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COMMON MARKET • EURATOM • COAL & STEEL COMMUNITY

COMMON MARKET GROSS PRODUCT

UP FIVE PER CENT IN 1961

EEC Vice President Reports to Parliament on State of Economy

WASHINGTON, D.C., Jan. 22 -- The European Community's gross product rose by 5 per cent in 1961 over 1960, Robert Marjolin, Vice President of the Commission of the European Economic Community (Common Market), told the European Parliament in a speech in Strasbourg this afternoon. In making his report on "The Economic Situation in the Community and the Outlook for 1962," the Vice President said that industrial production in the Community rose by 6 per cent last year over the previous year.

In 1960, the Gross Community Product rose by 7 per cent over 1959 and industrial production went up 12 per cent during the same period. Mr. Marjolin attributed the recent slowing of momentum in economic growth to the exhaustion of growth reserves, particularly the continued shortage of manpower.

Highest rate of growth for 1961 was achieved in Italy where the GNP increased by 7 per cent. Smallest increase within the six member countries came in the Netherlands with a GNP rise of 2.5 per cent, Mr. Marjolin reported.

Turning next to the outlook for 1962, Mr. Marjolin said that the more modest expansion of certain elements which constitute demand and the continued physical limitations on the growth of output in certain countries and certain sectors suggest that the industrial output of the Community will go on growing, though at a lower rate than in 1961. By the middle of 1962, the figure for industrial activity in the Community will probably be 1.5 to 2 per cent higher than at the end of 1961. As for the second half of the year, uncertainty as to the intentions of businessmen within the Community and developments in the American economy -- where the present upturn could have a considerable impact on current economic developments in the Community -- made it difficult to reach valid conclusions.

The growth of the working population, the extension of production capacity and of measures to streamline industry -- developments which will make increased output possible -- together with those elements encouraging greater demand, such as the upturn in the American economy and the progress of private consumption and public spending in the Community, indicate that a figure of 5 to 6 per cent for the growth of industrial production and of 4 to 5 per cent for Gross Community Product should be possible for the full year 1962.

Turning briefly to the prospects in the individual countries, the speaker pointed out that in France one of the major problems facing economic policy in 1962 will be to reduce the impact of price increases, which were already particularly sharp in the second half of 1961. Domestic supply in France may have greater difficulty in keeping up with the expected increase in demand, mainly because of the increasingly difficult manpower situation. It seems advisable to keep a careful watch on the way credit is developing, the Vice President said.

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Economic Policy for 1962

Mr. Marjolin then dealt with the Community's economic policy in 1962. Two dangers are to be avoided: an excessive decline in the rate of growth of output and a steeper trend in prices. Although there are no grounds for fearing a recession in Europe, the Vice President said, he stressed the need to prepare the instruments of economic policy which could be used to prevent economic growth from slackening excessively or coming to a halt -- always a possibility in a free economy. The very strong situation of the Community's external finances mean that swift and effective measures could be taken in this field.

The tendency for the upward trend of prices to grow steeper is due mainly to the shortage of labor, he stated. The wider opening of the Community markets to products from the rest of the world must be used as a method of counteracting this tendency. But internal equilibrium can only be achieved by a systematic policy of occupational training and a vigorous regional policy. There are no other means of insuring that production will maintain a rapid rate of growth.

In his conclusion, Mr. Marjolin said that this policy of full employment should go hand in hand with a sustained effort to prevent prices from rising. It hardly seems, as things stand, that a restrictive monetary and financial policy is the best way of applying this effort; a concerted policy on incomes would be much wiser, he felt. In the light of the forecasts concerning the general trend of the economy and of the way other types of income are developing, governments, employers and workers ought to reach an agreement on what wage increases are possible.