tion, to treat each individual as an end and never only as a means, from moral premisses based on evolution. And Gilson has remarked that Kant's postulate is descended from the Christian doctrine of the value of every individual in the sight of God. But the cult of humanity, and *a fortiori* the cult of evolution incarnate in humanity, can only concern itself with the individual as individual by a fortunate inconsistency.

The Aftermath of Brussels

J. M. JACKSON

Now that the negotiations on Britain's application for membership of the European Economic Community have broken down, many people are asking what will happen next. Few are suggesting that the Common Market itself is in danger of disintegration because of the arrogant manner in which General de Gaulle chose to break off the negotiations, with complete disregard for the wishes of France's fellow members. There can be no doubt that France never wanted Britain to join, for the reasons given by General de Gaulle – if really representing the motives for the French action – should have led France to have rejected the idea of British membership at the very outset. The negotiations were, in fact, a farce, and one can only accept the explanation given by Mr Macmillan in his broadcast to the British people: France brought the negotiations to an abrupt end when they appeared in danger of succeeding, not when they looked like breaking down. What France had hoped for, throughout the eighteen months of negotiations, apparently, was that agreement would prove impossible, and that Britain would be kept out of the Common Market without France having to incur the odium of exercising her veto.

France's partners in the Common Market are, no doubt, displeased with the use of the veto, and above all the manner of its exercise. The Common Market will remain, however. The Five may feel that for some time to come, they must assert themselves in the internal discussions of the Common Market. They will show stronger opposition

https://doi.org/10.1111/j.1741-2005.1963.tb00909.x Published online by Cambridge University Press

where, as on a number of issues, they do not see eye to eye with France. Far from benefiting the rest of the world, however, this may have serious consequences for countries outside the Common Market.

The first reaction in Britain to the breakdown was one of relief. Even those who were enthusiastic about British membership were ready to recognize that it was better to *know* we were not going in than for the negotiations to drag on and on. On the other hand, few of the opponents of British entry seem to have found much cause for elation in what happened (with the exception of the Beaverbrook Press and its unwarranted hallelujahs). There was, too, a feeling of determination – determination, above all, to continue selling in the European market despite the tariff barriers that will exist.

It is all to the good that this determination should be there – though it remains to be seen how far it is true determination and not a momentary reaction to the arrogance and duplicity of the French President. It remains to be seen, too, whether those who have been taking this line have fully appreciated the difficulties that will be involved. The Common Market tariff will not be all that high by comparison with some tariffs. In some of the Common Market countries, France especially, tariffs will be coming down to the common level, not going up. The real trouble, however, is the disappearance of the internal tariffs between the Common Market countries. This means that although in selling to France, we will face lower tariffs than at present, we will find that our goods are at a disadvantage compared with those of Germany and Italy, whereas we can now compete on more or less equal terms.

The European market is one that has been of increasing importance to us in recent years. Although we still export more goods to the Commonwealth than to Europe, the European market has been developing more rapidly than the Commonwealth. The reason is obvious enough to all who are willing enough to face the facts. Between advanced industrial countries – like Britain and the Common Market countries – there is a tendency for an exchange of manufactured goods to develop. In contrast, countries that are relatively underdeveloped industrially tend to erect barriers against exports from more advanced countries. This is the situation in most of the Commonwealth countries. Canada, which has been the most vocal opponent of British entry, has also been the worst offender in erecting barriers against British goods as soon as they begin to gain a foothold in the Canadian market. This is why entry into the Common Market was desirable for Britain, and why Commonwealth trade was not an alternative.

The ending of the uncertainty over British membership of the Common Market is likely to have a beneficial effect on the economy. It seems very probable that much investment has been postponed pending the outcome of the Brussels negotiations. Some projects which might have been undertaken if the outcome of the talks had been favourable may now be abandoned, and some projects may be smaller. What matters, however, is that the size and nature of some of these projects depended on the outcome of the Brussels talks, and until this was known, one way or the other, they remained in cold storage. If this expected increase in the rate of investment occurs, it will help to reduce the level of unemployment, which in January 1963 was higher than it had been for some years.

While this is all to the good, it is likely to bring problems in its track. Rising investment and employment will mean bigger incomes generally and a bigger demand for goods – including imports. Although it is important that we should make still bigger efforts to sell abroad, the home market will become increasingly attractive to manufacturers. Moreover, if a rising level of employment leads to upward pressure on wages, our costs will rise and British manufacturers find themselves handicapped in export markets. There is the danger of yet another balance of payments crisis bringing the boom to an end.

We still have to learn how to combine a high level of prosperity with a sound balance of payments. Two measures seem to be particularly important, though by no means the whole answer. First, there should be a vigorous drive against monopolies and restrictive practices. The present procedures of the Monopolies Commission and the Restrictive Practices Court are too cumbersome and ineffective. They deal with restrictive practices on one side of industry only. Restrictive practices on the trade union side also need to be dealt with, though not necessarily by the same mechanism. Secondly, we need an incomes policy to ensure that we do not pay ourselves too much in wages, dividends, interest and rents, so that the effect is to force up prices instead of merely allowing us to buy the increased quantities of goods made available by rising productivity.

It will not be easy to get all concerned to accept either of these measures. The trade unions, for example, will not readily accept the idea of a policy for wages, and the T.U.C. has, irresponsibly, decided to boycott the National Incomes Commission and brought pressure on individual unions to get them to do the same. Mr George Woodcock,

https://doi.org/10.1111/j.1741-2005.1963.tb00909.x Published online by Cambridge University Press

the General Secretary of the T.U.C., has tried to dismiss the idea of independent experts pronouncing on wages as 'arrogant, conceited and foolish'. But surely, where the public interest is so deeply involved, it is 'arrogant, conceited and foolish' to pretend that any but independent experts can adjudicate.

At the same time, it would be foolish to deny the necessity for a policy for *all incomes*, not merely wages, even if wages are the major problem since they account for 74% of the National Income. In 1961, the wage pause was accompanied by a call for restraint in dividend distribution. This was not enough, because, even if observed at the time, it did not stop firms from earning profits and distributing them at some more auspicious time, or ploughing back the profits and increasing their future earning capacity – for the benefit of the shareholders. In a subsequent White Paper, the Government suggested that it was able to deal with profits by means of taxation. This is not true. There is no single criterion of what is reasonable – absolute level of profits or dividends, or increases in profits or dividends. Whilst it would be easy enough to use taxation to prevent too large a part of the National Income being distributed in dividends, it would not be possible to devise a system of taxation that would not impose unreasonable burdens on some firms whilst leaving others with excessive profits and/or dividends.

If Britain is to continue to increase her exports to Europe despite discriminatory tariffs, industrial efficiency is essential. It may be felt that this is incompatible with attempting to restore the prosperity of the north. If industry is going to the south, it is because they can operate more efficiently there. Although this is sometimes true, it is important that we should distinguish between low costs of production and true efficiency. True efficiency means getting as big a physical output as possible from a given physical input of resources. The cost of production is a reliable guide to this true efficiency in so far as the firm has to pay for the resources used. If the firm can avoid paying for some of the factors of production that have to be used as the result of its operations, money costs cease to be a reliable guide to efficiency. In considering the desirability of sites in different parts of the country, there is, unfortunately, a marked divergence between the true cost of production and the money costs incurred by the firm. Continued development in the south must mean, for example, a drift of population from the north, and houses must be provided for the people who move, and also hospitals and schools. A substantial part of the cost of providing these falls on the Government rather than the firm. Expansion in the south, in other words, is being subsidized. There is, therefore, nothing in the existing economic situation that should prevent our going ahead with schemes to re-vitalize the north: indeed, the pursuit of efficiency may demand that we do just this.

The breakdown of the Brussels negotiations could make it more difficult to secure a general movement towards free trade. It may still be possible to get an agreement between E.F.T.A., E.E.C. and the United States for a general lowering of tariffs. There is, however, the danger that recriminations within E.E.C. will prevent this liberalization of trade. France, more than any other country in E.E.C., is likely to oppose tariff reductions. If the other Five oppose French policy in various directions, following the breakdown, France might in turn obstruct any agreement between the Common Market countries and other trading groups on lower tariffs. Moreover, there is the danger that a refusal by E.E.C. to lower tariffs would prevent a liberalization of trade between the E.F.T.A. countries and the United States.[1]

Finally, there is the question of the relationship between the E.E.C. countries and the under-developed countries. This must be looked at, first, in the light of the creation of the Common Market, and secondly, in the light of the breakdown at Brussels. The underdeveloped countries would not be affected by the growth of discrimination inherent in the Common Market to the same extent as countries like Britain and the United States. For the most part, the kind of goods exported by the underdeveloped countries are not in competition with those of the advanced industrial nations. However, the Common Market includes, as associates, former colonial territories of the member countries. This arrangement gives former French territories, for example, free access to the Common Market, whilst only requiring them to concede the Common Market countries the same access to their markets as they give France. This arrangement is quite satisfactory from the point of

[1]This is because G.A.T.T. does not permit new discriminatory arrangements, except where they involve the creation of a customs union or free trade area. (The latter involves free trade between members, whereas the former also requires the establishment of a common tariff against third countries.) Thus, an agreement between E.F.T.A. and the United States to lower tariffs would mean that these same concessions would have to apply to other countries that were making no concession. Whereas both E.F.T.A. and the United States might be willing enough to lower their tariffs if E.E.C. did so too, but not to do so if E.E.C. did not. They might like to make concessions to each other only, but are not allowed to do so.

https://doi.org/10.1111/j.1741-2005.1963.tb00909.x Published online by Cambridge University Press

view of the former colonial territories, but it results in a measure of discrimination in favour of these underdeveloped territories compared with others. Thus former British territories in Africa will be in a more difficult position in selling in Europe than if Britain had joined *and* these territories had accepted associate membership. In so far as the underdeveloped countries begin to build up their own industries, they will suffer the same disadvantages from the Common Market as Britain and the United States. This, at present, is a matter of concern to a country like India, rather than the British African territories. Countries like India have a strong interest in the general liberalization of trade, which, we have seen, may be hampered by the Brussels failure.

No doubt the Common Market countries will make plans for aid to the underdeveloped countries. They may do this alone, or in collaboration with other countries. It is important to remember, however, that aid to underdeveloped countries does not merely mean providing them with funds for investment. Development in these countries will mean the growth of industries. They will seek to export part of the output of these industries in order to purchase some of the food surpluses that are available in different parts of the world. Perhaps the most important aid that can be given to the underdeveloped countries is to allow them the opportunity to sell the products of their growing industries instead of the advanced countries protecting their own industries against the 'cheap labour' of the underdeveloped countries. Again we see the importance to the underdeveloped countries of the liberalization of international trade. If the Common Market prevents that liberalization, it will be unfortunate, to say the least. We cannot say dogmatically that Britain's exclusion has made illiberal policies certain. There are reasons why this may be the case; certainly there is reason to believe that if Britain had been admitted as a member there would have been an extra voice calling for liberalization within the councils of E.E.C.[2]

[2]Britain is certainly not one of the lowest tariff countries in the world. On the other hand, her Commonwealth connexions would probably have influenced her attitude as a member of E.E.C. in favour of liberalization.