

Statement by Mr Wilhelm Haferkamp, Vice-President of the Commission
of the European Communities, at the Tripartite Conference held in
Luxembourg on 24 June 1976

1. In November 1975, when the social partners, the Ministers for Economic Affairs, the Ministers of Labour and the Commission met in Brussels for the first Tripartite Conference, there was already some evidence that a recovery was on the way.

In fact, the upturn came sooner and proved more vigorous than had generally been expected.

It was essentially the result of efforts made in the Member States themselves.

It was made possible by

an expansionary monetary and fiscal policy,

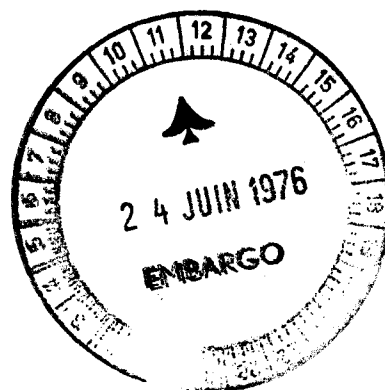
a reversal in the stock cycle, and

greater confidence in the future on the part of consumers.

Now that the recession, which has affected the world economy since the oil crisis of the autumn of 1973, has been overcome, we can say that:

despite the great strains caused by unemployment, inflation and the contraction of world trade, our systems of social security and of economic order have stood the test.

We must and shall make sustained efforts to develop them further, strengthen and reform them. In doing so, we shall take into account the experience gained during the recession.



2. This Conference is taking place at a time when a decisive stage has been reached in the economic trend.

We must take this opportunity

to draw lessons jointly from past experience
and prepare together the future pattern of development.

Working together, coordinating our efforts, we have got the recovery "off the ground".

Our task now is one of consolidation.

We all share the responsibility for this:

governments,
employers' organizations,
trade unions,
European institutions.

Only if the recovery is consolidated will we have a basis from which to tackle properly and overcome the regional and sectoral structural problems facing us in the medium term.

The recovery is threatened by several sources of danger:

- The volume of investment in the Community is still far below the pre-crisis level. We must make up the ground lost and forge further ahead without delay.

Only once this has been done can we raise our standard of living in the medium term and restore full employment.

Consequently, consumption must grow more slowly than investment.

Managements are building up again their depleted stocks, the demand for motor cars has revived and short-term expansionary measures have been adopted: but we cannot keep going for ever on these developments alone.

- The rate of inflation has never been as high at the beginning of an upturn as it is now. Even more disquieting is the fact that consumer prices in most Member States have been spurting again since the end of 1975.

On an annual basis, consumer prices in the Community rose in the first four months of 1976 by an average of 13% as against 9% in the second half of 1975.

If two-digit inflation rates continue, another crisis will be unavoidable.

- The balance of payments disequilibria within the Community are still greater than can be tolerated in the medium term.

The sharp depreciation in the value of the currencies of some Member States since the beginning of the year shows how precarious the internal situation is in the Community.

The longer the disparities between Member States in the incomes, costs and prices trends persist, the greater the danger of a protectionist chain reaction and of the Community breaking up into separate economic and monetary zones.

3. We can and must consolidate the recovery. We can achieve lasting growth with stability.

For this to be done:

- There must be joint efforts involving all those participating in this Conference,
- Everyone must accept and discharge the responsibilities which our social and economic system assigns to him.

In the conclusions to its document, the Commission has provided an eight-point summary of the essential features of a Community strategy for full employment and stability. We know that some of these proposals are the subject of reservations in certain quarters and that there are also some fundamental objections.

- The Governments of some Member States regard the overall economic targets set for the Community as too ambitious. Some think that we should abandon quantitative targets altogether.
- The trade unions are afraid that moderation in wage demands would be a one-sided sacrifice by the workers and that there would be no corresponding moderation of prices and improvement in investment.

They also fear that approval of overall criteria for wage trends could impair freedom of wage bargaining.

- On the employer's side, the overriding concern is that price restraint will not be conducive to higher profits because of unrest on the wages front and because of the pressure of taxation.

There is also concern that government interference in price formation and investment will go too far and ultimately endanger our economic order.

All sides have a case supported by many arguments but now, more than at any time, sectional interests must give way to the general interest.

The will to overcome these difficulties and to achieve these targets which has developed on all sides, must now be translated into political action.

4. In this connection, some illusions will have to be dispelled:

- For example, the illusion that sleight-of-hand with money wage rates can bring real benefits.
- For example, the illusion that the same franc, guilder, kroner, lira, mark or pound can pay for two or three things at one and the same time:

more private consumer goods,
more public services,
more investment.

- For example, the illusion that we can have everything at once:

shorter working hours,
more consumption,
higher investment,
better public services,

and, of course, protection of the environment,
quality of life,
aid for the Third World, etc., etc.

5. Private consumption, public services and investment can be increased in the medium term only if we produce more and produce more efficiently.

If GNP does not increase,
longer annual holidays,
earlier retirement,
improvement in unemployment compensation,
or a shorter working week

can be financed only from disposable income.

Therefore, a broad consensus must be built up once again backing the principle that it is better,

to increase the size of the total "cake" available than to increase the size of one's own slice of the "cake" now available.

All those concerned must accept the implications of this and give their medium-term interests priority over short-term advantages.

6. They will be prepared to do this only

if opportunities are evenly distributed and no group need fear that it may be taken for a ride by the others.

They will be all the more ready to accept this

the more all those involved are convinced that the effort is worthwhile.

Consequently, we must set ourselves ambitious targets.

Without vigorous growth,

we cannot restore full employment,
we cannot provide the assistance for the backward regions in the Community which they expect,
we cannot honour our commitments to the developing countries.

Without a greater degree of stability we shall not be able to maintain vigorous growth in the medium term.

A little more inflation may indeed have brought a little more growth, but double-digit inflation rates are merely generating unemployment.

And in the long run unemployment will erode the very bases of our free democratic order.

Therefore we must set ourselves quantitative targets, for employment, growth and stability.

- It is not enough for us all to agree that unemployment and inflation are social evils.
- It is not enough for us all to declare that stability, full employment and growth are desirable objectives.

We need concrete targets to guide our decisions. They will help us to coordinate our decisions and to adjust them in the light of actual developments.

7. Ambitious targets can only be realized if governments, employers and workers focus their policies correspondingly and bring them more into line.

Government policies will have to continue to give priority to reducing the rate of inflation in the months to come. This requires a stricter control of monetary expansion. Equally necessary are marked steps towards a reduction of budget deficits. No country can afford to continue to run deficits of the size required in 1975 and 1976 to stimulate economic activity.

Governments must, however, also be prepared to intervene through public investment programmes, through specific measures of employment policy and through promotion of private investment or consumption if our objectives and expectations with regard to the reduction of unemployment do not materialize.

8. In 1975 the Community's GNP fell - for the first time since the war - by 2.5%. Real wages have none the less continued to rise.

Thus those who really lost out during the recession were

the unemployed,
those on short-time,
the young who have failed to find jobs or traineeships,
women leaving the labour force.

If full employment is to be restored, increases in real wages must be brought into line with real economic potential.

The adjustment problems triggered by the sharp increase in oil prices in 1973 have not yet been solved. As world business and trade gets under way again, we must expect our raw materials imports to get more expensive. This further deterioration of our terms of trade must not give rise to higher wage demands.

In the short term, as idle capacity is brought back into use, certain productivity gains will accrue.

This is not new progress made, however, but only former losses recaptured.

If managements are once more to be in a position to finance the investments that we need in the medium term, these productivity gains must not be allocated entirely to wage increases.

9. But the unions cannot be expected to give proper weight, in their wages policy, to arguments of this kind, if the managements, in matters of pricing, strive to squeeze the last penny out of the market.

Since, during an upswing, costs per unit of output tend to decline, the public can reasonably expect the management to show rigorous pricing discipline.

The price boom of recent years must now give way to a boom in the production of goods and services. Otherwise, official price controls could well become unavoidable.

10. A wage policy that is more closely geared to real economic potential must not be synonymous with the conservation of the status quo, neither in the field of income and wealth distribution nor in the way economic power is exercised.

- Democratization of the economy, i.e., worker participation in company decision-making, and
- worker participation in the increase in real wealth and thus a more equitable distribution of wealth

are therefore part and parcel of a comprehensive policy for stability and full employment.

11. This is the first time that employers, workers and governments have contributed so much effort at Community level to overcoming unemployment and inflation. The eyes of the peoples of Europe are upon us.

The public expects this Conference to establish guidelines for the action of those bearing political and economic responsibilities in the Community:

governments,
employers' federations,
trade unions,
Community institutions.

The Commission has stated what it believes is needed in this situation. It has endeavoured to produce a balanced programme demanding an overall economic contribution from all. The plan may need touching up - amplifying or strengthening - here and there.

But it is not meant to be a kind of menu from which each customer can choose the dishes most to his taste.

We should endeavour today to reach agreement on a Community strategy for full employment and stability so that we can instil into European consumers, managers and workers fresh confidence in the future.