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Supplement A

Special issue

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Recent economic trends

Main economic policy measures June-November 1978

This list links the measures in the last issue of 'The economic situation in the Community' (No 2, June 1978) to those in the first issue of 'Recent economic trends' (January 1979).

June 1978

Denmark

26.6 The ceiling on bank lending commitments which had been raised by 3% as from end February 1978 was raised by another 4% as from mid-June to DKR 110 milliard. The ceiling had been utilized up to 99.8% in May already and exceeded since then.

France

20.6 The first Amending Finance Act for 1978 was adopted: the deficit remained unchanged at FF 8 920 million.

29.6 The statutory minimum wage was raised by 3.8%, giving an increase of 13.26% in a year compared with a rise of 9% in the consumer price index. The law on the taxation of capital gains on transactions in securities was adopted.

30.6 The banks' base rate, which determines the cost of all short-term borrowing, was cut from 9.30% to 9.05%.

Ireland

6.6 The Central Bank raised its rediscount rate from 8.50 to 9.05%.

16.6 The Government published the Green Paper (discussion document) on the economy entitled 'Development for Full Employment'. This Green Paper set out the options for future action to bridge the gap between the likely results of present policies and the targets fixed in January's White Paper 'National Development 1977-80' and also possible measures to achieve the objective of full employment by the end of 1983. It will form the basis of an end of year national plan.

28.6 Bank lending and deposit rates were increased by 1%.

Italy

5.6 Electricity rates were raised by an average of 16% for domestic consumption.

19.6 The monetary authorities abolished the arrangements in force since October 1976 requiring exporters granting short-term credit to foreign customers to procure foreign currency in respect of part of the credit (25% since June 1977 compared with 50% previously).

Netherlands

2.6 The temporary schemes aimed at promoting the provision of notional jobs and the vocational training of school-leavers were extended.

27.6 Publication of a general administrative measure introducing, with effect from 29 June, a levy under the Selective Investment Law, to be applied, broadly speaking in the Holland conurbation and the Veluwe area. The levy is 15% in respect of investments in new industrial and commercial buildings and 8% in respect of new fixed outdoor installations.

29.6 Under a further Decree concerning incomes not covered by collective agreements, employers required by a collective agreement to adjust pay conditions for some of their employees may also adjust the pay conditions for their remaining employees.

30.6 Employers who, in the past, have regularly acted in line with a collective agreement or rates governing the legal status of public employees may continue to do so. In all other cases, employers may grant those of their employees not covered by a collective agreement a pay increase of 0.5% from 1 October 1978. Publication of a second amendment to the 1978 Price Regulation for goods and services. With effect from 1 July, firms in the service industries are allowed to pass on in higher prices a 2.5% increase in their wage and salary bills.

30.6 Under the National Insulation Programme, the subsidy granted for insulation work on existing dwellings was raised from 22 2/9% to 30%, with effect from 1 July 1978, and the maximum amount on which the subsidy was payable was put up from HFL 3 000 to HFL 4 000 per dwelling. The aim of the programme is to encourage the insulation of 200 000 dwellings

each year. An amount of HFL 280 million was set aside for this programme in 1978 and 1979. The programme's annual impact on employment is put at 7 500 man-years.

30.6 A memorandum was presented to the Second Chamber on the main lines of medium-term financial and socio-economic policy ('Blueprint '81'). The policy targets, included (a) a reduction in unemployment to 150 000; (b) a cut in inflation to 2-3%; (c) an improvement in business profits; (d) investment promotion; (e) maintenance of the purchasing power of the typical ('modal') income and of minimum guaranteed incomes. With a view to achieving these targets, the Government considered that the share of public-sector spending in national income would have to be limited as much as possible in the medium term. The Government therefore proposed that the growth in public-sector spending in the period to 1981 should be cut by HFL 10 000 million (including reductions of HFL 4 500 million announced by the previous Government but not yet implemented). In addition, measures would be taken in the context of labour-market policy, export promotion and energy saving. The Government believed that there was no way of preventing the general government borrowing requirement from temporarily rising above the structurally acceptable level of 4-5% of national income. It made it clear that the success of its policy depended crucially on great restraint on the incomes front.

Belgium

6.6 The basic building subsidy was raised to BFR 80 000, and the ceiling on the income of recipients to BFR 350 000. Some supplementary subsidies and tax advantages were increased, with different arrangements for the different regions.

23.6 The Government decided to raise the upper limit on market values and borrowable amounts on the purchase or construction of dwellings by BFR 200 000 to BFR 1.9 million for low-cost subsidized housing and to BFR 2.7 million for middle-range housing; it is thus now possible to borrow a maximum of BFR 1 775 000 when buying a low-cost subsidized house.

United Kingdom

8.6 The authorities announced measures, designed to reaffirm the stance of monetary policy and to offset the cost (UKL 500 million in 1978/79) of the budget amendments, introduced by the Opposition, which further reduced income tax. These measures included a surcharge of 2.5% on employers' national insurance contributions, the re-introduction of the Supplementary Special Deposits Scheme ('corset') which penalizes excessive growth of bank deposits and the raising of Minimum Lending Rate by 1% to 10%.

28.6 The proposed surcharge of 2.5% on employers' national insurance contributions announced on 8 June was reduced to 1.5% to take effect from October.

July 1978

Denmark

25.7 On the background of more favourable trends in external payments and prices, the official discount rate was lowered from 9% where it had been fixed in March 1977 to 8%. The other lending rates of Denmark's Nationalbank were reduced similarly.

Federal Republic of Germany

6.7 On 6 July the seventh joint Bund und Länder outline plan was adopted for the 'improvement of regional economic structures' in 1978-79. The programme should mean that 301 000 new jobs are created (about 75 250 a year) and 167 000 existing jobs maintained (about 41 750 a year) in certain development areas. The programme is financed jointly, and equally, by the Bund and the Länder.

The Federal Government adopted its draft budget for 1979. Expenditure increases by 8.4% over 1978, and the net debt rises from DM 30 800 million in 1978 to DM 35 500 million in 1979. Financial programming for 1978-82 was also adopted. The net borrowing requirement should

fall to DM 29 800 million by 1982. The programme is based on a marked fall in the rate of increase in expenditure over the next few years.

Pursuant to the agreement reached at the Bonn economic summit, the Federal Government adopted measures to support demand and improve economic growth. They are to be introduced in 1979 and 1980.

1. Income tax is to be reduced; in particular, the personal allowance is to be increased from DM 3 300 to DM 3 690 for unmarried taxpayers and from DM 6 600 to DM 7 830 for married taxpayers. The gap between rates on passing from standard to marginal taxation is to be eliminated from 1979.
2. The standard rate of value added tax is to rise from 12% to 13%, and the reduced rate from 6% to 6.5% on 1 July 1979.
3. The payroll tax is to be discontinued and the abatement on company profits increased from 1980.
4. From 1979, family allowances for the third and subsequent dependent children are to rise from DM 45 to DM 195; from 1980, those for the second dependent child are to rise from DM 20 to DM 100.
5. The variable retirement age for purposes of the social security pension for the severely handicapped is to be reduced to 61 in 1976 and to 60 from 1980.

The net stimulus of this programme to economic activity has been assessed at about DM 12 000 million, or about 1% of gross national product.

France

1.7 Transfer incomes were increased, in particular the old age pensions under the general scheme, the minimum old age allowance and family allowances.

12.7 The Government launched a new FF 2 500 million fifteen-year State loan. This loan, carrying an interest rate of 9.8%, with a three-year grace period for redemption, was part of a series planned by the public authorities.

14.7 Investment by the major State undertakings will increase by 22% in value in 1979, to reach FF 37 400 million. This sharp increase is mainly due to the nuclear programme under the EDF budget, which accounts for over half the investment by State undertakings and will be up by 25%.

17.7 Following the Bremen and Bonn summits, France's contribution to the concerted action scheme in 1978 will take the form of a budget deficit in the region of FF 20 000 million.

Ireland

10.7 A IRL 5 a week job subsidy scheme for firms in circumstances of special need, announced in the budget, was introduced with payments backdated to 3 April.

13.7 The Minister for Finance introduced a new Government stock, the Valuable Rate Finance Stock 1983. The issue is for IRL 10 million at a price of issue of IRL 100 per cent. The rate of interest will be based on the annual rate per cent of Exchequer Bills in the preceding quarterly period.

14.7 The Central Bank raised its rediscount rate from 9.05% to 9.60%.

25.7 The IRL 5 per week job subsidy was extended to include workers not insurable under the Social Welfare Acts (workers under 16 and over 66). Part-time workers will also be included and the subsidy paid on a pro-rata basis.

Italy

3.7 The Banca d'Italia repaid ahead of schedule to the Bundesbank USD 1 000 million: this was the balance of the USD 2 000 million gold-guaranteed loan obtained in September 1974 and renewed in September 1976.

6.7 The scheme under which some of industry's social security contributions are charged to general taxation, applied since early 1977 and extended several times since the beginning of 1978, will remain in force with some adjustments until 31 December 1978. The proposal to make the scheme permanent has been shelved for the time being.

7.7 With effect from 16 July, railway fares and charges were increased by 20%.

27.7 Parliament approved the rent law (*equo canone*), thus ending what for 44 years had been an almost complete freeze on rents. The overall increase in total rents — put at LIT 1 000 million — will be spread over a five-year transitional period. Indexation to the cost of living will be restricted to an adjustment of 75%.

31.7 The Banca d'Italia decided to renew the ceiling controls on bank lending until 31 March 1979. Compared with the amount outstanding at the end of March 1978, lira lending by individual credit institutions to all domestic customers whose debit positions exceed LIT 50 million (previously LIT 30 million) may not grow by more than the following percentages: 6% to the end of September 1978, 7% to the end of November 1978, 13% to the end of January 1979 and 14% to the end of March 1979.

Netherlands

13.7 Publication of a regulation on subsidies for energy-saving investments carried out by firms in 1978. An amount of HFL 75 million has been set aside for subsidies promised in 1978.

17.7 Of the amount of HFL 500 million set aside in the autumn of 1977, as part of a package of stimulatory measures to ease financial burdens in 1978, HFL 350 million was paid into the General Family Allowance Fund. This was to enable the general family allowance insurance premium to be cut from 0.8% to 0.3% in the second half of 1978. In an earlier announcement it had been indicated that an amount of HFL 50 million would be used to ease the financial burden on the self-employed with details yet to be decided and that a similar amount would be spent on energy-saving measures; a decision has yet to be taken on how to use the remaining HFL 50 million.

18.7 Publication of the Investment Account Law (WIR) to encourage investment. The Law has retroactive effect from 24 May 1978. It provides for basic premiums and — for the time being — for four types of selective additional premiums, one in respect of small-scale investments, one in respect of large-scale projects, a regional planning premium and a special regional premium. The basic premiums (expressed as a percentage of the amount of investment) are as follows: 23% for new building, 15% for existing buildings, 13% for fixed outdoor installations, 12% for aircraft, 15% for sea-going vessels and 7% for other equipment. The (degressive) premium in respect of small-scale investments is available to firms undertaking investments totalling not more than HFL 800 000 in any given year. The premium in respect of large-scale projects is intended for investments costing more than HFL 30 million. The regional planning premium is available to firms that move all or part of their operations to so-called growth centres or growth towns. The special regional premium is available for investments located in specific areas in the north of the country and in South Limburg.

24.7 Increases in public service charges, excluding public transport, will have to be held to 3.5% in 1979.

26.7 The Nederlandsche Bank raised its interest rates by 0.5%; the discount rate thus went up to 4.5%.

Belgium

5.7 The central government line of credit with the Banque Nationale, raised by BFR 10 000 million on 28 June, was increased by a further BFR 10 000 million on 5 July. The Treasury may now obtain advances of up to BFR 87 000 million, comprising BFR 37 000 million directly and BFR 50 000 million through the Fonds des Rentés.

27.7 The Banque Nationale increased the discount rate by 0.5% to 6.0%; the rate had been 5.5% since 30 March.

29.7 The banks decided to raise their interest rate for discount credit and their acceptance rate (including margin) from 6.0% to 6.5%. The rate on overdrafts stayed at 8%.

Luxembourg

11.7 The Government was authorized to grant LFR 350 million to municipalities or groups of municipalities to subsidize projects to provide sporting facilities; this sum is to be granted between 1 January 1978 and 31 December 1982.

27.7 A law was adopted in favour of young people under 25 registered as unemployed. The

measures consist in providing practical introductory vocational training remunerated at 85% of the minimum legal wage (introductory training contract) setting up a division of temporary auxiliary workers to be employed in the non-market services to carry out temporary duties of social or public utility, and the grant of a career premium to young people accepting a wage-earning job in an economic branch suffering from a structural shortage of labour.

United Kingdom

21.7 A White Paper (Cmd 7293) was published outlining the pay policy to apply from 1 August 1978. The guideline for earnings increases in 1978-79 was set at 5% with some very limited exceptions.

A Bill was introduced to extend the Government's existing powers to control dividends (including the 10% limit on increases) for a further twelve months from 1 August 1978.

August 1978

Denmark

31.8 In connection with the transformation and enlargement of the Government, the following immediate proposals were made and adopted by Parliament on 8 September.

- (1) A freeze on prices and incomes increases operative from 28 August 1978 to 26 February 1979 (date for the coming into force of the new national wage agreement) covering all goods and services, except for increases due to higher prices on imported goods and services, or wage increases authorized under agreements or collective settlements in force.
 - (2) A rise of the VAT rate from 18% to 20 $\frac{1}{4}$ % taking effect on 1 October (and equivalent increases on perfumes and tobacco). The supplementary annual revenue is estimated at DKR 3 milliard, of which DKR 0.2 milliard will be repaid as social compensations.
- It is proposed to increase the amount of foreign loans for industrial investment, notably in the export sector, guaranteed by the State from DKR 250 million annually to DKR 1 milliard annually in 1970-1981. The term envisaged for loans according to this scheme will be six to ten years at a 10-11% interest rate.

France

24.8 A FF 4 000 million 9.5% loan was launched, bringing the amount raised from the general public in 1978 to finance the budget deficit to FF 9 500 million.

31.8 The minimum hourly wage (SMIC) will be raised by 2% on 1 September, an increase from FF 10.85 to FF 11.07 an hour, giving FF 1 925.65 a month, on the basis of a forty-hour week.

Ireland

21.8 The Government announced new limits for building societies loan approvals. The limits require that at least 60% of the total value of funds available for mortgages should be allocated to house purchasers whose mortgage requirements do not exceed IRL 13 000 and that a further 20% should be provided for house purchasers whose requirements fall between IRL 13 000 and IRL 16 000.

Italy

4.8 The short-term advances requested from the banks by the hospitals may not exceed one-twelfth of the ordinary revenue shown in the hospital's budget.

5.8 Parliament approved a major reform of budgetary procedures. The main new features are the following:

- (a) from the 1980 financial year, the budget on an appropriations basis will be accompanied by a cash budget; for 1979 this will be experimental in nature and will be presented at the end of December 1978;
- (b) from 1979 a multiannual budget on an appropriations basis will also be presented: this will have to be rolled forward every year;
- (c) for the 1979 financial year and the following financial years a Finance Act will indicate the measures to be taken each year if the economic policy objectives pursued by the Government are to be attained;
- (d) the central government budget, the Finance Act, the multiannual budget and the 'Relazione previsionale e programmatica' will be presented to Parliament in September each year.

Netherlands

8.8 Publication of the 1978 subsidy for minimum wages extending the existing scheme, and of the 1978 subsidy scheme for minimum wage payable by seasonal firms. A total of HFL 100 million has been set aside for the two schemes.

22.8 Publication of the 1978 Decree on investment premiums for sea-going vessels, extending the shipbuilding aids until 1 July 1980. With effect from 1 July 1978, a special investment premium of 5.5% (to be paid in five annual instalments of 1.1%) would be available, on top of the 15% investment premium provided for in the Investment Account Law.

Belgium

1.8 Fares on urban and interurban public transport were raised.

4.8 The anti-crises law, comprising economic guidance measures and economic and budgetary reforms, were published. The main provisions cover the reorganization of the energy sector, the transformation of the SNL into a State holding company, and various specific measures affecting banking, State education, employment and labour, social security and pensions, business investment, aid to small firms, staffing agencies, and sexual equality in the recruitment of staff. The law provides for a specific delegation of powers under each heading, and the general delegation of powers to stabilize and redirect public finances is maintained.

5.8 The Government approved the draft budget for 1979. Current revenue is estimated at BFR 941 700 million, 7.7% up on 1978. This is less than the estimated growth of GDP at current prices, estimated at 7.8% for 1979 (2.9% at constant prices). Expenditure should amount to BFR 1 022 300 million, an increase of 6.75% on the budget voted in 1978 (which was 14.4% up on the previous year). The standard aim to limit the growth of expenditure to zero at constant prices has not therefore been achieved, mainly because of unfavourable trends in the labour market and in unavoidable expenditure (e.g. interest on the national debt). Under capital expenditure, the investment programme amounts to BFR 230 000 million, a 15% increase on the 1978 programme. The total budget deficit is estimated at BFR 80 600 million, compared with BFR 76 000 million in 1978 (adjusted figures).

10.8 A number of tax measures to stimulate private investment were extended. They comprise supplementary regional aid, exemptions for capital gains realized in 1978 and 1979, exoneration from company tax for five years on dividends distributed to shareholders or to holders of corporate rights representing cash contributions; exoneration for business profits of 15% of the amount of supplementary investment in material or immaterial goods carried out in Belgium during 1979, with similar arrangements for 1980.

The banks decided to raise their base rate for discount and acceptance credit by 0.5%; the recommended rates now ranged from 6.50 to 7.50%.

11.8 The Ministry of the Interior sent instructions to the municipalities concerning the drafting of their 1979 budgets. The Ministry's recommendations should mean a rise in taxes and charges, and a reduction in deficits; for central government intervention is now either linked to a minimum level of taxes, or discontinued.

United Kingdom

2.8 The Government announced proposals to increase Petroleum Revenue Tax from 45% to 60% from 1.1.79. This would increase revenue from North Sea oil by about UKL 2 000 million by the mid-eighties.

17.8 The Supplementary Special Deposits Scheme, introduced on 8 June, was extended from the autumn until June 1979.

29.8 Terms of certain National Savings instruments and arrangements for the payments of interest on certificates of tax deposit were altered to assist the financing of the PSBR outside the gilt-edged market.

September 1978

Community

18.9 On the basis of the interim reports of the Monetary Committee and the Committee of Central Bank Governors, the Council continued to prepare the setting-up of the European Monetary System. It decided that the two Committees were to prepare the final versions of their reports for its October session.

France

6.9 The draft 1979 budget provides for expenditure of FF 458 000 million (up 0.52%); welfare spending will rise by 23.9% and public investment by 14.8%. The deficit is forecast to total FF 15 000 million, or 0.7% of GDP. The rate of income tax remains unchanged; the extra revenue (FF 6 900 million) results primarily from an increase in certain indirect taxes.

8.9 A special Industrial Adaptation Fund was set up to stimulate job creation in the areas hit by the difficulties in the steel, shipbuilding and textile industries; it will assist the winding up of firms and establishments considered no longer viable by offering redundant workers local re-employment opportunities. Loans are to finance up to 50% of new investment. The size of the Fund will be FF 3 000 million, FF 1 500 million of which will come from subsidies; FF 1 000 million will be allocated for the 1978 financial year.

15.9 The State will pay FF 1 300 million into social security funds; this sum is in addition to the FF 1 500 million expected from private firms with over 400 employees. Almost FF 1 000 million of the State share is the agricultural scheme's debt to the family allowance funds and the rest is made up of the arrears of contributions owed as a public sector employer.

Ireland

1.9 The Government announced an increase in local authority house purchase loan limits from IRL 7 000 to IRL 9 000.

4.9 A 'work experience' programme was launched by the National Manpower Service. The six-month pilot programme will place school leavers in a wide variety of jobs with the object of giving them practical experience. The young people participating will be paid IRL 20 per week through their employer. Priority will be given to applications from 18 to 20 years olds, the maximum age limit being 25 years.

Italy

1.9 With effect from 4 September, the discount rate and the rate for advances against securities was lowered from 11.5% to 10.5%. The supplement of 3% which can be added if certain limits are exceeded remained unchanged. The rate had last been cut in June and August 1977 (by 2 and 1.5 percentage points).

21.9 The obligation on banks to invest 30% of the growth of their deposits in transferable securities was reduced to 4.5% (2% in certain cases) for the second half of 1978.

30.9 Presentation of the *Relazione previsionale e programmatica* — which also comprises the central government budget on an appropriations basis for 1979 — and the finance bill. These documents reflect the main lines of the 'Pandofti Plan', submitted at the end of August by the Minister for the Treasury. For the years 1979-81 the Government intends to stabilize the growth rate at 4% and to bring the inflation rate down by stages to no more than 8% in 1981. The central aims of the economic policy strategy chosen for 1979 are a LIT 6 100 000 million cut in the underlying public sector borrowing requirement, to LIT 37 620 000 million (15.7% of GDP), and a stabilization of the *per capita* wage in real terms.

30.9 The draft central government budget for 1979 provides for revenue of LIT 54 502 000 million and expenditure of LIT 93 073 000 million. The net borrowing requirement in terms of the budget on an appropriations basis will therefore come to LIT 38 571 000 million (16.5% of GDP). Comparison with the budget for 1978 is difficult because the draft budget for 1979 includes expenditure authorized by certain laws on condition that it is financed by borrowing on the financial market. Previously this expenditure was not entered in the budget until the relevant borrowing operations had been carried out. Taking account of these differences and of other minor changes, revenue will be 16.7% up on 1978 and expenditure 19.7% up.

Netherlands

19.9 Presentation of the central government budget for 1979, giving details of the medium-term policy targets referred to in the 'Blueprint 1981' (30 June). Working towards the planned HFL 10 000 million cut in the increase in public spending in the period to 1981, the Government intends to curtail the central government budget by around HFL 2 000 million and social security spending by HFL 1 000 million in 1979. In addition, the Government has decided to take supplementary selective measures costing HFL 1 500 million (notably in respect of labour-market policy and energy saving). The increase in tax revenue is not to exceed HFL 1 000 million and so the actual deficit will be larger than what is considered to be structurally acceptable. The Government plans to apply 100% adjustment for inflation, involving a reduction of HFL 1 600 million as compared with the income tax rate currently applicable. A temporary central government contribution of HFL 600 million to the family allowance scheme for wage-earners (KWL), designed to reduce employers' social security contributions, is to replace the contribution of HFL 350 million to the general family allowance scheme (AKW) and the contribution of HFL 270 million to the insurance scheme against incapacity for work (WAO) made for the same purpose in 1978. The central government borrowing requirement on a cash basis will, as a result, grow from HFL 9 600 million in 1978 to HFL 12 800 million in 1979 (3.7% and 4.7% respectively of national income). The combined borrowing requirement of central and local government is expected to be equivalent to 5-6% of national income.

26.9 The Nederlandsche Bank raised its interest rates by 1%; the discount rate thus went up to 5.5%.

Belgium

15.9 The maximum reimbursement periods for hire-purchase and personal loans were increased by three to six months. There was no change in the amount required as a down payment. The maximum reimbursement period on a motor car, for example, is now 42 months, instead of 36 months.

Luxembourg

Early September The draft law on central government income and expenditure for 1979 was submitted. The change on the budget voted in 1978, allowing for short-term and occasional factors, was +7.6% for ordinary income, +5.5% for ordinary expenditure, -62.5% for extraordinary income and +9.8% for extraordinary expenditure. The general deficit, with income at about LFR 41 200 million and expenditure at about LFR 42 100 million, comes to about LFR 900 million.

October 1978

Community

16.10 The Council (Economic and Financial Affairs) continued its discussions on the European Monetary System on the basis of further reports from the Monetary Committee and the Committee of Governors of the Central Banks, in particular, it examined in detail the major questions relating to the intervention rules and credit mechanisms to be established under the new system. The Council asked the two Committees to finalize their reports in the light of the Council's discussions so that the Council could consider them at its next meeting scheduled for 20 November. The Council then heard a further interim report from the Chairman of the Economic Policy Committee on the progress made in the committee's work on the concurrent studies of the measures necessary to strengthen the economies of the less prosperous member countries in the context of the European Monetary System. A report from the Economic Policy Committee was to be submitted to the Council for its meeting on 20 November.

Following a further consultation meeting and confirmation by the President of Parliament of Parliament's agreement on the conclusions reached, the Council adopted the Decision empowering the Commission to contract loans for the purpose of promoting investment in the Community.

In the Community exchange rate system (the 'snake'), the German mark was revalued by 4% against the Danish krone and the Norwegian krone and by 2% against the currencies of the Benelux countries.

Denmark

24.10 The law on fixation of central government tax rates etc. for 1979 was adopted by Parliament.

— To neutralize the expansionary effects on imposable income implied by a 13% rise of the income brackets due to the applied wage index, it was decided to modify the regulation mechanism by choosing instead the pre-April price index. The income brackets and the personal tax allowance valid for 1979 will consequently be raised by 9%, implying a relative DKR 1.2 milliard tightening of fiscal policy or some 0.5% of GNP compared to the alternative.

— The specific increase of the personal tax allowance by DKR 500 per person adopted in 1977 and prolonged into 1978 will be maintained in 1979 corresponding to a tax relief of DKR 0.5 milliard or some 0.2% of GNP compared to the alternative.

— The coefficient applied on personal tax rates is maintained at 90% for 1979.

Federal Republic of Germany

19.10 The Deutsche Bundesbank Council decided to raise the compulsory reserve coefficient by 9% from 1 November 1978. This measure led to a reduction in banking liquidity of over DM 4 000 million.

France

4.10 The Minister for Economic Affairs announced that the growth in the money supply was to be held to 11% in 1979 (according to official forecasts, real gross domestic product should increase by 12.9% in 1979 as compared with 1978).

10.10 The French Treasury issued a FF 3 000 million loan at an actuarial rate of 9.45%. Like the two previous loans, it was intended to cover part of the budget deficit for the present year by drawing on the savings of the public.

13.10 It was decided to tighten credit controls considerably so as to slow down money supply growth in 1979. Application of the new controls will be restricted to the first half of 1979. Two measures were taken to encourage banks to increase their capital: firstly, lending will be allowed to grow by more than the amount of the increase in capital; secondly, the minimum level for banks' capital, which has remained unchanged since 1972, must be doubled by 31 December 1979 and raised again by a further 50% by 31 December 1982.

27.10 Several measures were taken to ease the financial burden on firms employing apprentices.

31.10 The Bill adapting the Vllth Plan was adopted. The Bill requiring industrial and commercial firms to distribute free shares to their employees was adopted. The shares distributed will amount to 3% of the capital of quoted companies (about 850). In return, the companies concerned are given a claim on the Government equivalent to the increase in capital thus carried out so as not to injure existing shareholders.

Ireland

1.10 Single women and widows are no longer required to have dependants or to have 26 social insurance contributions paid in order to qualify for unemployment assistance.

2.10 A wide range of measures was introduced by the Central Bank to restrict growth in private sector credit to 10% and personal loans (other than for house purchase) to 5% over the next six months ended 31 March 1979.

20.10 The Minister for Industry, Commerce and Energy announced changes in price control criteria, including an increase in the period of notification for price increases. The percentage of exports required to automatically exclude a firm from detailed price control was raised from 25% to 35%.

Italy

5.10 The Government approved a Decree Law concerning assistance to firms which have run into difficulties: subject to a number of conditions, firms whose debts exceed LIT 50 000 million may be declared insolvent and placed in the hands of a receiver for a maximum of eighteen months. Credit institutions and companies quoted on the stock exchange may have one of their representatives appointed as receiver provided they have presented a proper reorganization plan.

6.10 So as to improve VAT inspection, transported goods must, from 1 January 1979, be accompanied by a numbered document (*bolletta di accompagnamento*).

20.10 Following a series of industrial disputes in hospitals, representatives of the Government, the regions and the unions agreed that a professional training allowance of LIT 27 000 per person per month should be granted to paramedical staff. During a Parliamentary debate on incomes policy in the public sector, the Government rejected the interpretation that staff could qualify for the allowance without actually attending courses.

Netherlands

12.10 The Nederlandsche Bank raised its interest rates by 1%; the discount rate was increased to 6.5%.

Belgium

4.10 The Treasury obtained an external loan from the Bank for International Settlements of BFR 12 000 million for three months in two transactions. This is a radical change in the Treasury's financing policy; since 1969, short-term financing had been obtained exclusively from the Banque Nationale and the Fonds des Rentes. On 29 September the amount at the Treasury's disposal in the Fonds des Rentes was reduced from BFR 40 000 million to BFR 30 000 million; it had been reduced from BFR 50 000 million to BFR 40 000 million on 5 August.

12.10 The Banque Nationale took measures to defend the Belgian franc. They involved a change in the ceiling on rediscounting by the Banque Nationale, which was divided into two parts. The official discount rate of 6% continues to be applied by the Banque Nationale up to a ceiling (ceiling A) of three-quarters of the earlier maximum, while a special rate 2.5 points higher than the official rate is applied to the rest (up to ceiling B). The rates on advances and on loans against securities were also set at 8.5%. The Banque Nationale introduced a minimum level for government securities and funds, requiring the financial intermediaries to maintain their portfolios of government securities at their level of the end of September. Short-term credit was not to expand in November and December by more than 15% in annual terms over the average for July, August and September; any further increase would involve fines amounting to the total excess involved.

26.10 The banks increased basic interest rates on discount lending and overdrafts over the whole range in three stages, on 3, 13 and 26 October. Actual rates for these two forms of credit now average 10% (not including margins), compared with about 7% at the beginning of the period.

27.10 The Government decided to adjust personal income tax brackets for 1978 to take account of an inflation coefficient of 4%, the effects of inflation on personal income tax are completely offset for net taxable incomes of up to BFR 400 000 (gross incomes of up to BFR 510 000), and partially offset for net taxable incomes between BFR 400 000 and BFR 750 000.

27.10 The Government approved a draft law authorizing landlords to increase rents by 4% on 1 January 1979.

United Kingdom

18.10 The Government confirmed that it would retain the growth rate over the next three years of 2% per annum for the volume of public expenditure, as presented in last January's Public Expenditure White Paper.

19.10 At the Bankers' Dinner the Chancellor said that fiscal and monetary policy should be aimed at ensuring a stable exchange rate whether or not Britain joined the proposed

European Monetary System. In this respect, he added that 'depreciation can no longer be treated as a soft option'.

30.10 It was announced that a repayment of USD 1 000 million had been made to the IMF as outlined in the April budget.

November 1978

Community

9.11 The Tripartite Conference held on 9 November focused on growth policy and employment policy. The participants emphasized the progress which had been made in fighting inflation and reducing balance-of-payments disequilibria. It was generally agreed that there was no single reason for the unfavourable situation on the labour market and that the Community must consequently adopt an overall strategy. The Conference called upon the Council of the European Communities and the Governments of the Member States to take account of its conclusions in their economic and social policy decisions. The participants stressed that the Community strategy on increasing economic growth and improving the labour market situation drawn up at the European Council held in Bremen and the Summit Conference held in Bonn must be implemented promptly in all the Member States. The two sides of industry would for their part help to restore growth and achieve a lasting improvement in the employment situation.

20.11 Completing its work on the establishment of a European Monetary System, the Council (Economic and Financial Affairs) reached agreement on many aspects of the system and succeeded in reducing differences on other points, so that only a few questions were left outstanding for the European Council.

Denmark

10.11 Taking effect from 1 January 1979, persons of the age 60-66 who have taken part in a recognized unemployment scheme during a period of five years over the last 10 years, may obtain a pre-pension allowance by leaving the labour market. During the first 2½ years of the period the amount obtainable is fixed at 100% of the unemployment allowance, to which the person is entitled (90% of recent average wage income maximized at DKR 73 868 according to rates at October 1978) and will be reduced gradually to 80% of that amount during the two consecutive years, and finally to 60% during the latter part of the period (i.e. approaching the level of old-age pension payable from the age of 67). Preliminary assessments of the number of persons benefiting from the scheme go from 17 000 in 1979 to 27 000 in 1981.

Federal Republic of Germany

17.11 After the mediation committee between the Bundestag and the Bundesrat had reached a compromise, the Bundestag unanimously adopted the series of measures (law amending the tax scheme for 1979) adopted by the Federal Government in July. The programme was increased by DM 1 500 million, including DM 700 million for 1979, the rest for 1980 and 1981. The measures mainly cover a further increase in family allowances, and further reductions in company tax.

France

16.11 The third Amending Finance Bill for 1978 brought the budget deficit up to FF 29 800

million, the initial deficit of FF 8 900 million being increased by a FF 10 700 million shortfall in revenue and FF 10 200 million in net additional expenditure.

18.11 The Finance Act for 1979, as approved by the National Assembly, provided for a deficit of FF 14 900 million.

30.11 The minimum wage was increased by 2.13%, in line with the increase in retail prices.

Ireland

16.11 Bank lending and deposit interest rates were increased by 2½ percentage points.

Italy

10.11 A Decree Law laying down a number of economic policy guidelines to be followed by the local authorities in 1979 and thereafter stipulated that there must be no increase in the number of persons employed by the provinces and communes in the period 1979-81.

22.11 A number of exchange control measures were relaxed: firms wishing to return foreign currency paid into their accounts (*conti valutarî di giro*), for example, to pay for imports, were now allowed to do so for a fortnight (previously two days only), and the ceiling set for banks for forward sales of lire on exchange markets was raised.

Belgium

15.11 The banks reduced the rates for discount credit by 0.5% to 9.25% (not including margin). The base rate for overdrafts was changed.

24.11 The Government approved a plan for the restructuring of certain industries. BFR 500 000 for each job lost since 1976 in steel, textiles, building and naval repairs will be placed at the disposal of the regional institutions. The central government will acquire a participation in steel companies by taking on part of their medium and long-term debts. The total impact of these measures on the budget should be about BFR 5 000 million to BFR 6 000 million a year for five years.

28.11 The Government decided to extend the special temporary arrangements for the employment of unemployed persons by the public authorities. It also decided to make a grant of BFR 30 000 to any firm with fewer than 50 workers that took on one or two trainees for a six-month period.

Luxembourg

1.11 The Grand-Ducal regulation of 25 August came into force. This regulation requires the implementation of the partial adjustment plan creating four industrial areas in the southern part of the Grand Duchy, where infrastructures may be adapted.

United Kingdom

2.11 In the Queen's Speech it was announced that the Government is proposing legislation entitling workers on 'short time' to a taxable 75% of normal pay each day lost up to a maximum of 7 consecutive days.

9.11 Minimum Lending Rate was increased from 10 to 12.5%. The Chancellor announced that the existing target of 8-12% for the growth of sterling M₃ was to be continued during the 12 months to mid-October 1979. This represents a slight tightening of monetary policy as the rate of growth of money supply in the previous six months has been below target.

21.11 The Government announced plans to phase out the annual UKL 50 vehicle excise duty by 1983 and to gradually increase the price of petrol to compensate for the loss of revenue.

24.11 The Government published a Green Paper on the EMS in which it reaffirmed its policy of maintaining a stable external value of sterling.