Address by George Thomson on the Tindemans Report (Brussels, 1 March 1976)

Caption: On 1 March 1976, George Thomson, Member of the European Commission with special responsibility for regional policy, comments on the Tindemans Report on European Union and outlines the future implications of European integration.

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The Tindemans Report and the European future

I would like to begin by saying that the Tindemans Report has several virtues, alas unusual in our paper-ridden Community. It is short enough to read; it is well written enough to read; it concentrates on the immediate problems instead of engaging in pipe dreams of a Utopian future. And finally it does not take refuge in the kind of platitudes that soothe everyone and upset no one. It properly provokes controversy — and the right sort of controversy on the right subject on which Community progress depends — whether the national economies of the Community are going to converge or continue to drift apart.

What Mr Tindemans makes crystal clear in the economic section of his Report is that the Community is once again coming to a crossroads. Some of you may feel rather wearily that the Community is stuck permanently at an eternal crossroads. But, if you look back over the achievements of only the past few years, it is surprising how much has been done, and how many potentially disruptive forces have been withstood.

I belong to the Fabian tradition of British Labour politics. Its belief in what it called “the inevitability of gradualism” may not be very dramatic, but it seems to me it is as appropriate to our complicated, multi-national Community as it was to the tolerant, easy-going habits of British Parliamentary democracy. The symbol of the Fabian Society is the tortoise, and I sometimes think that the Community is like a tortoise: if you keep looking at it, it does not appear to move, but if you look away and then look back again, you will find that it has moved very perceptibly.

Since I am going to talk about the dangers of the Community taking the wrong road, I would like to begin by reminding you of the milestones the Community has managed to pass during 1975, despite the fact that it was a year when Europe faced appalling human problems of unemployment and rising prices. There was, of course, the historic decision of the British people in the Referendum, by a majority of two-to-one, to work for their future within the European Community, an achievement in which the British members of the European Movement in Brussels played an active and imaginative part.

There has been significant progress for the Community, despite occasional set-backs, in learning how to speak with a single voice in the field of foreign affairs. The Community has established a new relationship with Communist China, and has set a pioneering example to the rest of the world on new forms of partnership with the developing countries by agreeing the Lomé Convention.

I might add as a wry footnote, as the Commissioner for Regional Policy, that it seems a great deal easier for the Community to behave as a Community outside its borders than inside them. And yet, at a time of inflation and recession, when governments turn their backs on new forms of expenditure, the Community managed to bring to birth its new Regional Development Fund. The Common Agricultural Policy, though it still faces serious problems through its failure to find adequate solutions to the problems of surpluses, has given Community housewives greater security of supplies and more stable prices than if they had been exposed to world market forces.

Finally, on the institutional front, there have been two important developments — the decision to aim for direct elections to the European Parliament in two years’ time, and the establishment of a major new piece of Community machinery, the European Council. This brings together on a systematic and regular basis for the first time the democratic heads of all Community governments and, if it is used wisely and well, can give the Community a […].

Despite all these achievements, however, the fact remains that we are now facing several difficult choices about how to proceed. The world economic crisis has, as it were, ruthlessly divided the weaker Community economies from the stronger ones.

It is not too much to say that the world economic crisis is putting on trial the mixed economies and the multi-Party democracies of Western Europe.

Since the end of the second World War, the mixed economy of Western democracy has been a success story.

In contrast to the between-war period of slump, totalitarian regimes and war, it has produced full employment, rising living standards, liberty and peace. The mixed economy — with its varying blends of private enterprise and public intervention, its varying degrees of social democracy — delivered the goods for its citizens — until the present world economic crisis hit us.

Today we live in a Community with five million unemployed — too many of them young people facing the demoralising experience of going straight from the classroom to the dole queue. The oppressive poverty caused by unemployment in the past has so far been absent — thanks to the protection of social security systems which have been one of the civilising achievements of our mixed economies. And fortunately there will be an improvement in the levels of unemployment as the cyclical aspects of the slump are beginning to show signs of passing.

But make no mistake about it. Community Europe is never going to be the same again. We are not going to return comfortably to the automatic growth of the sixties and early seventies, and if we want to get back to the high levels of employment of the post-war period, we will only do it by painful effort as a Community. Economic nationalism knows no answers to the problems of the end of the century.

When the present high tide of slump recedes, down on the seabed convulsions have been taking place, and we shall find left behind big new pools of permanent unemployment in industries and areas accustomed in the past to prosperity.

Even on optimistic assumptions of a return to a Community-wide growth rate of four or five per cent, it is likely to mean a continuing unemployment of three million. Because of the bulges in the birth rate, too many of these will be young men and women arriving on the labour market for the first time.

The unemployment problem has been stirring the conscience of the Community. A Tripartite Conference of Ministers, trade unions and employers started the search for solutions in December, and it is important that some practical ideas are ready for the next round in the summer. But it would be foolish to believe there are any simple solutions.

One suggestion, for example, is that as part of Community Social Policy we should promote schemes for shortening working hours or reducing retirement age, perhaps by one year each year over a number of years. While these ideas are worth exploring, the evidence so far is that they do not go to the heart of the problem and, if handled without self-discipline, could end up by stoking the fires of inflation. For example, only a drop in the male retirement age of five years at a single step would make any radical impact on jobs — and this would create a different problem by seriously worsening the ratio between the active and non-active groups in society at a time when the age pyramid is already seriously distorted.

The truth is that ameliorative social policy is not enough. What is needed is an active policy of positive structural change to adapt our industrial society to the new situation which has arisen. When the oil producers quadrupled the price of their black gold, they marked the end of an era — and the beginning of a new era. The character of our new era — and whether it will be able to provide its citizens with work, and liberty to the fruits of that work — is still to be decided and will depend on our own intelligence and democratic self-restraint.

I was interested to note that in two significant recent speeches, the British Foreign Secretary, James Callaghan, indicated that a solution to this new problem of post-recession structural unemployment might be best undertaken within the framework of the Community. There are two outstanding general reasons for believing Community solutions would be best — the one external, the other internal.

Externally what we face is the establishment of a new economic balance of power between the industrialised nations of the West and the developing countries producing the basic materials on which industrial society depends. The outcome of this search for a new economic order will largely determine our own internal options in the Community. That is what makes the new North-South dialogue so important. No Western European nation state — not even the strongest economically — can carry much weight on its own. But as the world's largest trading Community we can have real influence over these decisions, which will determined the living standards and the liberties of coming generations.

That is why Mr Tindemans is right to lay so much emphasis at the beginning of his report on the need to pool our national policies on development aid and to find ways to speak with a single voice in the Third World.

Internally it is equally true that the nation states of the Community — even the strongest — can no longer meet the needs of their citizens by policies of economic nationalism. They are too economically interdependent. In a situation in which we are faced with unacceptable levels of long-term unemployment, it is no good seeking to solve a national unemployment problem by exporting unemployment across one's neighbour's frontier. Economically and politically it is disastrous, for your Community neighbours are also your best customers and your closest allies

But what does a Community strategy against the new unemployment imply? Massive new investment is needed to make the Community less dependent on imported oil. Massive new investment is needed to bring about the structural changes in Europe which follow from the fact that the new countries are going to develop their own industrial base and do for themselves many of the processes that at present provide jobs for European workers.

But all this will require careful identification of the sectors and regions most affected. It will demand a higher growth rate for investment and a lower growth rate for consumption than is politically agreeable.

This will raise big problems of gaining public consent for painful changes — for readiness to retrain for new jobs; for restraint in wage demands.

It will require the fullest flow of information from Government right down to the shop floor and the spread of effective and well informed participation in industrial decision-making.

It will also raise the question of participation in an even more politically sensitive way — the need for a wide participation in the ownership of the new investment. For if consumption is to be held back in favour of investment in restructuring, it cannot expect to enjoy public consent if it simply leads to greater concentrations of private and corporate wealth.

Nor, I might add, will it be politically acceptable if the new investment in particular sectors leads to even greater geographical concentration of new development in the central areas of the Community at the expense of the already deprived areas around the periphery.

This rather forbidding analysis underlines the need for the Community to take an urgent fresh look at its economic strategy, and to see it as a whole. Perhaps the increasing awareness in a number of national capitals of the new post-recession unemployment problem will provide the fresh impulse we so desperately need to bring the national economies of the Member States closer into step with each other.

Coordination — like charity — begins at home, and the first steps at seeing the economic challenge as a whole can well begin inside the European Commission. We have set up a new inter-services unit to monitor on a regular basis the various instruments of structural change — the Social and Regional Funds, the funds for modernising agriculture, the European Investment Bank, the research funds, and so on. The immediate reason for doing this is to measure the regional impact of our various policies — how far they actually contribute to transferring resources from richer to poorer regions. I feel bound to say that my own impressions from what I have seen at first hand of the operation of these policies are disturbing. Forms of Community aid, useful and well justified as individual acts of policy, when looked at as a whole appear to be actually widening the regional gap instead of closing it. Now we should be seeking ways and means of measuring the impact of our financial aid, not only in regional terms, but at the same time in terms of its impact on the structural changes we must seek throughout the Community as a whole.

But we have to think not only in terms of enlarging and making more coherent our policies for regional development or for retraining and modernisation. The world economic crisis and the arrival of the new problem of persistent unemployment makes it essential to begin thinking what new Community instruments of economic intervention we may need.

Solving the new unemployment problem means identifying the areas of the economy where change is required. It then requires selective investment to bring these changes about.

I think a great deal of hard thinking — and no doubt fierce debate — lies ahead of us if we are to find practical ways to combine the need for selective investment and positive regional planning with the dynamism of free market forces.

We must bear in mind, however, that blueprints to deal with the new unemployment problem can be as dangerous as the blueprints of European Union so often denounced by the pragmatists, if they do not start with the real world. And the real world is described sombrely and with sadness by Mr Tindemans in his famous passage on a two-speed Community.

There may be different interpretations of Mr Tindemans' conclusions — and he has himself been at pains to remove misunderstandings — but there can be no doubt that his starting point is accurate.

There are in fact widely differing speeds within the national economies of the Community counties today. Under the impact of recession and inflation national economies have been diverging — not converging as is essential if the Community is to advance.

All the talk of new common policies to meet the new unemployment problem will be meaningless unless there is a difficult political act of will by those responsible for both the stronger and the weaker economies. On the one hand it means a willingness to see a balanced flow of resources to the places where the economic structures most need to be strengthened. On the other hand it means a willingness by national governments and national Parliaments to accept a certain code of Community economic discipline in the common interest.

Maybe we have to seek new ways of bringing about a transfer of resources. At present it is bedevilled by national calculations of how much national Treasuries pay into the Community Budget, and how much they get out. It is as if the success of a marriage and a family were to be judged mainly by the monthly sessions between husband and wife over the housekeeping accounts.

The old Coal and Steel Community manages to work things rather better with a production levy on a sector of industry and a transfer of resources where investment is needed or social problems have to be helped. The transfer takes place within an industry not between Member States. It seems to avoid the deafening clicking of computers in national Treasuries as they work out their calculations of net return to two decimal points.

On the discipline side, there may be advantage to Member States facing economic weaknesses if they were to give up defensive national weaknesses and stop saying that a special exception should be made to allow them to do things their own national way. Instead they could use the Community as a protection to pass some of the blame for an unpopular action onto the long-suffering European Commission. I don't think we would mind if the results were right. Most Governments have to do difficult things which they know are necessary and right. Indeed a rule of modern government appears to be that the more necessary a policy is the more unpopular it is. It can be a help if a Government can say that they have no alternative to a certain course of action if they are to keep to the rules of a Community where the benefits are accompanied by obligations.

I do not think it is possible to get away from this balance of mutual help and Community discipline if the Community is to become a real Community, achieving the aims of European Union set out by Mr Tindemans. The alternative is a loose inter-governmental grouping of national economies while those countries with the economic strength and political will to gain the benefits of integration go ahead and do so. It will be a second best even for them and a third or fourth best for those unable to be members of the magic inner circle. It will make Europe a partial spectator in the great decisions that will be taken in the search for a new world order — decisions on which living standards of our children depend. And internally failure to create a single European Community will put immense strain on the survival of democratic institutions in various parts of Europe. The consequences of failure to fight unemployment with economic integration are impossible to foretell at this stage. But be sure they will be damaging to our material prosperity. And they could easily threaten both our liberty and international peace.