'The New Utopia' from The New Statesman and Nation (30 March 1957)

Caption: On 30 March 1957, commenting on the signing, five days earlier in Rome, of the Treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (EAEC or Euratom), the London weekly political magazine The New Statesman and Nation expresses its doubts about the supposed benefits of the Common Market.

Source: The New Statesman and Nation. The Weekend Review. 30.03.1957, No 1359, Vol. LIII. London: Cornwall Press Ltd. "The New Utopia", p. 401.

The New Utopia

As the plans for an economic unification of western Europe gradually unfold, there is a growing, if unfocused, fear among Labour supporters that something is being hatched which may further push us back into the pre-war world of economic injustice and hardship. I do not personally think that there is any conscious conspiracy to enshrine the rules of the capitalist game in unbreakable international treaties. But I have little doubt that, as at present conceived, the efforts of the “common marketers” are dangerous for the prosperity of both Britain and Europe as a whole. They are unlikely to cure the terrible economic weakness of Europe before the growing power and technological superiority of the U.S. and the U.S.S.R. Internally they may well lead to growing political dissension because of the problems set by German technical preponderance. They threaten to aggravate bad relations between East and West by freezing in a rigid economic mould the division of Germany. Last but not least, they would inevitably accelerate the trend towards the dissolution of the Sterling Area.

What then is the basis for the high hopes which have inspired this venture? The economic argument for both the Common Market and the Free Trade Area boils down to the old idea that all would benefit if each country concentrated on the production of what it produces best and obtained the rest of its needs by trade. Now this may not be a bad idea for the Common Market countries. These countries have decided to liberate from restriction the movement not merely of goods, but also of manpower. Thus if one area becomes supreme in the most important or productive industries there is some sort of remedy — even if it is not a pleasant one. People who are in the less favoured area can move, as they moved before the war from South Wales and Tyneside to the midland industrial belt. But such migration, apart from the hardship it inflicts, may not be effective in solving the economic problems of the less favoured area. Prosperity returned to Britain after 1945 when the Labour government deliberately maintained full employment and control over the location of industry; while the south of Italy progressively decayed after its unification with the stronger north and, despite continuing emigration, remains wretchedly poor.

Thus, even when this safety valve exists, the prospects are disquieting. Specialisation could after all mean for large areas specialisation in hewing wood and drawing water. Only planning, technical education and the co-ordination of investment can provide a sure solution. This has been partly and belatedly realised by the French, who have now asked for the entry of their overseas territories into the Common Market and demanded from the other members a contribution to their overseas investment programme. In addition, creditor countries in the Common Market are now supposed to use some of their surplus to help in the economic development of the debtors. These are important, if inadequate, modifications of the purely negative concept of "freeing" movement. But they certainly add to the problems of those countries which, like Britain, wish to associate themselves with the Common Market only to the extent of freeing part of their trade from tariff protection. The problem here is further complicated by the fact that these countries cannot rely on a shift of population for relief from the possibly harsh impact of freer trade. The advantages therefore must be very carefully weighed; and I have little doubt that the outlook for Britain is far from favourable. If it is argued that we should join the new organisation simply because not to join would be worse, then we should at least be aware of the pitfalls.

In the first place the doctrine of “natural aptitudes” is reasonable in the case of unchanging productive capacity: obviously San Remo is better fitted to produce carnations than Hull. But the textbook example in which, for instance, Portugal exchanges wine for cotton goods, is scarcely apposite to the trading pattern of modern industrial countries whose productive capacity is expanding at the rate of anything between two and ten per cent, annually. Such countries may gain far more by maintaining full employment and expanding quickly than by trading freely and slowing down their development. It is clear that Germany in the post-war years has achieved such technical superiority over the rest of Europe as to make nonsense of the textbook principles. Her average expansion is twice that which we have achieved in Britain in our best post-war year. Thus Germany will be able to dictate the pace and Britain would be likely to run quickly into balance of payments difficulties and so be compelled to restrict investment and further increase her inferiority.

It can be argued that these are short-term considerations and that the advantages of freer trade lie in the long run. But in the long run we are all dead. If over a large number of short periods we have to restrict credit and limit production, we shall lose far more than we can possibly gain. The advocates of freer trade admit that, at least in the bigger countries, an increase in the size of markets would not lead to any sudden new methods of production. Indeed they give themselves away on this point by arguing that very little has changed in Europe as a result of the Common Market in steel and coal and that nothing dramatic should be expected from its extension over production as a whole. The long run advantage in fact remains questionable.

This scepticism is reinforced by the fact that the sponsors of the Free Trade Area have now agreed to exclude from it for a number of years the weaker countries such as Greece and Turkey. It is evident that free imports would make the industrialisation of such countries totally impossible. But if Greece and Turkey need to be protected, does not the same argument apply to those (e.g., Italy) whose inferiority to West Germany differs only in degree? Then there is the insistence of the British government that agricultural products are excluded altogether. It is, of course, in these that Europe as a whole, including Britain, could benefit most from free exchange: in this field natural aptitudes really are different. The reason for its exclusion, however, is obvious. If food, drink and tobacco were not excluded, imperial preference would go by the board. This would not matter if we could still rely on the cohesion of the wartime Sterling Area, which was based not on tariffs and preferences, but on restrictions of imports and of payments to outside areas. These restrictions gave us an exceptional degree of preference and secured us markets for half our total exports.

The clash of interest on agricultural exports will certainly be sharp, as Denmark, Holland and Italy at least will press hard for their inclusion in the free trade system. The communiqué published after the recent meeting of the Council of O.E.E.C. contained, among the usual platitudes, one significant passage. “Ways,” it said, “must be found to ensure the expansion of trade in agricultural products on a non-discriminatory basis” between “all members of the Free Trade Area.”