JEAN MONNET: THE POWER OF THE IMAGINATION

by Max Kohnstamm
former principal
of the european university institute

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EUROPEAN
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FIFTH
JEAN MONNET
LECTURE

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I. Jean Monnet

In his memoirs Jean Monnet quotes Antoine de Saint-Exupéry's saying, 'Man's finest profession is that of uniting men'.[1]

Looking about us today, we see nothing but disunity. Disunity in the world, to the point where the danger of war seems to be returning. Disunity within our Community, with the Member States so divided as to the paths to follow to overcome the worst economic crisis since the 1930s, that even the achievements the Community has already made seem endangered. Disunity, too, within our nations, rendering all government action difficult, and in some countries even impossible.

Faced with this disturbing situation, I should like this evening to consider with you what our Community can do for the consolidation of peace in the world, and for the continuation of European construction, more necessary today than ever it was.

Before doing so, I wish to talk to you about Jean Monnet, a man who through the power of his imagination has changed our part of Europe, where twice in a generation wars that engulfed the world had broken out, into a zone of peace.

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[1] Jean Monnet, *Memoirs,* Collins, London 1978, p. 195.

Let us, then, begin by looking at his career, his vision, and his method of working.

His career

The son of a cognac merchant, Jean Monnet was born in that town in 1888. He learned the trade very young, and travelled the world selling his father's cognac.

On the outbreak of war in 1914, convinced that the outcome would depend on the organization of the war economy, he managed to obtain an audience at Bordeaux with the Prime Minister, René Viviani. Sent by him to London, he devoted himself to setting up the Allied Executives, which represented in the economic sphere what the single command was militarily.

After the war, as Deputy Secretary-General of the League of Nations, he found solutions for the problems in Silesia and the Saar, and directed the economic salvaging of Austria.

In 1923, since the Monnet firm was in difficulties and his father needed him, he again became a cognac merchant. Having reorganized the old house and become a banker, he again travelled the world; but after 1935, convinced that Hitler was leading the world to war, he became increasingly concerned at the lack of military preparations by the Western democracies, and in 1938 was sent to Washington on a mission to President Roosevelt.

That journey began the mobilization of American production to strengthen the Allies' potential, and the effort culminated in January 1941 with the initiation of the American 'Victory Program'. At the outbreak of this war he was in London, once more organizing the economic cooperation between France and Britain. In June 1940 he proposed to

Churchill the total union of France and the United Kingdom. After Pétain concluded the armistice, he pursued his action on mobilizing the American economy as a member of the British Supply Council.

After the war, back in Paris, as first Commissioner for the Plan, he laid the foundations for the restoration of the French economy.

Even during the war, he was convinced that once it was over it would be essential to offer Germany a place of total equality in tomorrow's Europe, and also that French industry, like any other modern industry, needed a large market. In 1950 he put to Robert Schuman the plan for a Coal and Steel Community as a first step towards a European federation, chaired the conference that drew up the Treaty of Paris, and thereafter became President of the High Authority.

But when the Defence Community failed in the French Chamber of Deputies, he resumed his freedom and founded the Action Committee for the United States of Europe, which acted as a prime mover in the construction of Europe.

At the age of 89, he died in the house at Houjarray he loved so much. His funeral was attended by friends from all the European Community member countries and from the United States, among them the President of the French Republic and the Chancellor of the Federal Republic of Germany.

His vision

Before going on to speak of his vision, I should like to have spoken to you at length of the kind of man who had this astonishing career, beginning as a cognac merchant and ending as the man behind the union of our peoples.

But lest I go beyond the time allotted for this lecture, I prefer to refer you to his memoirs and to an excellent brief essay written by Jacques van Helmont entitled 'Jean Monnet comme il était'.[1]

Allow me, nevertheless, one observation regarding the *Memoirs.* Given Jean Monnet's great modesty, there is one element that that magnificent book perhaps lacks: the great human warmth that radiated from him and inspired so much friendship, so much love, in all those who had the good fortune to know him.

When we speak of Jean Monnet's vision we must be cautious. For while it is true enough to say that the essence of his method always remained the same, from his work during the First World War until the end, it was applied to whatever job he found in front of him without preconceived ideas. His vision developed and evolved, culminating in the conception of Europe and its role in a world compelled to give itself an organization transcending nations and frontiers.

Permit me a brief anecdote here.

In early September 1953, the Treaty of Paris had been in force for only one year, and in the course of that year the first common market in Europe, that for coal and steel, had been established. Monnet, back from one of his rare vacations, asked me to come to Bricherhof, his Luxembourg home. We walked in the garden while I reviewed the things that had been happening during his month-long absence. We had started a programme of constructing houses for miners; a problem had arisen about the pricing of scrap-iron; a few other matters had disturbed the calm of August. Suddenly, as he so often did during his walks, he stopped me, cut short the discussion of

[1] Jacques van Helmont, 'Jean Monnet comme il était', Fondation Jean Monnet pour l'Europe, Centre de Recherches européennes, Lausanne 1981.

detail and said: 'Yes, yes, all this is very important, but what is our policy going to be towards the United States, and how are we going to deal with the Soviet Union ?'. Jean Monnet never despised details — on the contrary he could go over those he judged important endlessly. His question, however, indicated that he saw the Community as being not only indispensable for solving Europe's internal problems but as a means to organize peace, 'as a stage on the way to the organized world of tomorrow'.[1]

Jean Monnet, who would have laughed if you had said to him that he was a philosopher, was a very great and profound humanist. In his vision there was no room for abstractions, for all his political action was centred on the human being: the liberty, development, responsibilities and dignity of the individual. Since this dignity presupposes equality between men and between nations, he always opposed any desire for domination. 'Equality is absolutely essential in relations between nations, as it is between men. A peace based on inequality can have no good results.'[2]

His method

Let us now look at the method he applied to the successive goals he pursued. It was based on the conviction that in the modern world 'where there was organization, there was real strength'.[3]

But organization ought to have as its object the common interest. Accordingly, the first essential was to pick out that common interest. How? By drawing up a one-page summary of the goals to be achieved.

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[1] *Memoirs,* p. 524.
[2] ibid., p. 97.
[3] ibid., p. 49.

the resources available and the constraints to be observed, to have to hand at the moment of taking major decisions. For this document Monnet used the English name 'balance-sheet', a term that turns up on almost every page of his memoirs. He writes: 'Balance-sheets of this sort have been milestones in my work: the strength of our fleets in 1916, of our air forces in 1940, of Allied and Axis military power in 1942, of the French economy in 1945, and of the six-nation European Community in 1950'.[1]

For all their brevity, these balance-sheets are not lightning sketches, but the result of sometimes months of hard teamwork. Another condition is put by Jean Monnet in these terms: 'At no time must the study take on the character of a negotiation. It must be a common task'.[2] Once drawn up, the 'balance-sheet' gives an overall view, another term that turns up many times; it is the dynamics of the balance-sheet and the overall view, jointly developed, that changes the context in which a problem is posed. This change is what is necessary in order to solve problems that were insoluble in the old context, and it is what therefore makes action possible.

Any action also calls for imagination and deliberation, as well as an understanding of others and constant application to the task; for it is only those who apply themselves stubbornly to their task who will see their chance when it comes. Finally, like a cognac producer, one must know how to wait, how to have patience, for great actions are possible only when men are impelled by necessity.

What were for him the obstacles that had to be surmounted in order not to lose 'the race with international anarchy'?[3] To be sure, 'without a doubt, the selfishness of men and of nations is most often

[1] *Memoirs,* p. 127.
[2] ibid., p. 89.
[3] ibid., p. 82.

caused by inadequate understanding of the problem in hand, each tending to see only that aspect of it which affects his immediate interests'.[1] That is why the 'balance-sheet' and the presentation of the 'problems as a whole'[2] were essential.

But the most formidable obstacle is the national egoisms that are expressed by the requirement for and the use of the veto.

In the affairs of nations, coordination alone does not lead to a decision, and is therefore an inadequate method. That is why it is essential to create institutions to which nations delegate the power to take decisions necessary in the common interest. Neither cooperation nor even great men can assure that a lasting result will be achieved. 'Nothing is possible without men: nothing is lasting without institutions.'[3]

'But men pass away; others will take our place. We cannot bequeath them our personal experience. That will die with us. And we can leave them institutions. The life of institutions is longer than that of men: if they are well built, they can accumulate and hand on the wisdom of succeeding generations.'[4] Allow me finally to draw your attention to a point that I feel is important in the light of our situation today. Travelling at a very early age to the United States and Canada, Jean Monnet had learned the importance of the large market, of competition and of free trade. But he never made it a dogma. On the contrary, experience also taught him very early the importance for the economy of organization. And he had no fear of government organization. After the First World War was over, he struggled — though in vain — for an 'organized peace'.[5] He would have

[1] *Memoirs,* p. 83.
[2] ibid., p. 83.
[3] ibid., p. 304.
[4] ibid., p. 384.
[5] ibid., p. 71.

wished to keep the Allied Executives in being, and he was fully in agreement with Etienne Clémentel, Minister of Commerce, when the latter declared: 'It is a complete illusion to hope to restore world equilibrium merely by means of the law of supply and demand'.[1]

After the Second World War also, he was convinced that renewal of the French economy called for a plan, but that that plan ought to be 'concerned as much with orientation as with control'.[2]

During the negotiations leading up to the Treaty of Paris, he insisted that the High Authority be given the power, in the event of severe imbalances, to intervene in the market. And when the Euratom and common market Treaties were coming into being, he interested himself particularly in the first, and in working out a plan of action to be carried out under the supervision of the Euratom Commission. Things went differently. But in his thought and in his action, the idea of *organization* played an important part in economic respects too. What he sought was a proper proportion between organization and market forces, a proportion that would be different each time and should be decided in accordance with the needs of the moment.

Deeply worried — but full of hope

Having had the privilege of working at his side for more than a quarter of a century, I am today, faced with the situation of our world and of our Community, both deeply worried and full of hope, however contradictory that may seem.

I am worried because I see our peoples, even within our nations, deeply divided regarding the road

[1] *Memoirs,* p. 75.
[2] ibid., p. 258.

to follow to overcome our economic difficulties and avert the threatening dangers of war.

I am worried because I see that the construction of the union of our peoples is no longer going ahead, and that the very existence of what has been created, the common market, is today threatened by the difficulty its institutions are having in responding to the most pressing problems of the day, namely unemployment and inflation, and in giving Europe an industrial structure fit to meet the challenge of a world economy that is very different from what it was 25 years ago.

I am worried because the hope that a third world war might forever be avoided is gradually being replaced by a sort of despair that is threatening to block the road to the imagination that will be needed to find an answer 'proportionate to the dangers which threaten'.[1] I am worried because I belong to the generation born during the First World War, and am haunted by the memory of our democracies' unconcern at the rise of dictatorship, of their inability to surmount the economic crisis of the 1930s and the plague of unemployment without which Hilter would never have been able to seize power.

I am worried because I was, albeit for a few brief months, part of the world of the concentration camps, and my memories of what went on there 40 years ago are for me still part of the present. It was there that I experienced what man is capable of doing to man. It was there that I learnt that it is possible to create circumstances where men can no longer think of anything but their own survival. It was there that I became inculcated forever with the horror of violence and with the awareness of the weakness of our good intentions when they are not

[1] Foreign Minister Robert Schuman's declaration of 9 May 1950, quoted from Bull. EC 5-1980, point 1.2.2.

backed up by the law and by institutions to ensure that the law is applied.

I am worried, but at the same time hopeful. Why? Because in circumstances as threatening as the present ones, I saw how positive, imaginative action broke a vicious circle of hatred and violence and reversed what seemed the inevitable course of events.

Although in 1950, thanks to the Marshall Plan, our countries had begun to recover from the devastation of war, the towns of Germany — and many elsewhere — were still in ruins and the productive capacity of our countries was barely level with what it had been 20 years earlier. To boot, these countries, still profoundly divided between victors and vanquished, were immersed in a cold war that threatened the barely re-established peace.

At the beginning of May that year, Jean Monnet wrote to Robert Schuman with his thoughts on the situation:

'Whichever way we turn in the present world situation we see nothing but deadlock — whether it be the increasing acceptance of a war that is thought to be inevitable, the problem of Germany, the continuation of France's recovery, the organization of Europe, or the place of France in Europe and the world.'[1]

'In such a situation there is only one way out: positive, resolute action on a limited but decisive point, which brings about a fundamental change at that point and, step by step, changes the very terms of the problems as a whole.'[2]

I had the privilege of taking part, first in the negotiations leading to the Treaty of Paris, and then in the setting up of the Coal and Steel Community. It

[1] *Memoirs,* p. 289.

[2] 'Ce jour-là l'Europe est née', Fondation Jean Monnet pour l'Europe, Centre de Recherches européennes, Lausanne 1980, p. 15.

was during these negotiations, which more than being negotiations were a joint search for solutions to the problems facing us, and while working at Luxembourg that I experienced the rebirth of hope and saw that the future was starting to dominate the past, wiping out hatred, which is always destructive, and transforming our memories of suffering into a constructive force.

I have talked to you about Jean Monnet because I am convinced that, today as in the past, his vision of the world can help to show us the way, and the understanding of his method of working can teach us how to go about taking the action that is necessary.

To ask what Jean Monnet would have proposed today would be to put a hypothetical question, a kind of question he always refused to answer. I therefore do not suggest that he would have made the proposals I want to submit to you tonight. If my proposals are the right ones, I owe it to what I learned from him; if not, then the mistake is mine.

II. The lessons

1. Consolidating peace

The gravest danger threatening us today is the fear that our problems cannot be solved peacefully and that in the end irrational and destructive forces may overcome the weak power of goodwill and rationality. Today, historians are finding convincing evidence that the First World War was neither willed nor carefully planned, but simply happened, overwhelming nations and their leaders. The guilt of those leaders had been to accept war as a possibility, to be unwilling and unable to break out of the vicious circle which imprisoned them, and which finally led to the catastrophe of August 1914.

About those last years before 1914, Churchill has written: '...there was a strange temper in the air. Unsatisfied by material prosperity, the nations turned fiercely towards strife, internal or external. National passions, unduly exalted in the decline of religion, burned beneath the surface of nearly every land with fierce, if shrouded, fires. Almost one might think the world wished to suffer. Certainly men were everywhere eager to dare.'[1]

[1] Churchill, *The World Crisis 1911-1914,* p. 188.

We all know how serious and numerous the threats to peace are today. One of them, which is close to us and affects our vital interests, and in which we have special responsibility, is the Middle East situation. To be sure, real peace between Israel, the Palestinians and all its neighbours will not by itself guarantee the peace of the world. However, it would do more than solely eliminate one of the most dangerous threats to this peace. It would re-create hope, that most precious of all commodities and re-establish confidence in the creative power of peoples and their leaders to overcome the passions of the present, born out of the violence of the past.

Europe's interest and responsibility

Let us now look at Europe's interest and responsibility in the conflict between Israel and the Arab nations; a conflict above all between Israel and the Palestinians, both inside and outside Israel. I am mentioning Europe's economic interest first because it is the most obvious one. As we all know, our nations have in a short span of 20 years allowed themselves to become utterly dependent on imported oil. There is no excuse for the fact that this happened. Shortsightedness prohibited the taking of measures in time. Now and for the next 10 years, there is little chance, whatever temporary lull there may be in the demand for oil, of reducing this dependency to levels that can be considered reasonable in our interdependent world. In the meantime, any disturbance of the peace in the Middle East, be it in the form of an internal upheaval or of war between the nations in that region, threatens the flow of oil. In cases like the revolution in Iran, or the war between Iran and Iraq, we Europeans can only hold our breath, try to remain neutral and hope the danger may pass.

Renewed armed conflict between Israel and its neighbours would be a very different matter. Very probably it would turn oil into a political weapon. It is useless to say that oil should not be such a weapon: we ourselves created the situation that made this possible. Crying over spilt milk will not help us. However, it means that Europe, in the event of yet another war between Israel and its neighbours, would not be allowed to remain neutral. The European Community might be faced with a brutal choice between taking sides against Israel or being cut off from Middle East oil. To be cut off from Middle East oil might lead to an economic crisis that would endanger the delicate fabric of our societies. Taking sides against Israel would be a betrayal of compelling moral obligations that stem from our European history.

From the destruction of the Temple and the beginning of their exile, Jews have prayed for and dreamt of the return to Jerusalem. But the movement to turn this dream into a reality by re-creating the State of Israel was born in Europe at the turn of this century. Political Zionism became a force pushed forward by the suffering of Jews, especially in Eastern and Central Europe. During the First World War reasons of State contributed forcefully towards a beginning of the realization of Herzl's dream. Whatever assistance came from elsewhere, notably from the Jewish community in the United States, Zionism and the beginning of the return of Jews to Israel form a page in the book of European history.

Then came the Second World War. The unthinkable happened. Of course it was Hitler and his henchmen who made it happen. But are we sure that more could not have been done to prevent it or halt it while it was happening here, in our very midst?

For those who have not been there it may well be impossible to imagine what it means to have survived Auschwitz, to mention only one of the places

where the inconceivable became a reality. But we should never forget that to the survivors as well as to their children the past remains inexorably present. Only if we try to see the world through the eyes of those survivors and their children will we be able to make a contribution to the solution of the conflict between Israel and the Palestinians.

However, Europe also has compelling moral obligations to the Palestinians. We must therefore try to look through their eyes too. They did not contribute to the suffering that for numerous Jews made the re-creation of Israel a necessity, an inescapable obligation to the millions that did not survive, the only conceivable road to the future. Palestinians cannot but see themselves as the innocent victims of the actions of others, for which they bear no responsibility whatever. Moreover, deeply rooted democratic convictions, the basis upon which our societies rest, oblige us to recognize the right of the Palestinians to have a home of their own, to take their destiny into their own hands, to decide themselves about their future. Furthermore, the destruction and suffering brought about by our two wars has taught us that stable and lasting relationships between nations and peoples can only be built on the basis of equality; that any attempt by one people to dominate another of necessity fails in the end, imprisoning both in a vicious circle of increasing hatred and violence.

Right against right

We are faced, then, not with a conflict between right and wrong, but with one that pitches right against right, a conflict seemingly impervious to solutions because one party is marked — often literally marked in the flesh — by the memory of an unspeakable horror, and the other party by present suffering. Because whatever the economic advan-

tages may be of living under Israeli occupation, they are of no matter to a people not allowed to be the master of its own destiny.

Let us try to put ourselves in the place of an Israeli, old or young. Remember that lonely Calvary, those long trains of cattle-cars from Greece, from Italy, from France, from Hungary, from Czechoslovakia, from Belgium, from the Netherlands, the total destruction of centuries-old centres of Jewish civilization in Poland, in the Ukraine. How would you deal with those memories — would you trust anyone's guarantee, anyone's force but your own, would you not say to yourself: if there ever be another Holocaust, then we shall not be sacrificed alone?

Let us also put ourselves in the place of a Palestinian, old or young, not allowed to return to the land that has been the land of his people for centuries, or living in occupied territory — and that always implies being subjected to inequality. Are we sure we would abstain from acts of violence?

Conventional wisdom teaches us that the matters of borders, of security and of reciprocal rights and duties must be settled before any future cooperation can be envisaged. But what if at present the weight of the past forecloses such a solution?

The Old Testament contains an illuminating story. When God finally decided that He had to destroy Sodom and Gomorrah He commanded Abraham, Lot and their families to flee from those cities. Under no circumstances however, should any of them look backwards. If they should, and Lot's wife did, they would be transformed into pillars of salt — and that salt is a symbol of fruitlessness.

The only way to be liberated from the past is to have a vision of the future. Unless hope, a view of a future better than past and present, is introduced into the existing situation, unless the context, dominated for both parties by suffering whether past

or present, is changed, it seems unlikely that a solution can be found. I doubt that pressure will pave the way to many concessions by Israel. Instead, it may well enhance that country's sense of isolation, and thereby strengthen the resistance to any kind of arrangement that in the present context might look like being a concession. And in any case, unless there is something much more imaginative than pressure, the solution arrived at may well turn out to be no more than an armistice, leaving Israel and the Palestinians in mutual fear and distrust that might well lead to new violence. Europe should therefore help both parties in the conflict to establish a view of what the future of the region in peace could be. Doing that would in no way deny the need to define borders and to deal with the problems of military security. Efforts to do so must and will continue. However, creating a dynamic view of the future, showing what cooperation and the establishment of joint responsibilities for essential elements in the development of the region could do, may well be a precondition for the success of those efforts.

The only way out: common action

The only road that seems open is a road that, granted under totally different circumstances, the nations forming the European Community have discovered together: to let the vision of a common future break the vicious circle resulting from the past. What would the essential elements be of a development plan encompassing Israel, the neighbouring lands inhabited by Palestinians, and maybe some or even all of the other States surrounding Israel? Would water, energy and food be decisive elements in such a plan ? Studies made in the past, and some at present in hand, will be of great help in finding the right answers to these and other questions. Thus far,

however, these studies have never had the political backing necessary to become a force for peace. By pledging the full support of its intellectual as well as its material means to the development and execution of such a plan, the European Community could procure such backing. No procedure would have greater weight than the European Council's instructing the European Commission to develop it. However, if for whatever reason this does not happen, then men and women with imagination, knowledge and influence should undertake the job. They should do so together with those among Palestinians, Israelis and citizens of Egypt and the Arab nations involved in the conflict that are willing to participate in a joint effort.

I therefore propose to deviate from the conventional wisdom: settlement of the issues first, then, possibly, cooperation. This does not mean I do not recognize the necessity of fixing borders and determining rights and obligations. Today, however, the existing context, the weight of the past, prohibits the beginning of a real dialogue and thereby threatens to make the essential arrangements impossible.

Towards peace

However precious time may be in the explosive situation existing between Israel and the Palestinians, and therefore between Israel and the Arab world, such a change of context can be brought about only gradually and will therefore take time. We should therefore also use our imagination in order to consolidate what has already been achieved as a result of the late President Sadat's historic visit to Jerusalem and the ensuing Camp David agreements: peace between Israel and Egypt.

Recently, our nations have declared their readiness to participate in the international peace

force which at Israel's final withdrawal from the Sinai will serve to guarantee the frontier between those two countries. Separating nations, delimitating boundaries, security measures and international guarantees, backed by a peace-keeping force, all these are certainly necessary. However, the wars we Europeans fought against each other during this century have taught us one lesson: separating nations leads to a situation that should more honestly be called armistice than peace. And in a world where all the marvels of modern technology are also applied to the means of mutual destruction, even a long-lasting armistice is simply not good enough.

Real peace presupposes the creation of a tissue of common interests, of regular contacts between political leaders, civil servants, leaders of labour and industry, a tissue so thick and strong that it will stand the dangerous pull of sometimes sharply-differing perceptions and goals. Differing perceptions and interests will continue to exist between nations, just as they continue to exist between citizens of one country. But these tensions must be placed in a context that differs from the conventional one of international relations, relations that have not changed fundamentally since Thucydides described them as those in which the strong do what they want, and the weak suffer what they must.

We Europeans have learned how this new context can slowly be constructed, by jointly organizing those interests that are common and by establishing a joint responsibility for their maintenance and development. And for the first time in history this process of change, set in motion by the power of Monnet's imagination, has made war between our nations unthinkable.

President Mitterrand has justly said that today our Community lacks spirit and soul. Would not assisting Israel and the Arab world to go beyond

separation and armistice towards the establishment of real peace help us as well as them?

In his memoirs, Monnet says that a common effort depends on common aims.[1] This leads us back to the balance-sheet, the overall view, which must be developed together.

What has to be done in order to consolidate the peace between Israel and Egypt does not differ in kind from what must be done to change the context in which today a solution of the conflict between Israel and the Palestinians seems impossible. By far the best thing would be if it were one and the same operation. However, this decision is not for us to take, but for those directly concerned.

Ours, however, over and above the welcome decision taken by our governments to offer to participate in the buffer force between Israel and Egypt, is the possibility, and it seems to me the obligation, to help to bring them together.

2. The European Community before a transformed world

I have no suggestions to make for solving the many burning issues on the Community agenda today, such as the reform of the agricultural policy, the division of budget costs among our countries, or the problems connected with the entry of new members. But I have learnt from Jean Monnet that it is often useful, not to say essential, in solving problems we are directly up against, to take a step back, to take

[1] *Memoirs*, p. 20.

what seems a roundabout route to find the point where action is possible. Then, since action begets action, the problem becomes solvable.

My second proposal, therefore, is for a stock-taking that in my opinion has become necessary following the profound changes that have taken place since the creation of the Economic Community and the take-off of the common market in the economy of our countries and in the world economy.

It may be tempting to seek in closer cooperation between our nations in international relations a substitute for dealing with our internal problems. But Europe's capacity to act in the world depends on its internal cohesion, today threatened as a result of low to zero growth, inflation, unemployment and monetary disorder.

It is only in connection with the last problem that the Community has been able to find a partial answer. In response to the end of the Bretton Woods system, the so-called 'Snake', a rather loose arrangement covering about half the Community currencies, was formed. This 'Snake' survived the oil shock of 1973, and, after a courageous initiative taken by Roy Jenkins, then President of the European Commission, in the first Jean Monnet Lecture that he delivered in this very place in 1977, was followed by a considerably more important arrangement: the European Monetary System. This system, however, remains unfinished, and serious discussions in the Council of the European Communities on its second phase have hardly started. Furthermore, although Europe's common interest is obvious, no Community policy towards the dollar exists as yet; and on the key question of national economic policy coordination, no progress has been made.

It is, however, even more serious that the present world economic crisis endangers the maintenance of what has already been achieved: the common market itself. National measures taken

under the pressure of social and political tensions, such as industrial subsidies and other measures of scarcely-disguised protectionism, threaten to impede more and more the free flow of goods across our Member States' borders.

A Community in need of adjustment

Why is this happening, notwithstanding the general desire, declared time and again by our governments, to reinforce our union? The reason may well be found in the revolutionary economic and social changes that have taken place since the middle years of this century, when the Treaties of Rome and Paris were drafted. Let us try to list some of these changes. Government expenditure as a proportion of each nation's GNP has vastly increased, as has in consequence the importance of government decisions and actions in the economic process. In the early 1950s, despite considerable State-led reconstruction efforts, government expenditure in the common market countries ranged from 17% to 28% of GNP. By 1980 that share had increased to between 44% and 59%, more than double the earlier figures. Wages in real terms — that is after deduction of price rises — have nearly trebled during the last 30 years; while the social security systems of our Welfare States have established previously unheard-of safeguards against the hazards of unemployment, illness and old age. It is no exaggeration to say that those who formerly rightly thought of themselves as proletarians, with physical strength as their only asset, now expect and often enjoy a level of income and measure of economic security formerly only possessed by the privileged and propertied.

These attainments have already profoundly influenced, and will continue to influence, the way

work is conceived and the place it is given in the perception of life. Another result of this immense leap forward is an increase in non-material demands, such as those for more leisure, education and culture, and for the enjoyment of an unspoiled environment: a concept of social growth in which the quality of life plays a dominant role is replacing the simpler concept of economic growth. And whereas the market can assure the production of material goods, the provision of many elements of what is called 'quality of life' demands governmental action.

Microchip-based production and products are creating another peaceful revolution, promising more and better goods and services produced with fewer resources. Yet the most important saving is in blue and white-collar labour. The microchip is a boon to those who work: it eliminates repetitive, often physically hard and dangerous work; but it poses a threat to employment and increases the speed of and need for industrial adjustment. Nevertheless, the research and development effort that is essential for creating new employment in advanced industries remains almost entirely national, and the market for some of the most promising new industries is still solidly divided into separate compartments by national procurement measures and regulations. Europe was the birthplace of the first industrial revolution based on steam, and the pacemaker, together with the United States, of the second, based on electricity. But for lack of coordinated research and development effort and because no common market exists in many of the products on which this third industrial revolution of the microchip is based, Europe is in grave danger of being left out this time.

Finally energy, cheap and abundant in the 1950s and 1960s, is now forcing our economies to adapt to high prices and uncertain supply.

Outside challenges

Until recently Europe enjoyed a virtual monopoly over most industrial production. There were hardly any effective competitors: Eastern Europe and the Third World had little or no production for export. Japan, only recently a major producer, at first concentrated on the American market, and the United States, the only potential challenger, largely preferred direct investment over trade.

Advances in transport and communications have facilitated the rapid spread of technology, capital, and know-how, spreading manufacturing industries to the world at large. Thus Europe's monopoly of industrial production is gone for ever. The blitz-like development of modern industry in the countries around the Pacific Ocean may well result in a shift of the centre of gravity of the world's economy away from the Atlantic Ocean, a movement comparable to what happened to the Mediterranean at the beginning of the modern era.

Furthermore, a large part of the world economy is now in the hands of governments, not only in the Communist world including China, but also in a number of the so-called newly industrializing countries. Capital is allocated by governments according to industrial priorities set by them, while many of them also decide on wages and social security payments.

One consequence of this development is a change in the nature of the commercial policy. Formerly it mainly concerned tariffs, and the Treaty of Rome, by turning the various national tariffs into a Community one, delegated decisions concerning this tariff to the Community institutions.

Today world trade is strongly influenced by other elements, such as credit policy, barter deals or transfer of technology agreements. Since these matters have not been brought under the control of the Community institutions, the Community, although it is the

biggest single participant in world trade, is less and less capable of pursuing a consistent commercial policy.

Another consequence of today's mobility of capital and know-how, together with government fixing of the level of wages and social security payments, is that competition with the world outside our Community often depends not so much on natural advantages as on the difference between the levels of these wages and social security payments. I am not able to draw any conclusion from this development, but it was this kind of competition that the authors of the Treaty setting up the first European Community — that for Coal and Steel — intended to prevent between the industries of the Member States.

During the last decade, our nations have found themselves faced with the problems resulting from these revolutionary changes, and many of these have led to government action, taken independently. However, individual nations acting in isolation cannot find viable long-term solutions.

No one nation can hope to escape the dictates of a chaotic international monetary system. No one nation, however self-sufficient in energy, can escape the effects of an energy crisis which hits its partners. No one nation can on its own cope with the internal and external industrial revolutions without putting both its own economy and the functioning of the common market itself at risk.

As we saw, every time Jean Monnet was confronted with new and difficult problems, his first act was to take stock, to draw up what he called a balance-sheet that opened the way to innovative solutions.

The establishment of joint supply boards during the First World War was an idea both simple and radical which imposed itself once the facts were faced squarely. Monnet used the same methods as

Deputy Secretary-General of the League of Nations, and later in coping with the difficult and complex problems of financing railroad construction in China and mobilizing the American economy before and during the Second World War.

A dispassionate analysis of the facts made possible, and led to, the reconstruction and renewal of the French economy. As chairman of the conference that drafted the Treaty of Paris, then as President of the High Authority and finally as President of the Action Committee, he followed the same method, convinced that once the nature of a problem and the available means to deal with it were clearly analysed, the necessary decisions would follow.

The need for a 'balance-sheet'

Confronted today by an unprecedented situation, the result of revolutionary economic developments both inside and outside Europe, the Community needs a collective effort to establish such a balance-sheet. Most of the elements necessary for doing so already exist. I am thinking especially of the European Commission's recent memorandum on the medium-term economic programme and its proposals for implementing its so-called mandate of 30 May. What still has to be done is to put these and other elements together in a coherent picture, thereby providing our political leaders, as well as leaders of the trade unions and of industry, with an analysis of the changed background against which their economic problems and the existing means of dealing with them must be set.

A joint effort is necessary to enable our nations to overcome their present difficulties. However — as Monnet pointed out — in order to secure such an effort one must first define the common objective. That is why a balance-sheet that establishes the

common objectives, the existing constraints and the available means is necessary.

Next year the European Community will celebrate its 25th anniversary. I could not think of a better way to mark that event than for the Commission to present such a balance-sheet.

The European Parliament could make an important contribution to drawing it up through hearings that could help to analyse the present situation and indicate measures necessary to overcome the Community's present disarray.

If, for whatever reasons, the Community institutions, beset as they are with pressing short-term problems, were unable to undertake this task, then here too it would be up to men and women with imagination among our politicians, trade-union leaders, industrialists and academics to undertake the task.

It is by no means rarely that initiatives of far-reaching consequences have been launched in this way. Monnet's life and work provide us with examples.

Institutions, and the delegation of decision-making to them, are an essential element of Monnet's conception and method, and yet you may wonder how it comes about that I have not made any proposals for strengthening the existing Community institutions.

One reason for this is to be found in the measures already proposed or contemplated by the European Council and the European Parliament. I am thinking especially of the proposals to strengthen the European union, which the European Council is going to discuss at its meeting later this week, and of the task which the European Parliament has set itself as a result of the action of the so-called 'Crocodile group': the working out of changes to the existing Community institutions so as to give new vigour to

the European enterprise. I fervently hope that these initiatives will produce the desired results.

The other reason is that although I am convinced of the necessity, I doubt whether it will prove possible to bring about the delegation of significant new powers to Community institutions before a coherent view has been established of what has to be done to overcome our present economic difficulties — and this is precisely what the drawing up of an up-to-date balance-sheet should provide.

Inventing the future

I have talked to you this evening of Jean Monnet and of the power of his imagination. Often today one hears the question whether in a world so different from his, Jean Monnet's vision of a united Europe and of its role in the world is still relevant. The answer to the question depends on the imagination that our governments, and we citizens of Europe, can show in the face of the dangers that today are threatening peace just as much as during the Cold War years, and in face of the economic difficulties that are threatening the common market itself.

Now it may seem illusory to you that providing a view of what their common future could be could break the vicious circle in which Israel and the Palestinians are caught today, or that Europe could be instrumental, not only in helping to provide a buffer between Israel and Egypt, but in bringing these and other countries of the region together in joint enterprises.

It may also seem illusory to you that the centrifugal forces that today threaten the very basis of our unity can be overcome by drawing up a 'balance-sheet', an overall view of the Community's situation in a changed, and still rapidly changing world. Nevertheless, as Jean Monnet wrote in his memoirs,

'Until you have tried, you can never tell whether a task is impossible or not'. [1]

Allow me, therefore, as my wife and I return to Brussels after having spent some of the happiest years of our lives between Florence and Fiesole, in this Tuscany, the beauty of which is equalled only by the kindness of its people, to appeal to you, and to all those who are convinced that the power of Monnet's imagination, his vision and his method, can show us the way to overcome our present difficulties, to help try out the proposals I have put before you tonight.

Max KOHNSTAMM

[1] *Memoirs,* p. 321.


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