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EEC COMMISSION VICE PRESIDENT PRESENTS PROGRAM TO COMBAT COMMUNITY INFLATION AND PAYMENTS PROBLEMS

WASHINGTON, D.C., January 21 --- EEC Commission Vice President Robert Marjolin proposed to the European Parliament today a four-point program to combat inflation and the payments deficit in the European Community.

Vice President Marjolin proposed:

1. Limitation of public spending -- or tightening of existing regulations -- to offset other elements of demand.

2. Adoption of management norms in public financing and credit policy to halt excessive expansion of liquidities.

3. Cooperation between labor, industrial, agricultural and financial interests in anti-inflationary measures.

4. Acceleration of efforts to mobilize productive measures.

Vice President Marjolin cited production cost, consumer prices, and balance-of-payments figures to show that a serious economic disequilibrium could develop in the Community unless member states soon adopt public finance policies.

"In light of present trends and policies in various countries," he said, "one could reasonably expect aggregate Community product to expand in 1964 by about 4.5 per cent, compared with 4 per cent in 1963. Production could increase 5 per cent in France and Italy, 4.5 per cent in Germany and the Netherlands, 4 per cent in Belgium and 1.5 per cent in Luxembourg."

(MORE)

He pointed out that, between 1959 and 1963, wage-cost-per-unit of industrial production increased approximately 17 per cent in the Netherlands, 20 per cent in Germany, 21 per cent in France, and 28 per cent in Italy.

"Between 1959 and 1963," he continued, "consumer prices rose 10 per cent in the Netherlands, 11 per cent in Germany, 16 per cent in Italy and 19 per cent in France. The Community's balance on current account has been distinctly weakened in recent years. In 1959, there was a surplus of $3.5 billion. In 1963, a modest deficit appeared, which could grow as high as $600 million to $1 billion in 1964."

"Until 1962," Vice President Marjolin said, "it was possible to consider a reduction in the current payments surplus as a positive contribution to international monetary equilibrium. This is no longer true, and the danger of deficit has become very real, in that the Community needs a surplus of current payments to finance its long-term exports of government and private capital."

"In fact," he stressed, "the Community's external payments are faced with the inevitable consequences of inflation during the last few years. On one hand, excessive internal demand leads to rapidly increasing imports, and on the other hand, the rise in our production costs weakens our competitive position."

"A favorable business situation throughout the world has for the time being masked the results of increasing costs," he said, "but there will be a rude awakening once the world economy stagnates or even slows down."

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