

'Current problems in the coal and steel industries' from Le Populaire (10 December 1951)


Caption: On 10 December 1951, the French daily newspaper Le Populaire considers the problems faced by the coal and steel market in Europe in the early 1950s.

Source: Le Populaire. dir. de publ. Naegelen, René. 10.12.1951, n° 8 619; 30e année. Paris: Section Française de l'Internationale Ouvrière (SFIO). "Problèmes d'aujourd'hui dans les industries du charbon et de l'acier", auteur:Philip, André , p. 1; 4.

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Current problems in the coal and steel industries

Among the current debates about the Schuman Plan, one curious fact may be observed. The majority of the Plan's detractors criticise it not for what it can achieve but rather for what it cannot. In other words, they regret the fact that the creation of the European Coal and Steel Community will not in itself provide an immediate and miraculous solution to a number of current problems that exist quite independently of the Schuman Plan. It reminds me of a publicity meeting during the campaign for the ratification of the Constitution, when a voter told me he would vote against the Constitution because there were no proposals in it for lowering the price of wine. It is to this type of criticism that I should like to respond, by examining in turn:

1. the current problems faced by the coal and steel industries;
2. what would happen if there were no Schuman Plan.

What then are the problems faced today which must be tackled in one way or another?

If we take coal first of all, we observe that this industry in the Community as a whole is characterised by rigid production levels but varying consumption levels. Production in the six countries reached 220 million tonnes in 1950-51, compared to 244 million before the war. As for consumption, it varies from 66 % of the average during a period of depression to 125 % during a period of prosperity. It is, therefore, always either below or above the level of production. The France-Germany-Saar area, which accounted for 75 % of total consumption before the war, saw those levels vary from 78 % to 114 % of the average. That 36 % difference corresponds to 50 million tonnes — the total consumption of all the other countries in the Community put together.

The consequence of this situation is instability in coal production. The individual countries have tried to remedy it by internal political means: in periods when coal is abundant, they try hard, through the use of import quotas, to prohibit foreign imports, at the very moment when those countries which normally export coal are trying to develop their exports. In periods of scarcity, such as today, governments are seeking foreign imports at the very moment when the coal-exporting countries are trying as hard as possible to keep the bulk of their own coal for themselves. This is happening between nations within the Community, but it is also happening in their relations with third parties. Therefore, as soon as the situation improves, all American coal imports are stopped, but now we are forced to turn to it again, at prices that high freight charges render expensive and of a quality that is not always the highest, because, if you turn to foreign suppliers, it is quite clear that they will give the best prices and highest quality material to their regular customers, those loyal to them in good times as well as bad. The result of these contradictory policies has been to amplify the variations in consumption, to reduce the coal market more and more, and to make it more unstable, because the narrower a market is, the more susceptible it is to price fluctuations; in the end, abnormal commercial practices developed as a result. Accordingly, with prices fixed according to zones, Lorraine delivers coal to Brittany, although the latter would be better off shipping coal from the Ruhr by sea, and the Ruhr supplies southern Germany, which ought to be the natural market for coal from Lorraine and the Saar.

In the specific case of France, our coal production is and always will be insufficient to cover our requirements: whilst future consumption may be estimated at 70 million tonnes per annum, only 35 million tonnes were produced in 1951, and even that figure represents considerable progress compared with 1938, when 45 million tonnes were produced. This represents a net increase in productivity from 829 kilos in 1938 to 1 320 kilos today. However, despite the enormous progress made by France, the country remains dependent on foreign imports with regard to domestic consumption.

At the moment, it is the International Authority for the Ruhr that fixes the amount of coal that Germany may export. The Economic Commission for Europe, based in Geneva, then determines the distribution of the exportable surplus amongst the various nations. Even in the particularly favourable economic conditions of the post-war period, when Germany was still subject to Allied authority, France did not always receive the

coke that it needed for its iron and steel industry, which, until the last few months, was running at only 85 % of capacity. Furthermore, in the period before November 1950, the German Government pursued a two-tier pricing strategy, selling coal for export at a higher price than coal for the home market. The higher rate was FF 350 a tonne. That fell by half by May 1951 and has since increased to as much as FF 1 400 a tonne. It must be noted, finally, that there has been some discrimination in the price of transport by rail. The cost of transporting coke from the Ruhr to Lorraine is higher than that for transporting it from the Lorraine coalfields to the Ruhr, and even higher than that for transport from the Ruhr to anywhere else. It is clear that this is an element that weighs heavily on the cost prices of the French iron and steel industry.

Moreover, the iron and steel industry itself has certain features that pose particular problems:

— It is an industry particularly susceptible to fluctuations in the economic climate. If for example, an industrial firm writes off the capital cost of its equipment over 10 years (a very optimistic estimate), any 10 % increase in consumption would lead to twice as many orders for equipment; on the other hand, a 10 % reduction in consumption over the course of a year would lead to a complete cessation of orders. This hypothetical example demonstrates how any variation in production levels and in the consumption of capital goods results in a disproportionate variation in demand for equipment in general and steel in particular. This is how, in periods of economic prosperity and depression, it is the iron and steel industry that sees the most extreme and most sudden price fluctuations.

— This industry is also characterised by the significance of the role played by overheads in establishing cost prices. When it appears necessary, in order to meet demand, to open a new blast furnace, this entails considerable expense, and that remains, whether the blast furnace is then used at full capacity, or, because of a subsequent fall in demand, at reduced capacity. In the metallurgical industry, it is not the direct cost of actually producing the goods that is most decisive, it is all the overheads which remain almost unchanged, no matter what the level of production.

— The upshot is that, when an iron or steel firm has the possibility of increasing production as it captures a new foreign market, it allows that new market to buy at particularly low prices, provided these cover the partial cost price of the extra units produced, the overheads to be charged to production already existing on the domestic market. The inevitable result was the policy of dumping which characterised the pre-war period, when iron and steel firms agreed to particularly low export prices whilst imposing high prices on an internal market ring-fenced by high customs duties, thereby hindering the development of those industries which use steel.

— As the battle between the various nations' steel industries rapidly seemed ruinously expensive, the companies in the various countries agreed to share foreign markets and to limit production to levels which would allow them maximum profit in order to maintain the internal market.

The creation of cartels that characterised the inter-war years therefore appears to have been not an accident but the inevitable result of the way in which the steel industry works as long as it remains driven by the search for profit alone and controlled solely in the interests of a minority.

These are the problems for coal and steel that existed in the past, still exist today, and for which a solution is needed.