties, the level of the common tariff set up at the outside border and the direction taken by economic flows also represent unforeseeable changes in the new customs revenue.

Ever since the ancient tribute and the biblical tithe evolved and culminated in various forms of direct and indirect taxes, the allocation of community costs according to the ability to pay of individuals or groups is at the heart of the political problem. The feeling that justice was not being done with regard to such allocation has unleashed revolutions which transformed the face of the earth.

The manner in which the national product is allocated, the way in which the costs are shared out and the social security problem is solved are sovereign rights which the nations intend to retain within an integrated Europe. In that sense, the national budget, through which the transfer of revenue is made, will continue to shape and to reflect the social progress of a country.

But it will suffer from the effects of European evolution. The Common Market will prompt at least a harmonisation in budgetary policies just as it presupposes in the long term a harmonisation of monetary policies. An enormous field of activity is opening up to economists, to financiers and – last but not least – to statisticians. Because, as we have already experienced in the context of the Benelux countries, in order to assess the policies pursued by the various partners, we must begin by making the budgetary information comparable. The comparison of budgets will necessarily result in practical conclusions which will influence national financial policy.

The development of the budgets of the European institutions themselves is linked to their objectives. Their growth rate should therefore naturally remain linked to the attainment of those objectives. Democratic control of expenditure should apply thereto with the same effectiveness as it does to national budgets. Except for the ECSC budget, which is funded by a levy on the products involved, the new institutions do not seem to want to develop their own fiscal resources. Their needs will be met from national budgets, and that

means that national budgets will continue to manage the organisation and the allocation of national costs and benefits.

Greater human solidarity will be established both through national budgets and through the European budgets. In that sense, both will reflect the progress of ideas and of civilisation.