

European Communities

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EUROPEAN PARLIAMENT

# Working Documents

1979 - 1980

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7 December 1979

DOCUMENT 1-559/79

## Report

on behalf of the Committee on Economic and Monetary Affairs

**on the proposal from the Commission of the European Communities to the Council (Doc. 1-448/79) for a decision adopting the annual report on the economic situation in the Community and laying down the economic policy guidelines for 1980**

**Rapporteur: Mr P. von BISMARCK**



By letter of 24 October 1979 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 4 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, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a decision adopting the annual report on the economic situation in the Community and laying down the economic policy guidelines for 1980.

On 5 November 1979 this proposal was referred to the Committee on Economic and Monetary Affairs.

The Committee on Economic and Monetary Affairs appointed Mr P. von BISMARCK rapporteur.

It considered this proposal at its meetings of 11/12 October 1979, 30/31 October 1979, 20/21 November 1979 and 27/28 November 1979, and at the last meeting unanimously adopted the motion for a resolution with nine abstentions.

In addition it was decided to provide the explanatory statement orally.

Present: Mr Delors, chairman; Mr de Ferranti and Mr Deleau, vice-chairmen; Mr von Bismarck, rapporteur, Mr Beazley (deputizing for Sir David Nicolson), Mr Beumer, Mr Bonaccini, Mr Delorozoy, Mr Giavazzi, Mr Herman (deputizing for Mr Tindemans), Mr Hopper, Mr Leonardi, Mr Müller-Hermann (deputizing for Mr Collomb), Mr Petronio, Mr Purvis (deputizing for Mr Balfour), Mrs Rabbethge (deputizing for Mr Schnitker), Sir Brandon Rhys Williams, Mr Rogers, the Prince of Sayn-Wittgenstein-Berleburg, Mr Schinzel, Mr Schwartzenberg, Mr Seal (deputizing for Mr Wagner), Mr Walter and Mr von Wogau.



The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a decision adopting the annual report on the economic situation in the Community and laying down the economic policy guidelines for 1980

The European Parliament,

- having regard to the proposal from the Commission of the European Communities (COM (79) 557 fin.),
  - having been consulted by the Council pursuant to Article 4 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. 1-448/79),
  - having regard to the report of the Committee on Economic and Monetary Affairs (Doc.1-559/79),
1. Emphasizes that the Council Decision of 18 February 1974 meets an urgent need if the aim laid down for the Community in the Treaties is to be achieved and if all Community citizens are to reap the benefit of progress towards economic and monetary union as a prerequisite for European Union;
  2. Sees in the Commission's report a realistic analysis both of the efforts made so far to ensure greater convergence and of the highly unsatisfactory results achieved so far;
  3. Notes with deep concern the estimated rise in unemployment to a possible annual average of almost 7 million in 1980 compared to 6 million unemployed in 1978 and stresses that a return to full employment should be a priority objective of economic policy;
  4. Welcomes the fact that while it does not overlook the imported causes of inflation, the Commission's report has emphasized the link between incomes distribution policy (redistribution) national budgets (deficit spending) and inflation; shares the Commission's view that inflation is still one of the major causes of unemployment; endorses the Commission's recommendation that a determined effort to increase monetary stability should be combined with suitable promotion of growth and productivity through measures to encourage investment on expansion into new products and on the establishment of new undertakings with the consequent creation of additional jobs, especially in the services sector, without losing sight of the need to maintain demand at a sufficiently high level;

5. Affirms that the Member States of the Community should make every effort to share the additional burden resulting from higher energy prices as fairly as possible, adopting arrangements geared to each country; supports, therefore, having made this point, the Commission's insistence that no attempt should be made to shift the increase in the price of crude oil imports entirely on to undertakings and national budgets through corresponding higher wage demands, as this would not only limit investment prospects but also give a further boost to inflation; points out, however, that temporary and restricted aid by the Member States to socially deprived groups does not conflict with the measures recommended by the Commission for promoting stability;
- recalls that company pricing policy, and at the present time particularly that of the oil companies, must be handled responsibly and that it could have strong repercussions on the psychological background to wage negotiations;
6. Stresses that a coherent money supply policy combined with incomes and taxation policy should continue to be pursued as an effective means of holding down inflation and that the general money supply target for 1980 should, if possible, be kept at a level consistent with monetary stability, care being taken in the recommendations to the individual Member States to make due allowance for their particular circumstances and to keep in readiness carefully calculated measures to boost the economy should the overall economic situation in 1980 show a less favourable trend, and not to lapse into a stop-go policy;
7. Draws attention to the Commission's observation that the investment policy decisions which determine growth and increased productivity depend on market assessment and business confidence in economic policy and on the rates of return and financial situation of undertakings and that on a medium-term view, average company profits are not yet high enough to permit the achievement of the proposed investment targets, thus leaving little scope at present for any increase in real wages;
8. Stresses the importance which the Commission attaches to an energy policy capable of dealing with the radically altered situation on the oil market; points out, meanwhile, that the possible further deterioration in the oil supply situation could, unless measures were adopted to counter such an eventuality, jeopardize all the Community's economic and social objectives; emphasizes that the decisions taken at various levels on energy saving must be implemented by intensive efforts in all Member States;

regrets, therefore, that the Commission has not called on the Council more specifically to increase its efforts in the field of research and development of alternative energy sources and therefore urgently recommends that funds for speeding up the technical development of new energy sources should be substantially increased;

urges that the Community, too, should make funds available for the purpose of fostering greater public understanding of the limits of what is possible in the field of energy supplies;

9. Draws attention to the Commission's observation that our productive system needs to be more flexible to enable it to act readily to the increasingly rapid changes taking place in the division of labour and, consequently, in world trade trends;

points out, however, that this will only be really possible if undertakings make greater allowance for this fact in their medium and long-term planning or learn to react more promptly to changed techniques or market conditions and improve their ability to discuss at an early stage their requirements and proposed solutions with their workers and their unions so that confidence is increased, if the unions can make the effort to recognize the need for whatever changes are necessary and if the employees are better able and willing to adapt themselves to technical and economic changes without unreasonable sacrifices for themselves and their families;

It is also important to gain a clearer insight into the relationship between the development of employment structures and the expected trend in the size of the working population, bearing the proposed policy in mind;

emphasizes the need to devote special attention to the currently increasing number of job seekers and to the differing patterns of unemployment in the various countries;

calls on the Commission and the Council resolutely to pursue the measures already embarked on with promising results to improve facilities for training, further education, retraining and rehousing and encourage workers to take advantage of such facilities and to report to Parliament each year on the successes and failures of these measures;

10. Welcomes the Commission's observation that shorter working hours cannot be regarded as an instant panacea for reducing unemployment, but rather as a constant objective to be pursued, which the Community can achieve, safeguarding the areas of responsibility of both sides of industry - without extra cost to the undertakings - only if the different circumstances in the various economic sectors and in the Member States, and productivity trends in particular, are taken into account;

11. Regrets that once again little progress has been made in the past year to remedy the known inadequacies of the procedure governing applications for and approval and allocation of Community funds to reduce the structural, economic and social differences in the Community, and expresses the hope that the causes of these inadequacies, and appropriate proposals for dealing with them, will remain one of the main subjects of discussion between the Commission and Council, since structural disparities constitute a serious obstacle to monetary and financial measures for combating inflation and unemployment;
12. Notes that experience to date with the recently established European Monetary System suggests that a greater degree of economic convergence can be achieved by this means in particular by further improving cooperation between the central banks;  
agrees with the Commission that the greater stability of exchange rates resulting from the system should be extended beyond the range of currencies participating at present and that a policy in relation to the dollar should be evolved in collaboration with the United States, since neither the transference of external inflationary pressures nor divergent and rising inflation rates within the Community would leave the European Monetary System unharmed; urges the governments of the Member States to do all in their power to harmonize their national monetary policies and progressively reduce inflation rates, and so come genuinely closer to the attainment of monetary union;
13. Draws attention to the Commission's observation that real growth in total economic output is still necessary if the Community is to attain its objectives, especially that of full employment, and if it is to discharge its responsibilities towards the developing countries;  
points out at the same time that improved environmental protection in the sense of comprehensive ecological strategy need not conflict with this objective of economic growth and recalls that in an effective market economy it is the consumer who should decide which direction growth shall take, in other words which and what quality of goods and services are desired and hence successfully supplied;
14. Notes with satisfaction the emphasis placed by the Commission in its report on the fact that the gross domestic product can only be divided once each year into immediate utilization (consumption) and future provision through investment (from savings and profits) and that the crucial decisions in this matter must be taken during wage negotiations and in the public authorities' budgetary discussions;
15. Calls on the Commission and the Council to make these facts, fundamental as they are to the development of all the Community's Treaty objectives, and their increasing importance much more widely known than hitherto, thereby making a vital contribution to sound decision-making in the Community countries;



Calls upon the Commission and the Council to inform Parliament in future of the steps taken for this purpose and the results achieved when submitting its report on economic convergence and on the economic situation.

16. Instructs its President to forward this resolution to the governments and parliaments of the Member States.

