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Coal and common market: Forecasting crisis in the early European Parliament

This chapter investigates how the Interior Market Committee of the early European Parliamentary Assembly (before 1958 the Common Market Committee of the Common Assembly) grappled with the conflicting goal of raising wages and social benefits for coal miners while achieving the aim of the Paris Treaty, which created the European Coal and Steel Community (ECSC), to reduce energy costs for consumers. Further, it analyzes competing forecasts of the coal industry's future and how various actors proposed dealing with the changing balance between energy sources and its potential impact on industrial and social policies in the leadup to the 1958 coal crisis, which began the sector's terminal decline in Western Europe. The Common Market Committee is here conceptualized as a policy forum in which European deputies, often coal and steel experts like German social democrats Heinrich Deist and Gerhard Kreyszig, interacted with trade unionists and representatives of the High Authority, the ECSC executive, to propose, lobby for, and dispute solutions to the coal crisis emerging at national and supranational levels.

The ECSC had the complicated task of reconciling conflicting objectives on coal that had different legal status in the Paris Treaty. Its legal mandate was to guarantee low prices for consumers as well as free and equal competition, but "freeing" coal prices in the mid-1950s generally resulted in higher prices, a challenge for Community policy. The ECSC was also required to ensure adequate provisioning of coal for all member states but low prices could curtail the investment needed to increase production to suit rising energy needs. The treaty set the goal of raising living standards and, to a lesser extent, of protecting employment in coal mining. To this community officials added the informal objective of raising coal miners' living standards, which, added to maintaining employment, was a goal potentially at odds with its mandate of ensuring low energy costs. Further, state aids and subsidies, the simplest way of reconciling these competing objectives, were banned by the Paris Treaty. It is difficult enough for national governments to formulate energy policies that meet the interests of producers, workers, business consumers, and household consumers but the ECSC had the additional burdensome task of mediating between member states.

The Common Market Committee was charged with defending consumers but, given the broader repercussions of ECSC policy, it sought to balance producer, worker, consumer, and national interests. This proved an almost impossible task.

Committee members shared the general consensus that miners should retain their status as highest paid among industrial workers. Deist justified this thusly, “the effort demanded of the men in the coal industry is greater than in other industries (large physical effort, lack of light, artificial air, elevated temperature)” and “this is why underground miners have the right to the highest salaries.”¹ German Christian Democrat Wolfgang Pohle concurred that, “It is generally accepted that miners should occupy the summit of the salary pyramid.”² Others pointed to the difficulty of retaining miners and attracting new employees. High Authority Commissioner Fritz Etzel said that, “No one contests that miners’ salaries should be situated at the summit of the salary pyramid and that a rise in salaries is necessary but current prices do not permit the raising of salaries.”³ The problem, as Deist pointed out, was that, “labor costs [we]re more important factors than in other industries,” covering 50–60% of production costs.⁴ Despite mechanization, productivity growth was lower in coal mining than in other industries and therefore tying salary increases to productivity would not permit high wages.⁵ In July 1954, Belgian liberal Roger Motz warned that it was necessary to “find a reasonable price of energy in Europe because otherwise [. . .] we will only displace unemployment from one industry to another.”⁶ The Socialist Group was especially interested in involving trade unionists in these discussions. Flemish trade unionist and former miner Nicolas Dethier and Antoine Krier, head of the liaison bureau of European mining and steel unions, attended a Socialist Group meeting in spring 1955. There the dilemma was clear in the remarks of René Evalenko, a Belgian Socialist, that, “It is necessary to have high salaries and low prices. These are contradictory problems for which a solution is difficult.” Deist followed that, “we need to agree in principle with every reduction in the price of coal if we do not want to make economic progress impossible.”⁷ The group came to the vague position that, “it is necessary that the policy

1 Deist, Heinrich. *Remarque sur la politique charbonnière. Iere Partie*, Document de travail pour la réunion du Groupe de travail pour les affaires économique et sociales. 12 April 1957. Groupe Socialiste au Parlement Européen (GSPE)-16, Historical Archives of the European Union (HAEU), Florence.

2 *Compte rendu de la réunion*. 16 March 1956. Historical Archives of the European Parliament (HAEP). Luxembourg.

3 *Commission du marché commun, Compte rendu*. 13 March 1956. AC AP PV MACO-195603130010FR, HAEP.

4 Deist. *Remarque sur la politique charbonnière*.

5 *Ibid.*

6 *Commission du marché commun, Compte rendu*. 1 July 1954. AC AP PV MACO-195407010010FR, HAEP.

7 *Compte-rendu analytique de la réunion du sous-comité des affaires économiques et sociales*. 21 March 1955. GSPE-10, HAEU.

of lower prices not be an obstacle to the continued rise in the living standard of workers.”⁸

This problem of reconciling high salaries with low prices came to a head most clearly in debates surrounding the German government’s decision in 1956 to award a “bonus” to coal miners, which the High Authority later ruled violated the treaty’s ban on state aids. In May, Christian democrat and future European Economic Community (EEC) Commissioner, Maan Sassen, stated that he was not in principle opposed to granting miners a bonus but rather only opposed state financing. Etzel made similar remarks, keeping the door open to approving another form of financing.⁹ In a July 1955 meeting with trade unionists prior to the announcement of the bonus, German social democrat Joachim Schöne said that, “one could arrive at the conclusion that the state should pay a part of miners’ salaries if one wishes to make compatible the decrease in coal prices with the rise or even maintenance of miners’ salaries.”¹⁰ A year later though, Schöne was less enthusiastic, complaining that the “state may pay considerable sums to miners in order to guarantee dividends to investors.”¹¹ Dutch Labor deputy Gerard Nederhorst submitted a working document to the Socialist Group in June 1956 that stated, “we think that, in order to avoid a disastrous plunge in coal production and employment, the coal industry must benefit from subsidies, whether direct or indirect through the state financing of social charges” but “these subsidies are admissible only on the condition that the mining industry be nationalized.” For “as long as the mines are private property we should refuse state financing of social costs under whatever form [because] it will give benefits and dividends to holders of capital.”¹² German deputies stated their opposition to the miners bonus but, Schöne said, as it had been given, “We can no longer envision eliminating it.”¹³ The issue posed a real dilemma, as Kreyssig reflected the next day that “if miners have the right to the highest salary, we should pose the question [. . .] of whether the coal

8 Remarques du groupe de travail socialiste sur le mémorandum de la Haute Autorité relatif à la politique charbonnière. April 1955. GSPE-10, HAEU.

9 Commission du marché commun, Compte rendu. 8 May 1956. AC AP PV MACO-195605080010FR, HAEP.

10 Compte rendu analytique de la réunion du sous-comité des affaires économiques et sociales. 7 July 1955. GSPE-10, HAEU.

11 Compte rendu analytique de la réunion du groupe socialiste. 7 May 1956. GSPE-12, HAEU.

12 Document de travail, Point 4 de l’ordre du jour de la réunion des 16 et 17 juin 1956: Le problème de la fiscalisation des charges sociales. Exposé introductif du camarade G.M. Nederhorst. GSPE-12, HAEU.

13 Compte rendu analytique de la réunion du groupe de travail pour les affaires économiques et sociales. 16 June 1956. GSPE-13, HAEU.

industry can still compete with other industries” and, if the answer was no, then the only options were “a policy of subsidies or a protectionist policy.”¹⁴ Aware that socialization was not on the agenda, the next year socialist members advocated replicating the German bonus system on the supranational level because this would remove the discriminatory nature of state aid, an idea put forth again by European trade union organizations (CISL and CISC) and the High Authority after the ECSC ruled the bonus illegal in 1961. Unless another solution was found, Deist wrote that, “In rejecting the principle of subsidizing the coal industry (. . .) we must necessarily resign ourselves to a long-term rise in the price of coal” because miners’ salaries are “deteriorating the position of coal mining costs in relation to those of other industries.”¹⁵

Crucial in these debates were contrasting conceptions of the coal market and the ECSC’s legal powers to regulate coal and steel markets by means of (anti)cartel and pricing policies. Deist characterized the High Authority’s position as thinking that “the factors of stability inherent in the Common Market will automatically bring a certain stabilization” but he disagreed and supported instead “a political price” that “will absorb abnormal price variations on the world market.”¹⁶ Kreyszig and Schöne described coal as an “artificial market” and encouraged the High Authority to fix maximum prices, while Sassen opposed the socialist position.¹⁷ Later that year Etzel rejected Schöne’s statement that “a normal situation in the coal sector only exists in theory,” telling the committee “from about a year ago we can speak perfectly well of a normal situation in the common market for coal.”¹⁸ Committee members were responding to market conditions in which coal was increasingly scarce; a downturn in the coal market occurred in 1953–54 after the heated production prompted by the Korean War calmed down but, in late 1954, coal entered its last “boom” period and shortages re-appeared, especially during the tumult caused by the Suez War.¹⁹ Community officials had let their maximum price scheme fall for the Nord-Pas-de-Calais in 1955, but maintained it in the Ruhr where community prices

14 Compte rendu analytique de la réunion du groupe de travail pour les affaires économiques et sociales. 17 June 1956. GSPE-13, HAEU.

15 Deist. Remarque sur la politique charbonnière.

16 Commission du marché commun, Compte rendu. 12 March 1955.

17 Commission du marché commun, Compte rendu. 14 March 1955. AC AP PV MACO-195503140010FR, HAEP.

18 Commission du marché commun, Compte rendu. 18 November 1955. AC AP PV MACO-195511180010FR, HAEP.

19 Abelshauser, Werner. 1984. *Der Ruhrkohlenbergbau seit 1945: Wiederaufbau, Krise, Anpassung*. Munich: C. H. Beck, 89–90.

were lowest and did not cover production costs. Ludwig Erhard, Germany's market-oriented Economics Minister was actually closer to the socialist view on this point, writing in the *Frankfurter Allgemeiner Zeitung* that, "one can hardly speak of a truly free market price" in coal and "freely formed prices would heavily aggravate the economy."²⁰ In 1956, the High Authority announced that it was ending its price controls, stating that "coal prices in the Ruhr are free for the first time in fifty or sixty years."²¹ Kreyssig criticized this policy as "entirely liberal" and said that, rather than the price flexibility the High Authority desired, all he saw was "the tendency of coal prices to rise."²² Coal was booming for the moment but he warned that, "If we want to draw the necessary conclusions from these facts, we should admit that the constant tendency of cost increases in the coal industry will reach one day the point in which [competition] will render the mines unprofitable and they will have to close."²³

Nederhorst drew similar conclusions in response to the High Authority's first significant memorandum on coal policy, lamenting that, "The treaty does not foresee any solution." Before 1958 there were already serious concerns about the High Authority's inaction in coal policy. Already in 1954 Pohle noted that community coal faced growing competition from third-country coal imports and stronger competition from other energy sources. How would the High Authority address these issues, he asked?²⁴ In 1956, Belgian Socialist August de Block said that, "after three years the High Authority still does not have a coal policy."²⁵ The Socialist Group did not hide its disappointment at the coal memorandum published by the High Authority. Trade unionists told the group that it "gives no indication of the future of the coal industry" and "[we] are extremely interested to know the predictions of socialist deputies on the future of the coal industry."²⁶ Socialist deputies picked apart the memo in internal meetings. There was nothing about maintaining

20 Extrait de la "Frankfurter Allgemeine". 12 October 1957. GSPE-18, HAEU.

21 Communication. 26 March 1956. AC AP RP MACO AC-0018156-mai0030FR, HAEP.

22 Compte rendu analytique de la réunion du groupe de travail pour les affaires économiques et sociales. 17 June 1956.

23 Commission du marché commun, Compte rendu. 23–24 April 1956. AC AP PV MACO-195604230010FR, HAEP.

24 Commission du marché commun, Compte rendu. 27 October 1954. AC AP PV MACO-195410270010FR, HAEP.

25 Compte rendu analytique de la réunion du groupe de travail pour les affaires économiques et sociales. 17 June 1956.

26 Compte rendu analytique de la première conférence préparatoire des membres socialistes des commission du marché commun et des investissements, des questions financières de la production. 12 March 1955; Compte rendu analytique de la réunion du sous-comité des affaires économiques et sociales. 7 July 1955. GSPE-10, HAEU.

minimum capacities or what to do about coal imports, Nederhorst complained, saying later that, “the activities of the High Authority in elaborating a long-term coal policy do not inspire confidence.”²⁷ The group charged its president, Guy Mollet (soon after French premier, 1956–57), to write a letter to High Authority President Jean Monnet. Mollet wrote that, “one finds no previsions on the evolution of future markets nor of price tendencies; the document limits itself to rather imprecise considerations” and “does not indicate export and [other] important perspectives” or provide “quantitative analysis of the volume of production capacity nor of expansion possibilities.”²⁸ After receiving a short reply by René Mayer, Jean Monnet’s successor, the Group issued a press statement regretting that, “The High Authority response contains only one statistical document while the decisive questions touching on problems of coal policy remain without response.”²⁹ Let down by the High Authority, the group charged Deist with preparing a forecasting report to inform the group’s policy discussions on coal, on which more below.

In the meantime the High Authority made significant mistakes during the 1956 Suez crisis that, together with Erhard’s show of force against German coal, exacerbated the 1958 coal crisis.³⁰ Responding to energy shortages, ECSC countries accumulated massive stocks of coal under High Authority encouragement and signed long-term contracts for large deliveries of US coal at a time of high freight rates, provoking calls to revise the contracts in the Common Market Committee.³¹ President Mayer told the committee that US imports would not be a major problem for community coal because freight rates would remain high, contradicting Deist’s prediction, accurate as it turned out, that freight rates would plunge once the crisis ended. This was but one of the forecasting mistakes the High Authority made on the eve of the coal crisis. Etzel claimed incorrectly that, “As for coal, demand is stronger than production and will remain so for a long time,” concluding that, “For this reason, the [need for] imports is structural.” The High Authority therefore proposed a “revision of the coal economy” and “the opening of new pits,” especially in the Ruhr, but also in other

27 Document de travail pour la réunion des 16 et 17 juin 1956: Quelques considérations critiques sur la politique de la Haute Autorité, par G.M. Nederhorst. GSPE-12, HAEU.

28 Copie d’une lettre du camarade Guy Mollet, président du groupe socialiste, adressée le 28 avril 1955 à Monsieur Jean Monnet, président de la Haute Autorité de la C.E.C.A. GSPE-10, HAEU.

29 Communiqué de presse. 18 February 1956. GSPE-12, HAEU.

30 Abelshausen. *Der Ruhrkohlenbergbau seit 1945*, 89–90.

31 Perron, Régine. 1996. *Le marché du charbon, un enjeu entre l’Europe et les États-Unis de 1945 à 1958*. Paris: Publications de la Sorbonne, 229; See Armengaud’s comments about US coal. 6 November 1956. AC AP PV MACO-195611060010FR, HAEP.

coal basins. Perron writes that the High Authority predicted that coke deficits in the community would grow from 2.1 million tons in 1957 to 5.2 million in 1960, estimating that coking capacities would expand by 70% by 1960, another crucial mistake.³²

The difficulty of satisfying increasing energy needs while addressing problems of coal's competitiveness comes out starkly in the 38-page report Deist prepared for the Socialist Group.³³ Its distribution in spring 1957 coincided with a downturn in the coal market that exploded into the coal crisis of 1958. That Deist considered the community's powers to be inadequate can be deduced from the report's introduction, which stated that, "The method adopted [. . .] will define the principles for a realistic coal policy without reference to the dispositions of the [Paris] Treaty"; only thereafter would he "examine whether its application is authorized by the treaty." If not, socialists should consider "whether we should renounce certain points of view or demand a modification of the treaty." Using 1955 as a baseline, he forecasted that coal production in absolute terms would increase slightly by 8–9% by 1965 and then stagnate in the following decade, while oil, hydroelectrical power and natural gas would more than double and atomic energy would enter the market. All told, coal would therefore decrease in relative terms from 69% of total community energy consumption to 49% over twenty years, while oil would increase from 18 to 30% and atomic energy from 0 to 7%. Further he predicted that freight rates would fall and Ruhr coal would be unable to compete with US coal on the Italian market, an important point considering that this was how the coal crisis developed. On the basis of his forecast, he reached the following conclusions: 1) coal could not adapt to the evolution of other energy sources; 2) it was not clear whether other energy sources would fulfill increasing energy needs in the near term; and 3) the community should therefore continue to increase its coal production capacity as much as possible. Given that coal prices could not compete in the medium or long term, there should be heavy state or supranational intervention (the authority here is left vague) "to assure that the coal economy evolves in conformance with economic and political decisions." In other words, the community must not "abandon the coal industry to the free evolution of the market."

Deist's memorandum provides insights into policymaking in the leadup to the 1958 coal crisis that illustrate my main arguments. First, Common Market Committee members and, in particular, its socialist members, made more realistic appraisals of the coal market's future than did the High Authority. Information

³² Perron. *Le marché du charbon*, 266.

³³ Deist. *Remarque sur la politique charbonnière*.

was therefore available that may have better prepared the community executive as well as national governments for the crisis. Second, Deist's assessment of consumption, production, and workers' welfare provided an intellectual justification for removing the coal sector from the free market and reconciling lower prices with social and labor costs by means of state or community intervention. This was, in the end, what happened but not before protracted disputes within national politics as well as between member states. The final point is that, though Deist's forecasts correctly captured the major trends and dynamics in European coal, they failed to predict the severity of the looming crisis. Coal fell to 36.3% of community energy consumption by 1965 and then to 22.4% by 1970, rather than to 49% by 1975 as Deist predicted.³⁴ His policy prescriptions in 1957, which envisioned a future of subsidized coal, were therefore a far more expensive proposition than he and his colleagues realized.

When the coal crisis broke out in fall 1958, the High Authority encouraged voluntary subsidies for coal stocks and increased community coal consumption and import limits. By early 1959, this policy was an evident failure. The committee's draft report in March stated that, "One has the impression that the High Authority cannot escape the reproach of often not making concrete proposals until the last moment . . ." ³⁵ Nederhorst stated that the High Authority has given "no indication of the policy that it is following" and "has entirely left the care for resolving the coal problems to governments."³⁶ Commissioner Paul Finet acknowledged that measures thus far were "insufficient" and announced that he would propose declaring a "manifest crisis." The next month Commissioner Albert Coppé said that, "we are witnessing the cumulation of a cyclical crisis and the worst structural crisis of coal in Europe in the last hundred years." The High Authority would ask the Council of Ministers to invoke articles 58, 74 and 95 of the Paris Treaty to authorize it to 1) freeze stocks; 2) install production quotas; 3) restrict imports; and 4) increase community benefits for workers.³⁷ In April, there was a political clash on the committee between a joint Christian democrat-Liberal proposal that wrote of a "very difficult situation" in coal but rejected Community

³⁴ Spierenburg, Dirk, and Raymond Poidevin. 1994. *The History of the High Authority of the European Coal and Steel Community: Supranationality in Operation*. London: Weidenfeld and Nicolson, 488.

³⁵ Rapport fait au nom de la Commission du marché intérieur de la Communauté sur des questions actuelles du marché charbonnier et sidérurgique par M. H.A. Korthals. March 1959. AC AP RP MACO.1958-A0-0017-590010FR, HAEP.

³⁶ Commission du marché intérieur, Compte rendu. 20 February 1959. AC AP PV MACO-195902200020FR, HAEP.

³⁷ Commission du marché intérieur, Compte rendu. 21 March 1959. AC AP PV MACO-195903200010FR, HAEP.

interventionism against a socialist resolution that demanded the declaration of a manifest crisis.³⁸ After compromise formulations failed over whether to use the word “crisis” (which carried legal implications), the socialists announced they would vote against the resolution, which called only for moderate community measures.

In May, the plenary reinserted the term “crisis” and supported the High Authority’s more interventionist program³⁹ but the executive was unable to reach agreement in the Council of Ministers. Spierenburg told the committee that national governments did not “want to create a precedent susceptible to being invoked one day in case of structural crises in other industries,” especially if “an analogous situation presents itself [. . .] in the steel sector.”⁴⁰ The governments of the larger coal-producing nations, Belgium, France and Germany, wanted their coal-consuming counterparts to restrict imports, but the Dutch and Italian governments refused. The Council of Ministers deadlocked as opposition to interventionism and supranationalism mixed with the consumer-producer conflict. A similar cocktail felled the proposal for a European Miners Statute, a community proposal supported by the trade union federations (CISL and CISC) and the High Authority.⁴¹ In 1958 the German government led the way with a national intervention program of import restrictions, production quotas and state aids designed to support the sector’s heavy social costs. In the early 1960s the Belgian government, the coal sector of which had a special transition program and was never able to enter the common market, instituted national subsidies, as did the French. The High Authority, increasingly adrift as the EEC Commission entered operation, failed repeatedly to regain the initiative over national governments. In 1965, it had little option but to retroactively sanction the state aids instituted over the last seven years, a recognition of defeat.⁴²

38 Commission du marché intérieur, Procès-verbal et Compte rendu. 15 April 1959. AC AP PV MACO-195904150010FR, HAEP.

39 Résolution sur des questions actuelles du marché charbonnier, Journal officiel des Communautés Européennes. 8 May 1959.

40 Commission du marché intérieur, Compte rendu. 19 November 1959. AC AP PV MACO-195911190020FR, HAEP.

41 Verschuereen, Nicolas. 2012. *Fermer les mines en construisant l’Europe: une histoire sociale de l’intégration européenne*. Brussels: Peter Lang.

42 Spierenburg and Poidevin. *The History of the High Authority of the European Coal and Steel Community*, 605.

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