

The Council

*511<sup>st</sup> meeting*

PROVISIONAL VERSION

COUNCIL RESOLUTION  
on action against inflation

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

HAVING REGARD to the final communiqué of the Conference of Heads of State or of Government, held in Paris on 19 and 20 October 1972;

HAVING REGARD to the draft resolution presented by the Commission;

WHEREAS it is necessary to initiate within the Community comprehensive action against the excessive inflationary pressures presently at work; and whereas such action must have recourse both to national policies co-ordinated at Community level and to common policies;

WHEREAS the measures that should be taken must take due account of the respective situations prevailing in Member States;

WHEREAS action against price increases must be set within the framework of an economic policy aiming at balanced development, the fundamental aims of which are economic growth, full employment and the improvement of social conditions and of the quality of life,

HAS ADOPTED THIS RESOLUTION.

I

The Member States shall endeavour to reduce the rate of increase of consumer prices to 4% between December 1972 and the end of 1973, setting aside the consequences of any alterations in indirect taxation.

II

The Member States, convinced that the moderation of the nominal growth of incomes and of revenue from capital is an essential prerequisite for slowing down increases in prices, shall endeavour to encourage such moderation by means of concerted action with the various social partners. This concerted action must be such as to safeguard the purchasing power of incomes and to ensure a suitable distribution of the benefits of expansion between meeting collective needs and increasing private incomes.

In this overall context, the Member States shall use, under conditions adapted to their respective situations their machinery to supervise the trend of the prices of industrial products and of services, in order to ensure that this trend is compatible with the overall objective of price policy, in order to avoid a prices spiral and to promote the passing on of part of undertakings' productivity gains to consumers.

Information and co-ordination arrangements shall be made at Community level concerning the use of this machinery.

III

The Member States are agreed that the struggle against increases in prices must be accompanied by action of a structural nature aimed at remedying regional imbalances in the distribution of the available labour supply and of technical capacities, in accordance with the conclusions of the Conference of Heads of State or of Government, held on 19 and 20 October 1972. The Member States shall also, aided by the European Social Fund, step up their efforts in the field of vocational training and readaptation. They shall improve, as rapidly as possible, information on the jobs on offer and the skills for which demand is increasing sharply.

Problems relating to employment and income trends shall be the subject of periodical information and concerted action procedures at Community level.

IV

The Member States shall progressively reduce the rate of expansion of the money supply (money and near-money) to that of the gross national product in real terms, plus a normative rate of increase as regards prices fixed within the framework of the aims of general economic policy, and taking account of the structural trend in the relation of money supply to national product. This aim should be achieved by the end of 1974 at the latest.

Should certain States be faced with marked under-employment, this objective may, after consultation within the Community, be adapted accordingly.

Those Member States which have full employment should in 1973, secure a marked deceleration in the expansion of their money supply corresponding at least to a half of the reduction to be achieved by the end of 1974.

The monetary authorities must be able to take prompt action on the following

- interest rates, by setting ceilings on rediscount facilities or by raising the rates at which the authorities intervene;
- liquidity, by imposing or adjusting reserve ratios in respect of the liabilities of financial intermediaries, and by recourse to open-market operations;
- if necessary, the volume of credit, in particular both by imposing reserves on lending by the credit institutions, and by imposing restrictions or regulations on consumer credit (hire-purchase and personal loans).

The Member States shall continue their joint action to prevent undesirable inflows of capital from abroad and shall, as necessary, strengthen the machinery instituted under the Council Directive of 21 March 1972 for the control of international monetary flows and the neutralisation of their undesirable effects on internal liquidity.

The monetary authorities shall concert together on ways and means of preventing unwanted capital movements which may result from shifts in leads and lags.

Such concerted action among the Member States should ensure that the measures adopted do not interfere with the liberalisation of current transactions within the Common Market and as far as possible

ensure free movement of capital within the Community.

The Central Banks are requested not to increase, directly or indirectly, their investments on the Eurodollar market.

The Committee of Governors of Central Banks shall carry out a quarterly review of changes in the movement of the money supply in the Member States, so that the Central Banks may, if necessary, adopt appropriate provisions in the framework of Council Decision No 71/142/EEC of 22 March 1971 <sup>(1)</sup>.

---

<sup>(1)</sup> OJ No L 73/14, 22 March 1971.

V

The Member States shall observe strict rules with regard to the management of public finance, both in the case of expenditure still to be effected in the current financial year and in the case of expenditure in the 1973 financial year.

With regard to the implementation of the national budgets in 1973, the actual rise in expenditure, apart from that directly linked to the creation of jobs in States which are faced with marked under-employment, shall not exceed the rate of increase in the gross national product in money terms, on which the Member States' budget assumptions are based.

In addition, for the first half of 1973, the Member States which have full employment shall provide for:

- staggering of expected expenditure; or
- the setting aside of contingency instalments of expenditure; or
- any other measure having equivalent effect.

At the end of the first six months the Council shall examine whether this machinery should be retained or adapted.

Where certain expenditures exceed the level envisaged, compensatory cuts shall be made in other budget items. In this context and without prejudice to Articles 92 and 93 of the Treaty, State aids should be examined with a view to reducing transfer spending for the benefit of certain sectors; aids of a purely conservatory nature should be specially supervised, in particular aids for undertakings unlikely to be able to stand up to competition in the longer term and to play a positive role in the growth of the economy.

The budgetary authorities shall use the extra revenue accruing from a rise in prices exceeding that foreseen in drawing up the 1973 budgets to reduce the net borrowing requirement, or to lower indirect taxes in the States where these are at a relatively high level; or they shall be frozen with the Central Bank.

Those Member States whose budgets show a net borrowing requirement should, with the exception of those countries with particularly marked underemployment, refrain from any monetary financing of this deficit.

Should inflationary pressures not ease sufficiently during 1973, a more restrictive budgetary policy will be envisaged. The Member States will then have to increase direct taxation or reduce expenditure.

The Budget Policy Committee shall examine quarterly whether the 1973 budgets are being implemented in accordance with the guidelines adopted above.

VI

The Council <sup>(1)</sup>, acting on a proposal from the Commission, shall, before 31 January 1973 decide upon such commercial policy measures concerning quantitative restrictions, the application of generalised preferences and, possibly, specific tariff reductions as may contribute to combating inflation.

.../...

---

(<sup>1</sup>) With reference to ECSC products, the decision shall be taken by the Governments of the Member States, meeting within the Council.



VII

The Council declares its readiness, acting on a proposal from the Commission, to review Regulation (EEC) No 1654/72, taking particular account of the unanimous desire to help combat inflation in the Community. The revised Regulation shall apply from 1 February 1973. Pending this review and until 31 January 1973, the date on which this Regulation expires, it decides the reduction by 50% of the customs duties applicable to beef and veal. However, with regard to calves and young male bovine animals for fattening, the current 50% reduction in import duty shall be increased to 100%. The Commission is instructed to take the necessary measures to implement these decisions.

In addition, the Council, acting on a proposal from the Commission shall adopt without delay the acts concerning the following agricultural policy measures:

- measures to promote the production of beef and veal;
- suspension, in the Member States in which they still exist, of quantitative restrictions on imports of potatoes, during the period from 15 November 1972 to 15 February 1973.

The decisions concerning export refunds shall be supervised with particular care.

VIII

The Council takes note of the wish expressed by the Commission to step up its action with regard to restrictions on competition which may arise from horizontal price agreements, concerted practices in respect of prices and from price discrimination applied by undertakings in a dominant position, or from market-sharing agreements and other restrictive practices by undertakings designed to maintain the compartmentation of the markets, or from voluntary restraint agreements provided that these run counter to the Community's commercial policy.

The Council takes note of the Commission's intention to submit, independently of the application of Article 86 in such cases, proposals aimed at setting up a more systematic Control over concentrations of a certain size.

It requests the Member States to apply strictly national legislation concerning:

- the prohibition or control of resale price fixing and of agreements or practices constituting a refusal to sell;
- measures designed to ensure the publishing of prices, in particular those concerning the prohibition on exposing goods for sale or offering services without indicating the price, and to enable the real price to be determined, taking into account the qualities and quantities offered as well as price comparison;
- unfair competition, commercial practices and the packaging and presentation of goods, in particular the labelling of foodstuffs.

IX

The Council shall, if possible before 30 April 1973, and by 30 June 1973 at the latest, decide on the proposed directives aimed at harmonising at Community level, the laws and regulations which, because of their diversity, are still acting as a brake on intra-community trade in foodstuffs, in particular for reasons of hygiene and public health, and those aimed at freeing trade in medicinal products within the Community.

The application of the directives by which it has been decided to open public works contracts and concessions to competition, and the harmonisation of the provisions relating thereto, shall be closely supervised.

The Council shall act, as quickly as possible, on the proposed directive on co-ordinating the procedures for the award of public supply contracts.

X

The Council shall examine the outcome of this programme of action at its meetings in 1973 to review the economic situation in the Community, and in particular at its meeting in June 1973.

XI

In accordance with the procedure laid down for the period preceding accession, the acceding States have been consulted on this Resolution.

They have recorded their agreement on the objectives contained in this Resolution. Taking into account their respective situations and the instruments of economic policy available to them, they declare that they are prepared to implement the measures which will enable them to attain these objectives.

---

ACTION AGAINST INFLATION

The Council recorded its agreement on the Resolution on action against inflation, the text of which is attached to this press release.

The formal adoption of this Resolution will be made after the finalisation of the text in the official languages of the Communities.