

A World Bank Publication

Pioneers

Lord Bauer

Colin Clark

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Sir Arthur Lewis

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in Development

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Foreword

PIONEERS—in any field—are creative and courageous people. Were they not, they would not have risked reaching out to break new ground and to seek new solutions. They are rarely content to stay put with the conventional, or to stand pat on the obvious. They are fired by an insistent curiosity that drives them to burrow deeper and ferret out the unexpected.

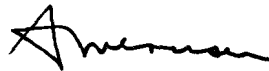
That is why it is worthwhile to get to know them.

In the complex arena of international development economics, this new volume is an invitation to do just that. Here are ten pioneers of that difficult discipline, who have helped define the debate over development issues during the past forty years. They have been not only dedicated teachers and scholars, but active, responsible practitioners as well.

You can read in these pages their candid reflections on their own pioneering work, as well as the perceptive critiques of a select group of their younger colleagues. All in all, it is a stimulating and controversial intellectual bill of fare—and a nutritious one.

We in the World Bank are delighted to have hosted these lectures, and we look forward to further series of similar events. Without question, the international development effort is one of the central historical movements of our era. Its outcome in the decades immediately ahead will largely shape the character of international life throughout the next century.

As development proceeds and conditions change, the world is going to need an ongoing supply of innovators in development strategy. Let us hope that it will be as fortunate with its future pioneers as it has been with those whom this volume commemorates.



A. W. Clausen
President, The World Bank

April 1984

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1 The European Communities

'Common Market', is the popular term for:-

- The European Coal and Steel Community
- The European Economic Community
- The European Atomic Energy Community

Of these three the best known is the European Economic Community (EEC) with which the term 'Common Market' is most frequently associated. This first chapter includes general descriptions of each of these three Communities plus related sections.

The first of the European Communities to be established was the :

- **European Coal and Steel Community (ECSC)** (pages 2-4) which entered into force in 1952. The participating countries were, France, the Federal Republic of Germany, Italy, Holland, Belgium and Luxembourg. On 21 December 1974 Britain signed a treaty of association with the ECSC.

Two other sections which can best be included in this chapter are:

- **Consultative committee of the ECSC** (pages 4-5)
- **ECSC – financial assistance** (pages 5-8)

The second and third Community treaties concern the :

- **European Economic Community (EEC)** (pages 8-11)
- **European Atomic Energy Community (EURATOM) or (EAEC)** (pages 11-12)
European atomic energy Community – financial assistance (pages 12-14)
Euratom supply agency (pages 14-16)

both of these treaties came into force in 1958.

All three Communities are working towards an improved and prosperous Europe which collectively could play a more helpful and positive role in world affairs. It seemed logical, therefore, that the administration of these three should be unified. This was accomplished in 1965 by the :

- **Merger treaty** (pages 16-17) which brought together the institutes and organizations details of which will be found in Chapter 2 .

The Communities are controlled by the European Council which, since 1974 meets regularly, three times each year, to assess progress and agree objectives. It is concerned with Community and foreign policy matters. Details of its meetings will be found in Bulletin of the European Communities, section 1.3.1 – and in the, General reports on the activities of the European Communities, in Chapter 1 section 2 – Council. These include a brief summary of the work of both the European Council and the Council of Ministers (qv). The European Council consists of the Prime Ministers or Heads of states together with the President of the Commission. In 1976 the European Council decided that an annual survey of progress produced by the Commission, would be helpful in charting progress towards the ultimate goal of European union. Details of this may be found under the heading:

- **European union** (page 17–18)

Brief details of participating states:

- **Member states** (page 18–19)

Finally there is a selected list of books taken from the many hundreds which have been written on the Common Market. Whilst this book is being printed, others will have been published. Why not consult your nearest European Documentation Centre Librarian (for details see yellow index pages) or your local University or Public Librarian, who are willing to help you with details of the latest publications. (Pages 19–26)

European Coal and Steel Community (ECSC)

Basic information

Jean Monnet (qv), known as the 'Father of Europe', wrote when he drafted the Schuman (qv) Declaration which led to the foundation of the ECSC, 'By the pooling of basic production and the establishment of a new High Authority, whose decisions will be binding on France, Germany and the countries that join them, this proposal will lay the first concrete foundations of the European Federation which is indispensable to the maintenance of peace'. This Community, set up by the Treaty of Paris signed on 18 April 1951, was the first of the three European Communities and its immediate effect was to secure future supplies of coal and steel, vital to economic recovery after the second world war.

Purpose of the ECSC

The preamble to the treaty reflected the current fear that peace could be only safeguarded by efforts to overcome the divisions in Europe and the dangers from outside. The treaty itself (see, Further information) emphasized:

- by the introduction of a common market there should be an economic expansion, growth of employment and a rising standard of living for the Community as a whole
- the conditions aimed at should ensure the most rational production and productivity whilst safeguarding employment and the smooth development of the economies of member states
- consumers in the ECSC should have equal access to the sources of production, fair prices, a considered use of natural resources, improved standard of living for workers, promotion of international trade and the modernization of production, all part of the development of these two industries

Members of the Community

The first members were the original six of the Community who ratified the Paris treaty by the Spring of 1952.

- Belgium
- France
- Germany
- Italy
- Luxembourg
- Netherlands

The treaty entered into force on 27 July 1952.

As the Communities expanded in size so member states participated in the work of the ECSC.

Steel industry

For over twenty years the steel industry boomed after the foundation of the ECSC. During the 1970s and early 1980s there was a downturn in the demand for steel products. Price restraint has been abandoned and because voluntary restraint of production failed, mandatory quotas were introduced in 1980 (qv Steel industry).

The Commission, which took over from the High Authority of the ECSC under the Merger treaty (qv), has declared the steel industry to be in a state of manifest crisis and is attempting to deal firmly with an extremely difficult situation. Its main aid in the restructuring of the industry is finance, or withholding the very large sums of money required for changes in this industry when these are not in conformity with its plans (qv Steel industry).

Coal industry

After a period of restriction of coal output to keep in line with national needs and exports, the two major oil crises of the 1970s led to an emphasis on the need for coal production (qv Energy objectives, Energy policy). By the year 2000 the ECSC wants to double the Community's coal consumption in power stations and reconvert some of the existing stations from oil to coal burning. A second programme of research on safety in mines was submitted to the ECSC Consultative committee on 11.3.82. The approval of the Council has to be obtained.

Further information

Diebold, William

Schuman plan, a study in economic co-operation 1950-9

New York: Praeger for the Council on Foreign Relations, 1959. 750p

European Coal and Steel Community, financial report

Luxembourg: Office for official publications of the European Communities, annual

General report on the activities of the European Communities

Luxembourg: Office for official publications of the European Communities, annual

Treaties establishing the European Communities

Luxembourg: Office for official publications of the European Communities, 1973. 1502p

Hallstein, Walter

Europe in the making

London: Allen and Unwin, 1973. 343p

Hopkins, Michael

Policy formation in the European Communities

London: Mansell, 1981. 339p. ISBN 0-7201-1597-3

Investment in the Community coalmining and iron and steel industries, report on the 1981 survey Luxembourg: Office for official publications of the European Communities, 1982.

107p. ISBN 92-825-2751-4 Catalogue number CB-33-81-085-EN-C

Consultative Committee of the European Coal and Steel Community (ECSC)

Basic information

Established in 1957 under article 19 of the Treaty of Paris setting up the European Coal and Steel Community (ECSC). Amended after the first expansion of the Community by Council decision (OJ L73 27.3.72) and again in 1981 (OJ L58/30 5.3.81) (Decision 81/84/ECSC).

Consultative Committee – representation

The Committee is attached to the High Authority of the ECSC. Its

membership consists of not less than sixty or more than eighty-four. With the three members appointed in 1981 to represent Greece the total membership is now eighty-four covering producers, workers, consumers and dealers.

Work of the Consultative Committee

It has set up a series of sub-committees:

- general objectives
- markets and prices
- research projects
- labour problems

The aims of the Committee are laid down under article 19 of the Treaty of Paris.

Further information

Treaties establishing the European Communities

Luxembourg: Office for official publications of the European Communities, 1973. 1502p

Community advisory committees for the representation of socio-economic interests

Farnborough: Saxon House for EC Economic and Social Committee, 1980. 215p.

ISBN 0-566-00328-7

European Coal and Steel Community (ECSC) – Financial Assistance

Basic information

The second paragraph of article 2 of the ECSC treaty lays down the principles under which the industries should be organized. Article 56 mentions new activities capable of absorbing redundant workers.

Projects benefiting under the Community

Loans are for investment projects only and cover the following:

- investments which keep in line with Community policy for the industries, covering capital goods, buildings, supply installations, environmental protection, etc

- works and installations to increase production, reduce costs or facilitate marketing

Whilst recipients need not necessarily be coal and steel undertakings they should be connected to or working for these industries or providing further employment for former workers in these industries.

Projects benefiting under the ECSC financial assistance

- housing construction or modernization schemes for coal and steel industry workers. Funds allocated on a member state basis and with the agreement of the employers and workers involved plus the government department responsible for housing
- technical research in the industries
- development of other industries in coal and steel areas with high unemployment
- workers redeployment and retraining
- modernization of plant
- construction of new collieries and new pits in existing collieries

Rates of grants and loans

The Commission determines the proportion of investments eligible for ECSC assistance on a case-by-case study

- 40% or less of the cost of fixed investments is granted as a loan on conversion programmes
- global loans are granted in regions where coal and steel are the predominant industries

For 50% loans on fixed investments, interest rates are based on those current in the member state concerned. These may be lowered by 3% for all or part of the loan in the case of industrial programmes with recognized priority status.

- 20% or less of the cost of new low-cost housing for coal or steel employees
- 35% or less of the cost of conversion or modernization of housing for coal or steel employees

For these loans the interest rate is usually 1% and repayment over 20 years.

During 1980 1.73 million EUA were loaned to British coal and steel workers for assistance in low-cost housing.

- 60% grants are allowed for expenditure directly incurred for research purposes. This includes staff, equipment and operating expenses. A programme of research in the steel industry for 1980–5 is available (OJ C232/1–141 4.10.76)

Non-repayable grants to workers affected by redeployment. The ECSC may provide grants at the request of the government of the member states towards:

- tide over allowances to employees
- resettlement allowances
- financing of vocational training for those who have to change employment

The United Kingdom received benefits under these proposals. For example, in May 1982 the Commission decided to contribute 27,579,000 ECU towards the cost to workers affected by closures and cutbacks (*Bulletin of the European Communities* 15 (5) 1982 point 2.1.33).

On 29.4.82 the Commission approved a 5 year programme designed to develop new economic activities in certain areas of the UK affected by the reorganization of the steel industry. 33 million ECU are being given by the Community and £19.8 million by the UK Government. The Community participation is from the non quota section of the ERDF (*Bulletin of the European Communities* 15 (4) 1982 point 2.1.38).

Submission of applications

- details of requests for **industrial loans** to be sent in triplicate to Commission of the European Communities, Directorate-General for Credit and Investments, Jean Monnet Building, Luxembourg.
- applications for **conversion loans**, including global loans, should be sent to the national ministry responsible (in Britain it is the Department of Industry – London or regional offices or the Scottish Economic planning department or the Welsh Office or the Department of Commerce for Northern Ireland).
- loans for house-building to be submitted by the person concerned to their employer. They are then sent to regional committees to determine priorities and make financing proposals, and from there to the Commission for a final decision. Requests for non-repayable grants for the redeployment of workers are channelled through the Department of Employment, London, to the ECSC
- applications for financial aid covering technical research on coal and steel is available to undertakings, institutes, research centres, or individuals. The applicant need not necessarily be directly concerned with the coal and steel industries. Applications should be sent to the Commission (OJ C139/1–8 12.11.74)

Further information

Grants and loans from the European Community

Luxembourg: Office for official publications of the European Communities, 1981. 83p. (European Documentation series 7-8/1981) ISBN 92-825-2633-X. Catalogue number CB-NC-81-008-EN-C

Ninth programme of ECSC low cost housing 1979-83

Luxembourg: Office for official publications of the European Communities, 1979.

Scott, Gay

Guide to European Community grants and loans - 2nd ed

Biggleswade: Euroinformation Limited, 1981. 111p. ISBN 0-907304-01-X

Official sources of finance and aid for industry in the UK

London: National Westminster Bank Limited, Commercial information market intelligence department, 1981. 67p

European Economic Community (EEC)

Community treaties with member states

1957 25 March	European Economic Community (EEC) treaty signed in Rome: France, Germany, Italy, Holland, Belgium and Luxembourg
1957 25 March	European Atomic Energy Community (Euratom) treaty signed in Rome: France, Germany, Italy, Holland, Belgium and Luxembourg
1958 1 January	Rome treaties, ratified by parliaments of the Six, come into force
1959 4 February	Britain and Euratom sign a co-operation agreement
1961 9 July	Greece signs an association agreement
1965 8 April	Merger Treaty between Communities signed
1972 22 January	Treaty of accession between the Six and Britain, Denmark, Norway and the Republic of Ireland signed
1972 1 July	Portugal as part of EFTA signed a trade agreement with the EEC
1973 1 January	Community of Nine. Norway opted out
1975 12 June	Greece submitted an application to accede to the European Communities
1977 28 March	Portugal submitted an application to accede to the European Communities
1977 28 July	Spain submitted an application to accede to the European Communities

1979 28 May	Greece signs treaty of accession in Athens
1980 3 December	Portugal signed an agreement to provide pre-accession aid from the EEC
1981 1 January	Greece becomes the 10th member state
1981 1 January	Portugal pre-accession aid agreement enters into force
1984	Portugal expected to become the 11th member of the Communities

Aims of the Community were:

To lay down the foundations of a European Union which would rule out conflict between its members and provide the countries concerned with a voice in the world at least equal to the major continental powers.

To provide for economic development through the creation of a common market starting with the coal and steel sector.

From the common market it was expected that there would be economic expansion and higher standards of living and during the 1960s and early 1970s this happened. The economic crisis of the middle and late 1970s caused a slackening of this expansion and this was continued into the early 1980s.

Political union of the Community was obtained through Parliament.

Throughout the last three decades the work of the Common Market has helped to develop interdependence between Community countries by:

- The free movement of people and services has been facilitated by equal treatment over wages, social security and trade union rights. Developments are taking place to harmonize national professional criteria and qualifications.
- European competition rules have been implemented
- Common prices have been introduced in Agriculture
- A common customs tariff has been introduced

Trade development between member states of the community has increased very considerably:

- By 1980 43% of British exports went to European Community member states. This was worth £20.4 billion. Exports to Commonwealth countries form 13% of UK trade in 1980
- Trade between the six rose from 7 billion European Units of account (EUA) in 1958 to 54 billion EUA in 1973. By 1977 this had risen to 168 billion amongst the nine countries of the Community. By 1981 and 1982 the Commission was drawing attention to the obstacles to internal trade still existing 25 years after the Economic Community had been

established. The European Council called for a special effort to strengthen the internal market (*Bulletin of the European Communities* 14 (6) 1981 point 2.1.11). By June 1982 as mentioned in the previous point, 2.1.10, the Commission had approved:

- a draft Council resolution to relax frontier checks within the Community
- a proposal for the simplification of formalities over trade within the Community
- a proposed 14th Council directive on the harmonization of turnover tax
- emphasis on an earlier proposal to simplify frontier crossings for the carriage of goods (OJ C127/6-8 18.5.82)

On an international trade basis the Community has:

- Attempted to improve the liberalization of international trade. Free trade zones have been set up with other Western European countries. A regular dialogue has been started with the other major powers. By 1979 100 states have concluded trade arrangements with the EC or are in the process of so doing. In 1979 the Community had 20% of all world trade compared with the United States' 14% and the Soviet Union's 5%.
- An attempt to encourage the development of the Third World has been made by the two Lomé (qv) Conventions. Community aid to the countries now participating in Lomé amounted to 3.4 billion EUA between 1976 and 1980

The economic problems of the 1970s have given new objectives to the Community including:

- A European monetary system (currently excluding the pound sterling and the Greek drachma)
- A more effective co-ordination of national economic policies
- Joint action to resolve structural imbalances
- A more effective use of the European Investment Bank whose loans (8 billion EUA between 1958 and 1977) have helped support investment in the poorest regions

Within the Community interdependence has been strengthened by the gradual growth of the following:

- The development of harmonization and standardization throughout member states in the mass production goods market
- Environment and consumer protection. For example the development of harmonization between European car manufacturers of anti-pollution and safety equipment
- Regional policy to assist in the development of economically disadvantaged areas. During 1981 the UK received 23.80% of the European Regional Development Fund
- Social policy to co-ordinate Community social measures throughout the industrial field and prevent any one country being at a disadvantage
- Science policy development by co-ordinating research efforts in laboratories and research stations throughout the community
- Industrial policy by encouraging the importation of raw materials,

energy supplies, etc. By developing a co-ordinated approach to production and development, for example in aerospace, data processing, etc

Further information

A European Community - Why?

Brussels: EC Directorate-General for further information, 1979. 8p. (European File 1/79)
Catalogue number CC-AD-79-001-EN-C

The European Community in the 1980s

Brussels: EC Directorate-General for information, 1980. 7p. (European File 1/80) Catalogue number CC-AD-80-001-EN-C

British business in Europe; businessmen's guide to the European Communities

London: HMSO for the Departments of Industry and Trade, 1981. 80p. (Published with the 26 June-2 July issue of *British business*)

European Atomic Energy Community (EAEC) (Euratom)

Basic information

Because of the great potential of nuclear energy with its present high costs and the limited amounts of other existing fuels, it was thought necessary to establish a separate Community. This was the European Atomic Energy Community which was established at the same time as the European Economic Community - 1957. It is known as EURATOM. A reference where the terms of the Euratom treaty can be read will be found under, Further information, below.

Purpose

Under the EAEC treaty the duties allocated included:

- promotion and co-ordination of nuclear research and development within the Community
- the development of a training programme
- establishment of safety standards within nuclear energy. These were improved by a new directive in 1980 (OJ L246/1-72 17.9.80) (Directive 80/836/EURATOM)
- distribution of information on European atomic energy
- assisting with the development of nuclear research for peaceful purposes in the Community - finance, information, technical support
- development of commercial outlets for research and sources for material used
- establishment of international links