

Medium-term economic policy for the Community

(Recommendation by the Commission to the Council submitted on 26 July 1963)

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1. Article 2 of the Treaty of Rome provides: "It shall be the task of the Community, by establishing a Common Market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, increased stability, an accelerated raising of the stand-

ard of living and closer relations between its Member States."

2. In sectors in which there is adequate competition the free play of the market is the most effective instrument to ensure the best use of available resources; it is a fundamental factor making for economic progress. Therefore, an active policy is needed

(¹) Official gazette of the European Communities, No. 13, 21 February 1962, p. 204/62.

to maintain competition where it exists and to strengthen it where it is not sufficiently effective. This is the purpose of the rules on competition laid down in the Treaty of Rome.

3. Moreover, the state plays a decisive role in economic life, particularly in certain sectors. Government activity in this field has been continuously expanding, though not to the same degree in all countries. It often takes the form of financial intervention and in all Member States about one-third of the national income passes through the hands of public financial authorities; in many cases state action takes the form of protective measures or rules and regulations which are of special importance in such sectors as agriculture, energy, transport and housing.

4. This situation produces difficult problems of two kinds. In the first place, the real usefulness must be examined of actions which restrict competition and distort the market mechanism whilst producing but little of the expected result. Secondly, there is the problem of the effectiveness of state intervention where this is accepted as necessary. Of course, the state can limit itself to taking action only as and when problems arise in various sectors or regions; often there will be *ad hoc* measures, taken solely for their immediate and short-term effect. This means that the final measures adopted may come too late to affect the course of events and may turn out to be patchy and contradictory. It seems therefore to become more and more necessary that an overall view be taken, in terms of several years of coming economic development, so that state action can be made to fit into a coherent framework and will neither be inconsistent in itself nor upset the free play of the market except in so far as this is essential and expressly agreed to by all authorities concerned.

5. Since the advent of the European Economic Community this problem of the efficacy of economic policy no longer arises only at the national level, but also at the European level. The free movement of persons, goods, capital and services has increased the interdependence of the economies involved and means that economic policy can no longer be confined to the national context. In economies which are open to one another, measures of economic policy taken in one country influence the other economies, whilst in the country in which they are taken they can, in many cases, be effective only if they are not

neutralized by contradictory measures adopted in the others.

There is a serious risk of decisions being taken by national authorities or common institutions without sufficient regard to their longer-term effects on the Community's economy and of the policies planned by national authorities and the Community turning out to be incoherent or incompatible with one another. Co-ordination must therefore be made easier; the decisions of national authorities and European institutions must be brought more into line and all action must be concerted to attain a common goal.

6. Under Articles 6 and 145 of the Treaty of Rome the Member States have undertaken to co-ordinate their general economic policies, which include their social policies. This commitment is not limited to short-term policies. Certain results have been obtained as the result of the Member States co-ordinating their monetary policies. In the field of conjunctural policy the need for short-term forecasting was recognized, as was the advisability of co-ordinating proposed measures. The economic budgets of the Member States are compared each year and are valuable instruments of economic policy. The question suggests itself why something that is useful for short-term economic policy should not be equally useful for medium-term policy. Many government measures have repercussions extending far beyond the yearly period usually considered for purposes of conjunctural policy. If the aims set out in Article 2 of the Treaty are to be attained, it is therefore necessary to study the longer-term prospects of the Community and to consider what measures are likely to ensure continuous and balanced development and a high level of employment while maintaining monetary stability.

7. In its formal opinion of 29 May 1963 (CES 234/63) the Economic and Social Committee of the European Economic Community unanimously concurred in this view:

"Like the Commission, the Committee is of the opinion that the Community's economic policy should be aimed at rapid expansion, stability and the mitigation of economic fluctuations and national or regional imbalances. To this end economic policy should be based on forecasts and directed towards long-term targets. Such forecasts should be made and the targets fixed after consulting those concerned with economic affairs and social policy in the Community.

The Committee believes that such long-term forecasts and targets can serve as a basis for governmental economic action and offer guidance for the private sector. The Committee endorses the Commission's view that the fixing of long-term objectives does not in any way amount to drawing up an authoritarian plan which would interfere with the freedom of the market and be imposed on individual enterprises; it would rather provide a framework within which the Community institutions, the governments and private trade and industry could conduct their activities."

8. The Commission believes, therefore, that the Community should look several years ahead in estimating its future development and should work out an overall framework of medium-term economic policy, into which the work of the governments and the European institutions would fit. For the purposes of this document the expression "medium-term" is meant to cover a period of 4 or 5 years.

9. In the Commission's opinion two distinct operations must be carried out.

The first would consist of making economic prospect studies. The outlook would have to be jointly considered on the basis of all available information; thus medium-term estimates would be worked out for the Community.

Then, on the basis of these studies, a medium-term economic programme would have to be outlined, which would be addressed exclusively to the governments of the Member States and the institutions of the Community. Its purpose would be, in conformity with the objectives of the Treaty, to co-ordinate decisions of the governments or the European institutions which have a special bearing on the course of medium-term economic development. It would also assist the working out of coherent and effective policies in the fields in which common policies are required under the Treaty (agriculture, transport, external trade, vocational training etc.).

I. Studies of economic prospects

10. First, the outlook for the future would have to be considered in common on the basis of all available information. The purpose of studying medium-term prospects would be to obtain an indication of future developments so that national and Community decisions whose repercussions are not felt until a certain time has elapsed may be taken with the fullest knowledge of their probable effects.

11. To obtain such a picture of the Community's future course over a few years, the latest methods of national accounting and economic analysis must be applied; by studying past trends and making certain assumptions it is possible to obtain an indication of the economy's chances of expansion over a given period. Of course these would not be firm estimates, since unforeseen circumstances can always change the expected course of events; they would rather be projections subject to amendment in the light of new information.

12. These projections would be worked out at the European level with the help of the studies made in all the Member States, and on the basis of any other information available. This would offer the additional advantage of allowing sufficient account to be taken in national projections of the developments expected in other countries and of avoiding such projections being incompatible with one another.

13. Projections would be prepared of the development of the gross national product and its utilization (public and private investment, public and private consumption, foreign trade balance). There then arises the question to what extent these projections could be considered as general economic growth targets.

It may be noted that the prospect studies made in the various Community countries differ considerably from one another. In some countries they are made by official bodies, their results are incorporated in overall programmes and, once approved by the competent authorities, become tentative aims. In other countries it is felt that the government should not assume responsibility for quantitative projections; they are made by private economic research institutes and therefore do not have the status of objectives — even tentative.

14. At the first meeting of the OECD Council on 16 and 17 November 1961 a collective aim was set for the Member States; they were to increase their GNP over the years 1960 to 1970 by 50 %.

15. Several of the programmes put in hand by Member States of the Community or of the European Free Trade Association include sector projections and sector indicative planning on production, employment and investment. In these countries both government and industry feel that such indications are a useful instrument of economic policy and that far from restricting freedom of action in trade and industry, especially in the investment field, they are

a valuable help to efficient management. This is in particular true for small and medium-sized firms; the large ones can make their own studies of this kind or commission specialized economic research institutes to do so for them. These studies are generally kept confidential and the small and medium-sized firms do not have the same access to information of this kind. Since they rarely have such expert advice as to the probable development of the market they are at a disadvantage.

16. The Commission nevertheless prefers to avoid any risk of the projections it recommends being considered as growth targets for the Community. Therefore, and in particular to prevent trade and industry from believing that such projections commit the governments or the European institutions, the Commission suggests that they be made at the Community level by independent experts drawn from appropriate public or private organizations.

17. It would be the purpose of such projections to indicate what is possible or probable in the development of the economy. Any such work must be based on certain hypotheses, especially concerning the economic policies of the governments. To make sure that those responsible for economic policy are given some quantitative indication of the probable outcome of their decisions, the experts should not limit themselves to a single projection but should consider the variants entailed by different hypotheses of economic policy.

18. Another question that arises is to what extent such projections should be broken down by main economic sectors. The Commission believes that the closest study should be given to the medium-term outlook for those sectors in which government or Community policy plays a predominant part (e.g. agriculture, energy, transport or housing).

19. The results of the overall projections and of the studies mentioned in the previous paragraph would be submitted to the Medium-Term Economic Policy Committee the establishment of which is proposed below. The manner in which these studies would contribute to the co-ordination of economic policies is explained in paragraphs 26 et seq.

20. To check the accuracy of overall projections and to avoid widening the margin of error by making only isolated projections for sectors in which state action has a preponderating influence, it would be necessary to break down the overall pro-

jections by main branches of activity. This is a technical point, such a breakdown being necessary to avoid incoherences and incompatibilities which could not otherwise be detected or eliminated. These checks should be an internal matter and should not be made public. Here again it would be better not to be content with a single projection but to work out variants in accordance with different hypotheses.

21. These studies would also concern the Community's external trade and would be linked with the work done by the UN at world level. In recent years the rapid increase of external trade has been of the essential factors in the expansion of the EEC and projections would help towards a better understanding of the conditions needed if this trend is to continue.

The connection between economic evolution in the Community and in the developing countries also needs to be better understood; a further knowledge of their interdependence would offer a sounder foundation for development policy.

22. An effort must be made in the medium-term projections to make a rough estimate of the possible increase of incomes corresponding to the expected increase of production, and to consider the consequent effect on the balance between consumption and investment and on the future development of the economy.

23. The Commission therefore proposes to call a meeting of independent experts to study the outlook for the Community's medium-term development. They will in the first place consider the period from 1966 to 1970, the latter already being the final year in certain studies of economic prospects carried out at the national or European levels. The experts will review their projections from time to time. Thanks to modern methods of calculation such a review could be made each year and the period considered could be extended each time by one year; in this way projections for the following five years would always be available.

These studies could help to pinpoint any obstacles which may arise, during the period considered, to healthy economic expansion coupled with price stability and equilibrium in the balance of payments, and could prove useful in seeking measures of economic policy to overcome them. The only object would be to determine the consequences of various possible policies, the governments and the European institutions retaining their entire freedom of action.

II. Medium-term economic policy

24. Thanks to these forecasts made by specialists on the subject, the authorities directing economic development policy in the Member States, and also the competent departments of the Community, should attain a better understanding of the essential factors for continued and balanced expansion accompanied by price stability, a rising standard of living and a high level of employment, and should be able to co-ordinate their policies to that end. A common medium-term economic programme could be worked out, beginning with a confrontation of the policies of the Member States in fields which are of decisive importance for the progress of the European economy. Such a programme is necessary if the national economic policies are to be co-ordinated and it would facilitate the implementation of effective and coherent common policies in those fields where they are envisaged. In agriculture, transport, energy, vocational training or commercial policy, a common framework must be laid down for the Member States and the Community institutions so that in arriving at decisions due regard can be had not only to their immediate effects in a particular sphere, but to their longer-term repercussions upon the Community as a whole.

25. This programme would be transmitted to the Member States and to the competent European institutions. It would be an instrument for co-ordinating economic policies and not the activities of trade and industry. It would not be intended in any way to tie the hands of the latter but to help in decisions regarding investment or production by affording certain indications concerning the policies which the European institutions or the national governments propose to follow.

In no circumstances must the co-ordination of medium-term economic policies result in an increase of government intervention in the economy. On the contrary, since the only intention is to improve the efficacy of existing interventions, it is probable that a rational framework for Community decisions and governmental action will, far from extending such interventions, tend to diminish their number and scope.

26. This alignment of economic policies will be based on the medium-term projections made by experts as proposed in the first part of this paper. The main purpose of these projections is to keep objectives and measures of economic policy un-

der constant review. The governments and the European institutions will thus take their policy decisions jointly on the basis of these projections. They will not be pledging themselves to reach any particular targets but to pursue co-ordinated policies likely to ensure the best possible growth for the economy whilst maintaining price stability.

Should the forecasts not fully materialize, the reasons for the divergence would have to be closely studied, establishing with some degree of precision whether the situation had been viewed too optimistically or whether the shortfall is to be attributed to the trend of certain factors having a marked effect on expansion, such as investment. Those directing economic policy could then discuss together the adjustments needed. The value of the projections would thus lie in the fact that the governments and Community institutions would constantly have occasion to study the causes of divergencies between forecasts and actual developments, and at the same time keep their economic policy under review.

27. Studies of medium-term economic prospects may also help in comparing the ideas and projects of the governments regarding incomes policy. By discussions between representatives of the governments and the Commission conclusions may be reached on means of ensuring a fair distribution of the fruit of expansion.

28. The proposed programme would contain measures to be taken by the national governments and the European institutions, each within their sphere of competence, in fields where official action may decisively affect the development of the economy; these are discussed below.

Finance

29. In view of the importance of public finance in economic affairs, this instrument of policy should be used with an eye to general economic development.

The projections worked out by the experts could in the first place help towards a better assessment of the medium-term trends of public revenue and expenditure. Because certain taxes are progressive, fiscal receipts rise more steeply than national income. Higher receipts arising from economic expansion may allow of a reduction of certain taxes or an increase in certain expenditure in order to maintain the existing relationship between tax receipts and national income. A choice will have to be

made, and the proposed programme should contain indications as to the financial policy the Member States intend to adopt, it being understood that in budget matters the decision still lies with the governments and parliaments of the Member States.

30. In this context a particularly important question is the balance between expenditure to meet public needs (roads, hospitals, schools etc.) and expenditure in the private sector. The Member States must jointly consider means of ensuring that the total of public investment, especially for infrastructure, is sufficient to meet public needs and those of economic development in general.

31. Whereas investment in the private sector can be left to the mechanism of the market, public investment is governed by entirely different principles; living conditions in Europe in 1970 will depend to a large extent on government decisions taken several years before in such matters as town planning, roads, school building, hospitals and so on.

Even though present techniques of projection may be imperfect there is no good reason for not using them. We must not produce a few years hence, for lack of foresight, a society concerned first and foremost with the satisfaction of private consumption while neglecting the needs of education, scientific and technical research, health and social institutions, roads and communications, or conversely a society in which undue priority for public needs hampers individual freedom.

32. The probable medium-term development of the various sources and classes of savings will also have to be studied and the methods of investment financing and the functioning of the Community's capital markets analysed.

The purpose of the free movement of capital as laid down by the Treaty is gradually to create a European capital market to which all enterprises in the Community have access without discrimination. To this end, and quite apart from exercise of the powers conferred by the Treaty upon the Community institutions in this respect, state intervention in the capital market must be taken into consideration. By the size of, and terms for, the loans they issue in the capital market, and in certain cases by the priorities they fix for access to the market, governments strongly influence the functioning of these markets. A common approach must therefore be progressively

worked out as regards the limits of such intervention and the medium-term objectives of capital market policy in order to ensure that the market will finance both private investment needed for economic expansion and essential public investment.

2. Balanced regional development in the EEC

33. If regional policy is to be effective, a medium-term view is essential because structural changes are inevitably slow.

Medium-term projections will make it easier to decide upon the necessary measures, at both national and European levels, to lessen the backwardness of the less favoured areas of Europe as required by the Treaty.

Regional studies of the probable trend of labour supply and demand will be particularly useful to indicate the number of jobs to be created regionally to avoid abnormal migration, which could mean a further increase of the already excessive urban concentrations or, as a result of the departure of the youngest and most active elements of their population, obstruct the development of regions at present at a disadvantage. It would also help to bring about harmonious growth in the various regions of the Community.

A programme would afford the occasion to confront the various methods employed and measures proposed by the Member States and the Community organs (in particular the High Authority of the ECSC, the European Investment Bank and the Social Fund) to see that they are compatible with one another and adequate for the purpose — a balanced development of the Community.

Special importance must be attached to the development of regional infrastructure, whether it be transport facilities, vocational training establishments, schools or general social and cultural capital, so that conditions for effective competition may be established in all the major regions of the Community.

3. Problems connected with certain categories of public expenditure

a. Infrastructure

34. When dealing with matters of infrastructure one year is generally considered too little for governmental decisions and as a rule the authorities therefore draw up

sector plans covering several years. Such plans are necessary if the work, be it on road construction, harbour installations, waterways, town planning, land improvement, school building or hospital equipment is not to be held up by annual budget decisions. If decisions on major investments involving considerable sums over several years are to be taken by the national authorities on the basis of the fullest information, there must be not only a medium-term concept of what the development of the economy is likely to be, but certain information must also be obtained concerning the programmes of the other countries. The overall proposals made at the European level must therefore contain indications of the policy which the authorities intend to adopt and must make provisions for flexible co-ordination wherever this should prove necessary. It may be noted in this context that in its action programme for the common transport policy dated 13 May 1962 the Commission announced its intention of proposing that from 1965 onwards there should be built up by stages a true Community network for the three types of inland transport, ensuring the constant adaptation of the transport network to the development of the Common Market.

b. *Teaching and vocational training*

35. The Treaty lays down in Article 128 that a common policy for vocational training shall be implemented, capable of contributing to the harmonious development both of national economies and of the Common Market. The experts' projections concerning employment trends and the main lines of economic development will facilitate the implementation of that common policy, which will have to take account of the regional outlook for employment.

More generally, the medium-term projections can help in determining the main lines of educational policy. The interconnection of education and economic expansion must be studied, so that educational policies can be adapted to the requirements of economic progress.

c. *Scientific and technical research*

36. Since the working population of Europe will increase very little during the coming years, progress in production will have to come largely from rising productivity. Moreover competition between the major groups of industrialized countries will centre more and more on quality.

In all countries, and on a rising scale, governments are taking steps to stimulate scientific research and technical progress. It would be useful if the efforts made in each country could be confronted at the European level. It would then be possible to seek ways of making the measures taken in the various countries complementary and mutually helpful, to study how to improve the spread of industrial know-how, and to have the combined efforts of the Member States strengthen the effectiveness of national efforts.

4. Measures in various sectors : agriculture, energy, transport, housing

37. The general framework which is proposed should include indications on the policies the public authorities propose to pursue in these sectors where state action exerts a considerable influence.

If the measures contemplated for each of these sectors were incorporated in a general Community programme, action could be taken to ensure that the policies followed in these sectors are compatible with one another and contribute to harmonious economic development in the Community.

The incorporation of sector policies in one overall framework is particularly necessary in those fields where common policies are envisaged (agriculture, transport, energy).

III. Organization proposed

38. The above may be considered an ambitious task requiring a complex administration. The implementation of the Treaty has, however, already necessitated studies of economic prospects. The working party on problems of structure and long-term economic development has drawn up a first report on the outlook for economic development in the EEC from 1960 to 1970; several studies have been undertaken in the field of regional policy; a committee on agricultural structures has been set up; the inter-executive working party on energy has published long-term energy projections; the major European transport links are under study.

The Commission's recommendation is intended to improve and to complete the present organization and to strengthen the co-ordination of the Member States' policies on the basis of work already accomplished and by bringing existing organizations into one coherent framework.

39. The Commission proposes to convene a group of independent experts to study the outlook for medium-term economic development in the Community on the basis of the projections already existing in the Member States and of any other information available. Several variants would be studied, based on different hypotheses of economic policy.

The members of this group would be selected from persons specially qualified in the field of economic projection. They would be appointed in a personal capacity and would be independent in the exercise of their functions.

These experts would have to have access to all official sources of information, such as statistics, sector programmes or financial information. The Commission would need the full co-operation of the member governments in improving the supply of information — especially statistical data — needed for projections of this kind.

40. The programme would be drawn up in accordance with the procedures laid down in the Treaty for the co-ordination of general economic policies. To facilitate the working out of this programme and to assist the co-ordination of medium-term economic policies among the Community countries, it would be desirable for an advisory body to be set up whose composition and functions would be similar to those of the Monetary Committee or the Economic Policy Committee in their respective fields. It is suggested that each Member State and the Commission appoint two members and two alternates. The representatives of the Member States would be selected from senior officials concerned with medium-term economic policy. The Commission would provide the secretariat for this "Medium-Term Economic Policy Committee".

41. Its terms of reference would be :

1. To prepare a draft medium-term economic programme on the basis of all available information and especially the projections of the expert group referred to above, a programme indicating in broad outline the courses of economic policy which the Member States and the European institutions propose to follow during the period under consideration and co-ordinating these courses of policy. The work of the Committee would cover the period 1966-1970. The Committee would annually review the programme and suggest any modifications required.

2. To observe the medium-term economic policies of the Member States and to examine their compatibility with the programme adopted in accordance with the procedure envisaged in paragraph 47;

3. To analyse economic developments in order to determine the causes of any divergence from the projected development;

4. To render opinions, either at the Commission's request or on its own initiative, to assist the Community institutions in carrying out the proposed economic policy.

42. The basic work on the various parts of the programme would normally be done by the appropriate departments of the Commission, including the Statistical Office of the European Communities, assisted by the existing advisory bodies and working parties.

On matters of regional development, for instance, the working party of national experts on regional policy in the Member States could study the policy to be adopted, making use of the results obtained by the sub-groups on certain aspects of regional policy.

On matters of employment, the Advisory Committee for the Free Movement of Workers, the Consultative Committee on Vocational Training and the Committee of the Social Fund would be consulted.

The Standing Committee on Agricultural Structures would be consulted on matters falling within its terms of reference.

As regards energy the Inter-Executive Working Party would, in accordance with present arrangements, draw conclusions from the work done by the appropriate bodies and incorporate them in the programme.

43. Particularly important work would have to be done in the field of public finance. The Medium-Term Economic Policy Committee might ask the Budget Policy Committee — the establishment of which the Commission has also proposed — to undertake this.

44. Only on fields where Community bodies do not yet have all the necessary information would the Medium-Term Economic Policy Committee have to turn to special working parties.

A special organization would have to be set up to carry further the work done in the field of scientific and technical research.

45. Moreover, the principal associations of trade and industry in the Community

should be consulted and share in the task described above. The Commission may establish contacts with representatives of these associations, but in the main it would seem desirable for consultation to take place through the Economic and Social Committee; arrangements should therefore be made to use this channel expeditiously.

46. The Commission would also keep the European Parliament informed of progress so that the Parliament may make its views known at the drafting stage.

47. The programme worked out by the Commission with the help of the Medium-Term Economic Policy Committee would then, after formal consultation of the Euro-

pean Parliament and the Economic and Social Committee, be approved by the Council and the Member States. It would, therefore, bind the latter and the European institutions, each in their own field, to take the appropriate measures and pursue the appropriate policies.

48. For the above-mentioned reasons the Commission :

1. proposes to convene at an early date the group of independent experts referred to in paragraphs 23 and 39 of the present communication;

2. recommends that the Council adopt the attached draft decision to set up a Medium-Term Economic Policy Committee.

DRAFT COUNCIL DECISION TO SET UP A MEDIUM-TERM ECONOMIC POLICY COMMITTEE

The Council,

Having regard to the Treaty establishing the European Economic Community;

Having regard to the opinion of the Economic and Social Committee dated 27 May 1963;

Having regard to the proposals of the Commission,

Whereas Article 2 of the Treaty of Rome lays down that "it shall be the task of the Community, by establishing a Common Market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increased stability, an accelerated raising of the standard of living and closer relations between its Member States";

Whereas under Article 6 of the Treaty of Rome the Member States have pledged themselves to co-ordinate their economic policies, and under Article 145 the Council shall ensure the co-ordination of the general economic policies of the Member States;

Whereas studies of medium-term prospects directed by the Commission will furnish indications of future economic and social development and thus guide the Member States and the Community in taking decisions whose effects will not become apparent until some time has elapsed;

Whereas there is a special need for close co-ordination of the policies of the Member States and the Community institutions in fields which have a decisive influence on the Community's economic and social development and whereas such co-ordination is particularly important in :

i) bringing the common policies on agriculture, transport, energy, vocational training and foreign trade into one economic framework;

ii) public investment to meet collective requirements;

iii) measures to lessen the backwardness of the less-favoured regions and to promote harmonious growth throughout the Community;

iv) the steps taken by the Member States to promote scientific and technical research;

Decides :

1. There shall be established a Medium-Term Economic Policy Committee, attached to the Commission, to assist the co-ordination of the general economic policies of the Member States.

2. It shall be the task of this Committee, using all available information and especially the studies of economic prospects made by a group of experts attached to the Commission, to draft a medium-term economic programme setting out the main lines of the economic policies which the Member States and the European institutions pro-

pose to follow during the period under consideration and co-ordinating these policies.

The programme shall cover a period of approximately five years.

On the basis of the Committee's deliberations the Commission shall, after consulting the European Parliament and the Economic and Social Committee, propose to the Council and the Member States the adoption of a medium-term economic programme.

The Committee shall annually review this programme and suggest any modification it considers necessary.

3. The Committee shall observe the medium-term economic policies of the Member States and shall examine whether these are compatible with the programme adopted in accordance with the procedure laid down in Article 2 of the present decision.

It shall study the development of the economy in order to determine the reasons for any divergence from the projected development.

It shall render opinions, either at the Commission's request or on its own initiative, to

guide the Community institutions in carrying out the proposed economic policy.

4. Each Member State and the Commission shall appoint two members of the Committee and may also designate two alternates.

The members and alternates appointed by the Member States shall be selected from senior officials concerned with general economic policy in their respective countries.

Members and alternates shall be appointed for two years. They shall be re-eligible.

5. The Committee shall appoint its officers for a period of two years. It shall draw up its own rules of procedure.

The Commission shall provide secretarial services for the Committee and shall maintain liaison with existing committees and working parties.

6. The Committee may set up working parties composed of its members or alternates or of experts to study specific questions.

7. The Committee shall address its reports and opinions to the Commission, which shall transmit them to the Council.