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Social capital, human capital and sustainable economic development

Abstract: The purpose of the paper is to identify the importance of social capital as a factor in achieving sustainable economic growth and development. In fact, it is largely accepted that historical literature on economic growth focuses on physical and human capital as key determinants of economic growth and development; and particularly neglects other qualitative factors that may impact positively on economic performance. In this paper, we will try to shed light on relatively few aspects of the complex interplay between social capital and sustainable economic development, and to also show if there is a relationship between these two concepts. On one side sustainable economic development generates more available resources and better conditions for the well-being of the nation; and on the other side a good social environment enriches institutional quality that will impact on economic activity and in the long run economic growth.
Keywords: economic growth, sustainable economic development, social capital and human capital.
JEL codes: A10, O1, Z1, I2.

Introduction

Over previous years, a number of theoretical and empirical studies have attempted to identify important factors driving economic growth and development in major developed and developing economies. In fact, these factors trace their origin to the first industrial revolution and became popular after the publication of "The Wealth of Nations" in 1776. Adam Smith highlighted the relation between capital formation and savings as important determinants of economic growth. Later, Thomas Malthus in the "Essay on the Principle of Population" [1798] gave another dimension to a similar concept. According to him the growth rate of population can be a factor that stimulates economic growth, as long as it is accompanied by an effec-

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tive labor demand. In 1817, David Ricardo pointed out a new concept and explained that endogenous mechanisms like accumulation of physical capital is likely to affect economic equilibrium in the long run. In his thesis, Ricardo showed that the rate of profit tends to be equal between sectors and converge to zero in the long term.

Another distinguishing study developed by Schumpeter [1912]; highlights the importance of entrepreneurship in encouraging economic growth. In fact, industrial progress and innovation constitute the fundamental impulse in stimulating capitalist incentive because it creates new production methods and new types of industrial organization. Following the 1929 crisis, many economists, inspired by the work of JM Keynes, also tried to examine the scope of balanced economic growth. Domar [1946] suggested that investment, has a double influence on the economy throughout its effect on income and employment.

The neoclassical theory, as conceived today, was developed successively by Ramsey [1928], Solow [1956], Swan [1956], Cass [1965] and Koopmans [1965]. In his contemporary economic growth model Ramsey [1928], the pioneer of economic growth theory, argues that it is difficult to study consumption theory without referring to the condition of optimality. Solow [1956] and Swan [1956] in neo-classic theory tried to clarify the role of accumulation of physical capital, the rate of saving and exogenous technical progress in economic growth.

Cass [1965] and Koopmans [1965], using optimization analysis, suggest that long term economic growth is linked to an exogenous technological progress growth rate. In fact, the argument introduced by Cass and Koopmans is that all economies must converge towards the same income per capita with the same level of preferences, the same growth rate of population and to have access to the same technologies.

It is worth noting that debate on the determinants of economic growth has been controversial for a long time. Some economists have argued that economic growth is determined by exogenous factors while others argue that it is more linked to some endogenous determinants. Research on the economic growth model during the middle of the 1980s made new great strides. Those like Romer [1986], Lucas [1988], Barro [1991] and Grossman and Helpman [1991] tried to explain that economic growth rate is closely linked to specific endogenous factors. According to them, technological progress, considered previously by Cass [1965] and Koopmans [1965] as exogenous, is more or less determined by human capital, productive public expenditure, research and development, trade openness and the institutional environment. Together these factors act positively on economic activities and generate growth. Nevertheless, despite all these efforts to select the determinants of economic growth and development, certain phenomena remain partially developed by economists.

In fact, the task in identifying how to achieve high economic growth and development remains one of the major concerns of economic development theory. Some studies highlighted the issue of income difference between countries, and why some achieved double digit economic growth, particularly East Asia, while others remain at a lower range, particularly Sub-Saharan Africa. To clarify this, Cherery [1986] highlighted some of the deficiencies of the neoclassical approach for developing countries. According to him, existent literature does not take into account factors like market imperfection, external constraints, domestic demand constraints and a number of other factors raised by development economists.

The present paper will shed light on the importance of social capital as a factor in achieving sustainable economic growth and development. The structure of the paper is as follows: The first section discusses the concept of sustainable economic development, analyzing the importance of qualitative factors in economic development. The second will highlight the relative relationship between human capital as a determinant of economic growth and social capital. Finally, the third section will focus on selected aspects of the complex interplay between social capital and sustainable economic development.

1. Concept of sustainability in economic development models

Rethinking the issue of economic development leads economists to incorporate other qualitative factors in economic growth models. Many outline that economic development is a normative concept; it applies in the context of people's sense of living, improvement in self-esteem and freedom from oppression, as well as greater choice (Michael Todora). Others suggest that it implies "progressive change in the socio-economic structure of a country and changes in technological and institutional organization of production as well as in the distributive pattern of income".[1] Therefore, the process of economic development is far more extensive than the economic growth. Apart from an increase in production, it involves change in the composition of output, better allocation of productive resources, inequality and improvement of the standard of living.

In the same context, the concept of sustainable economic growth and development gain popularity. It became one of the main topics in modern economics. Some economists define: "Sustainable development (SD) as a pattern of economic growth in which a resource used aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but also for generations to come". Similarly, the Brundtland Commission [1987] identifies sustainable development as "development that meets the needs of present generations without compromising the ability of future generations to meet their needs". In the same field, Barbier [1987], suggests that the primary objective in achieving sustainable economic development is to increase the standard of living and to diminish poverty

[1] http://www.economics4development.com/.

world-wide through providing secure livelihoods that minimize resource depletion, environmental degradation, cultural disruption and social instability.

Rogers [1993] characterizes sustainable development as "development that does not destroy or undermine the ecological, economic or social basis on which continued development depends". In the same way, the Organization for Economic Cooperation and Development [OECD 1990] considers sustainable development as "a concept that constitutes a further elaboration of the close partnership between the environment and the economy, within which a key element is the legacy of environmental resources which is not excessively diminished."

Holdren, Daily and Ehrlich [1995] also stated that "a sustainable process or condition is one that can be maintained indefinitely without progressive diminution of valued qualities inside or outside the system in which the process operates or the condition prevails". Goodland [1995] suggests that sustainable development should integrate three types of sustainability: environmental, economic and social. According to him, environmental sustainability refers to the maintenance of life-support systems. Economic sustainability is defined as maintenance of economic capital. Lastly, social sustainability refers to the maintenance of social capital i.e. human capital. All these three constitute the concept of sustainable economic development. In the current literature, this concept seems to be largely a subjective issue that requires further effort in understanding how a qualitative factor can influence economic sustainability.

2. Relationship between social and human capital

In the present section we will try: *firstly*, introduce both concepts of social and human capital, definitions and existing theory in the field. *Secondly*, show the relationship between each of them and, if human capital can build a better social network and create individual well-being.

2.1. Concept of social capital

The past decade has seen many investigations of the concept of social capital and its eventual relationship to economic performance. However, definition of this concept remained elusive due to the lack of appropriate data and a uniform measurement method widely accepted by the literature. The first recorded instance of the concept social capital can be traced back at least to Hanifan [1916] who underlined the importance of community participation in promoting quality of schooling. Later, Banfield [1958] used the social capital concept to account for the economic backwardness of the south of Italy, but did not express significant interest in the development economics debate. The term social capital also continued to be found in social science debates in the contributions of Homans [1961], Jacobs [1961], and Loury [1977] who used the term to underline the importance of community ties. Nevertheless, lack of conceptual clarity has contributed to an overuse of the notion of social capital in such a way "trying to explain too much with too little and is being adopted indiscriminately, adapted uncritically, and applied imprecisely" [Lynch et al. 2000].

However, popularization of the concept in recent decades is due to Bourdieu [1980, 1986] in whose works social capital is conceived as a resource that arises from membership in associations, communities, and social networks. According to him, "The volume of social capital possessed by a given agent depends on the size of the network of connections that he can effectively mobilize". Coleman [1988, 1990] added a new dimension to the concept by defining it by a reference to its function, where it is recognized as a group of entities acting to facilitate individual actions in different organized structures.

As argued by Coleman, social capital can have three forms; firstly, obligations and expectations which depend on the trustworthiness of the social environment; secondly, the capacity of information to flow through social structure in order to provide a basis for action and thirdly, the presence of norms accompanied by effective sanctions.

In the early 1990s, this sociological concept experienced a resurrection since it was adopted by political scientists like Putnam et al. [1993] and Fukuyama [1995]. Putnam et al. [1993] classifies social capital as "features of social life such as networks, norms, and trust that enable participants to act together more effectively to pursue shared objectives". In this context and according to this view, social capital became a virtue of nations where individuals obey laws, choose their leaders in a democratic way and show high levels of cooperation between themselves. Also, it is considered as positive group externality that arises from social organization, an argument largely debated by Fukuyama [1995] who suggests that only certain shared norms and values may be regarded as social capital. According to him "Social capital can be defined simply as the existence of a certain set of informal rules or norms shared among members of a group that permits cooperation among them, the norms that produce social capital must substantively include meeting of obligations, and reciprocity". Similarly, the OECD affirms the notion of social capital as "networks together with shared norms, values and understandings that facilitate co-operation within or among groups". In addition, the World Bank suggests that "Social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together." In fact, trying to summarize what has been said previously, there are two main approaches to explain the concept of social capital: one considers social capital as an individual attribute [Coleman and Bourdieu] and another argues that social capital or the social network is more an attribute of community itself [Putnam et al. 1993].

In economics, it has become more and more accepted that social capital improves not only the capabilities of different agents at an individual level, but also general economic performance at the aggregate level. Becker's social capital [1974, 1996] is conceived as an intermediate good to produce the basic needs of individuals. It is presented as an individual resource where rational and well informed people invest in social capital within a utility maximization problem. Moreover, a clean social environment where people meet freely and frequently is an ideal ground for the adoption and diffusion of good norms and trust. Therefore, a generalized trust in society reduces uncertainty and the average transaction costs just like other inputs reducing transactions or production costs [Torsvik 2000; Zak & Knack 2001]. At an aggregate level, generalized trust-based relations may have a positive impact on the process of development and economic growth in particular. It may also be a factor that accounts for the gap in growth performances between regions even in developed countries and the underdevelopment of urban and rural areas in poor countries [Temple & Johnson 1998, 2001; Guizo, Sapienza & Zingales 2000]. Ostrom [2000] and Rose [2000] point out that social capital contributes to economic growth by facilitating collaboration between individual interests towards achievement of increased output. Mogues and Carter [2005], Rupasingha, Goetz and Freshwater [2006] suggest that countries with relatively higher stocks of social capital, in terms of generalized trust and widespread civic engagement seem to achieve higher levels of growth, compared to societies with low trust and low civics.

However, the use of the term *capital* remains not widely accepted in development Economics as it does not refer to a tangible or owned factor. In this context, Arrow [2000] contends that the term *capital* is 'alienable', in the sense that its property can be exchanged between individuals and agents, and seems therefore to not be a case of social capital. Moreover, Bowles and Gintis [2002] argue that the term *community* is more relevant since it "better captures the aspects of good governance that explain social capital's popularity, as it focuses attention on what groups do rather than what people own". The seminal contribution to literature on social capital and the growth nexus during the 1990s is *Making Democracy Work* by Putnam, Leonardi and Nanetti [1993]. In this most cited investigation, the authors found a positive and significant correlation between economic performance and social capital where the latter is measured by indicators representing the number of voluntary organizations, the number of newspaper readers, voter turn-out at referenda and civic backwardness. In a later study, Helliwell and Putnam [1999] by using the same indicators of social capital show that it has a positive impact on long term economic growth in the Italian provinces. Knack and Keefer [1997] and La Porta et al. [1997] tested Putnam's hypothesis using the data of the *World Value Survey* (WVS) where social capital is measured by the level of trust in each country in the sample. Trust ratios are computed as the percentage of individuals who think that "most people can be trusted". Knack and Keefer [1997] found that civic norms and trust are positively and significantly correlated with economic growth in a sample of 29 countries. Zak and Knack [2001] added other countries to the first sample used by Knack and Keefer [1997] and found that trust is higher in countries with more effective and well-functioning institutions. In a similar study, La Porta et al. [1997] showed that revenues of the 20 biggest firms, as a percentage of GDP per capita income, are also positively correlated with the level of trust in people. Nevertheless, Beugelsdijk [2006] suggests that use of the WVS measure of social capital may be misleading as it can be a proxy of well-functioning institutions rather than a measure of trust because of what he called "a mismatch between the theoretical argument and the empirical application of trust". To support his argument, Beugelsdijk and Van Schaik [2005] using the principal components analysis of institutions and trust suggest that at a regional level, trust and growth are also found to be associated with each other in the sense that voluntary and unpaid work in associational activity tends to promote regional growth. Moreover, in a recent and original study, Guizo, Sapienza and Zingales [2000] tested the relationship between financial development and social capital, their basic intuition being "one of the mechanisms through which social capital impacts economic efficiency is by enhancing the prevailing level of trust. Since financial contracts are the ultimate trust-intensive contracts, social capital should have major effects on the development of financial markets". Guizo and al. use as a measure social capital individual electoral participation and blood donation in the community and conclude that these indicators are significantly correlated with indicators of financial development. Similarly, Hong, Kubik and Stein [2001] showed that in the United States people who "know their neighbors" tend to have higher participation in the stock market. Beugelsdijk, De Grott and Van Schaik [2004] studied a set of 54 European regions to investigate whether regional differences in economic growth may be accounted for by social capital as a generalized trust and strong participation in associational activity. The different robustness tests carried out tend to confirm the positive significant relationship between regional growth and participation in associational activity. This result is considered a generalization of the finding of Putnam, Leonardi and Nanetti [1993] on social capital and Italian regions, and goes beyond it to show that not only does the simple existence of network relationships boost regional growth but also boosts effective involvement in these relationships.

2.2. Concept of human capital

Human capital is considered an important factor in achieving economic growth and development. However, the definition and the measurement methodology of the concept remained very broad. It is only after the publication of Becker [1964] that the human capital notion tends to narrow and its measurement became appropriate in using the economic growth model. Later, Ljungberg [2002] tried to explain the causal relationship between education and economic growth in Sweden for the period from 1867 to 1995. This relationship has also been investigated by Nunes [2003] for the case of Portugal between 1852 and 1995.

There is a general view that education and social capital are positively correlated and vice versa [Putnam 1995; Helliwell & Putnam 1999; Alesina & La Ferrara 2000; Glaeser, Laibson & Sacerdote 2000; Rupasingha, Goetz & Freshwater 2006]. In his seminal contribution, Coleman [1988] has argued that a country with a high level of trust and social connections registers a high level of school enrolment. Israel and Beaulieu [1995] have also examined the role of social capital in promoting educational achievement among American high school students and have found that family social, human and financial capital all had significant impacts on school dropout probability. This relationship has been investigated by Buchel and Duncan [1998] in the case of Germany and by Bjornskov [2004] in a sample of 52 countries. The authors have concluded that investment in education is relatively cheaper in high trust than in low trust societies, which have led to faster growth of schooling in the former countries.

Likewise, Knack and Keefer [1997] argue that higher learning implies that individuals become better informed and better at interpreting perceived information, as well as becoming more conscious of the consequences of actions taken by themselves and others. Also, it enables people to engage in society with better institutional environment, civics, better exchange of the information, and transparency. It is considered as a platform for people to interact with each other, to ameliorate the quality of life and strengthen individual relationship. Also, like a powerful tool in the exchange of information and knowledge. "It's not what you know, it's who you know" [Woolcock 1998]. In the same field Nahapiet and Ghoshal [1998] suggest that the component of human capital consist of: human skills and knowledge, abilities of people, social relationships among people and the knowing capability of a social collectivity, such as an organization. Development of human capital therefore requires attention to those other elements like social and organizational. This idea was developed later by Gratton and Ghoshal [2003]. According to them, intellectual capital and human capital also consist of social capital and emotional capital.

Like others, Ian Falk [2000] tried to give a clear picture of the relationship between social capital and human capital. In fact, the stock of human capital gathers both of formal and informal learning, the skills and knowledge that people built through meaningful interactions between each other. In this case, social capital promotes an active and sustainable learning environment that can develop interpersonal trust and self-confidence between people in society, which provides a strong platform for more action and encourages decision-making working for people's well-being.

3. Why social capital is relevant to sustainable economic development?

As mentioned earlier, the concept of social capital gained popularity with the publication of Bourdieu [1980, 1986], Coleman [1988, 1990] and Putnam [1993, 1995]. In fact, Bourdieu introduced the idea of social capital as "the sum of the resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition". He also added that the individual social capital attribute "depends on the size of the network of connections that he can effectively mobilize". The above mentioned argument was developed later by Coleman [1988]. According to him, "social capital is defined by its function. It is not a single entity, but a variety of different entities, with two elements in common: they all consist in some aspect of social structure, and they facilitate certain actions of actors within the structure". Therefore, it is through numerous definitions in the sociological literature that the concept of social capital becomes popular. As with others, Putnam, Leonardi and Nanetti tried to give a macroeconomic dimension to the concept of social capital. They concluded that there is a close link between the quality of social, political institution and economic performance. They suggest that social capital is to be understood as "features of social life-networks, norms, and trust that enable participants to act together more effectively to pursue shared objectives".

The widespread literature relative to the effect of social capital on economic growth and later development supposes that capital accumulation improves cooperation between economic actors and reduces transaction costs. Knack and Keefer [1997] in their study highlighted that lower trust can discourage innovation. In fact, entrepreneurs must devote more time to monitoring possible malfeasance by partners, employees and suppliers as well as spend less time on innovation in new products or processes. Therefore, an individual in societies with high trust and norms of civic cooperation spends less time in protecting himself against exploitation in economic transactions and for diverting resources in order to protect them. In this case, the costs of monitoring and enforcing contracts are likely to be lower.

In the same context, Granovetter [1985] insists on the importance of social network in generating confidence between the economic actor and discouraging opportunistic behaviours and selfishness which will impact positively on economic performance. Therefore, social capital constitutes input in the production function by facilitating collaboration between individual interests towards the achievement of increased output and reducing transaction costs [Paldam & Svendsen 2000; Routledge & von Amsberg 2003; Torsvik 2000; Zak & Knack 2001].

Therefore, there is substantial literature which focuses attention on the virtue of social capital in improving the institutional environment. Pioneers in the field, Olson [1982] and North [1990] explained the concept of social capital within institutional economics, which posits the quality of incentives and institutions [such as rule of law, judicial system or the quality of contract enforcement] as major determinants of economic growth. In fact, good institutional reforms provide better formal mechanisms for reliable enforcement of contracts and access to credit are even more important than where trust is higher, Knack and Keefer [1997]. In this case, institutions do not only refer to the level of rights, obligations and responsibilities their members enjoy , but also depend on the extent to which members trust one another to fulfil their roles [Zak & Knack 2001; Dasgupta 2000].

Conclusions

The social capital concept has thus been widely used to explain the importance of qualitative factors to increase economic performance and country development. The basic idea of social capital is that it improves communication between individual, generates cooperation that can be a later benefit for the social and also for the community in general. Such an approach argues that the relationship between or within a group at different levels in society shapes the prospect of the social environment that will impact positively on economic development. Moreover, a clean social environment where people meet freely and frequently is an ideal ground for the adoption and diffusion of good norms, as well as trust. In this respect, development is also a matter of knowing how to maintain good strategy and to sustain economic well-being over time.

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Motives for the foundation of the ECSC

Abstract: The establishment of the European Coal and Steel Community (ECSC) can be considered as a milestone for the development of European integration. It is the first concrete achievement of several centuries of reflection on European construction, the gradual evolvement from a coal and steel pooling into the Union in which we live today. The process of subordinating the nation-state order by establishing supranational Community structures was a complex development, provoking national interests, reciprocal obstacles and different methodological approaches to the subject. A fundamental issue was the fact that the coal industry problem could not be reduced to a mere question of adequate supply of raw materials in times of scarcity of coal; it was rather composed of a whole range of closely interconnected problem areas within different political and economic levels. The focus was thus, additionally set on growth, competition issues as well as socio-political aspects coupled with security policy dimensions which appeared to slow down the whole process.

The present paper tries to outline the background and motivation of a European alliance within a supranational agency, the initiatives and methods that were used as well as the institutions that were needed in order to eventually transfer power to a common High Authority. The different driving forces shall be examined as well as the motivation of the main actors behind the scenes who were, in this particular case, of prominent importance. The question why Britain did not join the treaty of the six shall be examined and put in the right context. The author finds it especially crucial at present to underline how the first steps towards a European cooperation took place, in particular at a time where the integrity of the Union is being questioned. The motives for such a step will be considered in order on examine whether the decisions taken were based on economic aspects, political aspects or rather on purely external factors. This work is based around two sections and its scope is to illustrate the conceptual approach of the initial six ECSC countries to pool their resources and to go ahead with the unification project. The first section of the paper deals with the chronological order and its developments of an idea of a unified Europe which eventually became political reality. It is divided in three subsections: the period before and after WW II, the announcement of the Schuman Declaration and the negotiation process at the Intergovernmental Conference (IGC) in Paris. It will be argued that France was the main initiator in the process of this early European integration, albeit not from the very beginning, and this section will analyze the motives of France in bringing into existence the ECSC. The second section is devoted to the reactions of the other countries that were invited to join the Community and their reasons behind the decision to become signatory members of the Treaty.

Keywords: European Community, Coal and Steel Community, European integration, ECSC, economic history, energy security.
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1. Initial situation

The European Union of the 27 Member States has become a reality in today's political thinking with the historic origins arising out of the European Coal & Steel Community (ECSC) of 1952. In order to understand the motivation behind the creation of such a regional European system, one has to understand the role steel played in the past. One of the earliest cartels was the Rheinisch-Westphalian Coal Syndicate (Rheinisch-Westfälisches Kohle-Syndikat -RWKS-) which was established in 1893, consisting of 98 German mines aiming to avoid "further unhealthy competition" (Deutsches Bergbau-Museum). The cartel employed over five hundred workers and controlled 50 per cent of Germany's coal production by 1912, being able to regulate both prices and production [Peters 1989, p. 420]. British inventions were a key part of the value-added chain of steel production and steel processing in the 19th century and in particular, on the steel industry of the European continent. Steel production was central for the industrial revolution and the economic growth of that time, and during the course of international cartels the impact of the steel industries in Germany, France, the Saarland, Belgium and Luxemburg grew through the foundation of the 'International Crude Steel Association' in September 1926. The cartel was intended to succeed in the fierce competition against the British and US-based steel industry[1] [Hexner 1945, p. 114].[2]

On January 1927 the steel industries of Austria, Hungary, Poland and Czechoslovakia entered the cartel and although the contractual terms were revised on a number of occasions,[3] the cartel controlled almost 90% of the international steel trade by the year 1938. Already in 1935, the British steel producers had contracted-in and the three biggest steel producers from the United States[4] had become informal members of the cartel. In essence, such a high degree of coordination within a cartel was reached that did not exist in any other industry. The cartel was in existence until the beginning of WW II in 1939 and was dissolved eventually since the war had made any production limitations obsolete. Cartel-like international agreements were meant to secure access to raw materials and markets and their main objective was defense and security rather than expansion [Schröter 1988; Casson 1985].

[1] The strongest position within this cartel held the Vereinigte Stahlwerke AG with Thyssen AG being the main actor. More on this issue at Eckart et al. [2003, p. 52].

[2] A good reference on the issue of international cartels is the work of Erwin Hexner [1943] and Gerald D. Feldman [1977].

[3] Germany for instance, left the cartel during the Great Depression in 1929 and joined again in 1933 when the cartel was renamed 'International Crude Steel Export Association'. During this time a dumping process had assumed ruinous proportions [Gillingham 1991, p. 31].

[4] The three companies were United States Steel, Bethlehem Steel and Republic Steel. Extensive literature on cartels of the inter-war period can be found at: [Hexner 1947; Wurm 1989].

According to Wurm, cartels helped ease national fears by avoiding trade wars, leading to a "second best solution" [Wurm 1993, p. 291].

In addition to steel, the coal industry was also under the influence of international covenants before the Second World War, notably the 'International Coke Association' from June 1937, signed in London by the German Reich, Britain, Poland, Belgium and The Netherlands [Olsson 1975, p. 30]. The agreement created a cartel for the export of coke and provided a certain quota for each country which was not to be exceeded (Table 1).

Table 1. The shares of allocated coke production quotas in major European producers in 1937

Country	Quota
German Reich	48,43%
Britain	20,88%
The Netherlands	17,83%
Belgium	9,66%
Poland	3,20%

Source: Bundesarchiv Koblenz, R7/622

Table 1 shows the dominance of the German Reich's coke production with almost half of the total output in Europe being produced there. An executive committee would set minimum export prices for each coal producing member country and imposed penalties for infringements on fixed prices or exceeding the quota. The agreement was in place for 3 years and did envisage an automatic annual prolongation unless cancellation. It expired after the beginning of WW II in March 1940.[5]

1.1. After World War II

The war had made any international cooperation impossible but shortly after the end, a new form of European collaboration was sought after. The United States which emerged as the new superpower expressed their will to a common European development for the reconstruction of Europe. The central aim was the long-term economic and political reconstruction of Europe by providing a suitable economic framework [Kaiser 1996, pp. 17–18].[6] In the immediate post war period it was believed that Britain would assume leadership in the reconstruction process; with the

[5] Bundesarchiv Koblenz, R7/622.

[6] More on United States policy towards Western Europe after 1945 at Michael J. Hogan [1987].

rest of Western Europe economically weak and politically unstable, Britain's world power status in addition to the psychological effects of having won the war, made this conception a legitimate source of opinion and according to Macmillan, "the British claim to a leadership role in Western Europe initially did not seem out of place" [Macmillan 1971, p. 66]. A lot of arguments have been brought forward in order to explain why this initial hypothesis of a natural British leadership role in Europe degenerated and why after the creation of the common market, Britain even found herself outside a highly successful economic grouping which proved impossible to ignore [Reynolds 1985; Kaiser 1996; Dell 1995; George 1994]. According to Dell, Britain could, and in fact should, have embraced the initiative to win a central position in the future construction of Europe. The "awkward partner"[7] theory has been predominant in the methodological context and gives a good account on Britain's decision making rationale, however, I would like to emphasize on another concept which gives a good understanding on Britain's behaviour during the European integration process.[8]

In order to support the British claim of world power status, a new foreign policy doctrine was developed for the postwar period, the "three circles" concept [Nutting 1960, pp. 84–85]. According to the Conservative Undersecretary of State in HM Foreign Office, the new foreign policy doctrine was "*that the position of Britain is quite unique, for we are an essential part of the three great unities of the world; the unity across the Atlantic, the unity within the British Commonwealth and Empire, and the unity with Western Europe*".[9] Within the three centers of power, the Commonwealth initially continued to play a central role since the economic importance was predominant, with a considerable amount of British exports in 1950 going to Commonwealth countries [Kent 1994]. The transatlantic relationship was during the immediate postwar period very valuable, both governments worked closely with regard to the organization of a new political and economic postwar order. Britain saw herself perfectly placed in order to assist the Americans due to her existing world-wide contacts and the diplomatic experience. Indeed, Winston Churchill coined the term of a "special relationship" with the United States at a speech in Missouri in 1946.[10] For Britain, Western Europe was considered less important which was certainly due to the additional economic burden Britain had to face. The initial dollar gap problem which all European countries faced, led the government to seek quick recovery from its Commonwealth partners rather than by increased trade with Europe. Furthermore, Britain's self-perception of superiority and the strength of communist parties in France, Germany, Italy and Greece did

[7] Reference is here taken to Stephen George's „Awkward Partner"-Theory.

[8] For a good discussion of British policy towards postwar Europe, see: Milward 2002; Young 1984].

[9] Anthony Nutting in a speech delivered in the House of Commons in November 20, 1951, House of Commons Debates, vol. 494, col. 237.

[10] Winston Churchill's speech at Westminster College, Fulton, Missouri on March 5, 1946.

not inspire great confidence in the continental Europeans and seemed unattractive to share her destiny with these countries that all lost the war.

In addition to this, Britain's drained resources after the war in both economic and financial terms had brought the country on the verge of bankruptcy [Kaiser 1996, p. 1]. Huge external debts had been accumulated with the principal creditor being the United States; when the U.S.-Administration terminated the lend-lease in August 1945, the extent of Britain's dependence was more than obvious [Cairncross 1992, p. 47]. A new loan agreement was eventually reached with the U.S. in December 1945 but Britain's economic limitations forced her to accept the Bretton Woods Agreement as well as reach agreement on the introduction of sterling convertibility.[11]

During a speech in Switzerland, Winston Churchill strengthened this notion of a semi-distanced British position when he stated that "*the first step in the re-creation of the European Family must be a partnership between France and Germany*".[12] In his opinion, there could be no revival of Europe without a "*spiritually great France and a spiritually great Germany*"[13] and thus, if these two countries would take the lead together, the structure of a new European organization could be established under truly and well-built foundations. Although this was surely not the official opinion of the British government at that time, Churchill's philosophy was a clear initial impetus for a Pan-European conception.

The first formal external impulse for a common European idea came in June 1947 from the United States in form of George S. Marshall, the then US foreign minister, who announced a plan for the reconstruction of Europe by means of the so-called European Recovery Program (ERP).[14] In July 1947, the Conference of European Economic Cooperation took place in Paris, attended by 16 Western European countries[15] at ministerial level; the Eastern European states declined the invitation because of their relationship with the Soviet Union.[16] The Conference eventually created by resolution the Committee of European Economic Cooperation (CEEC) and charged it with determining and estimating both the needs and the costs of the proposed ERP. United States Congress eventually passed the Economic Cooperation Act that authorized the ERP in April 1948. It adopted a program for the provision

[11] For more on this issue, see: [Cairncross 1992].

[12] Winston Churchill's speech to the academic Youth in Zurich, September 19, 1946.

[13] Ibid.

[14] Speech of Harry S. Truman from March 12, 1947 held at the Harvard commencement.

[15] Interestingly, all European countries (except Spain) had been issued invitations but only 16 attended: in addition to the UK, West Germany and France as the host country, another 14 countries, Austria, Belgium, Denmark, Greece, Iceland, Ireland, Italy, Luxemburg, The Netherlands, Norway, Portugal, Switzerland, Sweden and Turkey sent delegates to the Conference. Francoist Spain, known as the Spanish State, pursued a policy of "self-sufficiency" after the war and tried to control market quotas and its currency. Spain was therefore explicitly not invited to participate.

[16] The Soviet Union denounced the Marshall Plan as an instrument of U.S. economic domination of Europe and decided later to create her own Economic Assistance Council, the COMECON (1949–1991).

of structured finance and loans, goods and raw materials as well as food in order to enable the much needed impetus for economic growth in Europe. The Program was in operation from April 1948 until June 1951 and an amount of around USD 12 billion[17] in total was made available (the equivalent of around USD 75 billion in today's value).

In order to coordinate the ERP two agencies were established, the Economic Coordination Agency (ECA), an agency created to implement the plan from the American side, and the Organization for European Economic Cooperation (OEEC),[18] which as a special purpose vehicle was responsible for the coordination and supervision of distributing the funds from the ERP; its activities were further aimed at expanding production, liberalizing trade, dealing with energy issues and possibly harmonizing monetary policy within the Community. Interestingly, West Germany officially entered the OEEC during the second year of the Program in June 1949. The central aim of the U.S. government was not purely the short-term economic recovery of Europe but rather the long-term economic and political reconstruction with integration into one economic area [Hogan 1987].

It was hoped that the Organization would provide the stepping stone for full European integration but it soon turned out that real viability was not achievable in the near future, mainly because the interests and aspirations of the participants were too diverse. Stagnation in terms of political advancement between the Europeans was visible, the Soviet threat was still not averted and the situation on Germany was defined by continuous discussions regarding national interests. France for instance, saw herself as the leading European steel producer in the long run and for this, claims on the coal production from the Ruhr were made. For Germany, the problem of the coal industry was both in the economic and political context an issue of national interest and consisted of two elements: firstly the imposed allied control mechanism which was perceived as discriminatory, secondly the desired decentralization and the reorganization of the Saar and Ruhr coal mining industry.[19] Britain was in general opposed to a continental European union for it feared that this would be detrimental to her export interests and would furthermore challenge her claim as a leading nation in Europe [Hogan 1987].

The Soviet threat was dealt with by the creation of NATO[20] in April 1949 but this was, as Schwabe describes it, "a meagre result for Americans in their endeavour to integrate Europe" [Schwabe 1995, p. 121]. Although becoming more and more disil-

[17] There is no clear consensus on exact amounts, as different scholars differ on exactly what elements of American aid during this period were part of the Plan, i.e., grants and loans. A good analysis for this period represents the work of: [Maier 1981, p. 342].

[18] Established on April 16, 1948 with its seat at Château de la Muette in Paris.

[19] For more on this issue and the German policy see: [Hudemann & Poivedin 1995].

[20] First Members in 1949 were: United States, Belgium, Denmark, France, Britain, Iceland, Italy, Canada, Luxemburg, The Netherlands, Norway and Portugal.

lusioned, it seems that the Americans nevertheless shared the view of Britain's leadership role in Europe and thus the Foreign Office initiated to send George Kennan, the director of the Policy Planning Staff of the U.S. State Department to Britain in April 1949 in order to elaborate on measures that would facilitate British leadership in an integrated Europe.[21] As a result, a draft paper[22] was published which was encouraging and disappointing at the same time. It was encouraging because it illustrated the importance of a European integration process, in particular for political reasons; according to the paper, Germany would be of major concern and a tight and possibly supranational organization would promote a closer understanding, particularly within a Franco-German cooperation. With the proclamation of a West German Federal Republic in May 1949, a key aim was to tie the country to the West thereby preventing it from becoming a domineering force ever again. Although this was quite consistent with the policy of the United States, the draft paper also contained a disappointing side, namely the fact that it suggested Britain to stay out of any closer European association. The reasons given were twofold: firstly, the paper assumed that the East-West division of Europe would not be permanent and therefore any steps towards a closer European union were not more than provisional. It would be inadvisable for Britain, the paper concluded, not to maintain this fluid state of affairs in Eastern Europe. Secondly, British Commonwealth commitments and access to the North American markets suggested rather a European "continental" integration with Britain staying outside of the process. When this paper was later forwarded to French and British officials, it proved to be unacceptable to both; the French were not happy to act alone on the continent and Britain did not like the suggestion that it was probably too occupied or even too weak to play a more active role in Eastern Europe [Miscamble 1992].

Meanwhile, the U.S. administration had not given up the idea of European integration[23] and the new Secretary of State Dean Acheson became familiar with the idea that it was more important to achieve European integration within a smaller core group than try to convince Britain to take the initiative [Kaiser 1996]. The three Western Allies, the United States, Britain and France, had decided earlier on to attend regular meetings on foreign minister's level in order to discuss a common policy towards Germany [Duchêne 1994]. At their meeting in September 1949, Acheson turned to France's foreign minister Robert Schuman and asked him to ini-

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[21] Foreign Office, Public Record Office, April 7, 1949, FO 371 76383, Jebb and Kennan.

[22] Draft paper dated July 7, 1949 at Policy Planning Staff 'Outline of US Stance towards Question of European Union', July 7, 1949 in Nelson (ed.), The State Department Policy Planning Staff Papers 1947–1949, vol. 3.

[23] The concept of "integration" has been analysed by various research groups, such as the European Univerity Institute of Florence, see EUI Research Project Group Report No 4: Challenge and response in Western Europe or the European Community Liaison Committe of Historians. For a good analysis on this issue, see: [Wurm 1995].

tiate a proposal for a common German policy, to be presented at the next meeting of the three Allies in May 1950. What followed next was the development of a process that seemed impossible after the two main actors refused to take the lead on continental Europe. As it will be shown, the insistence of one man coupled with the vision and endurance to succeed led to the Schuman Declaration and eventually to the foundation and ratification of the ECSC.

1.2. The Schuman Declaration

On the occasion of the meeting of the Allies in Washington in September 1949 between French Foreign Minister Robert Schuman and British Foreign Secretary Ernest Bevin as well as the U.S. Secretary of State Dean Acheson, Schuman faced the challenge to elaborate and draft the broad lines on a common Allied policy toward Germany addressing questions of both the Ruhr and Saar [Acheson 2006]. The proposal was to be presented at the next Foreign Ministers meeting[24] and when Schuman asked his civil servants for suggestions, Jean Monnet was determined to come up with a solution [Monnet 1988, p. 17].

Jean Monnet, a civil servant in the French Ministry of Commerce before the war who was appointed Planning Commissioner in January 1946, had the task to modernize the French economy and prepare it for participation within a new liberal international system. The Commissariat was engaged in central planning strategies with an emphasis on expansion, it was not overly bureaucratic and had a flat structure with tasks assigned to it like, the assessment of documents, provision of capital and loans, determination of priorities, the focus on resources, and the help to curb inflation. The adoption of the first four-year plan covered the years 1947–50 and was, interestingly, concerned with policy implementation of six "basic sectors":[25] electricity, steel, coal, cement, transportation, and agricultural machinery [Massé 1965, p. 211].

Monnet did not hide the fact that he was determined to prevent the return of the well-established French protectionism. Operating from 1945–1952, Monnet pressed within the Commissariat on restructuring the industry, drawing up a balance-sheet and an overall program for the future. He took the initiative from Schuman and began drafting a plan for the establishment of a coal and steel pool which would be regulated by a strong and powerful directorate [Pinder 1985; Ranieri 1986]. Monnet's ideas had a profound influence on the establishment of the ECSC, his great expertise in the management of war economies as well as his close ties to policy makers inside the U.S. administration were extremely valuable and his approach to com-

[24] The three Allied powers agreed to meet in regular sessions on Foreign Minister level and Schuman was asked to propose a policy at their next meeting on May 11–13, 1950.

[25] Later, two further industries were added, fuels and fertilizers.

bine an active industrial policy with a free market deserves credit. According to his memoirs, he acted immediately because of his discontent with the ineffectiveness of the French policy and his worries about the Soviet threat after the Prague takeover in 1948 [Monnet 1978]. In addition, Monnet had the steel crisis of 1949 still in mind which threatened to undermine French control over her industry and thus endanger national security.[26] Monnet sent his initial plan to Prime Minister Georges Bidault who rejected it immediately. In his memoirs Georges Bidault[27] asserts that he believed the plan could be improved by additional changes or omissions but according to Pierre-Henri Teitgen,[28] Bidault saw the plan as a "utopia of technocrats" [Teitgen 1988]. Monnet did not hesitate and resent the same plant to Foreign Minister Robert Schuman who in contrast took quick steps to bring the plan past the government and eventually obtain the assent by the Cabinet to propose it at the Foreign Ministers Conference on May 13, 1950.

With the assent of the French Cabinet in mind, Robert Schuman took a step further and announced the Plan already on May 9 at a press conference; the Plan came to many as a big surprise since they were not involved in the design process and were caught totally unprepared [Young 1984]. The Plan proposed the creation of a Franco-German coal and steel community under a common High Authority, "*within the framework of an organization open to the participation of the other countries of Europe*".[29] The security-political dimension for France was mentioned throughout the document and "solidarity in production" was anticipated to "lay a true foundation for the economic unification" for all member states. By pooling basic production and instituting a supranational authority with binding decision making power, "*the realization of the first concrete foundation of a European federation indispensable to the preservation of peace" would be preserved*.[30] Four important goals of economic policy should be ensured by the new common High Authority:[31]

- modernization of production and the improvement of its quality.
- supply of coal and steel on identical terms to the French and German markets.
- development in common of exports to other countries.
- equalization and improvement of the living conditions of workers in mentioned industries.

It cannot be denied that these goals were very broadly defined and not very specific but according to Herbst, the key component of the Plan's success was exactly

[26] In spring 1949, a surplus supply of steel had appeared for the first time after the war, resulting to fears that these surpluses would result to a possible restoration of international cartels. Monnet thus believed that this fact could undermine French control over her own industry as well as that of the Ruhr and Saar.

[27] Georges Bidault was party leader of the Mouvement Républicain Populaire (MRP).

[28] Minister of Justice.

[29] CEAB I/1/55 Déclaration de Robert Schuman, May 9, 1950.

[30] Ibid.

[31] ECSC Treaty Title 1, Article 3.

this ambiguity [Herbst 1988, p. 194]. Very few people knew that Monnet was drafting such a proposal and its secrecy and speed ensured that no one had the time to object it before its announcement. In France, reactions were mixed, supporters in favour of the community plan inside the governing coalition composed of only one third of its total members with the larger number voicing skepticism about the adoption of strongly "Europeanist platforms" [Parsons 2003, p. 56]. The opposition was caught off-balance and a serious issue against the Plan was the belief that Europe could not be built without Britain; a break with Britain could thus "shore up a decadent German and French capitalism and affront the British Labour Party".[32]

Similarly, conservative liberals, Gaullists, the Communist Party and independent industrialists criticized the Plan arguing against its supranationality and in favour of British participation as being essential and "absolutely crucial".[33] According to Poidevin, Charles de Gaulle ridiculed the Plan on May 19 as "*a kind of hodgepodge of coal and steel, which nobody knows who runs it or who definitely profits from it*" and MRP party leader Bidault "*had great misgivings about placing French industry under a supranational authority*" [Duchêne 1994, p. 205]. The question arises how Schuman managed to gain support for his Plan despite serious criticism and rather reluctant support; the negotiation process describes how and why some initial clauses had been challenged and in particular by whom. It is not intended to be an exhaustive account but rather a discussion on the most important points. In this context, it needs to be noted that already back in autumn 1947, the first sporadic negotiations between representatives of the German and French heavy industry took place. These meetings became more regular gradually and their intention was to strengthen trade, negotiate equity participation models and market sharing agreements [Bührer 1991, pp. 75–80]. Further multilateral contacts between the two nations were established within the various committees of the Organization for European Economic Cooperation (OEEC) [Bührer 1997, pp. 98–157]. It can therefore not be said that the French initiative around the Schuman Plan came about totally unprepared for the German steel industry.

1.3. The Negotiation Process

Robert Schuman and Jean Monnet pushed ahead their idea and invited various delegates to meet in Paris on June 20, 1950. Here the full scope of French thinking became known to the invited audience and the first discussions were scheduled to take place on July 3, 1950. What helped the two actors to go ahead was the fact that Germany had welcomed the Plan with Chancellor Konrad Adenauer, who was in-

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[32] This fear was expressed by Guy Mollet, party chief of SFIO, who suggested to Monnet instead an explicitly un-supranational alternative within the Council of Europe. More at: [Griffiths 1988].

[33] Mallet, L´Idée, p. 147.

formed before the announcement, speaking in favour of it. Schuman's proposal thus became a Franco-German initiative, backed by both the French and German governments. The Intergovernmental Conference (IGC) was attended by representatives from France and Germany, in addition to Italy, Belgium, Luxemburg and The Netherlands, which all responded to the invitation and turned up at the negotiating table. The British declined to participate objecting officially to the notion of supranationality and legislative initiative of a High Authority [Kaiser 1996, p. 19]. Other reasons which have been elaborated above surely also played a significant role. As a matter of fact, the IGC was chaired by Jean Monnet; the French Cabinet[34] had been persuaded by Robert Schuman to allow Jean Monnet to chair the negotiations with the help of a few aides and Jean Monnet chose the following five persons to help him in this process [Monnet 1978, pp. 295–298]:

- Étienne Hirsch, a civil engineer and administrator, Deputy Commissioner of the Commissariat Général du Plan,
- Prof. Pierre Uri, economist and Member of the Commissariat Général du Plan,
- Paul Reuter, a lawyer,
- Tony Rollmann, steel expert from Luxemburg,
- Philipp de Selliers.

The discussions centered around the common task of seeking a solution to the advantage of all members and it was made clear that the powers of the High Authority and its independence were not to be questioned, since they constituted the central point of the proposal [Monnet 1978, p. 323]. As Anderson points out, Monnet consistently worked for supranational goals within a European context and envisaged the creation of a united Europe that would match the power of the United States [Anderson 1997].

Before the commencement of the Conference, Monnet prepared the so-called Document de Travail, a first draft treaty with forty articles, based on the idea of an independent High Authority [Monnet 1978, pp. 139–140]. The proposal included, inter alia, clauses on price discrimination and equalization of costs, cartel provisions, labour migration, de-concentration of Ruhr firms, the lifting of limits on economic production and concessions on the Saar area. The Conference consisted of different working groups, such as production, investment & prices, trade policy, and social questions but was characterized by the fact that Monnet was always in charge, commenting on his draft and explaining his ideas, persuading individuals or small groups of the importance of the political goals ahead and trying to influence different actors to follow his line of thinking. His role has been described by Gillingham as someone against "it was difficult to win" because he had attributes his critics lacked, such as "his vision of the future, his plan of action and his power to move events" [Gillingham 1991, p. 129].

[34] Cabinet meeting from June 12, 1950 [Bührer 1991, pp. 75–80].

The Conference groups met until August 12, 1950 when the negotiations were suspended for the summer and resumed on August 31, with a modified structure. New guidelines were introduced for each working group and work was assumed until the beginning of November when draft versions[35] on a final treaty began to circulate. It refined many of Monnet's proposed plans, for instance, the Netherlands insisted on a Council of Ministers which would effectively approve decisions of the High Authority under a majority vote but in the end, a common agreement materialized between the contracting member states. Monnet expected to bring the negotiating process to an end by August but many discussions on technical issues prolonged this process. Objections for example, were raised to the proposed investment and production controls and the price determination system; they could only be solved by some kind of concessions. With regard to the Ruhr area, Monnet sought to relinquish the International Authority of the Ruhr (IAR) and transfer power from the Allies to the new coal and steel community, as soon as it came into existence and proved able to take over responsibilities from it [Gillingham 1991]. Changes were made on further issues but the essential elements of Monnet's draft proposal however, the promotion of competition and productivity, the transparency of covenants and the modernization of the coal and steel industry were left untouched.

Finally, on March 5, 1951 the Treaty was presented to German Chancellor Adenauer who accepted it five days later.[36] On April 18, 1951 the foreign ministers of the six Member States signed the "Treaty Instituting the European Coal and Steel Community", consisting of 100 articles and a provision to remain in effect for a fifty-year period. A Court of Justice was added in order to arbitrate conflicts and a consultative Assembly with representatives from different trade unions. The Treaty entered into force on July 23, 1952 establishing the seat of the High Authority in Luxembourg; its first President became Jean Monnet himself on August, 10 1952 who held this position until June 23, 1955 and was eventually succeeded by René Mayer.[37]

Despite the importance of Monnet's role during the negotiation process, his contribution has also been criticized by traditional federalists. Burgess points out that the integration process was established within a technocratic and elitist environment with Monnet having been motivated by a "vision of a Europe united by a bureaucracy" [Burgess 1989, p. 59]. In the words of Altiero Spinelli, "Monnet has the great merit of having built Europe and the great responsibility to have built it badly" [Burgess 1989, p. 55] and the legacy of this early strategy has, according to Featherstone, led to the backlash against the Maastricht Treaty as a direct consequence of Monnet's original strategy [Featherstone 1994, p. 151]. The fact that Monnet elaborated on

[35] Draft treaty texts for the final period were published on November 9, November 30, December 9 and December 17, 1950 [Bührer 1977, pp. 98–157].

[36] AN 81 AJ142 Adenauer to President of the Allied High Commission, March 14, 1951.

[37] European Union, June 1, 1955 at http://europa.eu/about-eu/eu-history/1945–1959/1955/index_en.htm.

almost the same issues during the negotiation process as during his time as the head of the Commissariat Général du Plan, has let Milward to argue that the ECSC has been launched in order to save the domestic French plan which already had begun to falter [Milward 1984, p. 395]. Indeed, Monnet's previous position at the Planning Commission established a certain technocratic approach within the ECSC, helping "to give the technocrat a special position: government action following the advice of experts" [Ardagh 1968, p. 17].

Gerbet sees a connection between Monnet's attitude towards the ECSC and the predecessor organization, the IAR in respect of the establishment of a High Authority; both were concerned with the coal and steel sector and their organizational structure was based on a Council and a Commission [Gerbet 1986, p. 220]. Monnet felt strongly about the principle of a High Authority which was formed not by official representatives of States but rather by expert independent representatives [Gerbet 1986, p. 221]. So crucial did Monnet regard supranational authority that he strongly defended its establishment during the negotiation stage and was not overly enthusiastic by claims made by the Benelux delegations which demanded a Council of Ministers in order to have some kind of governmental supervision [Milward 1984, p. 409]. Gillingham argues that the negotiations had not developed as Monnet had anticipated in this regard [Gillingham 1991, p. 130] and there has been some academic discussion as to the extent of the final diversion of the ECSC away from Monnet's original ideas [Grifiths 1988; Diebold 1988].

The developments so far had shown that France's policy on Germany changed significantly during the years but what led to this development in the end? What were the main arguments within the country and why did the other countries send their representatives to Paris? Germany, the Benelux and Italy all had different reasons for agreeing to join, and this question shall be pursued in the following section.

2. The motivation of the main actors France and West Germany

2.1. France

France, being one of the four victorious powers after the war, saw the reconstruction and modernization of its own economy closely connected to that of Germany, one aspect being her proximity, another, the burdened historic past of the two countries. In particular Germany's industrial heartland was integral to French plans in order to create a more equitable relationship of power and prevent the resurgence of Germany hostilities. Under this plans, German heavy industry should be dismantled by detaching the Rhineland with its vast reserves of coking coal and placing it under French control or at a minimum under international management, while the Saar[38] with its steel-producing region was to be ceded to France [McDougall 1973, pp. 10–11]. Coal and steel were central concerns of French policy makers and access and transfer of German product of imminent importance.

France's initial European policy towards Germany was not based on reconciliation or cooperation but rather on control and supervision, in order to break German political power and bring the Franco-German relationship to an equilibrium. French concerns were to be appeased by regulative measures of the Rhineland and provisions of restitutions to compensate France for wartime losses.[39] French occupation was intended to be long and "ultimate authority over the reorganization and supervision of the German economy" should be imposed "in order to assure that the habitual camouflaging methods do not result".[40] According to an internal document of the French Defense Ministry from April 1946, "no imaginable solution could offer France stronger guarantees than those it enjoyed participating in the present occupation of Germany".[41] France's perception was that there was a glued connection between Germany's heavy industrial dominance of the past and the coal industry of the Rhineland[42] so that the Ruhr needed to be controlled under a shared European administration.

The establishment of an international administration for the Ruhr was not only seen as a security measure to tame a reviving Germany but was also important as a guarantee for having access to German coal which was desperately needed in France. With this in mind, the then French President Vincent Auriol warned US-Secretary of State George Marshall that "French recovery would fall behind Germany's" if coal deliveries would not be increased considerably.[43] A key driver was Hervé Alphand, Head of the Economic Department of the French Foreign Ministry who introduced a Paper including the French negotiation proposal for the Moscow Foreign Ministerial Conference in fall 1947. The Alphand plan recommended three main demands on the future structure of the Rhineland:[44]

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[38] The Saar became a political entity in 1920 after the Treaty of Versailles. A 15-year term mandate was formalized which gave France the right to administer the region; after 1935, it rejoined Germany. In July 1945 the Saarland came under French administration again which lasted until December 31, 1956.

[39] AN 457 AP [Allemagne 60 prov.], „Direction Générale des Affaires politiques: Contrôle de l'industrie allemande", March 30, 1945.

[40] Ibid.

[41] AN 457 AP [Allemagne 60 prov.], "Etat-major de la Défense nationale, lére section, no. 384 DN/IP/TS", April 8, 1946.

[42] According to the London Agreement of April 20, 1949 the Ruhr was defined as an area within the Rhineland, consisting of 36 districts in the regions Düsseldorf, Münster and Arnsberg.

[43] FRUS 1947/II 740.00119 Council/3–647, „Minutes of conversation between the Secretary of State and the President of France, March 6, 1947.

[44] Text of the Ruhr Memorandum, Februar 1, 1947 in: Documents relativs à l'Allemagne. Conseil des Ministres des Affaires étrangères DRA Paris 1948, S. 270–276; dt. in: Europa-Archiv 1947, pp. 541–543.

– maximum increase of coal and coke production of the Ruhr and its distribution according to essential needs of European countries.
– output of the raw materials industry, iron and steel works as well as the chemical industry should be regulated and limited.
– displacement of three million tons of basic steel capacity from the Ruhr to Lorraine.

Alphand believed that his plan would harmonize the security aspects of France within their economic dimension and the shifting of steel production away from the Ruhr was regarded as a possible way of controlling the steel production capacity of Germany. In this context, French Foreign Minister Georges Bidault explained in front of the delegates at the Moscow conference the French rational of the plan: should Germany after the displacement of the Ruhr require larger amounts of steel in order to realize its allocated production level, this excess production could be produced and delivered by other European countries like France, Belgium or Luxemburg.[45] It should be noted, that the Saar had already been removed from Germany in 1946 and turned into a protectorate under French economic control.[46] Furthermore, France had refused to merge its zone of occupation with those of Britain and the U.S., out of fears that this would constitute a quasi-unification of Germany [Young 1990]. Willis argues, that from the moment the French zone of occupation "which for four years had been not only the symbol of France's international status, but also the means of enforcing its will on Germany" was merged with the Bizone in September 1949, France lost her independence in Germany [Willis 1965, p. 31]. Willis' conclusion from this is that this move signals the political failure of French policy and this view is supported by Hill who describes France as lacking the real strength to be a great power [Hill 1994].

French plans for the complete detachment of the Ruhr were met with greater resistance from both the Allied Control Council and the Germans, but French policy makers did not stop here and presented a new proposal in February 1948, suggesting the creation of an international Ruhr authority for the Rhineland [Parsons 2003]. This new body was to include delegates from France, Britain, the United States, the Benelux nations and the occupation authorities of Germany on behalf of the German state; it would be empowered to approve production plans, appoint management and determine domestic consumption as well as export of coal and coke.[47] Why had this proposal been suggested?

The announcement of the Marshall Plan in April 1948 led to a new challenge for France's strategy towards Germany since the offer from the United States to

[45] Déclaration faite par le chef de la délégation francaise, Moscou, March 20, 1947.

[46] The Saarland returned to German administration in January 1, 1957, but France retained the right to mine from its coal mines until 1981.

[47] Foreign Relations of the United States (FRUS) 1948/II 740.00119, Council/2–2748, Ambassador in the UK (Douglas) to Secretary of State, February 27, 1948, pp. 97–98.

help in the recovery of its Allies would come with conditions that would undercut French policies. One of the major obstacles, for instance, was the intention of the Marshall Plan to get involved in the reconstruction of Germany as well, in addition to Europe, another was the American expectation that France would integrate with the Germans for the distribution and investment of the help provided, the reason being that the United States expected the European recipients to work collectively [Milward 1984].

In the meantime, the relationship between the four Allied forces had deteriorated, East-West tensions worsened and the meetings of the Four Powers were characterized by major disagreements over issues of reparations, control over the industries of the Ruhr, and German unity. For the United States, questions of national security were beginning to focus more and more upon the Soviet Union rather than on Germany and news of the Communist takeover in Czechoslovakia[48] added impetus to the urgency for creating a West German entity. In March 1948, at a routine Allied Control Council meeting in London, the Soviet delegation[49] walked out of the meeting, effectively ending the Council and paving the way for a separate West German state. The London conference on Germany which commenced in March 1948 and continued throughout April and May issued its final recommendation on June 7, 1948 with a decision not very much in favour of France [Milward 1984].

Contrary to France's traditional strategy, the Western Allies would allow a German Constituent Assembly to form a new federal government with its own constitution and a new currency. However, the delegates also submitted a draft agreement on the establishment of an international institution for the Rhineland to their Governments which was made public on December 28, 1948.[50] According to the proposal "*the institution should have powers to ensure that the German Authorities do not institute, carry out or permit artificial or discriminatory transport, price and trade practices, quotas, tariffs and similar governmental measures or commercial arrangements which would distort the movement of Ruhr coal, coke and steel in international trade*" and furthermore "*would be charged with responsibility for the safeguard and protection of foreign interests in the coal, coke and steel industries of the Ruhr in conformity with international agreements*".[51]

Clearly, this proposal was very similar to the suggestion made by France earlier on and it was a concession to French security concerns by ensuring her access to Ruhr coal. For France the creation of lasting limits on the German economy through an international institution for the Rhineland was an important issue and French

48 Czechoslovak coup d' état of 1948.

49 The delegation on March 20, 1948 was headed by Marshal Vassily Sokolovsky, the Soviet military governor in Germany.

50 United States-Department of State. Documents on Germany 1944–1985. Washington: Department of State, [s.d.]. 1421 p. (Department of State Publication 9446).

51 Ibid.

acceptance was, according to Milward "*not in the name of a new conception of relations with Germany but because it brought the French limited but real satisfaction on German control*" [Milward 1984, p. 160]. On April 27, 1949 an agreement was signed establishing the International Authority of the Ruhr (IAR).[52] The Authority was to assure that the "*resources of the Ruhr shall not in the future be used for aggression but in the interests of peace, guarantee European powers operating in the common good in a non-discriminatory access to the Ruhr coal and steel*", and encourage a lowering of trade barriers as well as the democratization of Germany. The agreement accepted in general the French proposal of a jointly exercised Authority but did not extend to the appointment of management; instead, a Military Security Board was created to vet proposals for factory construction with a view of preventing the reestablishment of an armaments industry.[53] Although the Germans opposed to the establishment of this international body, it was a condition imposed by the Allied forces for permitting them to establish the Federal Republic of Germany [Milward 1984, p. 145].

Jean Monnet was convinced that the establishment of the IAR represented a step in the right direction but believed that a stronger framework would be needed in the future to secure French access to coal from Germany. His anticipation that occupation of Germany would inevitably end at some point, led to the conclusion that Europe's future lay in unification [Roussel 1996]. Similarly, as Gerbet cites from different notes inside the French Foreign Ministry,[54] "*the French government arrived at the conviction that the guarantee that it seeks can only be validly obtained by associating Germany in a broader framework, that of Europe*" [Gerbet 2004, p. 209]. According to these documents, Ruhr steel should not be German steel but a part of European steel, […] thus "*tying down Germany to be assured of the security guarantee France seeks*". Politically, "*a Germany associated to Europe by contractual links respecting her interests will not have the temptation to undertake adventures*".[55]

France soon realized that Britain, a very important part of the Western alliance since the Ruhr was actually placed in their sphere of power, was rather not interested in economic cooperation; in particular she was not eager to the establishment of supranational European institutions. The establishment of the Council of Europe at the Treaty of London in May 1949[56] was the intention to incorporate Germany into a Franco-British way of Europe [Parsons 2003]. The British government had not necessarily European integration per se in its mind but rather Britain's survival

[52] The IAR moved its activities to the ECSC by the Treaty of Paris in 1951 and ended its work in May 27, 1952.

[53] FRUS 1948/II CFM Files, Lot M-88, Box 118, File-TRI Documents „Paper Agreed Upon by the London Conference on Germany", May 27, 1948, pp. 285–288.

[54] L'Allemagne et l'Union européene, January 5, 1949, Centre Virtuel de la Connaissance sur l'Europe, Château de Sanem, L-4992 Sanem (Luxembourg). www.cvce.lu.

[55] Ibid.

[56] May 5, 1949.

as a world power in addition to a political and economic resolution of the German issue [Larres 1996, pp. 30–31]. Contrary to Britain, France had a long tradition of state intervention and although state controls, welfare reforms and planning were also known in British economic policy after 1945, the nature of government intervention was different in France [Cronin 1991]. French planning was part of a broader movement of renewal, including reforms of industrial and company law and key sectors of industry like steel or electricity were promoted by directing investments into them. In Britain, planning was less ambitious and the government was rather committed to managing the macroeconomic sphere such as over expenditure, fiscal and monetary policies [Cairncross 1985]. In the institutional sphere France also had a different historical approach than Britain and as has been shown, the foundation of the ECSC was very much influenced by the French character through strong institutions and treaties which influenced the other member states to go along; Milward sees the institutionalization of economic and political cooperation as well as interdependence as "being fundamental to the success of European reconstruction following WW II in contrast to the interwar period" [Milward 1984].

Meanwhile, a shift was taking place in terms of the Allied occupation government in Germany with the change from military to civilian administration. The new acting director of the US State Department's Office of German and Austrian Affairs, Robert Murphy, recommended a "radical change in the nature and operation of Military Government" with future arrangements looking "*toward the substitution to a small allied control body, headed by civilian commissioners*".[57] On May 12, 1949 the French eventually joined the existing bi-zone of the US and Britain restoring a tri-zonal Allied control power of Germany. Although the three Western Allies would now come together inside Allied Control Council, they were not always on the same line of thinking and according to Gillingham, "*if they could agree on any single thing, it was to deprive Moscow of any voice in the affairs of the Ruhr, and in this they succeeded*" [Gillingham 1991, p. 174]. Otherwise, the relationship was characterized by different interests and constant dialogues between three Allies.

Eventually, the French had to retreat from their initial claims on Germany and conform to Allied policy since liberation in the Anglo-American thinking "*always meant restoration of the national entity of Germany*" [Milward 1992, p. 24]. In the theoretical context, Milward's thesis that integration had played a central role in reinforcing the national foundations of postwar European politics was an important attempt to explain why sovereign governments had chosen to coordinate their most important economic policies and limiting or surrender sovereign prerogatives in an international institution. Moravcsik took this view on and arrived to the conclusion that "*the EC has been, for the most part, the deliberate creation of statesmen and citizens seeking to realize economic interests through traditional diplomatic means….*

[57] FRUS 1949/III 740.00119 Control (Germany), „Paper prepared by the Acting Director of the office of German & Austrian Affairs [Murphy]", May 30, 1949, pp. 140–141.

The result has been an institution so firmly grounded in the core interests of national governments that it occupies a permanent position at the heart of the European political landscape" [Moravcsik 1998, p. 501]. In developing a three-step sequence, Moravcsik accounts this for "*the form, substance, and timing of major steps towards European integration*" [Moravcsik 1998, p. 4].

The problem the French Ruhr policy faced from 1949 onwards was the deterioration in opportunities to prevent a renewed establishment of a German hegemony in the coal and steel industry. The United States administration was more and more inclined to lift the Allied imposed restrictions on Germany and the French were by now convinced that they would have to promote the installation of some kind of mechanism which could neither be discarded by the Allies nor by the Germans as being too discriminatory, if they did not want to give up on some kind of control for the Ruhr in the near future. As already argued, the division among the Allies to agree on a common future policy as well as the failure to convince Britain to open up its markets and integrate within a new European framework has led the United States to distance herself from the traditional "Anglo-American" alliance and focus on France in order to endorse its European integration policy.

From April 20–25, 1949 the Westminster Economic Conference of the European Movement took place with recommendations on the issues of steel but with the consensus that some kind of new agreement was needed, "*since no branch of industry is better suited than this one to synthesize industrial and international realities*".[58] The steel committee of the Conference for instance recommended "*the institution of production control by means of an international agreement that could be enforced worldwide through publicly supervised cartels and producer associations*" [Gillingham 1991, p. 222]. Other delegates believed that the best solution to this issue would be to allow West German entrance into the IAR while the French socialist André Philip recommended a "*second more embracing control authority*" in order to supervise the Ruhr industry and administer steel production throughout Western Europe and allocate coal, scrap, ore and other materials needed for steelmaking [Gillingham 1991]. These remarks were welcomed in Germany and Franco-German commercial relations started to develop by establishing joint councils and study groups, albeit not at the highest level. The Ruhr problem was still in the main focus since it was linked to the "evil German military-industrial complex" [Dinan 1999, p. 19] and its recovery was seen to pose a threat to France's own revival [Scheingold 1965, p. 226]. Jean Monnet felt that this would be a big setback and contacted Foreign Minister Robert Schuman in order to convince him that "*peace must be based on equality*" and such measures, if introduced, would be the repetition of discriminatory measures already introduced by a spirit of superiority back in 1919; "*we are now beginning to make the same mistakes*" Monnet concluded [Brinkley & Hackett 1991, p. 176]. In

[58] AN 307 AP212 (Dautry Papers), „Mouvement européen: Preparation de la Conférence Economique Européene de Westminster", Pierre Dieterlinden.

his opinion, a genuine European effort towards a united Europe would be the solution to the problem, "*which the existence of a Federation of the West alone will make possible*" [Duchêne 1994, p. 187]. With no clear and positive economic or political policy towards Germany from France, Jean Monnet was prepared to step onto the stage and work for "a real federation of the West" [Monnet 1978, p. 410]. He eventually was be able to show his commitment when he elaborated on the Schuman Plan. When the Schuman Plan eventually came to be discussed in Parliament, it proved to be a delicate issue with the Communists strongly opposing any idea of a European Community that would be opposing the Soviet Union; furthermore, the Gaullists had considerable reservations to a supranational High Authority. On December 13, 1951, the National Assembly voted in favour of the ECSC Treaty by 377 to 233. Nevertheless, public debates on this issue were so heated that the government was twice forced to move a vote of confidence and could only proceed when it promised the continued investment in support of the French coal mining and steel industries or the better supply of coke to the home grown iron and steel industry. Ratification of the Treaty was finally secured on April 1, 1952 by 182 votes to 32.

2.2. West Germany

The West German government was established after the foundation of the Federal Republic in September 1949 and right from the beginning it carried out a foreign policy strategy which was based on the negative experiences of the past. Chancellor Adenauer had to focus on many issues at the same time, from the question regarding German unification over the abolition of the occupation statute to the international recognition as an equal member of the community of states. From the early stages he tried to address the most striking problem areas in connection to the coal industry; the one being the Allied control mechanism imposed on W. Germany which was considered as discriminatory, the other being the desired decentralization and reorganization of the coal mining industry [Röndings 2000, p. 92].

In supporting the European integration process Adenauer would bring the country's economy back into the world market and ensure that security was guaranteed. For this to happen, bilateral rivalries with France and Britain had to be brought back to a normal relationship and this commitment had to be shown by making permanent gestures of Western solidarity. There is evidence that Adenauer was a strong supporter of a Franco-German integration since 1923/24,[59] and more recent in October 1945, he is quoted to have written to the mayor of the City of Duisburg Heinrich Weitz that "*the desire of France and Belgium in terms of security can only*

[59] Hans-Peter Schwarz refers, for instance, to Adenauer's strong francophile attitude back in the 1920s when he was mayor of Cologne. He repeated his wish for economic integration of the two countries on different occations [Schwarz 1986, p. 280].

be adequately satisfied in the long run if we agree on some kind of economic cooperation between West Germany, France, and the Benelux countries; if Britain would decide to be part of this relationship, this would come close to the desirable ultimate objective of a union of Western European states".[60]

Western integration had a double-functional aspect for the Adenauer government, first of all the prospect of escaping from international isolation and secondly, the ability to recover from the economic consequences of the war. Since West Germany was cut-off from its Eastern areas, considerable markets and sources of raw materials which were desperately needed to build up the industries were effectively closed. The Marshall Plan, the currency reform as well as integration in the OEEC brought the much needed relief for the West German economy and Adenauer believed that interdependence with the economies of the Western world would lead neighbouring countries to have confidence in Germany again.[61] According to Neebe, reconstruction and prosperity as well as better terms of trade within a workable currency mechanism of the West gave the government "*no other choice but to align its trade policy to the West*" [Neebe 1990, p. 163]. In addition to the economic aspects, Adenauer also tried to incorporate the political integration within the West, advocating for a NATO membership and eventually for the rearmament of West Germany as part of a defense alliance. Likewise, he followed the same philosophy of a policy of integration when he had first been contacted on the Schuman Declaration. Shortly before the announcement, he had been informed in secret by a special courier on what is to come, and although surprised, he accepted the proposal in principle [Fontaine 2000, pp. 12–13]. For him, the proposed union would mean the much required free access to the markets as well as the chance to act more effectively at the level of foreign policy. The West German government never stopped complaining about the limitations imposed by the Allies[62] and the opportunity to participate as sovereign member at the international stage was far too important to be rejected, agreeing thus to the proposal raising no objections to Monnet's request that occupation issues would be excluded from the negotiations [Gillingham 1991, p. 274].

The Ruhr industrialists were more skeptical of the Schuman Plan and feared that the proposed principles of "equal protection" and "double pricing ban" would lead to higher energy costs and the duty to import more low-grade iron-ore from France. In particular the Economic Association of the Iron and Steel Industry,[63] a syndicate of six leading firms of the Ruhr, which served as the official spokesman for pro-

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[60] Adenauer to Weitz on Oct. 31, 1945 at: [Mensing 1983, p. 130].

[61] Adenauer Declaration from March 30, 1953 at the Bundesrat, Archive, Committe on Foreign Relations, Protocol of the 33th session, 28/53.

[62] In particular the IAR's strain on the national economy was deplored, in addition to France's control of the Saar and the presence of the Allied Control Commission.

[63] The syndicate was formed in the 1930s as „Kleiner Kreis", dissolved in1945 and re-formed the same year, gaining official recognition from the British Occupying Forces in November 1947.

ducer interests and acted as the Ruhr's main allocating power, expressed concerns in this direction. Nevertheless, German industrialists expressed their willingness towards European cooperation and integration because they were very much interested in achieving treatment on equal terms with no limits on steel production or foreign trade control [Bührer 1995, p. 88]. This intention was also expressed by Fritz Berg, the President of the Federation of German Industry (Bundesverband der Deutschen Industrie – BDI) at his speech at the foundation of the European Committee of BDI.[64] According to a study conducted by Gabriel Almond among heavy industry business elites, he identified three types of pro-European attitudes: the genuine pro-Europeans, the "escape into Europe" kind of type, and the "crypto-nationalist Europeanism" which emphasizes on the German economic and political dominance, expressed through European integration [Almond 1957]. At the Paris Conference in June 1950, the German delegation was represented by eight representatives, headed by Walter Hallstein, a law professor and state secretary of the German foreign office, who took up these points for discussion and brought them on the table [Dinan 2005, p. 27]. In particular, issues regarding competition law were regarded as obstacles since the philosophy of free competition which was developed in the United States was not so pronounced in Europe where cartels existed openly in the past; particularly during WW II, all European states had imposed a form of planned economy for steel [Dichgans 1980]. Since shortage of coal and steel after the war was an important issue, the German industry kept some distribution mechanisms from this period. In order to deal with these issues during the Schuman Plan negotiations, the steel association installed several working groups for the technical subcommittees [Bührer 1995, p. 96]. One major argument against the Schuman Plan came from the BDI's presidential board in as much as it was felt unfair to accept economic disadvantages for purely political reasons, despite the fact that Germany was in a better economic position than her competitors. Albeit many other industrialists agreed on this line of argument, neither the political elite around Ludwig Erhard, Minister of Economics or Franz Blücher, Minister for the Marshall Plan, nor the steel and coal associations backed these arguments and according to Bührer, there was no response because they knew that there was no other realistic alternative to Schuman's Plan [Bührer 1986, p. 132].

Finally, the main opposition party SPD objected to the Plan, with party chief Kurt Schumacher regarding it as a capitalist Franco-American plot against the workers and as Gillingham points out, a figure of 1,100 top trade unionists and party officials gathered for a showdown over the coal and steel pool in May 1951, producing "thirty-six separate reasons for opposing" the Schuman Plan [Gillingham 1991, p. 289]. Nevertheless, on January 11, 1952 the German Parliament (Bundestag) accepted the agreement and ratified the plan by 378 votes to 143, with the opposing

[64] Meeting from December 18, 1959 at the Europa-Ausschuß of the BDI.

forces including the Communist Party and the Social Democrats from the SPD. The Federal Council (Bundesrat) followed this decision on February 1, 1952, and adopted a supplementary resolution on July 1, 1952 which called on the government to ensure that the Allied High Commission abolished all the restraints on iron and steel production in Germany and that the territory of West Berlin would be expressly included in the territory covered by the ECSC Treaty.

3. The reactions of the other Member States to the Schuman Plan

Five countries had been invited by Monnet's team to the Intergovernmental Conference in Paris and they attended with mixed feelings and rather unclear on what was to follow. This section will briefly elaborate on the different interests of the other four delegations and the different perception they had before and during the meeting. Apart from Italy which did not have a considerable heavy industry but was accepted solely on political grounds, all other attendees came to Paris in order to elaborate on the economic terms of the agreement. The idea was that a common market would let the disadvantages within global competition disappear [Checchini 1988].

3.1. Belgium

Belgium entered the negotiations of Paris because of its vulnerability to competition from the Ruhr due to governmental interference, mismanagement and inefficiency. Already in July 1921, Belgium elaborated on a European cooperation which established the Belgium–Luxembourg Economic Union (BLEU), including a strong steel and heavy industry sector from both countries. Although the BLEU could not be compared to the Schuman Plan, in Barthel's view it inspired the founding fathers of the European Community in their future thinking [Barthel 1993]. The Belgian steel industry of the time was mainly the Borinage and Kempen as well as the Walloon basins of Hainaut and Liége, strongly linked to the Lorraine area in France and mostly dating back to the 19th century.

Long tradition and a strong sense of independence were the characteristics of these steel enterprises and the association representing all these companies was the Groupement des Hauts Fourneaux et Aciéries Belges which was formed in 1921. The Schuman Plan threatened to diminish the independence and influence of this association and their disinclination was expressed by the head of this organization, Pierre van der Rest [Dichgans 1980]. Nevertheless, the Belgian government accepted the invitation to Paris and the Conference was attended by nine delegates headed by Max Suétens, a foreign ministry official. The Groupment campaigned against ratification of the Treaty of Paris raising the argument of the "Belgian question of coal" and expressing concerns about Articles 60 and 61 of the draft, which would impose limits and control to mergers and associations through the High Authority [Milward 1992]. Furthermore, "the dictatorial way of managing the coal and steel market" was condemned by the steel manufacturer's association as "dirigisme" and inserting itself into private affairs, something which would "not fit the Belgian political system".[65]

The Belgian problem was in effect a series of problems, it had an oversized and inefficient coal and steel industry whose output was exported at a rate of 40 per cent, it had a long history of mismanagement by big bank holding companies which had financed the heavy industry and it lacked new investments due to constant undercapitalization [Gillingham 1991]. In addition, during the Marshall Plan aid, Belgium did not take advantage of the Plan to modernize its industry [Hogan 1987]. Rather than elaborate on efficiency, the Belgian government answered to the high demands for steel after WW II with increased output through rebates to domestic consumers of Belgian coal and wage subsidies resulting to labour costs per ton of mined coal of almost 40% above those of France and 60% above those for West Germany [Milward 1988, p. 438]. The Belgian delegation demanded concessions and succeeded in their demand of an equalization tax. The agreed Hirsch-Vinck Plan provided for adjustment payments by the efficient producers, meaning effectively Germany, and required them to pay Belgium a 2 per cent tax on coal turnover [Gillingham 1991, p. 248]. The deal was accepted, even though it meant for Germany keeping a competitor in business, raising her own steel costs and diverting profits from the Ruhr to a subsidized a work force that otherwise would not have been competitive.[66] In February 1952, the Belgian parliament accepted ratification of the Treaty and the opening of the common market. The Senate accepted ratification of the text by 102 votes to 4 with the entire Socialist Group of 58 MPs abstaining from the Schuman Plan, mainly on grounds that the ECSC would have a severe impact on the country's mining industry. On June 12, 1952, the Chamber of Deputies finally adopted the agreements creating the ECSC by 191 votes to 13, with only 13 abstentions in total.

3.2. The Netherlands

The Netherlands realized very early that economic independence from Germany was very hard to achieve. In fact, until the early 1950s, the country had a rather marginal coal industry in the area of Limburg, and an even less significant steel sector.

[65] Groupement des Hauts Fourneaux et Aciéries Belges, „Position de l'industrie sidérurgique belge á l´issue des négociations", February 13, 1951.

[66] BA B146/263 „Unterlagen zum Schuman Plan", (vol 3), August 22, 1950.

The introduction of the Marshall Plan however helped to develop the steel industry quickly and to transform it to the most efficient producers in Europe. The invitation to the Paris Conference brought the opportunity to make own suggestions and take some influence in a field which was dominated by others. The Dutch Cabinet discussed the Schuman Plan on May 22 and agreed to participate "in principle".[67] As a matter of fact, The Netherlands were in general regarded as not overly skeptical about the idea of a unified Europe and the notion is demonstrated by the fact that the Dutch cabinet discussed a possible role of the High Authority and the installation of a control mechanism in form of a Council of Ministers already before the official commencement of the Schuman Plan negotiations [Kersten 1988]. The Conference was attended by five delegates headed by Dirk Spierenburg, a diplomat and later vice president of the High Authority. The Dutch press and public opinion reacted favourably on the suggestion of introducing a new system of integration. Dutch cabinet however expressed in the course of the matter concerns over the substance of the formation of the suggested supranational organization [Grifiths 1990; Kersten 1988]. The definition of the responsibilities and competences of the High Authority was unclear and questions of the Authority's accountability needed special attention. The Cabinet was in fact not against a High Authority, in fact it regarded the transfer of sovereignty to such a supranational body as necessary, it was however concerned about its structure and preferred an intergovernmental Council of Ministers which could be superimposed onto that body.[68] This reserve originated from the fear that such an Authority would be dominated by the great powers at the expense of the smaller countries.

Another issue that came up in the Dutch Cabinet was the fear that any interference by the new supranational body in the sphere of price policy could affect national interests, in as much as the existing Dutch low wages policy was regarded as necessary in order to strengthen international competitiveness [Gillingham 1991]. High prices in the coal and steel industry would have a negative influence, and it was believed that a relationship of the High Authority to other organizations was needed, whether existing, like the OEEC or yet to be created like a Council of Ministers, in order to have an influence between the different interests. The fact that Britain was not inclined to join the proposed treaty was also seen as a disadvantage, since it was not in conformity with the Dutch aim of cooperation in a broad geographical context, and it was argued that a reduction of the supranational character of the Plan might persuade Britain to join or at least to become somehow associated.[69]

During the Schuman Conference in Paris, the Dutch delegation presented their draft suggesting the introduction of a Council of Ministers, composed of representatives to the OEEC Council, which would approve decisions of the High Authority

[67] Algemeen Rijksarchief, box 394, meeting May 22, 1950, sub 4 c.

[68] Archief Tweede Kamer der Staten-General, file nr. 2228, CBZHP, meeting July 7,1950.

[69] Algemeen Rijksarchief, box 572, meetings June 13 and 20, 1950.

under a majority vote. Furthermore, the delegation registered objections to the investment controls proposed by Monnet's draft, expressing reservations towards the interference in their modernization plans [Grifiths 1988]. In addition, the price policy principle was brought on the table with a mechanism for low prices and wages. The negotiations proved to be a serious obstacle since a subordination of the High Authority's mandate was unacceptable to the French delegation. In the end, a compromise was reached which resulted in the establishment of the Council of Ministers but only as an advisory body that would meet when convoked by the High Authority or one of the Member States. As far as the investment controls were concerned, The Netherlands received the assurance from the responsible working group that the High Authority would not exercise its powers in this area [Grifiths 1988]. In terms of the low prices principle, the decision was taken to regulate the coal and steel sector because of its sensitivity to economic fluctuations and its capital intensive projection, thus during periods of high demand maximum prices could be fixed while low demand or depression would allow for minimum prices and production quotas. This decision was very much in line with the Dutch position as a coal and steel importer. With regard to wages and labour conditions in general, it was agreed to the principle that the High Authority should not be allowed to intervene in this sphere at all. Dutch Cabinet discussed the final draft treaty in January 1951 and on February 19, 1952 the First Chamber of the Dutch States-General adopted the Treaty by 36 votes to 2.

3.3. Luxemburg

Luxemburg was seat of one of the biggest steel majors worldwide and therefore despite its size, an important international player in steel production. Iron- and steelmaking emerged on an industrial scale in the middle of the 19th century and the increased demand for steel allowed for larger scale of operations and production. Aciéries Réunies de Burbach-Eich-Dudelange (ARBED)[70] was formed in 1911 on foundations laid earlier by three iron and steel manufacturers and emerged as one of the important steel producers of the region. After WW II ARBED recovered quickly and reached full capacity of nearly two million tons by the end of 1950[71]. Luxemburg's total production at the beginning of 1950 amounted to about six million tons, similar to that of Belgium [Ranieri 1986]. When invited to the Paris Conference, Luxemburg attended with six delegates headed by Albert Wehrer, ambassador to France and thereafter member of the High Authority. One of the first requests raised by Wehrer's delegation was that there should be at least one citizen

[70] ARBED was created in 1911 and took an international dimension when it absorbed several companies in neighbouring countries like Belgium, France and Germany in the 1920s.

[71] International Directory of Company Histories, Vol. 22. St. James Press, 1998.

of Luxemburg appointed on the High Authority. Since this issue was also brought forward by the Italian delegation, it seemed to contradict on the initially planned composition of five members. A pragmatic approach was thus taken by reaching a compromise and agreeing to enlarge the figure to nine members. According to Ranieri, this was mainly due to German pressures who were concerned of not being granted maximum weight [Ranieri 1986, p. 12]. The agreement thus was that Germany, France and Belgium obtained two members within the High Authority, whereas the others were represented by one.

Another important issue for Luxemburg was the discussion on wages and labour. In particular, the discussions on social policies and Italy's suggestion that a liberal framework would also entail the free movement on labour led to the Luxemburg delegation's rather restrictive attitude [Taviani 1967, p. 172]. Labour migration across the Community was perceived as highly problematic, because of the masses expected and the rather unskilled work force. In fact, as Ranieri describes, the Italians presented migration requests for large numbers of unskilled workers, and argued that there is already a considerable amount of unskilled labourers in Northern Europe, in particular the ore mines of Lorraine and the coal pits of Northern France and Belgium. The situation in Luxemburg however was slightly different, since the country required a skilled steel working force in the range of 70.000 to 80.000, this being almost the entire labour force working in the Italian coal and steel plants [Ranieri 1985, p. 23]. Luxemburg thus was only prepared to accept free movement on a limited scale and only for highly skilled workers.

Finally, discussion arose over the degree of protection the Community should afford with regards to its commercial policy. The French initiated an idea of a single price for steel sold inside and outside the Community pool, without however taking into account the existing competition on third markets. Luxemburg opposed this suggestion, as did Belgium and The Netherlands, arguing that tariffs should not rest with the High Authority since this would interfere with their commerce and endanger their balance of payments. If any protectionism, the argument was, it should be set from the beginning and be one single external tariff for all six Member States.[72] On May 13, 1952 the Chamber of Deputies adopted the Treaty by 47 votes to 4, the four coming from the Communist Group.

3.4. Italy

Italy was informed through its ambassador to Paris about the significance of Schuman's announcement that was about to be released [Ranieri 1985, p. 3]. The

[72] Minutes of the meetings of the committees of the Paris Conference at Archivio Storico del Ministero degli Affari Esteri (MDAE), AE 5, „Verbali delle riunioni del Gruppo di Lavoro No 2 per la politica commerciale".

country had no substantial sources of coal and ore and its production output in steel was about two million tons, a comparatively small amount compared to the other invited countries. The Italian market was highly protected by a system of quotas and tariffs and was regulated by the producers' associations which established prices in a cartelized manner [Ranieri 1985]. Monnet decided to invite the Italian delegation to Paris in order to help rebuilding its industry. Prime Minister Alcide De Gasperi saw the combination of a three-dimensional policy as the country's most reasonable solution: bilateral diplomacy within international organizations, bilateral solutions with the United States and stronger links to European integration through commitment to new supranational organizations. According to Desmond Dinan, de Gasperi also embraced the proposal because it could help to strengthen his government's position against a strong Communist opposition, which was a rather popular movement in Italy [Dinan 2004, p. 45]. Furthermore, with Eastern markets closed for a considerable period, close links to Western European countries needed to be established. In the accounts of Mario Teló it was De Gasperi's conviction, that a strong counterweight of international dimensions was needed in order to properly balance the domestic instability [Teló 1996, p. 145].

The Conference was attended by three Italian delegates equipped with a well-prepared strategy. Headed by Paolo Emilio Taviani, Italy presented the Sinigaglia Plan[73] with provisions against the High Authority's interference on the supply of raw materials, technology and the allocation of capital for a modernization and expansion of its three main heavy industry plants.[74] The idea of the High Authority intervening in the daily life of a firm by allocating raw materials was a major obstacle to Italy, where no central planning mechanism existed. In detail, four issues were brought forward (MDAE):

- adequate supplies of iron ore from Algeria,
- a transitional period to allow for the steel industry to adjust and become competitive,
- assurance that the existing investment plans would not be altered,
- free labour migration across the Community.

The Italian delegation knew that they were the weakest link of the pool and the view of some delegates at the Conference was in fact that the Italians would not matter since all they actually wanted were economic favours.[75] The Italian demands had irritated the other delegates and in particular Monnet with their insistence to include the Algerian mines from Ouenza to the pool for discussion since this issue was seen of marginal importance. Monnet suggested that the Italian's should make their industry more effective by cutting inefficient branches with the help of the High Authority. Furthermore, costs and benefits as well as social policy should

[73] Oscar Sinigaglia, President of state-holding company in the steel sector Finsider S.p.A.

[74] Cornigliano, Piombino, Bagnoli.

[75] German delegate Von Boden, see: [Ranieri 1988].

be seen in a much wider framework and not in a purely national interest obeying welfare considerations [Ranieri 1988]. As far as the Algerian ore mines were concerned, the French asserted that the territories enjoyed a status of their own and with regard to trade matters, it would have been impossible to equalize Algerian salaries with those of the continent. The controversy around this issue went on until the issue of German rearmament came on the agenda, an external factor being, inter alia, the acts of war in the Korean peninsula. At the Santa Margherita Conference in February 1951, Italian support for the idea of a European Defense Community (EDC) brought a settlement for an increased quantity of ore to be made available to Italian purchasers in the next five years. During the negotiations in Paris the question arose whether a country like Italy should be supported with massive new investment in steel plant since it did not possess a comparative advantage in steel production. In fact, Italy produced steel at high costs and was less competitive than the other European members, but France was keen on Italy's support since it wanted to provide some counterbalance to Germany and was therefore prepared to meet Italian requests [Ranieri 1993].

Taviani's delegation eventually gained victory on their issues when, with the support of the Dutch, it was decided that plans already implemented before the agreement were not to be submitted to the High Authority [Fontaine 2000, p. 27]. Italian demands such as the scrutiny of the High Authority of agreed investment plans were thus met; furthermore, in terms of decreasing tariff protection and price alignment a transitional period of five years was agreed. More temporary protection was granted to Italy for its coke industry as well as subsidies for small Sardinian coalmines, according to section 27 of the Treaty. Finally, Italy was allowed to conclude a separate agreement with France for the supply of sizeable quantities of Algerian iron ore from the mines of Ouenza[76] [Ranieri 1993]. Opposition of the Plan was, however, during the negotiations very intense, both for political and economic reasons. The Italian Socialists, Communist and representatives of the heavy industry sector all had their own reasons for this, with the Socialists opposing any kind of European integration thus believing that "a national foreign policy guided by the exclusive definition of the national interest was needed", as the Leader of the Socialist Party Pietro Nenni expressed [Scirocco 2003, p. 144]. The Communists also saw national interests in danger but were guided by ideological constraints and urged to preserve "Italian interests against the transatlantic monopolies" [Guiso 2003, p. 207]. The industrialists, with the exception of FIAT, were fearful of the liberalization process since the Italian market had traditionally been rather protected and tightly cartelized [Ranieri 1993]. The tight system of quotas, fixed tariffs for semi-finished products and pig iron, high transport costs and high fiscal and social charges in combination with low output levels had created many serious obstacles to productivity and

[76] Algerian iron ore which was of high-quality was needed for the blast furnaces along the Tyrrhenian and Ligurian coast.

modernization but they were believed to be worth preserving. In the end, a parliamentary majority assented to the Treaty in both chambers.[77] On June 16, 1952, the Italian Chamber of Deputies adopted ratification of the Treaty by 265 votes to 98, mainly by the Communist Party which was opposing the Schuman Plan as an American imperialist instrument against the social interests.

Conclusions

On March 20, 1951 the Paris Conference ended and on April 18 the foreign ministers of the six members committed themselves to the establishment of a new supranational authority. Political integration clearly came through the economic integration of the coal and steel industry. The establishment of a supranational High Authority can be regarded as a real "revolution" and the institutions of this first European cooperation became a role model for the future integration. A new type of community of states was created with its own competences and a new institutional system according to the principle of balance of powers.

The Schuman Plan was clearly the result of efforts to control Germany's economic potential and to direct it along politically determined channels. France did not want to be exposed to a neighbour that had the potential to be dangerous again and was thus willing to adopt large political objectives within a European framework, which was intended to support and complement national policies. Contrary to Britain, France had a common border with Germany and had been invaded and occupied, thus it was not prepared to take a "wait-and-see" approach but had to do something in order to keep the dragon at bay. France tried very hard to pressure Germany both politically and economically, she believed in protectionism and a long-lasting occupation mechanism of Germany and tried to keep the former enemy weak and dependant for as long as possible. When this was no longer possible, France changed its attitude trying now to bind Germany in bilateral and international treaties in order to keep her controllable, a country that had not even been invited at the Allied Conferences of Jalta or Potsdam, managed to take the lead in the integration process of Europe without Britain. The outcome was eventually the ECSC.

This ECSC had, as I have shown above, a French design and to be more accurate, the hand of Monnet. Since no one else was so much in favour of a supranational environment, a body like the High Authority would not have been in place without the insistence and persistence of Monnet. It is certainly questionable whether a more official French delegation of governmental politicians would have reached the same outcome as did Monnet. France accepted and ratified Monnet's treaty not

[77] More on the ratification process: [Petrini 2000].

because the French majority wanted it but because few people within the French government took this step "one step farther", it was an opportunity taken. The developments later showed that this was the historical input towards a European Union as we know it today.

Germany's position was in this respect much more predictable, Adenauer and his responsible Ministers understood from the very beginning that their main concern, treatment on equal terms, could only be solved through European cooperation and integration. Germany reacted quickly and embraced the Schumann Plan because integration seemed to be the best and most effective means to regain sovereignty.

Due to the different interests of the individual negotiating partners, the democratic distribution of power within the supranational system had been perceived by different obstacles and a compromise had to be found in order to accommodate the powers of the High Authority and a system to counterbalance this Authority, in the form of the Council of Ministers. The decisive momentum was that this organizational system did function as a role model for the continuing development of a European integration. It can be said that the responsible actors of that time took decisions which have a great influence in today's European structure.

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Social capital and human capital are two types of resources. The key difference between human capital and social capital is that human capital refers to skills, knowledge, experience, etc. possessed by different individuals whereas social capital refers to the resources we gain from being a social network. What is Human Capital? Human capital measures the economic value of an employeeâ€™s skill set.Â Social Capital: Social capital is the networks of relationships among people who live and work in a particular society, enabling that society to function effectively. Individual vs Collective: Human Capital: Human capital includes individual competencies and skills of employees.Â â€œSocial capitalâ€“Its development and use.â€ The Community Center (1920): 78-90. As world practice shows, sustainable economic development is not possible without the multiplying of human capital. Its value in terms of modernization of all aspects of social life is increasing steadily. As the World Bank estimates [1], in the developed countries 64% of the national wealth belongs to human capital, 16% to physical, and only 20% to raw materials factor. In Russia, by contrast, raw capital occupies 72%, in 14% - physical and human capital; Russia takes 71st place in the world by the quality of human capital [5]. In this regard, human capital is listed as a key factor of the tr