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The Theory and Reality of the European Coal and Steel Community

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European integration began in 1950 with the Schuman Plan, which launched the ECSC. The Schuman Plan was designed to alleviate concerns that Germany's dominance in coal and steel could be used to harm European reconstruction efforts or to build another war machine. Jean Monnet, the Plan's chief architect, also wanted to shore up the French planning process for reconstruction by Europeanizing the technocratic planning approach. Most supporters of the ECSC project expected integration to expand beyond Coal and Steel, and hoped that it would serve as a first step toward deeper European integration.

European integration theory began with the ECSC as well. Inspired by Monnet's vision that technical functional integration could lead to political transformation, Ernst Haas created a neofunctionalist theory that specified the mechanisms through which integration would be politically transformative. With governance transferred to the European level, Haas expected the stakeholders associated with the sector to come to see their fate as linked to the ECSC's success. He predicted that firms, unions, and workers benefiting from ECSC policies would support the ECSC. Success would breed success. As other industries observed the benefits of supranational coordination, they would demand integration in their sectors, leading to the realization of Haas's hope of moving 'politics beyond the nation-state'(1958, 1964).

After the EEC was launched in 1958, theoretical and practical interest in the ECSC declined. Integrating European economies was a more ambitious goal, and it was clear early on that agriculture—not coal and steel—would be the first large policy nut that had to be cracked for the European project to succeed. Thus by 1958, practically and politically speaking, the success of the coal and steel project was no longer a bellwether for the larger integration efforts. A number of studies of the ECSC were published in the late 1950s and early 1960s, (Haas 1958; Diebold 1959; Scheingold 1965), but then scholarly focus shifted

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after the 1960s (see Dudley and Richardson's article (1999) for a noteworthy exception).

This chapter examines the experience of Coal and Steel integration during the ECSC's fifty-year history, focusing on the extent to which practice coincided with theory. Like others, we find that ECSC rules were regularly ignored. Our question is what does it mean for integration theory that the ECSC was mainly a paper tiger? Why did Haas's integration theory not materialize in this case par excellence? Why was the ECJ not the integrating actor in the ECSC that it came to be in the EEC and EU?

We argue that the ECSC failed because the situation for which it was created never materialized, and absent that situation member states actually preferred market segmentation to market integration. Its early failure put to rest the technocratic functional integration approach that inspired the ECSC, and in doing so assured states that integration *did not* mean ceding power to the High Authority (HA). The ECSC did prove useful when external forces created benefits for working collectively. When the USA was concerned about dumping of European steel products, the ECSC assumed its role as foreign representative for the member states. When a global oversupply led to a collapse of the price of steel products, the ECSC was a useful means to manage the painful but necessary market adjustment. However even when the ECSC assumed the role Monnet had envisioned, the ECSC did not trigger a shifting of loyalties, spillover, or an entrenchment of supranational institutions and policies. Instead, the ECSC performed its task and was disbanded.

Section one discusses the ECSC at its founding. The next section divides the ECSC into historical periods demarcated by changes in the economic terms of trade in coal and steel, and thus by critical junctures in which changes in European policy could have and sometimes did occur. Finally, reviewing the entire time trajectory, the chapter evaluates the role the ECSC played in postwar European steel and integration politics.

The ECSC at its Founding

In the immediate postwar period, Germany's European neighbors were concerned that Germany might regain its dominance in steel, and that they would lack the steel they needed to rebuild their economies. While the Allies were occupying Germany, the International Ruhr Authority monitored and controlled Germany's industry. But by 1949 it was clear that the USA planned to create a sovereign Germany largely free of international oversight and control. Schuman proposed the ECSC to avoid German sovereign control of its industry (Milward 1984).

At the time the ECSC was proposed, states were concerned about coal and steel scarcities. In a context of scarcity, Germany could abuse its dominant position in the market affecting other European states' economic rebuilding efforts. Jean Monnet drafted the ECSC treaty with the problem of scarce supply in mind, but with the idea that the ECSC could eventually engage in supranational sectoral planning (Duchêne 1994). During negotiations over the Treaty of Paris, it became clear that countries were not interested in coordinated sectoral planning. Instead, countries wanted resources they could use to rebuild national industries. French producers fought for favorable access to German coal (Duchêne 1994: 221; Rittberger 2001: 686–8). Belgian, Dutch, and Italian firms demanded adjustment subsidies and time to build up their industry (Kipping, Ruggero, and Dankers 2001: 81–5). The Dutch foiled Monnet's plan to have a highly independent supranational planning body, insisting on creating a Council of Ministers to control the HA (Dinan 2004*b*: 51). The end result was a treaty that was far less ambitious than what Schuman had originally proposed (Haas 1958: 251; Milward 1984: 380–420; Groenendijk and Gert 2002: 602).

While the Treaty of Paris ended up an intergovernmentalist bargain, it did establish supranational institutions with real powers, at least on paper. The Council of Ministers, composed of ministers from member countries, had to assent formally to policy measures initiated by the HA, but decisions would originate from the HA, based on a majority vote of the six members. The HA could fine firms and withhold transfer funds to encourage compliance with ECSC rules. There was also a supranational ECJ to arbitrate disputes among participants including member states, European institutions and affected private actors (e.g. firms, unions, and so on). The Treaty also created a 'common assembly' made up of national parliamentarians, and umbrella associations for each industry, for employers, and for unions.

In addition to its institutions, the Treaty created a framework of rules that could be used to shore up the competitive nature of the market. Elements of this framework included:

- *Transparency with respect to prices*: firms were obliged to publish prices, and price discrimination was forbidden.
- *Management of investment*: the HA could help fund or prohibit investments to avoid illegal subsidization of industry.
- *Banning cartels*: cartels were generally forbidden and the HA had to approve that mergers were aimed at increasing efficiency and not at market dominance.
- *Eliminating subsidies*: subsidies were generally illegal, though exceptions were permitted so long as they were gradually reduced.
- *Labor policy*: information provisions aimed to create transparency in labor practices.
- *Transportation*: the same transport rates had to be applied to all steel firms, regardless of nationality, and rates had to be published.

- *Foreign relations*: under the supervision of the Council of Ministers, the HA could negotiate and establish diplomatic relations with foreign governments regarding matters related to coal and steel.
- *Crisis measures*: in the event of a 'manifest crisis', production quotas would be established by the HA.[2]

While Monnet and Schuman had not gotten all they had wanted, the Treaty did establish institutions that could be used to coordinate Europe's coal and steel industries. Monnet saw sectoral planning 'as above all a "method" of mobilizing people for collective effort' and the Schuman Plan as the 'first step to a united Europe' (Duchêne 1994: 157 and 199). Schuman claimed that the ECSC would 'simply and speedily [create] that fusion of interests . . . that will be the leaven from which may grow a wider and deeper community' (quoted in Groenendijk and Gert 2002: 602). Analyzing its first ten years of existence, Ernst Haas found evidence of HA influence, of the interpenetration of European steel markets, and of actors below the state organizing to promote common goals. Haas argued that 'political integration is taking place' (Haas 1958: 485). But these interpretations were quite disputable.[3]

Critical Junctures in Coal and Steel Integration

This section assesses the reality of what happened in the ECSC over time. Were the substantive rules followed? Did the institutional mechanisms work as Haas and Monnet expected (e.g. did policy come to be set at the European level, did the peak associations created to oversee Coal and Steel market integration assume the political role of supranationalizing political representation and loyalties)? Our empirical analysis is oriented around four periods, each with a crisis that presented an opportunity to declare a 'manifest crisis' which would trigger the ECSC's provisions to set policy at the European level.

1950–58—Searching for a Raison d'Être

The common market for coal, iron ore, and scraps was officially opened in February 1953,[4] when members agreed to eliminate tariffs and quotas in accordance with the treaty. But in fact there were no tariffs or quotas at the time protecting markets (Haas 1958: 60–2; Gillingham 1991: 268), so this vote was mainly

[2] For a comprehensive and detailed description of ECSC policies and institutions, see Haas (1958), Lister (1960), and Diebold (1959).

[3] For an excellent discussion of problems in Haas's theory, see Moravcsik (2005*b*). For a discussion of how Haas's thinking evolved over time, see Mattli (2005).

[4] A market for 'ordinary steel' opened in May 1953, and after delays the market for 'alloyed steel' opened in August 1954.

symbolic. To create a real common market, the HA would need to tackle the policies and institutions that created barriers to trade, which required Council assent. European governments were most concerned with protecting jobs and facilitating industrial growth—defined exclusively in national terms. These objectives led governments to prefer market segmentation over unleashing competition via market integration. European governments blocked HA's efforts to dismantle barriers to trade, and aided their firms, often in contravention of ECSC rules.

France

The French government granted low interest state-guaranteed loans to help its industry. Convinced that economies of scale would make its industry competitive, the French orchestrated mergers that arguably cut against the ECSC's anti-cartel policies (Daley 1996: 58). While French consumers of steel wanted open markets to gain access to cheaper steel, the government continued to control domestic steel prices, in violation of the ECSC Treaty (Kipping 1996: 16). The government offset high prices with discounted investment credit, but it did so differentially to develop targeted regions; in some places steel prices were higher than prices in neighboring ECSC states, but in other locations prices were lower than what they might have been if there were an integrated European market (Daley 1996: 64).

Germany

Germany was the only country with highly concentrated ownership in the 1940s. While the German government negotiated with Allies regarding deconcentration and complied with ECSC rulings pertaining to German industry, it dragged its feet when it came to implementing the anti-cartel spirit of the ECSC's provisions. Its strategy succeeded. By 1952, efforts to deconcentrate German industry were loosened; by 1958, they were abandoned (Warner 1996: 236). Germany did not have explicit subsidization policies for its steel industry, relying instead on indirect subsidization via special tax credits, relaxed regulatory standards, and favorable credit terms (Esser and Fach 1989: 239). These investment tax incentives were the 'private equivalent to the publicly sponsored heavy industry modernization program of the French Plan' (Gillingham 1991: 284).

Italy

Italy's industry was among the least internationally competitive in Europe, though the high cost of transporting German, Belgia, or French steel provided a buffer for Italian firms. Italy grew its steel industry in the 1950s through a combination of heavy public sector investment, tariffs, subsidization of scrap inputs, and increased concentration of ownership to create economies of scale (Villa 1986: 169; Kipping, Ruggero, and Dankers 2001). The legal authority for these policies was negotiated as part of the ECSC negotiations, where Italy and Belgium won the right to maintain protection during a five-year transition period (Milward

1984: 408). Italy's exceptions to ECSC rules continued, however, past the five-year transition period. Italy was thus able to develop its industry rapidly, increasing production from 3 million metric tons in 1951 to 9 million plus tons in 1961, to 12.7 million tons in 1965 (Kipping, Ruggero, and Dankers 2001: 86).

The ECSC

So what were ECSC institutions doing while its rules and provisions were bypassed? In the 1950s, European countries were not focused on exporting steel. Rather, national industries primarily served national markets. This made it easy for the ECSC to eliminate national policies on the books that were blatantly discriminatory (e.g. formal rules setting different taxation rates or prices for national vs. foreign steel, export subsidies, and so on). The HA also monitored markets and worked to increase transparency in transportation and selling prices, requiring that prices be posted. Despite its efforts, discriminatory railroad rates continued providing a hidden subsidy for local producers (Diebold 1959: 175–7). Firms also continued to sell their product at prices that differed from the advertised price.

The HA also conducted studies and published reports. In a 1954 report the HA admitted that its price transparency efforts were failing as non-compliance with ECSC price policies was more the norm than the exception. Unable to crack down on cheating, the HA instead created the 'Monnet Margin' for prices to deviate up to 2.5 percent from the published prices. William Diebold saw the policy change as a sign the ECSC was unable to implement its rules (1959: 258); Haas by contrast argued that the Monnet Margin showed the ECSC was flexible (1958: 195, 203). French and Italian steel producers did not like the Monnet Margin, and they challenged it in front of the ECJ, which declared the Monnet Margin illegal (Scheingold 1965: 54–70). Indeed many contentious HA decisions were challenged by firms and states, ending up as cases heard by the ECJ, creating an irony—the only actor truly being held to ECSC rules was the HA.

Why were the ECSC policies not enforced? First, as an empirical reality, the problems the ECSC was created to solve quickly disappeared on their own. The 1950s was a sellers market for steel, but supply was not critically scarce. Access to German coking coal—France's main economic motivation for establishing the ECSC—did not prove to be important because technological advances reduced transport costs, and American coking coal became abundant and cheap (Gillingham 1991: 188, 230, 357). While German industry remained cartelized, and implicitly subsidized through cozy relationships with banks (Zysman 1983; Katzenstein 1987), German industry was in no position to dominate the European market. Second, the ECSC was not set up to deal with government policies that created the main sources of market distortions—exchange rate policy, national regulatory rules, and government's low-interest loans to industry. Finally, there was simply no real interest in creating market competition. As long as national policies did not create negative externalities that flowed across borders, member states saw no role for ECSC institutions in facilitating market adjustments.

The political momentum created by the early ECSC was far different than what Monnet had expected. In 1954, France rejected treaties aimed at creating a European Political Community and a European Defense Community, refusing to accept greater supranationalism. The model of technical functional integration was also rejected when proposals for a transport community and an atomic energy union were refused (Moravcsik 1998: ch. 2). Instead, states agreed to build a broader EEC. EEC institutions were weaker than their ECSC counterparts. For example, where the ECSC allowed the HA to create fines for non-compliance, and withhold transfer payments to non-complying states and firms, the Treaty of Rome only allowed the Commission to raise infringement suits, which could lead to a toothless ECJ declaration that a 'member state had failed to fulfill its obligation'. Karen Alter identifies a number of options available to member states had they wanted stronger enforcement mechanisms for the common market. That they chose none of the options, she argues, 'was no accident' (Alter 2001: 8). Member states wanted for the EEC less, not more, supranationalism than they had in the ECSC.

1959–74—National Management of Industrial Modernization

In 1959, the European steel sector entered recession and the European coal sector experienced a severe crisis of oversupply and falling world prices. The HA asked member states to declare a 'manifest crisis' for the coal industry. Belgium, Luxembourg, and the Netherlands wanted ECSC help in dealing with the coal crisis, but Germany, France, and Italy refused to authorize the HA action plan. They agreed to aid measures for Belgium but argued that national governments, rather than supranational actors, should determine the best way to deal with the crisis.[5] Their veto, issued just at the time of publication of Ernst Haas's *The Uniting of Europe*, in some ways was the death knell for the ECSC. The HA could not enforce ECSC rules, nor adjust them, nor could it make itself useful when a European-wide crisis erupted.

In the 1960s, Europe faced more challenges—a continued oversupply of coal, then iron ore, then steel followed by the rise of foreign competition in raw inputs and in steel outputs. At the same time as international competition increased, car firms switched to thinner sheet steel, and concrete construction began using less iron.[6] The ECSC was created for robust demand combined with scarce supply, not falling demand. Member states refused to adapt ECSC institutions to the changing

[5] 'La France, l'Allemagne et l'Italie repoussent définitivement le plan de la Haute Autorité' *Le Monde* 4,451 (May 16, 1959): 1. Available at www.ena.lu/mce.swf?doc=914&Ig=2

[6] 'L'acier casse l'Europe' *L'Express* 799 (October 10, 1996): 62–4. Available at www.ena.lu.mce.swf?doce=1297&Ig=2

market realities. In the face of a proposal to merge the three EEC treaties (the Common Market, EURATOM, and ECSC treaties), the HA published a document, informally known as 'the last will and testament of the ECSC'.[7] Member states responded by declaring the importance of the ECSC, yet refusing to work with the HA to address challenges in the steel industry. Each of the large countries had their own reasons for rejecting a supranational approach. De Gaulle opposed supranational solutions in principle, claiming a preference for different plans for each country. Germany did not want a move toward a centrally controlled economy. Benelux and Italy disagreed about the specific policies and tools the HA recommended, in part because their market competitiveness differed.

France

Despite investments in modernization, French firms entered the European recession uncompetitive compared to their European neighbors. For example, in 1966, French firms took 16.4 hours to produce a ton of steel, but Germany only needed 12.7 hours and Italy 10.0 hours (Daley 1996: 61). Among the sources of French inefficiency were a failure to specialize, a refusal to close plants using outdated technology, combined with an unwillingness to invest in new technologies (Daley 1996: 61–3). Market forces might have forced rapid economic rationalization, but with a growing desire to protect jobs, the French government instead poured more resources into its industry. It kept uncompetitive firms alive with state subsidies or loans, meanwhile it encouraged modest consolidation and rationalization in the industry by orchestrating mergers that closed some uncompetitive production while injecting investment funds into 'national champions' using the latest production technologies (Howell, Noellert, Kreier, et al. 1988).

Germany

The German government generally let the coal and steel industries, in consultation with German banks, work out difficulties they encountered. Government subsidies to industry were fairly low from 1960 to 1970, at least relative to others, such as Italy (Harris 1983: 179). The exception to this rule was the German government's rescue of the ailing Krupp firm in 1967.[8] German firms rode out economic upheaval through 'market coordination', which resembled cartel policymaking. Banks would lend to steel industries in times of crisis, and firms signed multiyear arrangements where they agreed to share rather than compete for the market. German firms regularly agreed to reduce or postpone production in return for other firms agreeing to buy from them or withhold production in the future (Shonfield 1969: 256–7).

[7] Ibid.

[8] The German federal government provided a loan of DM 400 million and Saar government gave a loan of DM 150 million to Krupp which agreed, in return, to transform itself from a private empire into a limited liability company. See Esser and Fach (1989).

Italy

Italy lacked domestic sources of raw inputs for steel, and thus large integrated steel firms. Firms in the north focused on electric furnace technology, creating small 'minimills' that specialized in the production of simple products for local and regional usage.[9] Minimills flourished at the same time integrated steel suffered, because they focused on the most profitable needs of local consumers (Barnett and Crandall 1986: chs. 1 and 2). But consumption demand outstripped supply of steel in Italy in the 1960s (Villa 1986: 169). Italy could have, of course, relied on the international market for this supply. Indeed with a fall in transportation prices, it would have been cheaper for Italy simply to import the products it needed. But with a national demand unmet, the Italian government opted for a more interventionist investment strategy that created jobs and economic growth in the Christian Democrats' political stronghold—the Mezzogiorno South.[10] This decision created an economic liability Italians would be saddled with for the next thirty years (Brusoni and Orsenigo 1997).

The ECSC

If all countries were pursuing their own policies, what was the ECSC doing? The HA developed recommendations to deal with the crisis, but most of its efforts were rejected by member states.[11] It could find support for small, isolated projects. For example in the 1970s, the ECSC helped address a lack of iron ore by helping build private harbors for imports.[12] The HA also found some funds to grant modernization loans, and it created a system of welfare guarantees for workers who lost their job.[13] Its studies on the labor market provided information for unions to use to support their case for retraining programs, worker compensation, and improved worker conditions (Collins 1975: 100–7). According to Gilbert Mathieu, the HA's policies did not affect industrial development, but its coordination (and, one might add, blind eye) arguably made it easier for each country to

[9] There are three types of steelmaking plants: basic oxygen systems, open-hearth furnaces and electric furnaces. The first two types are located close to raw materials, and employed by integrated steel plants that produce a great variety of steel products (Barnett and Crandall 2002; Villa 1986). Germany and France had raw inputs sources, and in the 1950s and 1960s focused on creating and innovating around the technology used in integrated plants. Italy did not have raw inputs, thus small northern producers innovated minimill technology in the 1960s. Between 1959 and 1970, minimill production grew in northern Italy by a factor of five (Kipping, Ruggero, and Dankers 2001).

[10] In the 1960s a new steel plant was built in Taranto, owned by Finsider which was 99.82 percent owned by the state holding company IRI (Istituto per la Ricostruzione Industriale) (Howell et al. 1988).

[11] 'La Haute Autorité de la CECA explore toutes les possibilités du traité pour surmonter la crise' *Communauté Européenne*, 11/10 (November 1966): 6.

[12] Based on interviews with the Deputy Head of the Commission Unit for Steel, non-ferrous metals and other materials in the 1970s. Brussels, September 7, 2004.

[13] Op cit. note 11.

obtain supplies when short, while avoiding cutbacks during periods of oversupply (Mathieu 1970).

Beyond these specific policies, the ECSC played two roles in this period. First, from 1953 to 1963 ECSC institutions (mainly the ECJ) provided a forum for actors to challenge policies in other countries that harmed them. In a number of cases, firms or governments of one country were challenging policies that conferred competitive advantages on firms in another country.[14]

Second, the ECSC was the external voice of European countries in negotiations over dumping steel. In the 1960s, declining transportation rates and the rise of new production technologies created problems for all traditional producers of steel (Warren 1975). Responding to the economic distress of US steel producers, the USA pressured Europe and Japan voluntarily to restrain their exports of steel to the USA. The USA negotiated this agreement with the EEC; presumably member states agreed to common representation to avoid a US retaliation that might affect them all (McClenahan 1991).

This period ended with a boom phase (1968–74)—rising prices, rising consumption, extensive expansion plans, and bright horizons for the industry. Countries could well imagine that their intervention had contributed to the recovery. Buoyed by optimistic market projections in the 1970s, national governments redoubled their efforts to invest in and modernize their steel industries, contributing to a vast overproduction and the crisis of the 1970s.

1974–86—The HA (now the Commission) Gets Support for Market Coordination

The international iron and steel industry faced a worldwide crisis starting in 1974, triggered by the rising price of energy, decreased world consumption of steel, and worldwide overcapacity as developing countries created their own steel industries and began exporting cheap steel. Oversupply created a collective problem for European countries, which was exacerbated when the UK joined the EEC in 1973. Firms wanted to protect jobs, and the incremental cost of producing steel was such that firms had an incentive to keep producing even though it contributed further to the collapse in the price for steel. In the first year of the crisis, internal EU

[14] German steel producers engaged in a five-year legal battle against Italy for the latter's failure to publish trucking rates—a policy which benefited Italian producers at the expense of German ones (Scheingold 1965: ch. 8). The Dutch Coal Association successfully challenged the German 'miners' bonus' in 1956, which conferred a considerable competitive advantage on this industry relative to others. Still, even after the ECJ ruled the subsidy illegal in 1961, it took years of prodding from the HA before Germany finally repealed the policy in 1964. See Scheingold (1965). The stream of Coal and Steel cases pretty much dried up in the 1960s. The ECJ heard 226 Coal and Steel cases from 1953 to 1963, and an average of 31 cases per year from 1958 to 1963. The ECJ averaged 5.5 ECSC cases from 1964 to 1969, perhaps because the HA was not making much policy worth contesting. See Scheingold (1971).

steel prices fell by 40 percent and export prices dropped 50 percent (Tsoukalis and Strauss 1985: 212).

A number of European countries wanted to follow the US approach to oversupply: setting minimum prices combined with quotas to avoid firms overproducing. Germany opposed strong market intervention, so the ECSC's 1976 'Spinelli approach' mainly monitored the market, with the expectation that the crisis was merely a cyclical adjustment (Tsoukalis and Strauss 1985: 215). Needing a stronger policy, the 1976–77 'Simonet Plan' included regional aids, protection against third countries, and recommended steel prices (Daley 1996: 149; Tsoukalis and Strauss 1987: 199–201).

To help reach price targets, a European Confederation of Iron and Steel Industries, EUROFER, was created in 1976. Working through EUROFER was voluntary, but to create a real power for EUROFER the Commission agreed only to bargain and distribute production quotas via negotiations with EUROFER.[15]

As reality set in that the steel market would not recover to pre-1974 consumption levels (let alone consumption growth), member states came to support a communal approach to deal with oversupply of steel in Europe and the world. EC Minister Davignon's 1977 Plan marked a new era for the ECSC: the steel industry became actively managed at the Community level and the Commission for the first time became a 'relevant actor' from the perspective of national firms and policymakers (Grunert 1987: 233–4).

Davignon's first plan created common external trade barriers; required detailed production, employment, and delivery forecasts from firms; set minimum prices and production quotas; and granted aid on the condition it was coupled with capacity reductions. These efforts were only partially successful. Competitive firms in the Bresciani region of Italy, as well as some French and German firms, refused to follow the restrictions, creating 'rebates' and 'accidentally' delivering more steel than was requested (Jones 1979: 50–1).[16] While national governments voiced support for European policymaking, they continued to bail out their industries, in the hope that the market would recover. In 1980, the USA accused European firms of 'dumping' steel, causing a decline in exports to the USA at the same time that auto companies further reduced the amount of steel in their products to obtain fuel efficiencies. These two events led the European market into another price war (Howell et al. 1988: 80), which prompted the Commission to ask the Council to declare a 'manifest crisis'.

The 1981 vote declaring a manifest crisis led to the second Davignon plan, and the creation of EUROFER II. From a legal standpoint, a manifest crisis authorized the adoption of extensive measures, such as mandatory production

[15] Based on an interview with the director of the European Steel Association (EUROFER). Brussels, September 7, 2004.

[16] The Commission fined about twenty firms in 1978–9 for infringing on price rules.

quotas covering about 80 percent of all steel products and regulations regarding subsidies (Grunert 1987: 235). The resurrection of cartels as a major component of the Davignon strategy shows how far the ECSC strayed from the hopes of Monnet, for whom eliminating cartels was a chief aim (Gillingham 1991: 232; Duchêne 1994: 213).

From a political standpoint, it is not clear what changed with the declaration of a manifest crisis. Compliance with ECSC rules regarding prices, quotas, and subsidies remained problematic because national governments continued to rescue their own industry. According to Kent Jones, only a market readjustment, raising input prices so that firms' profit-maximizing price fell in line with cartel rules, ended the cheating regarding European price policies (Jones 1986: 127–8). Indeed it is quite telling that in a general book on 'Steel and the State', the chapter on 'The European Community' spends forty-eight pages talking about European-level policies and then eighty pages describing the steel policies of the member states that are basically unrelated to ECSC policy. For example, the ECSC, under German pressure, created rules limiting subsidies at the same time as the French nationalized their industry so as to bail it out, and the Italians poured aid into its firms owned by the state holding company IRI (Howell, Noellert, Kreier et al. 1988).

The crisis did not per se make a growing Commission role inevitable. The HA's request that the Council declare a manifest crisis for coal in 1958, its numerous policy suggestions in the 1960s, and even the French request for such a declaration in 1975 had been rejected despite having the support of different member states at different times. Declaring a manifest crisis was easier in 1981 for a few reasons.

First, it had become clear that demand for steel would not recover to its pre-1974 levels both because consumption patterns had changed and because developing countries now could compete in the international marketplace. With this realization came a common diagnosis of the problem and agreement about what was needed to deal with the crisis. All agreed that European production of steel needed to be permanently reduced, and integrated steel production—being no longer economically profitable—was where reductions had to occur (Tsoukalis and Strauss 1985; Grunert 1987; Daley 1996: 148; Dudley and Richardson 1999: 245).

Second, the duration of the crisis meant that governments had a chance to attempt to solve the problem on their own. National policies from 1976 to 1981 were both expensive and ineffective. Governments were frustrated that firms continually undermined their efforts through continued production. With little good news to claim credit for, European governments became more willing to turn the problem over to the European level, which allowed national politicians to pin the blame for the pain inflicted on unelected EEC officials (Tsoukalis and Strauss 1985, 1987).

Third, an international politics of steel had emerged. Falling transportation prices had created a competitive international market in steel for the first time in the late 1960s. When supply outstripped demand in Europe, European firms had looked for international outlets for their goods. They faced strong rebukes from countries that charged European countries with dumping products on their markets. The political bargaining regarding dumping and countervailing duties took place in the context of the GATT. Within GATT, the EEC was treated as a regional organization, which provided EEC states with beneficial exemptions. Its status as a regional organization also put the EEC on the potential receiving end of collective dumping and countervailing duty charges. Within the GATT, the Commission continued its role begun in the 1960s as the interlocutor in negotiations with foreign governments—a role which dovetailed with the general trend to grant trade negotiation authority to the Commission in this period (Meunier and Nicolaïdis 1999; Meunier 2003).

Fourth, there was a sunset clause of the ECSC Treaty that was not too far off. As long as the ECSC Treaty was not extended beyond its original fifty years, states could grant the Commission extraordinary powers without being concerned that the Commission would continue to erode member state authority. In yet another irony, it was not the promised effectiveness of the ECSC's supranational institutions that led to their usage, but nearly the opposite—the fact that the Commission could not be as powerful in the future—that facilitated the granting of extraordinary powers to the Commission.

Europe used its massive intervention in the 1980s to shut down its integrated steel plants, restructure local economies, and develop minimill capacity to produce highly specialized steel products. The interventionist policies continued until 1986, and a bit longer in member states that joined the EEC in the mid-1980s. The bailout was stated as the last and final major subsidy to the industry, and was coupled with privatization policies that allowed governments to extricate themselves from direct involvement in steel production.[17]

1987–94—Downsizing the European Effort

By the 1980s, the ECSC's intervention had finally achieved some of the goals Haas had identified in 1958. There were true EEC-level peak associations representing industry and workers, with real power to negotiate with the Commission to set price and output targets. There were coal- and steel-related labor policies that improved the welfare of workers (Collins 1975: 100–7). Finally, there was momentum behind the ECSC, and coincidentally behind the integration endeavor more generally. Thus, at the conclusion of the crisis, many observers expected the demand for ECSC intervention to continue and for the experience of collective industrial management to spur on supranationalism and European integration (Grunert 1987; Mény and Wright 1987: 91). But this episode did not foment

[17] Based on interviews with the deputy head of the Commission Unit for steel, non-ferrous metals and other materials in the 1970s. Brussels, September 7, 2004.

more of the same. Schuman's expected 'fusion of interests' and Haas's expected 'shifting of loyalties' never materialized despite clear government support for ECSC policies.

When steel once again went into recession in the early 1990s, firms in Italy, Spain, Portugal, and eastern Germany demanded Commission intervention. They were not ECSC converts as much as they were, as always, wanting state support. This time, however, states refused to empower European institutions to act. In the 1980s, Germany had been alone in its opposition to the Davignon Plan's heavy market intervention.[18] But Margaret Thatcher had assumed power in the UK, and François Mitterrand had embraced the market in France, providing Helmut Kohl with political allies. With neoliberal free market ideas in ascent, advocates of free markets, who viewed the supranational interventions associated with the Treaty of Paris as a thing of the past, became dominant in both the Commission and most national governments (Dudley and Richardson 1999). Thus in this crisis the coalition favoring free markets was able to prevail over advocates of supranational interventionism.

In March 1991, the Commission declared that the ECSC would end on schedule in 2002, and the coal and steel sector would be absorbed into the EEC (Groenendijk and Gert 2002). National governments gladly assented as they were tired of supporting steel and were looking for a way out of their expensive subsidization policy.[19] By 1994, the ECSC ceased granting loans to industry for investment. By the time the Treaty of Paris reached its fifty year end, little subsisted of it anyway. Its competition policy and external representation in international negotiations were fully absorbed into the Common Market structure. Because it no longer gave industry any loans, the ECSC's remaining financial mechanisms were generating funds that were disbursed for research and development, and objectives distantly related to coal and steel. The ECSC disappeared, largely without notice, as member states focused on the monetary union, enlargement, and their many other policy concerns.

What Role Did the ECSC Play in Postwar European Politics?

Assessing the role of the ECSC in European integration is challenging. Ernst Haas noted an increasing interpenetration of coal and steel imports as evidence that a common market existed (1958: 63). But writing on the history of the ECSC up

[18] Germany alone had opposed compulsory production quotas in 1981. It withdrew opposition in exchange for a policy on phasing out state aids to steel. See Tsoukalis and Strauss (1985).

[19] Based on interviews with the deputy head of Unit in Trade Defense instruments, and a member of the Commission's DG Enterprise, who was involved with the EC's steel policy in the 1980s. Brussels, September 7, 2004.

until 1958, William Diebold found little evidence that the ECSC per se changed either the pattern of production or the pattern of European trade in coal and steel (1959: 590). Writing on the same topic thirty years later John Gillingham agreed:

> [The ECSC] neither reformed prevailing business practices, produced a new relationship between public authority and private power, nor shifted the locus of economic policy, even as regards heavy industry, from national state to supranational agency. The economic impact of the community was slight. Few of its policies had demonstrable effect (Gillingham 1991: 300).

Even after the heavy intervention of the Commission in the 1980s, it is hard to say that the ECSC has left a stamp on the face of the European steel industry that would not exist otherwise. Thus asking the counterfactual question of 'how would EU steel industries look different were there no ECSC' does not reveal a significant institutional imprint.

One can identify several ways in which the ECSC experience mattered. The prime purpose of the ECSC was to assure European countries that Germany would not again become an abusive dominant force on the continent. While there were many factors contributing to Germany's post war industrial and political policies, the assurance the ECSC provided remained politically important. John Gillingham points out that despite the many failings of the ECSC, the 'Schuman Plan . . . ended the competitive bids for heavy industry domination that had wrecked every previous large-scale attempt to reorganize the Continent since 1918, led to *Westintegration* and Franco-German partnership, and resulted in the creation of a new entity, Europe' (Gillingham 1991: 364).

Foundational elements of the ECSC's institutional blueprint also endured. The Treaty of Paris became the 'boiler plate' text in negotiations for the common market. While subsequent agreements tended to strip away elements of the supranational bodies' powers, features of European coal and steel integration endured. For example, the ECJ's preliminary ruling mechanism was transferred wholesale from the ECSC to the European legal system (Pescatore 1981), a transfer that proved extremely important in the development of the EU (Weiler 1991). The legacy of HA failure was also a potential benefit. The ECSC showed that the Council of Ministers could control the HA (now Commission), and that rules would only be enforced to the extent countries wanted them enforced.

The ECSC did become a venue in which policies toward steel were discussed and sometimes implemented. But the ECSC remained throughout its entire history a framework of convenience, to be used when there was a coalition of support for collective responses and ignored when the support faded. Indeed weaving the ECSC into the story of European integration more generally reveals 'critical disjunctures'. The drive to deepen integration signaled by the ratification of the Treaty of Rome was coupled with a decision not to grant the HA's wish to declare a manifest crisis to deal with the coal crisis of 1958. The agreement to declare a manifest crisis in 1981 came well before the Common Market was relaunched, and by the time the SEA was going forward, support for significant ECSC intervention in the economy had evaporated. These couplings represent a shifting over time in the taste for market forces versus government intervention, not for more or less integration. They also reveal that the coalitions of support for integration were not that deep; there was no constituency for integration per se, just a constituency for or against specific policies. These disjunctures may also have been politically significant. The HA's willingness to step back, and look the other way when states did not want intervention may have provided assurance that made further integration more palatable.

The history of the ECSC teaches us two main lessons. First, the actual history of the ECSC highlights the role of external forces in promoting European cooperation. The impetus for the ECSC was internal to European politics. If not for the larger geopolitical concern about German dominance, it is doubtful that states would have been negotiating about the details of a common market in coal and steel. Once the threat of German dominance in coal and steel was gone, there was no impetus to integrate. Firms were quite happy to segment European markets to avoid competition, and European governments were happy to protect and subsidize national production. The HA only came to play its supranational role in response to externally imposed challenges. When the USA wanted a partner to coordinate with to avoid 'dumping' by European firms in its market, the HA assumed its foreign affairs role. When global oversupply created a need to coordinate production and close segments of the industry, the ECSC again played a role. Thus the actual history of the ECSC followed a 'second image reversed' process, where the realization of the ECSC's political structure and policies were caused by forces emerging from the international political economy of the steel sector (Gourevitch 1978).

Second, the existence of multilateral mechanisms cannot be taken as evidence for multilateral politics. Today the active and powerful role of the ECJ in European politics has led many scholars to suggest that European culture and position in the world leads Europeans to like international law and international approaches that Americans do not (Kagan 2002; Rubenfeld 2003). In this light, it is interesting to note the HA did not set European steel policy, nor did the ECJ serve as force of integration. In other words, in a collective polity of liberal democratic European states, with common rules and powerful supranational institutions, law and legal institutions were not an integrating political force. The ECSC's legal and political history suggests that there is nothing uniquely 'European' about the international rule of law working—when it suits them, European countries are quite capable of ignoring common rules, avoiding legal mechanisms, pursuing national interests, and maintaining a reality that is quite distant from what exists on paper.