

Resolution of the Council of the EC on measures to be taken against inflation (5 December 1972)

Caption: On 5 December 1972, the Council of the European Communities adopted a resolution setting out the action to be taken by the Nine to tackle inflation.

Source: Official Journal of the European Communities (OJEC). 23.12.1972, n° C 133. [s.l.].

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Council Resolution of 5 December 1972 on measures to be taken against inflation (5 December 1972)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the final communiqué of the Conference of the Heads of States and Governments, held in Paris on 19 and 20 October 1972;

Having regard to the draft resolution presented by the Commission;

Whereas it is necessary to undertake comprehensive action throughout the Community against the excessive inflationary trends at work at the present time; whereas such action should be based both on national policies coordinated at Community level and on common policies;

Whereas the measures to be taken should take into account the particular situations of the Member States;

Whereas action against price increases must be set within the framework of an economic policy aimed at balanced development, the fundamental objectives of which are economic growth, stability, full employment and the improvement of social conditions and of the quality of life,

ADOPTS THIS RESOLUTION:

I

The Member States shall endeavour to reduce the rate of increase of consumer prices between December 1972 and the end of 1973 to 4%, exception being made for the effects of any modifications of indirect taxation.

II

The Member States, convinced that an essential condition for slowing down price rises is the restraint of nominal growth of wages and profits, shall endeavour to encourage such restraint by means of concerted action with the various social partners. This concerted action should be such as to safeguard the purchasing power of incomes and to allow a proper distribution of the benefits of economic expansion between the meeting of collective needs and the increase of private incomes.

Within this context, Member States will, in the manner appropriate to their particular situations, use their machinery for supervising trends of prices for industrial goods and for services so as to ensure that those trends are compatible with the overall objectives of prices policy in order to avoid price spirals and to ensure that a part of the gains of business productivity are passed on to consumers.

In using these measures, arrangements shall be made for exchanges of information and concerted action at a Community level.

III

The Member States agree that action against price rises must be accompanied by action of a structural nature aimed at remedying regional imbalances in the distribution of the labour force and of technical capacities, in accordance with the conclusions of the Conference of the Heads of States and Governments, of 19-20 October 1972. The Member States will also, aided by the European Social Fund, increase their efforts in the field of vocational training and readaptation. They will improve, as rapidly as possible, the supply of information on job vacancies and skills for which there is a sharp increase in demand.

The problems relating to employment and income trends shall be the subject of periodical exchanges of information and concerted action at a Community level.

IV

The Member States shall progressively reduce the rate of expansion of the money supply (money and money-equivalents) to that of the gross national product in real terms, plus a normative rate of increase as regards prices fixed in accordance with the aims of general economic policy, account also being taken of the relation of money supply to the national product. This objective must be achieved by the end of 1974 at the latest.

If certain Member States are faced with marked under-employment, this objective may, after concerted action within the Community, be reconsidered accordingly.

Those Member States in which there is full employment, must secure a marked deceleration of the expansion of their money supply in 1973, corresponding to at least one-half of the reduction to be achieved by the end of 1974.

The monetary authorities must be in a position to take prompt action on:

- interest rates, by setting ceilings on rediscount facilities or by raising the rates at which they intervene;
- liquidity, by imposing or adjusting reserve ratios in respect of the liabilities of financial intermediaries, and by recourse to open market operations;
- the volume of credit, if necessary, in particular both by imposing restrictions or regulation of consumer credit (hire purchase and personal loans).

The Member States shall continue their joint action to prevent undesirable inflows of capital from abroad and shall, as necessary, strengthen the machinery set up by Council Directive of 21 March 1972 ⁽¹⁾ on regulating international monetary flows and neutralising their undesirable effects on domestic liquidity.

The monetary authorities shall take concerted action on ways and means of preventing unwanted capital movements which may result from shifts in leads and lags.

In taking such concerted action, the Member States must ensure that the measures adopted do not interfere with the liberalisation of current transactions within the Common Market and, as far as possible ensure free movement of capital within the Community. The Central Banks are requested not to further increase directly or indirectly, their investments on the Eurodollar market.

The Committee of Governors of Central Banks shall carry out a quarterly review of trends in the money supply in the Member States so that the Central Banks may, if necessary, adopt appropriate provisions under certain Council Decisions, in particular that of 22 March 1971 ⁽²⁾ on the strengthening of cooperation between the Central Banks of the Member States of the European Economic Community.

V

The Member States shall observe strict rules with regard to the management of public finance, both as regards expenditure in the current financial year and expenditure in the following financial year.

With regard to the implementation of the national budgets in 1973, the actual rise in expenditure, apart from that expenditure linked to the creation of jobs in States which are faced with marked under-employment, shall not exceed the rate of increase in the gross national product in money terms on which the Member States' budget assumptions are based.

In addition, for the first half of 1973, those Member States in which there is full employment shall provide for:

- staggering expected expenditure; or
- setting aside contingency instalments of expenditure; or
- any other measure having equivalent effect.

At the end of the first six months the Council shall consider whether this machinery should be retained or adapted.

Should certain expenditures exceed the level envisaged, offsetting reductions shall be made under other budget items. In this context, and without prejudice to Articles 92 and 93 of the Treaty, State aids should be examined with a view to reducing transfer payments benefiting certain sectors of the economy, with special attention being paid to aids of a purely conservatory nature, in particular aids to those industries which are unlikely to become competitive in the long term and play a positive role in the growth of the economy.

The budgetary authorities shall apply the surplus revenues accruing from a rise in prices exceeding that projected in the drawing up of the 1973 budgets, to reduce the net borrowing requirement or to lower indirect taxes in the States where these are at a relatively high level; alternatively these surpluses shall be frozen with the Central Bank.

Those Member States whose budgets show a net borrowing requirement should — with the exception of those countries with particularly marked under-employment — refrain from any monetary financing of this deficit.

Should inflationary pressures not ease sufficiently during 1973, a more restrictive budgetary policy will be envisaged. The Member States will then have to increase taxation or reduce expenditure.

The Budgetary Policy Committee shall examine quarterly whether the 1973 budgets are being implemented in accordance with the guidelines adopted above.

VI

The Council, ⁽³⁾ acting on a proposal from the Commission, shall, before 31 January 1973 decide upon commercial policy measures concerning quantitative restrictions, the application of generalised preferences and, possibly, specific tariff reductions likely to contribute to combating inflation.

VII

The Council declares its readiness to review, on a proposal from the Commission, Council Regulation (EEC) No 1654/72 ⁽⁴⁾ of 31 July 1972 laying down general rules to be applied in the event of substantial price rises in the beef and veal sector, taking particular account of the unanimous desire to combat inflation in the Community. The revised Regulation shall apply from 1 February 1973. Pending this review, and until 31 January 1973, the date on which the existing Regulation expires, the Council has decided to reduce the customs duties applicable to beef and veal by 50%. However, with regard to calves and young male bovine animals intended for fattening, the current 50% reduction in import duty shall be increased to 100%. The Commission is requested to take the necessary measures to implement these decisions.

In addition, the Council, acting on a proposal from the Commission shall adopt without delay the acts concerning the following agricultural measures:

- measures intended to promote the production of beef and veal;
- suspension, in the Member States in which they still exist, of quantitative restrictions on imports of potatoes, during the period from 15 November 1972 to 17 February 1973.

The decisions concerning export refunds shall be supervised with particular care.

VIII

The Council takes note of the wish expressed by the Commission to reinforce its measures against the restrictions on competition arising from horizontal price agreements, concerted pricing practices and price discrimination applied by undertakings having a dominant position, or from market-sharing agreements and other restrictive practices by undertakings designed to maintain the compartmentation of the markets, or from voluntary restraint agreements in so far as these run counter to the commercial policy of the Community.

The Council takes note of the Commission's intention to submit, independently of the application of Article 86 in such cases, proposals aimed at setting up a more systematic control over concentrations of a certain size.

It requests the Member States to apply strictly national legislation concerning:

- the prohibition or control of resale price fixing and of agreements or practices constituting a refusal to sell;
- measures designed to ensure the publishing of prices, in particular those concerning the prohibition on exposing goods for sale or the offering of services without indicating their price, and measures designed to enable the real price to be determined, taking into account the qualities and quantities offered to enable price-comparisons to be made;
- unfair competition, commercial practices and the packaging and presentation of goods, in particular the labelling of foodstuffs.

IX

The Council will decide, if possible before 30 April 1973, and at the latest by 30 June 1973, on the proposed directives aimed at harmonising at Community level, those laws and regulations which because of their diversity still restrict intra-Community trade in foodstuffs, on grounds of hygiene and public health, and the directives having as their object the liberalisation of trade in medicinal products within the Community.

The application of the directives by which it has been decided to open public works contracts and concessions to competition, and the harmonisation of provisions relating thereto, will be closely supervised.

The Council will act, as quickly as possible, on the proposed directive on coordinating procedures for the award of public supply contracts.

X

The Council will examine the outcome of this programme of action at meetings held in 1973 to review the economic situation in the Community, and in particular at its meeting in June 1973.

XI

In accordance with the procedure laid down for the period preceding accession the acceding States have been consulted on this Resolution.

They have recorded their agreement on the objectives contained in this Resolution. Taking into account their particular situations and the instruments of economic policy available to them, they declare themselves prepared to take steps to enable them to attain these objectives.

- (1) OJ No L 91, 18.4.1972, p. 13.
- (2) OJ No L 73, 22.3.1971, p. 14.
- (3) With reference to ECSC products, the decision shall be taken by the Representatives of the Governments of the Member States, meeting within the Council.
- (4) OJ No L 174, 1.8.1972, p. 56.