

Report on a European Economic Policy submitted at the Conference of Westminster (20–25 April 1949)

Caption: From 20 to 25 April 1949, the European Movement holds an Economic Conference in Westminster during which the report submitted by the International Economic and Social Section on the implications of the establishment of a Common Market in Europe is examined.

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General Report submitted by the International Economic and Social Section (European Economic Conference of Westminster, 20-25 April, 1949)

I. Need for a European Economic Policy and the role of the Westminster Conference

The Causes of the Economic Disruption of Europe

1. The disruption of the European economy is felt in every country in Europe, by every community, enterprise and individual. It affects working conditions, standards of life and even moral behaviour. Public opinion blames the last World War, or both the last World Wars, for the poverty and weakness, and the further impoverishment and weakening, by which the European economy is seen to be afflicted or threatened. But although the War is directly responsible for the material destruction, the depreciation of machinery and the loss of foreign investments, while the interruption of traditional relations between East and West has upset the economic balance, other factors, rooted deeper in the past and having a more lasting effect, are contributing to this decline. It is time for Europe to make a bold effort to free herself from these influences.

2. The nations and territories from which Europe obtained the raw materials and food she needed, in exchange for services and manufactured goods, have set themselves, one by one, on the road to economic emancipation and growing industrialization. This radical transformation, highly beneficial in so far as it is capable of improving the material conditions of the peoples concerned, and of the whole world, has resulted in a great reduction in European participation in World trade. While the needs of reconstruction oblige her to increase her imports, Europe finds that supplies in foreign markets are limited and costly; her means of payment are reduced; her exports meet with strong competition and with more restrictive regulations than in the past. The dollar area has become the most important source of supply, and the outstanding feature of the situation is the crushing dollar deficit in the general balance of payments. The position is complicated by the ill effects of measures for the protection of currency, which paralyse the circulation within Europe of men, goods and capital; encourage, in every country, the tendency towards autarchy, and leave no course open but the inadequate and precarious one of bilateral trade.

Temporary Aid to Europe by the United States

3. Without the American aid given under the Marshall Plan, food rations would have remained at, or fallen to, the famine level of 1,800 to 2,000 calories a day to which most of the countries of Europe were reduced by the War; the recovery of production would have been hindered, and any increase of production would have been impossible.

4. American aid has averted these risks; under it sixteen nations are at present receiving, and are promised in the immediate future, besides indispensable consumption goods, credits and capital goods which will continue to bear fruit after the aid has ceased. But when this time comes, as it soon will, the fundamental flaws in the European economy will reappear, in hardly less critical form, unless Europe has the courage to use the extraordinary assistance, which affords her temporary benefit, towards their final correction. She has to decide how she is going to use the remedy which is offered to her. Either it can provide her with momentary relief from her ills; or it can make them worse; or it can cure her altogether of her economic malady.

The Dangers of a Disunited European Economy

5. It has often been stated officially that neither mass production nor specialized production can be achieved where political frontiers create national units without the resources or the markets which are needed. This means that such units are likely, sooner or later, to find their products outclassed by those of their more powerful competitors, and that they may be unable to make their contribution to the development of world economy. It should be added that none of these national units is suitable for the purpose of undertaking individually, the development of new sources of power, or of following up the fertile scientific discoveries which are being made. Such inventions and techniques cannot be exploited on a small scale, and thus,

without the removal of those obstacles which now prevent their exploitation on a European scale to satisfy the combined needs of Europe as a whole, the people can never hope for the extra employment, savings and well-being which would result from this development.

The Trump Cards of the European Economy

6. Decline need not be fatal. Before the last War, Europe achieved, despite differences between one country and another, a high agricultural yield; she was the greatest producer of coal, iron and steel, chemical products and electricity. This potential remains. Within her own territory and in the overseas countries which are associated with her, she commands potential resources which could increase food supplies. If Europe has declined while other economic units have progressed, and if grave risks are compelling her to pool her resources and harmonize her economic policies, yet she has also, fortunately, the means of turning this necessity into an opportunity, and these emergency measures into the beginning of a progressive improvement in European standards of living. She is able to form an economic unit of 240 to 260 million inhabitants, a larger population than the United States or the U.S.S.R.—inadequately endowed with natural resources, certainly—but incomparably rich in culture, initiative, inventiveness and skilled labour. Europe can once more play a leading role in the general progress of the world's economy.

What the Westminster Conference Can Do...

7. The EUROPEAN MOVEMENT has already proclaimed, in the final resolution of the Congress of The Hague in May 1948: *“There is no hope of recovery if each country simply strives to rebuild its national economy by the old methods. Under modern conditions Europe can only achieve the standard of living which it ought to enjoy if its industrial and national resources are developed on continental lines.”*

8. The reasoned appreciation of Europe's best interests expressed in this statement is now generally agreed; Governments have accepted the principle, and have acted in conformity with it. It can no longer remain the economic programme of the EUROPEAN MOVEMENT without being further defined. The EUROPEAN MOVEMENT wishes to go further and to develop, on concrete and practical lines, the resolutions regarding economic principles adopted by the Congress of The Hague. With this object, the Movement asked the International Economic and Social Section to organize the European Economic Conference of Westminster to be held at the end of April, 1949. It will be the duty of this Conference to indicate which of these "old methods" is preventing the recovery so ardently desired by Europeans, and in what way it is so doing; and to indicate moreover what common policies "on continental lines" can be recommended, at present, to the Parliaments, Governments and peoples so as to guarantee that degree of liberty and well-being which may be termed the "economic honour" of Europe.

...To Achieve a European Economic Policy

9. This study cannot extend to every problem and every detail of a complex economy; it must be limited to the fundamental issues which have been placed on the agenda. Even within these limits, it cannot be expected to deal exhaustively with every subject and cope with every difficulty. The object aimed at is less ambitious and more realistic. The Conference will have succeeded if, animated by a genuinely European spirit, it devotes itself to resolving into European terms the European problems which, up to now, have hardly been defined and discussed except in national terms. It will have succeeded if, in its efforts to give reality to the European idea and to European institutions, it eschews doctrinaire discussions and formulates simple and practical proposals, which open up new horizons and are capable of gaining the support of public opinion and of guiding the policy of those in power in overcoming on European lines the difficulties which lie ahead.

II. The Fundamental Basis of European Economic Policy

Scope of a European Economic Policy

10. It is a matter of great regret to the countries of Europe which seek to lay down and pursue jointly a

common economic policy that they are at present deprived of the co-operation of many of the areas with which they are linked by geographical and historical ties. But this involuntary isolation need not cut them off altogether. Every nation concerned can share the European economic policy, if it accepts its objectives and methods. Such a policy should offer in the long run the best hope of reuniting regions, now divided, which are natural partners.

11. The progress towards establishment of a European economic policy will be the more rapid and effective if the economic relations which several of the participating countries possess with associated or dependent overseas countries and territories are maintained and developed, for the benefit of all concerned.

12. It is not the purpose of the proposed European economic policy to form a self-sufficient block. A more rational and productive use of European resources may well lead to a certain readjustment in commercial relations with extra-European countries. This will not be the result of the creation of any particular prohibition or restriction directed against them; on the contrary, the increased production and purchasing power which will result will produce new opportunities of importing and exporting, different in kind and in volume from those available in markets exploited by independent and competing national economic systems.

General Objectives of a European Economic Policy

13. It is important to distinguish between the ultimate goal, which may not be achieved for some time, and the immediate objectives of a European Economic Policy, in order to avoid much possible confusion as to the requirements, timing and conditions of the various stages.

14. The final objective is the re-alignment of all the markets of Europe, now separated by political frontiers, to form a single market for labour, production and exchange, within which men, goods and capital can circulate without more difficulty than they now encounter in going from one province to another inside their own country. But the realization of such an objective is a complex matter and can only be reached by gradual stages. From the start, however, and during every phase, the objects to be aimed at are a continual raising of the standard of living of the European peoples, and a general increase in production and trade, which implies the progressive reduction of production costs and the corresponding improvement in earnings, direct and indirect, as in every other benefit and guarantee of society.

Nature of a European Economic Policy

15. Whatever the stages are, the development of a common economic policy for Europe will involve in each participating country the adoption of various measures with that aim in view, calling for the revision by Governments of existing regulations and the alteration of the conditions which now exist in the various fields of economic activity. Whatever the extent of these modifications of the status quo, the measures to be taken will necessarily affect existing agreements regarding contracts, customs, currency, finance and taxation and will thus react on the social and political systems of the countries concerned. This presupposes that the measures referred to will be accompanied by other reforms outside the economic field which will result in a joint exercise by the participating countries of certain of their sovereign powers.

16. It is necessary, not only to consider the general advantages of a combined European economic policy, but also, in order to avoid jolts which might cause irreparable damage at the outset, to bear in mind the economic and social background, the trends of public opinion and the particular problems resulting from past and present conditions in the various countries of Europe. Although the European Conference of Westminster is concerned with economics, it must not ignore the other factors of the European problem. Its proposals and conclusions must, of course, meet the needs and grasp the opportunities of the economic situation; but they should be in tune with the aspirations of the people themselves; they must not be out of touch with the claims of feeling and humanity.

III. How can a European Market be achieved ?

Initial Difficulties

17. The question arises as to whether the social and economic differences existing between the various European countries, not to mention political divergences, do not present insurmountable obstacles to the free movement of labour, goods and capital. It would appear on first consideration that these initial difficulties must be overcome before any unhampered movements can take place. But on further reflection this may be a mistaken point of view: in other words, need details of a legislative character be first laboriously worked out, or could not preliminary steps towards economic unity be taken in spite of existing differences, under the aegis and sanction of European institutions in legitimate possession of the necessary authority?

Mobility of Labour

18. At the present time there are considerable variations in European conditions of work and pay. If people had the freedom to work where they chose, might not there be a risk that certain countries at present enjoying high standards would be forced to lower the real, as opposed to the money wages of their working populations; and as the result of a sudden influx of immigrants on a large scale, to suffer from unemployment? Alight not competition based on the undercutting of wages and conditions benefit unfairly those countries with surplus labour and particularly low wages?

19. These fears exist, but it is possible that they are exaggerated. At the outset popular habits and housing difficulties will discourage movement as much as those of the existing restrictions which cannot be removed overnight. Equilibrium can only be gradually established. Differences in wages moreover often reflect variations in productivity; at the present time, in certain countries which could be named, there are considerable internal differences between regions and industries, but these do not impede the free circulation of labour within those countries. To achieve a European market for labour the preliminary evening up of social conditions, although highly desirable, does not in fact appear to be indispensable.

20. Various suggestions have been made regarding the steps to be followed in building up the European market for labour:

(i) The first is to produce at an early date statistics of comparative productivity, standards of living, and wages, both as between the various European countries, and between Europe and the United States of America. However difficult this task may be, the information it would provide is indispensable to any plan for European economic union.

(ii) The second is to embark at once, under control of a European authority, on measures designed to encourage the free movement of labour, but to give practical effect to them at a tempo governed by consideration of the results observed in the countries concerned. Immediate removal of the restrictions on the movement of labour might lead to large scale migrations of workers out of countries such as Italy or Western Germany, which could have a depressing effect on the standard of living in the receiving countries. It would not however lead to similar migrations from the Benelux countries, France, Great Britain, Scandinavia or Switzerland. The principle on which this suggestion is based is that migration of workers should be allowed from country to country, at least up to a certain minimum figure, the latter being fixed by agreement with reference to the size of the populations of the countries concerned, and in accordance with a sliding scale applicable to all the European countries which only the European authority would have the power to alter.

(iii) The third suggestion is that the Committee on Social Conditions of the European Assembly should undertake, in co-operation with the International Labour Office, the dual task of regulating labour movements and of evening up gradually the labour laws of the various countries.

(iv) The fourth is so to modify the economic and legal status of Europeans that they enjoy in each country of Europe the same rights as the citizens of the country in question.

(v) The fifth is to take advantage of the proposed common economic policy for Europe in order to solve the

problem of unemployment, if possible completely, by agreed European programmes for the migration of workers, the re-training of surplus labour, and increased production on a European scale of goods and services.

21. Amongst the unsolved social problems today afflicting the European conscience, the question of displaced persons living in camps demands immediate action and concerns directly the present and future European economy. A solution must be found without delay not only for humanitarian reasons but also if we are to enjoy a healthy economic situation. European Governments must offer to these people the possibility of emigration both to European countries and their overseas dependencies. Every facility should be given for the completion of academic studies, and each should be assured of his right to better his position according to his ability. Worthy in itself, such a project would also contribute to the development of European unity.

Circulation of goods

22. How can a European market be achieved? The countries concerned will have to surrender certain sovereign powers to European institutions otherwise organizational and political differences will obstruct the development of a European policy.

23. The impulse towards co-operation between European countries has been demonstrated by the creation of the Organization for European Economic Co-operation, whose activities have been helpful in the coordination of programmes independently prepared and in facilitating the regulation of trade. The intermediate report of the O.E.E.C. on long term plans however, reveals the difficulties encountered. It shows clearly that they can only be effectively overcome by an integration going far beyond the co-ordination of separate economies; an integration which by the gradual removal of existing barriers would move towards a United States of Europe as its ultimate goal.

24. The following proposals have been put forward:

(i) The first suggests a system of preferences both for internal European trade, and external trade with related or dependent overseas territories. This would encourage a more lively circulation of goods which should benefit all the countries concerned. This proposal raises difficulties however, for those countries who were signatories to the general agreement on tariffs, customs and trade (Geneva 1947) and the international trade Charter (Havana 1948).

(ii) The second suggests that in line with the Havana Charter, Europe could become a "free trade area", within which barriers to the free movement of goods and capital would gradually be abolished. External customs and treaty arrangements would remain unaltered in so far as necessary to maintain economic relations with countries outside Europe.

(iii) The third proposal suggests a customs union. This would involve the immediate initiation of measures to be developed and completed during a somewhat protracted transition period combined with monetary measures outlined in a later chapter of this report. Such measures would slowly modify the legislation and activities of the countries concerned.

25. Those who regard a Customs Union as a means of achieving European integration rather than as an end in itself believe that one of the following methods should be used:

(i) A customs truce, by which European countries would undertake to prohibit any addition to the tariffs already imposed; to relax the quantitative restrictions now in force; to introduce preferential tariffs between themselves; to adopt a common customs system governing the relations of Europe as a whole with extra-European countries, and finally to remove all customs barriers inside Europe; or

(ii) The abolition of all quantitative restrictions on internal European trade, leaving participants free to retain their customs arrangements during a transition period, or even to increase them in certain cases in accordance with the conventions of Geneva and Havana; or

- (iii) The reduction of inter-European customs by a fixed percentage each year during a specified period; the quotas for inter-European trade being concurrently increased by an annual percentage fixed in advance.
- (iv) Complete removal of inter-European tariffs and quotas at the end of a specified period, during which time the technical personnel in each branch of production concerned would be expected to complete the necessary measures of reorganization,
- (v) Whichever of these suggestions is thought preferable, once decisions of principle have been taken by the national governments, it appears essential that their application in practice should not be left to the individual initiative of the Governments concerned nor to bi-lateral arrangements made between them, but should be the responsibility of some European authority which should be created and should function under the aegis of the Assembly and of the Council of Europe. This would ensure that the customs union would be strictly honoured in all its details and that any modifications or exceptions, found to be necessary, would in fact be made. It would also make it certain that the activities for which it was responsible would be co-ordinated with those of all other official or unofficial agencies working to form a European customs Union.

Currency and Finance

26. Currencies would have to be convertible and prices stabilized within reasonable limits before the salutary situation outlined above could really develop. Europeans must be able to depend on the value of European money received in exchange for those goods and services which the relaxation of controls would enable them to offer. A European market cannot be achieved while national exchange controls hinder the movements of capital and obstruct international investment. The difficulties of the balance of payments encountered by O.E.E.C. show that while exchanges remain blocked and exchange rates arbitrarily fixed currency equilibrium will not be possible.

27. The free quotation and interchangeability of the various European currencies is by no means impossible. If general commercial conditions and external policy were similar there would in fact be no need to fear extensive movements of a speculative character. Inflation is sufficiently under control for the revision of exchange rates to be undertaken without delay. Thanks to the aid received under the Marshall Plan, which has done much to ease the European balance of payments, circumstances are now favourable both to inter-European currency stabilization and to the stabilization of the monetary relations between Europe and the United States.

28. Under these conditions, European monetary and financial policy should be directed—in conjunction with measures progressively adopted in other fields—towards currency union. This would be the task of a special European body. The intermediate stages between the present and ultimate position would then be:

- (i) Immediate revision of exchange rates, settled by a conference of European Finance Ministers. This revision would mean that for all proposals which are commercial in origin, free convertibility would exist between the currencies concerned. Controls would be retained, provisionally, only for movements of capital and for currency dealings between the participating European countries and the rest of the world.
- (ii) Co-ordination of the finance policies of these countries in relation to: (a) the amount of budget surplus or deficit; (b) transfer of investments from one country to another in order to prevent such movements from upsetting the balance of payments of the countries concerned; (c) rates of interest in each country. As a result of this, individual enterprise would be able to invest on its own responsibility. This co-ordination of policies in respect of monetary technique and external exchange should be entrusted to a European Commission composed of directors of the central Banks.
- (iii) These preliminary measures would make it possible to permit free movement of capital, subject to the condition that they should not entail in themselves further alterations in the rates of exchange. These, although subject to alteration by agreement, should remain stable.

IV. Principles of the European Economic System

29. Differences of opinion between the exponents of a planned economy and supporters of free enterprise should not obscure the European objective, which goes far beyond these often purely theoretical controversies over doctrine. It is a fact that in Western Europe today no country can maintain a system which is based exclusively on the principles of free enterprise, and none has as yet adopted a completely totalitarian form of organization. In practice compromises between these two opposed solutions are continually being put into effect. Consideration of the problems involved in a European economic Union shows clearly that such a Union cannot be conceived or accomplished without a considerable measure of concerted planning by the Governments concerned, similar to the planning at present taking place under the influence of O.E.E.C. Within the framework created by this planning there will, however, be ample scope for free enterprise. It is important, moreover, that the framework should itself be based on principles acceptable to all the interests concerned in every field of production, and that the system adopted should encourage the employers' and workers' organizations to collaborate effectively in raising the level of productivity in Europe. Efforts to create an economic Union of Europe should therefore start from the principles that full employment and a certain minimum standard of social benefits must be maintained, and that a compromise must be worked out between the two extremes of complete freedom of enterprise and complete state-control.

30. The essential character of a common economic system for Europe would thus seem to involve the co-existence of two areas of activity:

- (i) An area within which public control is exercised over industries such as electricity, transport, docks, and eventually certain of the basic industries whose conditions call for a common policy exercised through an administrative organization common to the whole industry;
- (ii) An area of free enterprise.

Area of public control

31. There are evidently differences of opinion as to the way in which industry should be organized in what is here described as the "area of public control":

- (i) According to one point of view, industry within this area should be under the direct control of the representatives of the European community. It is not a question simply of extending the experiments in nationalization which have been made in certain countries. New forms of organization are to be developed on a European scale, based on the maximum possible decentralization of industrial management, and distinguishing between the productive side of industry which will to a large extent remain based on national units, and the distributive side which by its nature should be organized internationally.
- (ii) According to another point of view, industry within this area should remain in private hands but under the control of a European authority. This control would be exercised either in accordance with the terms of an agreement containing certain specific conditions made between the European authority and the industry in question; or by permitting the participation of the authority in the internal management of the industry; or by the formulation by the European authority of a general policy to which the industry in question should adhere.
- (iii) It is probable in fact that a number of different solutions will be found, which will take into account the character of the industries concerned, and the form of organization which is most appropriate to them. There is however one point on which there must be general agreement. Whatever form of organization is adopted, the primary consideration must be the interests of the consumer, and the object must be to achieve the maximum increase in productivity at the lowest possible cost in conditions which are the most favourable to the general interests of the European market.

Area of free enterprise

32. Within the economic framework of Europe room should be left for industries privately owned and under private as opposed to public management. The number and importance of such industries will depend on the place allotted to them in the various national economic systems of the European countries, and on developments in public opinion:

(i) According to one school of thought, what may be called the "area of free enterprise" must in any case include the industries engaged in the production of consumer goods: another maintains that it should cover all except the basic industries.

(ii) Within this area of free enterprise the gradual elimination of existing obstacles to trade should be achieved by the methods indicated above, that is to say by the abolition of quantitative restrictions and the gradual reduction of the barriers formed by tariffs and customs duties.

33. During the period of transition, difficulties of reorganization will certainly be encountered, and their solution will call for special interim measures. Consideration should be given in this connection to the position of the various trade organizations and of the industrial cartels, in the light of the differing opinions of the measures to be adopted to solve the problems involved.

(i) One opinion will have it that the reorganization rendered necessary by the new conditions will require such a radical transformation of the economic structure, that it will be necessary for special agreements to be reached within the trade organizations of each industry whose purpose will be to eliminate marginal undertakings and to adapt and rationalize others, before any attempt can be made to do away with customs duties.

(ii) Another opinion is based fundamentally on a fear of the cartels. Those who hold this opinion put their trust in free competition, and would prefer that the abolition of customs duties should be delayed rather than that industrial undertakings should be allowed to make arrangements for fixing prices and sharing markets among themselves.

(iii) In any case it would appear essential to establish an organization for the purpose of controlling cartels formed within the European system, and of bringing them to an end when their activities are contrary to the general interest.

Basic Industries

34. The need for closer co-operation in certain basic industries has already been recognized, and events may reaffirm it. Such cooperation will enable each and all of the industries in question to make their maximum contribution to the European economy. It is of the first importance that they should be developed in such a way as to cause the minimum inconvenience to those who work and to those who have interests in them, and to make the best use of their financial and physical resources: the goods they produce should be made available to all Europeans in sufficient quantities and at a fair price. This need for closer co-operation is most apparent where there is a danger, if not of over-production, at least of ill-directed production—a danger which can arise even in an expanding economy.

35. In practice the desired co-operation should take two forms:

(i) It should cover the question of capital investment, on the lines suggested in the following chapter of this report, with a view to renewing or modernizing existing equipment, and to increasing productive capacity. This question has already to some extent been dealt with by O.E.E.C., but only in so far as concerns programmes of re-equipment to be paid for in dollars. Moreover the decisions taken by O.E.E.C. are not sufficiently inspired by the idea of European unity, but rather by the national interests of the countries concerned.

(ii) It should also be extended to cover the purchase of raw materials and the sale of the finished products,

that is to say to the commercial activities of the industries in question. It may be found convenient to delegate the sale of certain basic industrial commodities to suitable international organizations, which must be empowered to deal also with the products of the basic industries of the Ruhr. It is not possible that the latter should for ever be isolated in a special category, apart from the other basic industries of Europe.

36. As these questions call for more profound study, it is suggested that the Committee on Basic Industries which is to be formed during the European Economic Conference of Westminster should be kept in being after the Conference, in order to enquire into the progress made on the lines suggested in the various basic industries; to draw up proposals for a system of organization on European lines which it may be found necessary to apply to them; and to define the terms of reference and the responsibilities of the management and trade organizations which should be formed to bring such a system into operation. The latter would be placed under European governmental control.

Capital investment

37. Without some general co-ordination of the programmes of capital investment, there is no doubt that the resources available will not be used to the best effect, and that there will be duplication and misdirection of the productive capacity of the various European countries, resulting in some cases in the establishment of uneconomic undertakings. There must be general willingness to co-operate in obtaining the maximum benefit from the employment of the depleted capital resources of Europe, and in eliminating the dislocation resulting from large-scale flights of capital. The industries of Europe must be encouraged to rationalize themselves and where appropriate to specialize, and to avoid cut-throat competition based on the lowering of salaries and prices.

38. Here again, although the principle is accepted, opinions differ as to the methods to be adopted:

(i) It is considered in some quarters that one of the first stages in building an economic system for Europe involves the control of capital investment, in order to concentrate the available resources on the production of goods held to be indispensable to the re-establishment of the equilibrium in the balance of payments—for example, the development of agriculture, of basic industries and of the industries engaged in the production of capital goods likely to find new markets. It should involve also an agreed programme for capital investment in overseas territories associated with the European countries. It is proposed that a European Investment Board should be created, which without being responsible for questions of detail should lay down the priorities to be observed, while granting particular advantages to the industries mentioned.

(ii) According to another school of thought, insoluble difficulties would be encountered by any system of control over capital investment, however elastic and adaptable that system might be. Those who hold this opinion believe:

(a) that a considerable delay would take place before control could become effective, and that in the meantime all initiative in industry would be paralysed;

(b) that the priorities granted to certain industries would act as a brake on others, in view of the lack of precise and complete knowledge of the consequences of the decisions taken;

(c) that there would be a tendency on the part of the authorities administering the system to favour already established industries, with the result that difficulties would be put in the way of efforts to establish new industries which might in the long run be of more benefit to the European community.

39. It seems, however, that it should be possible to reach agreement on the following general statements:

(i) A campaign to encourage savings must be pursued in the various countries, supported by anti-inflationary measures, the achievement of budgetary equilibrium, and the stabilization of rates of exchange (the importance of which has earlier in this paper been emphasized when it was argued that it was also in fact possible). Alongside voluntary savings, it is accepted that funds for capital investment will continue to

be provided through "enforced" savings—that is to say by means of a level of taxation calculated to produce a budgetary surplus, and by a policy of "ploughing back" the profits of private and publicly-owned industries within limits considered necessary.

(ii) A certain minimum amount of co-ordination of the policies of capital investment in the basic industries of Europe should be recognized as indispensable, in particular in the case of transport, docks, and all those industries which require capital on a large scale.

(iii) In the event of a number of countries introducing state-control over capital investment in their territory, more particularly in cases where the investment is directed towards public utility industries, the exercise of the power of control should as soon as possible be transferred to a European authority. At the present time the control of capital investment on purely national lines might in practice lead to duplication of industrial effort, to a revival of national self-sufficiency, and thus, with little delay, to a crisis in the European economy.

Elimination of Trade Cycles

40. Europe must make the maximum effort to maintain and increase her prosperity. The adoption of a common economic policy for Europe would provide full scope for the application of measures aimed at abolishing trade cycles and achieving economic stability. It is generally recognized that co-operation between the European countries will pave the way for a general expansion of economic activity, which will make it possible to take a more optimistic view of the possibilities of avoiding a general recession. In any event measures designed to eliminate trade cycles must necessarily be taken on a European scale, as comparable measures adopted by each country in isolation may have the effect of provoking crises in the economic affairs of their neighbouring countries.

Agricultural Problems

41. Consideration of a policy for agriculture raises the following questions:

(i) Will a common economic policy for Europe, leading to some degree of economic union, have the effect of improving conditions in the agricultural industry, its productivity and the marketing of its produce; and if so, to what extent;

(ii) If, and to what extent, the agricultural industry can contribute to the European economic plan both by satisfying the demands for agricultural produce of the European population, and by exporting as much as possible to overseas countries;

(iii) What steps should be taken to associate the agricultural industry in the development of the European economic policy at all its stages, and to ensure that it is treated as a full partner, and beneficiary, in the common effort.

42. Before the war, although considerable differences existed between country and country, agriculture in Europe had reached a higher standard than in any other part of the world. As it becomes progressively integrated in the European economic system, the agricultural industry must be rationalized in such a way as to encourage each region to specialize in the produce to which it is most suited, provided steps are taken to ensure that no damage is done to the local social structure. As the demand for agricultural produce will continue for some time to exceed the supply, the countries with surplus production may be confident of finding export markets.

43. It has been proposed that although during the interim period certain checks will be maintained on the exchange of goods between the various European countries, trade in goods required for agricultural production (such as tractors, agricultural machinery, breeding stock, fertilizers, selected seed, etc.) shall be free of all restrictions.

The Association of Overseas Territories in the European Economic System

44. The Western nations have been the colonizers, those which have attempted to promote the material and spiritual well-being of the primitive peoples of Africa, and of the ancient civilizations of Asia which have survived into the modern world. They have been responsible in this century for leading some hundreds of millions of men to develop their own countries, and by new production, to increase not only their own well-being but also the wealth of the world as a whole. At a time when Europe is seeking to form a union which should enable her to develop and make better use of her own resources, thereby raising some hope of universal peace, is it right for her to abandon her mission of civilization? Can she sever the links forged with overseas territories through years of fruitful co-operation? The question does not in fact arise; the association of Europe with overseas territories has become one of the dominant factors in world politics. The overseas territories cannot do without the material and spiritual help of Europe. Europe can neither fail to meet her obligations, nor give up the benefits to which she is entitled by reason of her sacrifices and investments.

45. Some distinction must be made between countries such as the Dominions of the British Commonwealth, which are now sovereign states with full political and economic independence and are already to a great extent industrialized; countries which have a certain measure of economic independence, and countries which are entirely dependent economically on the mother country. In the last two categories may be included the dependent territories of Belgium, France and Great Britain, whose economy is based on agriculture and which supply foodstuffs and raw materials in exchange for manufactured goods.

46. Colonial development in its early stages was inspired by the economic interests of the colonizing countries. During the last fifty years this attitude has been abandoned in favour of the modern idea that colonial policy should be directed towards an increase in the prosperity of the world as a whole and an improvement of the social and economic conditions of the populations involved. On the political level it should moreover tend to prepare the dependent peoples for a gradual introduction of self-government, leading ultimately to their independence. No policy for the future of the overseas territories can be envisaged otherwise than in the light of the above principles and objectives, which have been accepted by all the colonial powers. It is however evident that progress towards their achievement is not rapid in every case. The rate of progress varies from territory to territory according to the natural resources of each and the capital and technical equipment available for their exploitation. Each colonial power has its own approach to the problem based on its own traditions.

47. No colonial power however, is in a position at the present time to provide on its own all the capital and technical equipment required (for example, for the building of roads and railways; the provision of agricultural machinery and so on). Available resources must therefore be used wisely and economically, not for competitive purposes as was often the case in the past, but in a spirit of co-operation for the common advantage not only of Europe and of the overseas territories themselves but of the whole world. Those concerned are fully conscious of this necessity, as has been shown by the decision to extend to overseas territories the assistance of the United States made accessible through the Marshall Plan, which was originally intended to apply only to Western Europe; and by the recent declaration of President Truman which demonstrated the advantages to be gained in this connection from the scientific and technical co-operation of the United States. The moment seems opportune for a step forward to be taken by the establishment of a "Joint Development and Welfare Board", composed of European and colonial experts familiar with problems of the overseas territories, which without being involved in questions of administrative detail would have the responsibility of co-ordinating the various colonial policies.

48. The economic Union, which it is suggested should be the goal of the common policy to be followed in Europe, should be extended to include those of the overseas territories which, because of their undeveloped economic and social conditions or of their administrative status, are directly dependent on their metropolitan countries. Provision should be made in the constitution of the Union for their accession. Those of the overseas territories which enjoy political independence or a certain autonomy in economic affairs shall be invited to join a European customs union, or at least to enter into agreements whereby they will have the benefit of preferential treatment for their goods in Europe, and will grant similar preferential treatment in

their own territories to goods supplied by European countries. The ultimate objective of the economic organization of Europe must be to make it possible, after a certain reasonable period of transition, for all the citizens of the countries comprised in the European economic Union to invest in and trade with all the overseas territories on a footing of complete equality one with another.

Annexe

In the course of the discussion of the foregoing report, the following resolutions were considered by the International Economic and Social Section, and approved for submission to the Conference:

- (1) on of the Ultimate Objectives of the Economic Conference.
- (2) Currency resolution.
- (3) Resolution for a European Economic Assembly or Council.
- (4) Displaced Persons Resolution.

1.— Declaration of Ultimate Objectives of the Economic Conference

(Proposed by Mr. EDWARD BEDDINGTON-BEHRENS, M.C., Ph.D. Econ.)

The Economic Conference of the European Movement is putting forward for discussion certain proposals for dealing with European problems. To achieve a rising standard of living, full employment and social security for all Europeans, it affirms its belief in the following ultimate economic objectives:

- (1) The free circulation of European currency.
- (2) The right of Europeans to work anywhere in Europe.
- (3) European goods to be freely available to European people.
- (4) e right to travel anywhere in Europe.

2.— Currency Resolution

(1) The Conference supports the view that inflation in the various countries of Western Europe is now sufficiently under control for a Conference of the Finance Ministers to effect an immediate revision of the rates of exchange. Mutual convertibility of the currencies concerned should then be allowed immediately for all commercial transactions, controls being provisionally retained for movements of capital, and for currency dealings between the Western European countries and the rest of the world.

(2) The participating countries should co-ordinate their financial policies with regard to:

- (a) the amount of budget surpluses or deficits.
- (b) transfer of investments from one country to another, in order to prevent such movements from upsetting the balance of payments of the countries concerned.
- (c) rates of interest.

As a result of this co-ordination individual enterprises should be able to invest on their own responsibility.

(3) Co-ordination of policy as to monetary technique and external exchange should be entrusted to a Commission composed of the Directors of the Central Banks. This co-ordination, in conjunction with that of

the financial policies described above, would make it possible to allow the free circulation of capital, but would not however, in itself, entail further alterations in the rates of exchange. The latter, although subject to alteration by mutual agreement, would remain stable as a result of the measures of co-ordination here proposed.

(4) When these results have been achieved and when parallel advances have been made in customs, fiscal and other economic and political matters, then according to the degree of progress made in the task of unifying Europe, it will be possible to go on to the unification of the monetary system which would be made the responsibility of a special European Organization.

3.— Resolution for a European Economic Council

(Proposed by the Rt. Hon. LESLIE HORE-BELISHA, P.C.)

That, in the opinion of this Conference, the European Consultative Assembly should establish a European Economic Council to make recommendations for the progressive economic unification of Europe.

The Council should be composed of representatives alike of management and labour of all the principal European industries and of European agriculture.

It should have power to co-opt economic and specialist advisers up to one-third of its total strength.

The Council would keep under continuous review the effects of monopolies, cartels, tariffs, quotas, currency regulations, travel and other restrictions on the economy of Europe as a whole. It would make proposals for the improvement of production and distribution; for the maintenance of full employment; for facilitating the movement of labour, and for the bringing about of a growing uniformity of economic practice between the Nations, for instance, the transferability of rights to social services. The recommendations of the European Economic Council should be laid before the European Consultative Assembly.

4.— Displaced Persons Resolution

(Proposed by LADY RHYS WILLIAMS, D.B.E.)

The conscience of Western nations is stirred by the plight of stateless individuals still confined to the many camps of Europe, especially of those unable to continue studies enabling them to undertake professional work.

In the opinion of this Conference, immediate steps must be taken to deal with this serious problem along the following lines:

(i) By the establishment by Governments of a European Emigration Commission to organize for those persons emigration overseas or within other member countries of the European family.

(ii) By arranging educational facilities for those suitable for professional work.

(iii) By preventing the permanent direction of labour being imposed upon such persons, which prevents them from exercising the normal human right of the individual trying to better his position in accordance with his personal qualifications.