

July 30, 1963

Not to be published before
12 noon on July 31, 1963

P-29/63

INFORMATION MEMO

The Community's medium-term economic policy

In its memorandum on the Action Programme for the Community's second stage, the Commission expressed its opinion that the Community should consider its future development in terms of a period of several years and announced that it would make suitable proposals to the Council in 1963. A memorandum and the draft for a decision on the Community's medium-term economic policy have just been approved by the Commission and laid before the Council.

These are intended to give effect to the aims of the Treaty of Rome - particularly those embodied in Article 2, which states that the Community shall promote throughout its territory a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability and an accelerated raising of the standard of living.

The measures so far taken to co-ordinate Member States' economic policies have been mainly of a short-term character - economic budgets being the most important. But to ensure lasting full employment and a balanced expansion together with monetary stability, the Commission believes that plans must be made to cover several years. Decisions taken by the public authorities have consequences that extend well beyond a period of one year, and there is a risk that decisions may be taken by the authorities in the various countries and by those of the European institutions without sufficient thought being given to their longer-term incidence on the Community's economy. A medium-term picture would facilitate co-ordination, would ensure that the decisions of national authorities and European institutions, each in its own sphere, are better concerted, and that they all pursue common aims.

A medium-term view of this sort would in no way restrict the freedom of the market, but would rather provide a framework for Government and Community action.

There is no question of setting up production and employment targets for the various sectors of economic activity in the EEC. In those sectors where the play of competition is sufficiently free, the normal operation of the market is the most effective instrument for distributing resources; it is not therefore a case of setting rigid bounds to economic activity, but only of co-ordinating Member States' economic policies so as to make them more effective. The medium-term picture would also make it possible for the proposed common

policies for agriculture, transport, energy, vocational training and external trade to be fitted into one economic framework.

A medium-term picture is also needed in connection with public investment. European living conditions in 1970 will largely reflect the decisions on hospital equipment, school building, road networks and urban facilities taken some years earlier by the public authorities. The Commission sees no good reason why existing means of investigation should not be used to ensure that lack of foresight does not lead, a few years hence, to the emergence of a society geared to the satisfaction of personal needs while education, scientific and technical research, health and other social services and transport infrastructure are neglected - or, for that matter, of a society in which the excessive priority accorded to collective needs entails the reduction of personal liberty.

The Community must also have a picture of the situation some way ahead in order to promote the harmonious development of the regions of the EEC; the progress of scientific and technical research must also be kept in view.

The purpose of the Commission's proposals is to encourage the Member States to consider **together**, and jointly with the European institutions the problems referred to and any decisions affecting the future. It is suggested that flexible and effective machinery should be set up to facilitate such joint consultation.

First of all, the progress made in national accounting and economic analysis should be used to provide an overall picture of the main lines likely to be followed by economic developments, using all the information available. This task would be entrusted to a group of experts that the Commission intends to call together shortly to continue the work it has already begun.

The next step would be to call a meeting of those responsible for economic policy in the Member States, where a medium-term economic policy programme would be prepared which could serve the Member States and the European institutions as background for those major decisions whose effects extend over a number of years. This would be the task of the 'committee on medium-term economic policy' which has been suggested. Workers and employers would collaborate in drawing up the programme, chiefly through the Economic and Social Committee. It would be submitted to the European Parliament and adopted by the competent institutions of the Community.

In view of the amount of preparatory work involved, it is proposed that the programme should cover a period of five years beginning on January 1, 1966.