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## Report

drawn up on behalf of the Committee on Economic and Monetary Affairs

on the proposal from the Commission of the European Communities to the  
Council (doc. 361/76) on the fourth medium-term economic policy programme

Rapporteur: Mr H. SCHWÖRER

PE 46.355/fin.



By letter of 12 October 1976 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 6 of the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Communities, to deliver an opinion on the fourth medium-term economic policy programme.

The President of the European Parliament referred this programme to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Social Affairs, Employment and Education for its opinion.

At its meeting of 28 March 1975 the Committee on Economic and Monetary Affairs appointed Mr SCHWÖRER rapporteur.

It considered the programme at its meetings of 4/5 November, 22/23 November, 2 December 1976, 27 January and 24/25 February 1977 and unanimously adopted the motion for a resolution in its entirety at the last of these meetings.

**Present:** Mr Van der Hek, chairman; Mr Notenboom, vice-chairman; Mr Schwörer, rapporteur; Lord Ardwick, Mr Clerfayt; Mr Lange, Mr Van der Mei, Mr Ripamonti, Mr Starke, Mr Tomney and Mr Zeyer.

The opinion of the Committee on Social Affairs, Employment and Education is annexed to this report.

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the draft fourth medium-term economic policy programme

The European Parliament,

- having regard to the proposal from the Commission<sup>1</sup>;
  - having been consulted by the Council pursuant to Article 6 of the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Community (Doc. 361/76);
  - conscious of the importance of a healthy economy for the Community, for the political and social conditions within the Community, of its responsibility towards the developing countries and of the need for an international division of labour;
  - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Social Affairs, Employment and Education (Doc. 579/76);
1. Supports the proposal submitted by the Commission;
  2. Stresses that the programme is essentially a skeleton plan, the ultimate value of which will depend on the submission by the Commission of the necessary practical proposals for the implementation of the programme;

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<sup>1</sup> OJ No. C 12, 17.1.77, p.1

As regards economic and monetary union

3. Considers that the fourth medium-term economic policy programme is in line with the agreed principles of economic and monetary union; regrets however that the programme content is so general and the objectives it deals with so distant that in view of the Community's lack of ability to formulate decisions in this field it will hardly make a significant contribution to the realization of economic and monetary union by 1980;
4. Recalls its resolution of 11 March 1976<sup>1</sup>, in which it:-
  - called on the Commission to submit proposals 'for the economic and monetary policy measures needed for the restarting and functioning of an economic and monetary union';
  - and called on the Council 'to harmonize the economic and monetary policies of the Member States through suitable short and medium-term measures, making full use of the provisions of the EEC Treaty';
5. Finds that the lack of progress by the Community towards economic and monetary union is due to
  - the lack of political volition on the part of the Council to take the necessary decisions;
  - the lack of political volition on the part of the Member States to act in accordance with the decisions taken by the Council;
  - the Commission's hesitancy about submitting concrete proposals where acceptance by the Council is in doubt;
6. Calls on the Commission to make it abundantly clear to the Council that the Community now stands at a crossroads where
  - it must either make immediate, sustained and full use of existing Community instruments, and create new ones, to guarantee greater convergence between economic development in the individual Member States and to give genuine expression to Community solidarity;
  - or resign itself to steadily growing disparity between the economic development of Member States, which could constitute a real threat to the existence of the Community;

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<sup>1</sup> OJ No. C. 79, 5.4.76

7. Calls on the Commission to fulfil its task as an organ of management authoritatively and not to restrict itself in this important field of Community activities to the administration of Council decisions but rather to submit its own constructive proposals immediately for the necessary measures stated here;
8. Also calls on the Commission to invoke Article 11 of the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Community<sup>1</sup> if a Member State fails to comply with the common short and medium-term guidelines;

As regards the fourth medium-term economic policy programme

9. Recalls that price stability, external balance, growth and full employment are equally valid objectives<sup>2</sup>;
10. Emphasises that the achievement of these four objectives must be the purpose of medium and long-term economic policies; in short-term economic policies more weight may be given to one or other of these objectives in the light of current conditions;
11. Takes note, in the light of the above, of the Commission's proposed quantitative objectives for the period 1976/80:
  - (a) a halving of the present number of unemployed by 1980;
  - (b) average economic growth of at least 4½ - 5% per annum;
  - (c) a reduction in the rate of inflation to at most 4 - 5% by 1980 at the latest;
  - (d) conversion of the external deficit into a positive balance of 0.5 - 1% of GDP by 1980;
12. Agrees that a lower level of unemployment cannot be achieved without
  - faster and more even economic growth than in the last five-year period and
  - a considerable reduction in inflation;

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<sup>1</sup> OJ No. L 63, 5.3.74

<sup>2</sup> Council Directive of 18 February 1974 on stability, growth and full employment in the Community (OJ No. L 63, 5.3.74)

13. Is of the opinion that bringing forward the age of retirement, reducing working hours and raising the school leaving age are not on their own suitable means for reducing unemployment;
14. Supports in particular the ideas for an active labour market policy, for abolishing unemployment amongst young people and for improving vocational training and retraining schemes and increasing the mobility of workers, and stresses the need to obtain better and more comparable unemployment statistics in order to reveal the causes of unemployment;
15. Agrees with the Commission that close cooperation between the Commission and the two sides of industry on the implementation of the medium-term programme is of particular importance; further worker participation in companies is an important factor in a wages and prices policy as a component of a policy for higher and steadier growth;
16. Agrees with the Commission that a strict currency and credit policy is vital in order to achieve stability and in particular that limits must be placed on the growth of the money supply;
17. Is of the opinion that the Council must take urgent steps to transform the European Monetary Cooperation Fund into an instrument for coordination between the Member States in the fields of currency and credit;
18. Draws attention to the need for a structural policy to increase the performance **and** competitiveness of the economies of the Community countries and is of the opinion that the concrete measures in the field of sectoral structural policy proposed by the Commission in its medium-term economic policy programme should have been given greater emphasis;
19. Calls on the Commission to submit at long last in 1977 a general structural policy programme to encourage and coordinate the necessary restructuring and constant adjustment of the economies of the Member States, taking particular account of the small and medium-sized undertakings in all sectors;
20. Calls on the Commission to submit to the Council in the near future proposals for the improvement of the **Regional and Social Funds** and the Guidance Section of the European Agricultural Fund as regards their institutional and operational aspects and also cooperation between them, in the light of structural and regional policy requirements;
21. Supports the Commission's view that market and profitability prospects, together with financing conditions, are of crucial significance for the way in which investment evolves;



22. Considers that the Commission has not made sufficiently clear its concept of regular notification of information on investment projects in some highly capital-intensive industries; requires more detailed information on the proposal to improve transparency by introducing a regular procedure for the notification of information on investment projects before it can deliver an opinion;
23. Emphasizes that the wishes expressed by the European Parliament when adopting the third medium-term programme that, inter alia:
- the Commission should be entrusted with instruments of economic and monetary policy,
  - greater cohesion should be created between the policies of the Member States,
  - a more precise and concrete structural policy should be drawn up, and that statistical survey methods should be harmonized to give a better basis for comparison of economic data in the Community,
- have not been fulfilled, and reiterates these views;
24. Expects, in view of the failure of the third programme, that the Commission will pursue a practical policy by making the fourth programme a reference point for national economic policies, updating the medium-term projections each year, regularly examining the compatibility of national budgetary policies with the medium-term objectives, suggesting to the Council annual quantitative objectives for the currency policies of the individual States and creating at Community level the conditions for consultation procedures between the two sides of industry;
25. Instructs its Committee on Economic and Monetary Affairs to keep a close watch on the realization of the fourth programme and, where necessary, to draw up a further report;
26. Instructs its President to forward this resolution and the explanatory statement not only to the Council and Commission but also to the Governments and parliaments of the Member States.

EXPLANATORY STATEMENT

By letter of 12 October 1976 the European Parliament was consulted by the Council on the Commission's proposal for the fourth medium-term economic policy programme.

At the meetings of the Committee on Economic and Monetary Affairs of 18 October and 4 November 1976, the Commission stressed the need for the European Parliament to deliver its opinion during the November part-session, so that the Council could take a decision on the programme on 22 November 1976. The Committee on Economic and Monetary Affairs was not able, however, to draw up its report on the Commission's proposals in such a short space of time.

Despite the committee's desire to help the Council to adopt the fourth medium-term economic policy programme before the end of the year, it was unable to submit a report for the December part-session as it considered it necessary to give the Committee on Social Affairs, Employment and Education the opportunity to deliver an opinion.

However, the Committee on Economic and Monetary Affairs would like to point out that neither the Commission nor the Council could expect the European Parliament to examine with sufficient care the medium-term framework within which short-term economic policy is to be shaped, in the short time originally allowed for the Council.

In this connection it should be pointed out that likewise in 1970 criticism of the short time available was made by the committee's rapporteur during consideration of the third medium-term economic policy programme. The Council and the Commission will have to give the European Parliament reasonable time when the fifth programme is drawn up in due course.

## I. THE COMMISSION'S PROPOSAL

### a. Analysis of the situation

1. The diagnosis is already familiar; in this connection the draft Fourth Programme lists the effects of the economic crisis on the Community as follows:

- the excessively high rate of inflation, three times as high as the earlier figure of 3 to 4%;
- the very high rate of unemployment (5 million jobless);
- the extremely problematic disparities in the development of the Member States' economies;
- the unstable rates of exchange.

Among the numerous causes of inflation are certain conjunctural factors, as already pointed out in the Maldaque report<sup>1</sup>:

- insufficient and belated awareness of the dangers of inflation;
- the excessive growth of domestic and international liquidity;
- the excessively high rate of income growth;

in addition to which there are also the structural causes:

- rising social tensions and increasing difficulties in establishing a social consensus,
- increase in the number and influence of market-dominating undertakings, which impose a certain rigidity in the economic structure;
- lack of flexibility in the labour market.

2. The reasons for the Community's inability to cope with the crisis stem from three factors:

- the diversity of economic and social structures,
- differences in adjustment to social developments and the collapse of the social consensus in several countries,
- inadequate coordination of policies within the Community.

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<sup>1</sup> on the problems of inflation

In the absence of genuine political responsibility at Community level, the different interests of the various individual Member States make it increasingly difficult to work out a Community solution. This is why

- no joint action was taken vis-à-vis the oil embargo,
- there has been a falling off in the trend towards liberalization of capital movements,
- regional imbalances have become more pronounced.

b. Objectives

3. The draft Fourth Medium-term Programme lays down a series of objectives:

- an average growth rate of 4 - 5% for the period 1976-1980 (France about 5.5%; Italy, Belgium, Ireland and Denmark 4.5 - 5%; Germany and the Netherlands between 4 and 5%; the United Kingdom between 4 and 4.5%; Luxembourg 3 - 3.5%);
- an inflation rate of about 4-5% by 1980 at the latest;
- a return to full employment by 1980, i.e. a position in which anyone seeking employment will be able to find it;
- as far as external economic balance is concerned, the Community should accept an external deficit, but by 1980 it should achieve a positive external balance of some 0.5 to 1% of GDP (goods, services and factor incomes).

In the draft Fourth Report the mutual dependence of these quantitative and qualitative objectives, e.g. the achievement of a better regional balance, environmental protection, a closing of income gaps and the improvement of living and working conditions, is emphasised.

4. A perusal of the draft Fourth Programme indicates that the implementation of these quantitative objectives is very uncertain, as it is linked with numerous conditions that are very difficult to bring into line with each other:

- the requirement that a consensus be worked out between the two sides of industry and the public authorities, at both national and Community level;
- a readiness on the part of the two sides of industry not to look for an increase in the short-term in their share of the national income;

- the promotion of productive investments and a cutting back of private consumption;
- close coordination of the monetary and credit policies of the Member States.

Furthermore, the Fourth Programme is based on a number of hypotheses with regard to:

- an average annual growth rate of 8 - 8.5% in the unweighted volume of world imports,
- an annual increase of 7 - 8% in the price index of the main industrialized countries in the OECD area,
- an increase in imports by the OPEC countries.

c. Implementation of the guidelines

To achieve these objectives the Fourth Programme recommends:

Public finance

5. Budgetary strategy should play a key role, and over the next few years will have to aim at the following objectives depending on the country involved:

- to reduce the public authorities' borrowing requirement,
- to increase the re-distributive impact of public finance,
- to contribute to job creation,
- to limit the increase in the share of public expenditure in national income and to increase the effectiveness of public expenditure.

A further increase in public expenditure would lead to a corresponding increase in taxation and parafiscal charges and take too many real resources out of the market; it would thus be a factor of cost-push inflation. For this reason, it has been rejected in many Member States. At the same time, there is a growing demand for public services (new social demands in connection with the protection of the environment, improvement of living conditions in conurbations and vocational training).

The following objectives could be set for the public authorities' borrowing requirement for 1980: public sector deficits of zero or almost zero in France, Denmark and Luxembourg; between 1 and 2% of GDP in Germany, some 2% of GDP in Belgium and a still higher public sector deficit in Italy, the Netherlands and the United Kingdom.

### Employment policy

6. An intensive employment policy will have to set the following objectives:

- measures to provide training and re-training,
- genuine promotion of geographical mobility,
- upgrading of manual work;

to a lesser extent, on the other hand:

- reduction of working hours and bringing forward of the age of retirement.

In these last two cases the principle of selectivity should be applied.

### Incomes policy

7. The fight against inflation requires better control of incomes; the prerequisite for this is that profits should return to a normal level. The self-discipline that the two sides of industry will have to show in the question of incomes if this is to happen will be all the more easily attained if policies designed to share out the constraints satisfactorily are implemented. For this purpose, the following measures are required:

- in some Member States adjustments to the wage structure;
- in the case of the incomes of self-employed persons, the elimination of certain unjustified gains,
- the reduction of income differences between regions.

### Consumer policy

8. To combat the enormous price differences between the individual countries, a genuine opening up of markets in the interests of the consumer should be encouraged by adopting a system for gathering and publishing prices for a number of important and identical products.

### Promotion of investment

9. In order to achieve a rapid return to full employment, investment must increase at a rate higher than that of GDP. Sales and profit expectations are a key factor in the creation of the necessary climate of confidence. The following should also be encouraged:

- the mobilization of long-term saving at appropriate interest rates,
- the slowing down in increases of taxes and parafiscal charges,
- better information on structural development,
- a continuous innovation effort.

### Competition policy

10. An active competition policy will have to be based on the following measures:

- stronger control over abuse by firms with dominant positions on the market,
- control of concentrations at both national and Community levels,
- improvement of the viability of small and medium sized firms,
- the elimination of artificial competition advantages (strict application of Articles 92 and 93 of the Treaty of Rome, opening up public contracts to as wide a market as possible, etc.)

### Strengthening the Community

11. The internal strengthening of the Community requires the strict application of the provisions of the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States.

In the field of external economic policy, it is essential to prevent disparate export-promoting measures at national level (definition at Community level of trade policy instruments: export credit and insurance, framework agreements on commercial cooperation etc.).

The draft Fourth Programme also attaches great importance to the reduction of regional disequilibria and the expansion of common policies (especially a deliberate policy of promoting industrial reconversion).

## II. COMMENTS ON THE MOTION FOR A RESOLUTION

### Point 1

The drawing up of the Fourth Medium-term Economic Policy Programme has been characterized by repeated delays.

Pursuant to Article 6 of the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community<sup>1</sup> (hereinafter referred to as the Council Decision of 18 February 1974) the Commission establishes 'at regular intervals and at least once every five years . . . a draft medium-term economic policy programme.' The Fourth Programme should therefore have been adopted by the end of 1975 and the Commission had given an assurance that its proposals would be submitted before the summer of 1975.

The many uncertainties characterizing all attempts at assessing future short-term economic trends in 1974-1975 naturally made it difficult to draw up a programme of this kind during the first half of 1975. This does not, however, explain the needlessly long delay that has been experienced, and the urgent structural problems within the Community should have prompted the Commission to quicken the pace as much as possible.

### Point 2

The Commission themselves stress that 'the reference framework which the programme represents will have to be translated into concrete economic policy measures; the Commission will put forward appropriate proposals for these.'<sup>2</sup>

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<sup>1</sup> OJ No. L 63, 5.3.74

<sup>2</sup> See point 13 in the Commission's foreword



Moreover, Article 6 of the Council Decision of 18 February 1974 states:

'Parallel to the adoption of the programme, the Council shall, where appropriate and on a proposal from the Commission, unanimously adopt any decisions, directives or recommendations necessary to achieve the objectives set out in the programme and to implement the measures for which it provides.'

The Commission has not put forward any concrete proposals of this nature in connection with the draft programme, but it has drawn attention in its foreword to a number of areas in which it intends to submit proposals at a later date. The value of the programme naturally depends on the Commission putting forward at the right time the right concrete measures needed to implement and update the programme.

### Points 3 - 8

Pursuant to the Council Decision of 18 February 1974 the purpose of the medium-term programme is 'in the context of economic and monetary union, to facilitate and guide structural changes - sectoral, regional and social - and to ensure the convergence of overall economic policies.'

Point 3 contains the statement that the present draft programme is in line with the agreed principles of economic and monetary union but that, by itself, it will hardly make a significant contribution to the realization of this union by 1980.

The rapporteur is naturally aware that the Commission can only to a limited extent be blamed for the lack of progress towards economic and monetary union. The main causes are to be found in the disparity between the economic and monetary development of Member States and in the Council's inability to reach agreement on the institutional arrangements, etc., that will be needed to ensure greater convergence and for which the European Parliament has made repeated requests.

However, the view has also been repeatedly expressed in the Committee on Economic and Monetary Affairs that the Commission must share some of the blame since it has had too great a tendency to confine itself to putting forward proposals reflecting the common denominator of the standpoints of the Member Governments.

The committee has consequently been obliged to emphasize the Commission's role as an organ of management and the Commission is urged to use the authority it is invested with by virtue of Article 11 of the Council Decision of 18 February 1974 to ensure that Member States adhere to the guidelines laid down by the Council on monetary and budgetary policies.

The rapporteur would furthermore point out that the Commission ought to ensure that Member States in future fulfil their obligation to draw up 5-year public investment programmes<sup>1</sup> to be implemented in accordance with the requirements of current economic activity within the framework of public expenditure.

It was the rapporteur's original intention in the motion for a resolution to go into greater detail on the concrete measures mentioned inter alia in point 12 of the Commission's foreword aimed at guaranteeing a greater degree of convergence in economic and monetary development, including the effective coordination of the short and medium-term economic policies of Member States, essential regional and sectoral structural policy measures, and measures in the field of exchange rate policy.

The rapporteur did not feel it was right, however, to propose that the committee embark on an extremely time-consuming discussion of these topics. He did, however, consider it imperative to place on record that the Community has arrived at a cross-roads where it will either have to enforce at Community level a greater degree of convergence between economic development in the Member States or it will have to resign itself to steadily growing disparity, which could constitute a real threat to the existence of the Community. The Commission ought to make this abundantly clear to the Council.

#### Points 9 - 10

Pursuant to Article 1 in the Council Directive of 18 February 1974 on stability, growth and full employment, the objective of the economic policies of Member States is the achievement of price stability, external balance, growth and full employment.

Pursuant to point 2 in the Commission's foreword and in accordance with the objectives formulated at the Tripartite Conference in 1976, the prime economic policy objective at Community and national level over the coming 4 years must be the re-establishment of full employment.

The rapporteur agrees that the Community's most acute problem is the large number of unemployed. The situation may, however, change - at least in some areas of the Community. The Community must therefore be able, when laying down guidelines for Member States' short-term economic policies, to attribute greater priority to one or other of these objectives.

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<sup>1</sup> See Article 6 in the Council Directive of 18.2.1974 on stability, growth and full employment in the Community (OJ No. L 63, 5.3.1974)

### Points 11 and 12

In points 11 and 12 the committee takes note, in the light of what is contained in the foreword to the draft report, of the Commission's quantitative objectives.

Major structural problems, the uncertainty of the present economic situation and the possibility that world trade will suffer further disruptions all make it extremely difficult to judge whether the quantitative objectives are realistic. The rapporteur nevertheless agrees that the unemployment problem cannot be solved unless the Community attains the quantitative objectives proposed by the Commission. He therefore emphasizes the urgent necessity of the Commission putting forward proposals for essential concrete measures at Community level relating to:

- effective coordination of the short-term and medium-term economic policies of Member States;
- necessary regional and sectoral structural policy measures;
- the European monetary system.

The rapporteur must emphasize that coordination of the objectives of short-term and medium-term economic policies is the only way in which the Community can create the proper basis for the parallel and perhaps automatic development of monetary cooperation.

As regards the wording of point 12, the committee was aware that the two conditions mentioned in this point were necessary for a lasting reduction of unemployment, but were not, by themselves, sufficient. However, it seemed pointless to recite the list of all the other measures which would need to be carried out, such as regional and sectoral structural policy and vocational training, which are mentioned elsewhere in the motion for a resolution. In this connection it was stressed that the order in which the points appeared in the motion for a resolution did not of course imply any order of priority of the problems.

### Points 13 - 15

Bringing forward the age of retirement, reducing working hours and raising the school-leaving age are objectives with which one can agree or disagree. The possibility of achieving such progress in what is primarily the sphere of social and education policy depends on developments in production, productivity and production costs. To regard shorter working hours, for example, simply as a means of reducing unemployment figures is to ignore the economic realities.

The rapporteur agrees that closer cooperation between the social partners will be necessary if the objectives fixed in the programme are to be

achieved. The rapporteur clearly does not imagine that the Commission will be initiating consultations with separate social groups etc. The vital question is to bring about greater acceptance of the social consensus. Considerable headway was made in this respect at the Tripartite Conference in June 1976. The Commission ought to make further progress in this direction and thus help to ensure that the social consensus and common economic interests are reflected in the economic policy of each individual Member State.

#### Points 18 - 22

The Committee on Economic and Monetary Affairs has repeatedly underlined the necessity of the Commission taking initiatives in the field of sectoral structural policy, particularly in the light of the sharp rise in unemployment, the Community's diminished international competitiveness and the industrialized countries' problems and responsibilities in connection with 'a new economic world order.' Apart from measures taken in a small number of selected sectors of industry e.g. shipbuilding, textiles, computers and aerospace, the Commission has been very reluctant to act. When presented with the demand for a general structural policy programme the Commission has made constant reference to the Fourth Medium-term Economic Policy Programme.

The rapporteur was therefore very surprised to learn that sectoral structural policy occupies such a modest place in the Commission's draft programme. It is the rapporteur's opinion that structural policy is one of the most essential aspects of medium-term economic policy. The rapporteur agrees that the Community's role in this area ought to be to inspire and coordinate the restructuring that is envisaged, and would further emphasize that, in so doing, special consideration ought to be given to the interests of small and medium-sized businesses. On the other hand, this should certainly not be taken as meaning that the Community should impose structural policy guidelines on Member States.

The rapporteur is nevertheless a little worried about the Commission's idea of setting up a system for the regular notification of information on investment projects with the aim of improving transparency in certain highly capital-intensive industries, where there is a danger of surplus capacity.<sup>1</sup>

The rapporteur naturally agrees that there is a need to extend our knowledge of the required scope of restructuring and that, in view of the influence that the investment projects of major companies may have on the economic and regional situation in individual Member States as also on capital markets, greater prior knowledge of major investment projects will be required. The rapporteur fears, however, that the system proposed by the Commission could later be used as part of a new system for directing investment.

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<sup>1</sup> See the penultimate paragraph under point 9 in the Commission's foreword

Other members of the committee did not share the rapporteur's fears about this. However, there was almost unanimous agreement that the programme did not explain the objectives and details of the system precisely enough; the committee, therefore, did not feel able to deliver an opinion on this point.

Points 23 - 25

The rapporteur considers it only right and proper to place on record that the Community has in no way achieved the objectives laid down in the Third Medium-term Economic Policy Programme. This is partly due to the world-wide increase in rates of inflation in the early 1970s and the drastic rise in the price of oil in 1973 - 1974.

At the same time, however, the Community and Member Countries must also take their share of the blame, as the anticipated strengthening of institutions and coordination of the economic policies of Member States were not implemented; in particular, cooperation in the field of exchange rates was unable to match the great expectations that were entertained.

In order to avoid a similar failure with the Fourth Programme, it will need to be constantly updated and, in connection with this updating, a list ought to be drawn up of the problems mentioned in the Fourth Programme that are as yet unresolved.

### III. CONCLUSIONS

The objectives of the Fourth Programme correspond exactly to those set out in the Third Programme, with the possible exception of the order of priorities and, more particularly, the urgent necessity of achieving them, of which we are aware today. Analysis of the economic situation today shows that the Fourth Medium-term Economic Policy Programme for 1976 to 1980 was drawn up in a situation fundamentally different from that prevailing when the three previous programmes were drawn up. The draft Fourth Report, therefore, appears during what is a crucial period for the Community.

In this connection, the draft Fourth Report expressly states:

'Although the dangers of disintegration have so far been overcome, the Community is now under a particularly serious threat, and the period covered by the Third Programme has been one of setback. The objective of achieving a Community of growth and stability has not been achieved, there has been no progress towards economic and monetary union, and the Community has shown itself to be incapable of finding a collective and creative response to the crisis.'<sup>1</sup>

Of interest here is the fact that the European Parliament, when it adopted the Third Medium-term Programme<sup>2</sup>:

- was of the opinion that there was not enough cohesion among the Member States in the field of economic policy;
- called for medium-term strategy, aimed in particular, at creating an economic policy instrument under the control of the Commission;
- further considered the explanation of the objectives for the Community in the field of structural policy to be too general and called for a detailed and positive explanation of these objectives.

After reading through the programme one can scarcely avoid the impression that the 'entwicklungsfähige Profil' (growth profile) at this 'Anfang' (initial stage) of a medium-term programme for the period 1976 to 1980 will gradually become blurred and lost in a runaway 'Konjunkturverlauf' (Cyclical trend). In reality a number of the measures proposed for the implementation of the Fourth Medium-term Programme were requested a long time ago and have not been adopted by the Council. The Community strategy proposed in the Fourth Medium-term Programme is problematical; it is further stated in the Fourth Economic Programme: In view of the uncertainty

<sup>1</sup> Fourth Programme, page 17

<sup>2</sup> Lange Report, Doc. 189/70 (points 6, 10 and 16 of the motion for a resolution).

which continues to weigh on the economic situation, the programme must continue to evolve during the period it covers, with this document representing only the initial stage<sup>1</sup>. The way in which this programme is presented clearly shows its uncertainty<sup>2</sup> and its weaknesses<sup>3</sup>. There would then remain only the memory of desirable objectives ...

<sup>1</sup> Fourth Programme, page 11

<sup>2</sup> cf. Concepts like 'Anfang', 'Profil' and 'Konjunkturverlauf'

<sup>3</sup> For example, paragraph 99 on the impact of multinational undertakings: '... consideration should be given to introducing measures at Community level...'

IV. COMMENTS ON THE OPINION OF THE COMMITTEE ON SOCIAL AFFAIRS,  
EMPLOYMENT AND EDUCATION

Point 1

This point corresponds to point 12 of the motion for a resolution. However, the committee does not think it fitting to give a pessimistic assessment of the possibilities of achieving these objectives; they are after all objectives and not projections.

Points 2 - 5

These points refer to various aspects of the fact that the Medium-term Programme proposed by the Commission does not include guidelines for the individual Member States.

The rapporteur agrees that it is regrettable that the Commission was unable to lay down guidelines for the individual countries, but, on the other hand, has to admit that, if the Commission had attempted to do so, the guidelines would probably have been mainly of academic interest. The problems dealt with in the opinion will have to be solved through the Community guidelines for Member States' short-term economic policies. This applies to the 'phase' problem mentioned in point 2, for example. The Commission is aware of this in its programme and the Committee on Economic and Monetary Affairs has no information to justify criticism of the programme on this point.

Points 6 - 8

Where the problems mentioned here are not again problems to be solved through short-term economic policy, the committee considers the points to be adequately dealt with in points 6, 14 and 24 of the motion for a resolution.

Points 9 and 10

In point 15 of the motion for a resolution the Committee on Economic and Monetary Affairs stressed the importance of close cooperation with the two sides of industry; however, the committee does not think it appropriate in this connection to go into so much detail on the very important questions of worker participation, profit sharing and capital accumulation by employees, as is done in the opinion.

Points 11 - 13

The rapporteur considers that these points are covered by points 14 and 23 of the motion for a resolution. In view of the many important measures mentioned in these points, to devote a separate point in the motion for a resolution to the setting up of new training places would seem to be giving the latter too high a priority.



Points 14 and 15

The rapporteur agrees with these views and it is stressed in the motion for a resolution that both sectoral and regional structural policies (points 18 - 20) deserve a prominent place in a medium-term economic policy; the committee calls on the Commission to submit proposals for the institutional and operational improvement of and better coordination between the Community's various Funds.

Point 16

This would contradict point 1 of the motion for a resolution.

OPINION OF THE COMMITTEE ON SOCIAL AFFAIRS,  
EMPLOYMENT AND EDUCATION

Draftsman: Mrs Kellett-Bowman

On 23 November 1976 the Committee on Social Affairs, Employment and Education appointed Mrs KELLETT-BOWMAN draftsman.

It considered the draft opinion at its meeting of 17/18 January 1977 and adopted it unanimously.

Present: Mr van der GUN, chairman; Mrs KELLETT-BOWMAN, draftsman; Mr ALBERS, Mr DONDELINGER, Mrs DUNWOODY, Mr GRANELLI, Mr HANSEN, O., Mr MARTENS (deputizing for Mr PISONI), Lord MURRAY of Gravesend, Mr SANTER, Mr VANDEWIELE (deputizing for Mr HÄRZSCHEL).

## General Remarks

1. The Committee on Social Affairs and Employment agrees with the Committee responsible (Economic and Monetary Affairs) on the unsatisfactory time limits given by the Council. These reduced the chance of the Parliament being able to discuss this extremely important matter in depth.
2. Where the contents of the Commission's Fourth Programme on medium-term economic policy are concerned, there cannot be any disagreement on the targets proposed by the Commission. The Social Affairs and Employment Committee however doubts whether the ideas contained in the document are realistic, bearing in mind the very different developments of the economic situation in the member countries. When the different structural problems in the various national economies are taken into account, a statement such as 'in the medium term, rapid economic growth will facilitate the re-establishment of stability'<sup>1</sup> does not seem to be very helpful.
3. In addition to the possibility of limiting the self-interest of social groups at the national level through wage and price agreements, it should also be possible to a much larger extent to direct public authority spending so as to give incentives to productive industry both within Member States and across national frontiers within the Community in order to aid the poorer areas and regions.
4. The most severe problem for the Community is not only the existing imbalances in the economic, social and cultural structures of the Member States, but also those which will be caused by stresses created during the recovery period, which differ from one country to another. Production costs and prices in Member States are diverging more widely. At the same time the employment situation is slowly improving in some Member States while it continues to deteriorate in others. The slow growth of private consumption and the low-rate of fixed investment are also problems which have to be taken into consideration. This is causing an ever-widening gap in the prosperity of Member States, which makes a coherent Community social policy ever more difficult to achieve.
5. The Committee on Social Affairs and Employment in this context regards with deep concern the problem of unemployment among young people and women, and with regard to present developments, fails to see constructive programmes in the medium-term for these groups of people in the Commission's Fourth

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<sup>1</sup>Doc. 361/76, p.4

medium-term programme. At present the number of young people unemployed is estimated to be more than 2 million, which - for the United Kingdom and Italy - represents a considerable increase over last year's figures. For the next four years the number of young people coming into the labour market is likely to increase steadily, thus creating a dangerous situation. Another problem is the sharp increase in unemployment among women, which seems to be most prevalent among married women returning to work after some years' absence; this could negate the Commission's efforts to secure equal opportunities for women in employment and training.

6. There is a grave danger that if the economic situation cannot be stabilised, the social situation will deteriorate to such an extent that the Community may disintegrate. Setting vague targets which cannot be achieved is likely to exacerbate rather than improve this situation. And even in a medium-term document, the Committee would have liked to see the Commission putting forward contingency plans to deal with a further deterioration in the world economic situation, caused by, for example, a further rise in the price of oil and raw materials. As it stands, this document is so vague that it lays down no discernible overall Community strategy for the medium-term and few specific suggestions for Community action.

Asks the Committee on Economic and Monetary Affairs to include in its resolution the following points:

#### CONCLUSIONS

1. Accepts that the aims presented, 4½ - 5 per cent growth, halved unemployment, and reduction of inflation 4 - 5 per cent are desirable, but doubts whether they can be achieved within the time-scale (points 4 and 5)<sup>1</sup>;
2. feels that, although the Commission (point 82) acknowledges that the 'growth path must take account of the differences of phase in the economics of member countries', insufficient weight is attached to this factor when setting targets and dates for their achievement;
3. calls for the Commission to formulate contingency plans in case things get worse as the economic improvement that began in 1975 appears to be falling off;
4. accepts the realism of the Commission's view (point 65) that substantial deficits in public finance cannot continue in the medium term, once recovery has been achieved, but wonders how more 'flexibility of financial policy' can secure their reduction without serious industrial unrest

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<sup>1</sup>Doc. 361/76

5. agrees that "continuous and sustained growth (point 72) would "allow income allocation and distribution problems to be more easily solved' but is concerned that a lower growth rate is accepted for these countries where the problems are at present most serious;
6. agrees that 'full employment based on sustained and steady growth ... is a necessary condition for social progress' (point 80); that, moreover, to pursue macro-economic objectives or to put the contingency plans referred to in point 3 into operation would be impossible without giving priority, in curtailing the social consequences of the slump in production, to a dynamic labour policy with measures to safeguard the income of unemployed persons, their vocational training and their re-employment;
7. points out that while unfortunately certain Member States have to reduce their public authority spending, it does not mean that at the same time the budget of the Community as a whole has to be reduced, since it should be possible for the richer states to assist the poorer, thus accelerating recovery;
8. believes that protecting jobs might require a temporary increase of spending in budget wherever possible;
9. prefers voluntary wage/price agreements but notes that they can only be expected to succeed (a) when there are safeguards to industrial investment and (b) where the work-force can expect other improvements within social situation, most notably through worker participation and profit sharing schemes;
10. accepts that the encouragement of capital accumulation by employees (point 95) can assist in the achievement and maintenance of social consensus but considers that the matter is so urgent that the target date of 1980 should be advanced;
11. considers that the Commission should undertake an enquiry into the impact of structural changes on the employment situation and the pattern of employment, with particular reference to the problems of youth and female unemployment;
12. regrets that, in a document of 150 paragraphs, the Commission devotes only one sentence (point 122) to the need to supply sufficient training places, despite the need, accepted throughout the document, for innovation and flexibility;

13. stresses the need for statistical survey methods to be harmonised in the economic and social sphere and that time lags in publication should be speeded up to provide a valid basis for up-to-date comparisons between Member States;
14. considers that more emphasis should be placed on the development of the regions and investment in the poorer areas in the context of a structural changes<sup>9</sup> in employment patterns;
15. welcomes in this connection the suggestions that the EIB 'should continue to earmark a substantial proportion of the loans for projects serving regional objectives' (point 140);
16. deplores the global character of the Commission document and the fact that the European Communities failed to come to grips with and provide even medium-term structural solutions for the serious situation existing in the Community.