

EDITORIAL COMMENTS

How many swallows are needed to make a summer?

Even if the agreement on the direct elections to the European Parliament may be thought to belie the cries of the disintegration and collapse of the Community, it constitutes only one battle won. The danger remains very real that the public and the Member States will be tempted to loose confidence in the Community's potentialities. Its lack of authority and, in particular, its inability to play a decisive role in overcoming the economic crisis and monetary disturbances may well give certain Member States, who appear to have coped successfully with their economic problems under their own steam, the idea that the threat of disintegration is not such an awful prospect after all. Other Member States, whose economic plight has not been lessened to an appreciable extent by the efforts of the Community, may be led to believe that, on balance, membership of the Community is of little advantage to them and that a further degeneration of the Community would not really matter. Failure of the Community in the months ahead to achieve substantial successes in respect of the big economic and social issues is therefore liable to add fuel to the feelings of scepticism and indifference. The prospect of increased democracy in the Community's decisionmaking process can hardly be a cure for the rampant disillusionment.

Whether the current political and psychological deadlock can be broken by new efforts to coordinate economic policies is anybody's guess. The believers are not in need of conversion, but the nonbelievers are unlikely to place much faith in the Community's programmes and policies if these lack teeth and run aground as soon as it comes to implementing them. Nevertheless, it might be termed progress if agreement on the principles and the direction of coordinated economic policy measures is reached and if not only the Member States and the institutions but also both sides of industry pledge their support. In this respect, the outcome of the Tripartite Conference, held at Luxembourg on June 24, and the Fourth Medium-Term Economic Policy Programme, soon to be approved by the Council and the Member States, may herald a positive development.

The Tripartite Conference, attended by representatives of the Commission, the Governments and the social partners, was able to reach a consensus on a large part of the proposals presented by the Commission in a document entitled "The re-introduction of full employment and stability in the Community". Not surprisingly, agreement on the major objectives (*i.e.* a return to full employment by 1980, achievement of an

annual growth rate of 4,5% to 5% and reduction of inflation to a level of 4% to 5% by 1980) was less difficult to reach than a consensus on strategy. At the end of the day, most participants were pleased with the results, although several major trade unions in France, Belgium and Italy were unable to subscribe to the conclusions of the Conference. On behalf of the Commission, Mr. Haferkamp labelled the joint declaration "a major step forward towards social peace and an important move in the direction of a certain convergence in the economic and social policies of the Member States". Still, even if all parties concerned have promised to act in their own field of responsibility and in accordance with their own commitments, one wonders if this is good enough. With regard to the rather crucial issue of the necessary moderation of wage claims to be observed by workers and the strict discipline in the matter of prices expected from employers, the Conference had to content itself with the formula: "Only a joint effort by all parties to adapt the pattern incomes of all types to the economic data, going hand in hand with moderation in the field of prices, will make it possible to set up once again the conditions for an economic situation characterized by an improved balance and a higher degree of equity".

The Commission's draft of a Fourth Medium Term Economic Policy Programme reflects the objectives put forward at the Tripartite Conference and must be seen as the framework for a Community strategy in the economic field between 1976 and 1980. The Commission points out that severe constraints continue to weigh on Community action, *viz.* the excessive structural disparities within the Community, the varying degree of economic and social consensus amongst the Member States and the inclination of Member States to give different priorities to major economic policy objectives. At present the necessary political and institutional basis for Community action capable of overcoming these obstacles does not yet exist. However, achieving the objectives of the Programme would help establish this basis. To this end the Member States should endorse a Community strategy consisting of quantitative guidelines which constitute medium-term points of reference with respect to the employment situation, growth, price stability and external balance. The draft spells out the relative priority of the objectives (a return to full employment being the prime objective) and the overall and specific policies necessary for their attainment. Regarding the apparent contradiction between the pursuit of macro-economic equilibria and the achievement of more qualitative objectives, the Commission observes that full employment based on sustained growth in conditions of stability and respect for the constraints imposed by macro-economic equilibria, is a necessary condition for social progress and a better achievement of

other qualitative objectives. Among the measures necessary to implement the guidelines, a policy-mix calculated to bring about a significant increase in productive investment ranks high. This will require some painful adjustments in the distribution of incomes and in the trend of public finance. It is, however, regrettable that in the discussion on the Programme no attention was given to the qualitative conclusions of the so-called Maldaque report on "Inflation Problems" which was submitted to the Commission on March 6, 1976. The Report has received only a limited circulation, no doubt because the analysis of the origins of structural inflation in the Community and the measures proposed to direct the Community towards a new kind of economic system are of too progressive a character in the present social and political climate.

Even if the programme is of an indicative nature only it is the yardstick against which Member States' economic performance should be measured periodically. It could be implemented by legally binding acts decided on in the context of the periodic examination of the economic situation in the Community provided for in the Council's Decision of February 18, 1974, on "the attainment of a high degree of convergence of the economic policies of the Member States of the EEC". (O.J. L 63/16). The Commission has already indicated that it will make proposals aimed at checking the expansion of money supplies and budgetary deficits. More effective use should be made of the mechanisms for the grant of loans and other forms of Community support for Member States which appear to be getting off course. But the credit must be made available on tough conditions, perhaps linking tranches of a loan to fulfilment of interim economic and monetary objectives.¹

The European Trade Union Confederation has pointed out that the Governments must concentrate first and foremost on eliminating the current disorganisation in the monetary system. Without efforts in that direction there is a risk that any actions regarding economic expansion, investment and employment may lose their effectiveness. The draft Programme hardly touches upon this problem. It seems resigned to suspending further monetary co-operation within the Community until all countries are on a sufficiently parallel economic course to join the "currency snake". In a previous issue of this Review, Mr. Oort, the Dutch Treasurer-General, has outlined the dangers of such an approach.² The Dutch presidency of the Council is currently promoting a scheme, no doubt inspired by Mr. Oort's ideas, to create a framework for monetary co-operation in the Community which would include "snake" and "non-snake" members alike. This plan may be a far cry from the ideas laid

1. Europe, Sept. 30, 1976, no. 2062.

2. 13 C. M. L. Rev. 1976, 301-314.

down in the E.M.U. Resolution of March 22, 1971. However, it seeks to implement the concept of "adequate parallelism", of progress in the economic field and in the area of monetary co-operation. The plan deserves to be studied. The attainment of a high degree of convergence of economic policies can hardly be a realistic proposition if the Member States fail to organize their monetary interdependence.