
The Franco-German Steel and Coal Pact: THE MONNET-SCHUMANN PLAN

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The Franco-German

Steel and Coal Pact

THE MONNET-SCHUMANN PLAN

I

In his famous Harvard speech, made in June 1947, General Marshall, then Secretary of Foreign Affairs, has launched the challenge that the people of Europe have to make themselves, by their own initiative, a positive contribution to their recovery. The American donations have thus been made dependent upon an autonomous European action inspired by a *will* to self-help. A division of labor between the United States and Europe had to be established: the financial basis had to be offered by the United States' investments, while the constructive steps towards the European integration had to be taken by the European countries themselves.

In this sense, the Franco-German steel and coal pact has to be considered as an important approach to the final aim of the unification of Western Europe. It has to be coordinated with other similar steps taken in the same direction: with the creation of Benelux, of pre-Marshall origin, initiating a rapprochement among the Netherlands, Belgium, and Luxembourg, the projected Franco-Italian Customs Union and the lately established European Payments Union. All these formations are regional blocs, building-stones of a final continental or intercontinental over-all structure.

However, a distinction must be made between a federation of the Customs Union type and the projected steel and coal pool. Preferential systems and their arch-type, the Customs Union, are based upon *commercial policy*; they tend by gradually lowering the tariff rates to establish a free-trade area or an approach to it between the partners of the agreements. The Franco-German pool, on the other hand, creates a solidarity in the field of *production policy*. This industrial agreement refers only to limited although vital points. By pooling coal and steel production it is hoped to insure the immediate establishment of a common basis for economic development.

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II

The prime architect of the plan of pooling French steel and German coal is Jean Monnet, today the most prominent spokesman for a Franco-German fraternization. The idea, in its complicated technical set-up, is Monnet's own. But Foreign Minister Robert Schumann, by giving it his name, endorsed the plan with the traditional diplomatic aplomb of France. It is an age-old French endeavor "*de faire l'Europe*," to create Europe, in the sense of a positive, constructive task which requires a typically French negotiative skill, a versatility in making concessions, a delicate art of weighing give and take. The idea of a Franco-German federation was an old favorite of France. Whenever a project of European unification was launched, it has found its focus and starting point in a French-German nucleus. The Pan-European movement initiated by Count Coudenhove remained for a long time stagnant. However, it got a vital upswing from the very moment the French minister, Aristide Briand, pioneered the movement. So, France has the historical mission of a champion of all European federation plans whose introductory phase is seen in a Franco-German rapprochement. Jean Monnet has a tendency of thinking in combines or federations. He sees in federations the last issue of a desperate situation. And it was Monnet, who, at the time of French defeat in 1940, inflamed Churchill's impulsive mind with the bold idea of pooling the totality of French and English military and economic forces in order to foil the imminent German invasion. Another feature which predisposes Monnet to develop the idea of a Franco-German pact might be found in his activity after the French defeat in World War II. He became chairman of the Anglo-French Coordinating Committee.

He organized in Washington inter-governmental purchases for France as well as Great Britain. A pooling of orders for war purposes was thus made and a redistribution to the ordering parties had to take place.

III

The primary purpose of the French pact idea is a political one. Again, it corresponds to the traditional French attitude to emphasize the predominance of politics over economics. Briand's famous sentence "*la politique prime l'économie*" finds here its revival. French ores and German coal are the economic cement initiating a permanent peace between France and Germany; with the pooling of the two vital war materials the millenary feud should be buried forever. A war between France and Germany will become, once the pact is established, not only unthinkable but materially impossible. The economic objective of the proposed organization is to increase production and productivity by improving and rationalizing technique and by expanding markets. The extension of markets will result in a drop of prices. This merger of two vital materials of war production will gradually bring about some kind of fusion in other commodities, too. The creation of a powerful production pool will make available to all its members, on the same conditions, the basic necessities of production. The output of this pool being offered to the whole world without discrimination or exclusion, will thus contribute to the raising of living standards.

IV

Is there a danger that the Franco-German steel and coal pool may degenerate into a cartel? Immediately after the launching of the German-French pact idea some experts have been haunted by historical precedents to this pact. In 1926, an international steel agreement was established under the auspices of German and French industrial leaders. Is German cartel policy going to be applied, by the pool, on an inter-governmental basis? To counteract those apprehensions, there has been an attempt to draw a sharp line of demarcation between the policy, the objectives, and the method of operation of a cartel and the proposed pool. So it is said that the pool differs from the cartel in that the cartel strives to maintain high profits. It fixes prices in a monopolized market, thus encouraging the marginal producer who, without cartel intervention, would have been eliminated from the market because of his low productivity. The objective of the proposed pool organization, on the contrary, consists in increasing

production by rationalizing productivity and expanding markets. In the method of production as well, a distinction has to be made. The cartel policy consists mainly in directing prices, allocating production quotas, and distributing markets among the members. The proposed pool, in its turn, will use allocation and equalization only as a means to facilitate the necessary adjustments. The cartel policy tends to eliminate competition. The pool, in contradiction to the cartel, will tend to establish conditions of normal competition.

It is open to question whether the advocates of the pool have not overstressed the distinctive elements opposing pool and cartel, and whether their arguments are strong enough to silence apprehensions which have been voiced with respect to the possible monopoly character of the pool. In this sense, an opinion expressed by the National Association of Manufacturers deserves utmost attention. The position of the N. A. M. was outlined by Earl Bunting, N. A. M. managing director, in a cable message to Foreign Minister Robert Schumann. Mr. Bunting expressed belief that the success of the plan depended on "the extent to which it promotes rather than impedes competition." In this message the N. A. M. asserted that if the pool received power to fix wages and prices, control investments and production, and subsidize industries, the plan would lead to "economic warfare." But, on the other hand, it is said in this message that the goals of Monnet's organization, quality improvement, increase in exports, and higher living standards for workers, are aims worthy to be strived for. However, according to the N. A. M. report, if European industry was limited in its ability to achieve greater efficiency, the main responsibility rests upon the numerous trade barriers and currency restrictions between European nations. It will depend, therefore, on the way in which the measures are applied, whether they are encouraging or discouraging for competition. It is on this basis that steps which lead to Europe's economic unification have to be positively or negatively weighed. It should be added that N. A. M. represents 85% of the industrial capacity of the United States and is thus the voice of American industry.

V

Up to the moment of writing, three different phases in the theoretical development of the Franco-German steel and coal pact can be distinguished. In a press conference, held on May 9, 1950, at the Quai d'Orsay in Paris, Minister Robert Schumann announced the French government's proposal to place steel and coal production of France and Germany un-

der "common authority." Great emphasis was placed on this new authority to which the participating nations will transfer a portion of their sovereignty. The arguments in favor of creating this body were running on ideological lines. The administration of the relevant industries differs according to the economic systems of the countries involved: coal mines are nationalized in France, steel production is not. In Belgium neither is nationalized. In Germany nothing is decided in this respect so far. If the creation of a unified Europe were made dependent upon any single ideology and economic system becoming prevalent—if Europe were thought of as socialist because of the predominance of socialism in one country, or as liberal, because of the free enterprise mentality in another—it would be difficult to find a solution. The specific regime of each industry will have to remain the affair of each country, and the "high common authority" will have to take over the industries such as they are.

The next phase in the evolution of the problem is marked by the conference on the steel and coal pool pact, held in Paris, June 20, 1950. Great Britain was not present at the discussion. The Netherlands had presented a report delineating a plan which deviated from the French plan in important points.

The third step was marked by a preliminary agreement made at the six nations conference held at Paris, July 8, 1950. Participating were: France, West Germany, Italy, The Netherlands, Belgium and Luxembourg. Other countries invited to cooperate. It became manifest in the discussion that the Schumann plan was a most drastic proposal for uniting Europe. Emphasizing the political factor, seeking to escape from national sovereignty, it would replace national actions by an authority placing itself above the states. All the other countries, under the leadership of Dr. Dirk U. Stikker, Netherlands Foreign Minister, were violently opposed to the creation of such an irresponsible authority. They wanted to make their coal and steel authority responsible to a kind of European parliament and the Netherlands asked that it be responsible to a committee representing the governments.

The Stikker report is remarkable for another reason, too. This Dutch proposal emphasizes integration measures in the sphere of trade, provisions for reducing trade barriers. Minister Schumann, himself, considers the Stikker plan as a complement of his pool plan. The Dutch proposal, by placing the constructive principle of integration in the field of commercial policy, forms a bridge between the French and the English theses. Speaking in the once

traditional Geneva jargon used in the heydays of the League of Nations, it is the alternative between "ententes industrielles," industrial combines, and "ententes commerciales," networks of combinations based upon commercial policies.

VI

The cornerstone of all European federations is the participation of Great Britain. At the beginning of the pool negotiations Great Britain's attitude was rather cool and reserved. Only the conservatives with Minister Eden backed the pool as a means of giving Great Britain a greater hold in Europe. It does not seem that the now prevalent economic system of England dictates the British attitude. Without doubt, Sir Stafford Cripps has found the right expression for the idea, that British participation in a political federation limited to Western Europe was "not compatible either with our commonwealth ties, our obligations as a member of the wider Atlantic community, or world power." Indeed, the adherence to the commonwealth was always the decisive determinant for Great Britain for opposing attempts toward a European unification, and regional blocs as its preliminary phase. And, owing to the monetary link of the "sterling area" the coherence of the British commonwealth is today greater than ever. After all, Great Britain's attitude in this matter is typically traditional. Lately, other combinations such as the Atlantic Union comprising the United States, Canada, England, France, and Benelux have been suggested, initiating thus a closer cohesion between the United States and Europe.

VII

The bold massiveness of the Franco-German steel and coal pact, its over-simplified consolidation of these vital war-materials, contrasts somewhat with the technically more delicate structure of the British-Dutch proposals based upon commercial policy. However, with the Far East crisis, the inherent value of the Monnet-Schumann plan to merge French steel with German coal becomes suddenly manifest. The pool pact outshines all the other combinations in immediate strategic effectiveness. The formation of customs unions or similar blocs is a long term growth which slowly ripens in peace time. But, the pooling of war production is immediately consequential to spur Western unity as a defense against aggression.