Broad guidelines of the economic policies of the Member States and the Community for 2001

2001/2081(COS) - 15/06/2001 - Implementing legislative act

LEGISLATIVE ACT : Council Recommendation 2001/483/EC on the broad guidelines of the Economic Policies of the Member States and the Community.

CONTENY : The 2001 Broad Economic Policy Guidelines (BEPGs) confirm the existing policy strategy and extend it further in the light of the results of the Stockholm European Council (23-24 March 2001). There it was emphasised that the Union and the Member States are fully committed to the goal of full employment and see it as an important way of meeting the challenge of ageing populations. It was also stressed that the promotion of sustainable development should be integrated in the BEPGs. Looking ahead, the EU and the euro area face a number of key challenges in the short, medium, and longer term.

The short-term challenge: preserving the expansion in growth and jobs - The immediate task ahead is to maintain strong economic performance in a context of less supportive global economic conditions. The EU and the euro area will have to rely increasingly on their own strengths. Growth- and stability-oriented macro-economic policies and comprehensive structural reforms are crucial to maintain and further enhance internal growth dynamics. They will underpin business and consumer confidence. Budgetary policies should contribute to avoiding excess demand and inflationary pressures, and wage moderation needs to be sustained. This is supporting price stability and can facilitate monetary conditions conducive to economic growth and continued employment creation. In particular, budgetary policies should continue to be geared to the achievement of budgetary positions close to balance or in surplus. Preserving the hard-won macroeconomic stability and extending it into the future is essential. Pressures to increase government expenditure and reduce taxes could put budgetary positions in jeopardy. Furthermore, wage pressures have arisen in some Member States, sparked by emerging labour market bottlenecks and demands for compensation for the recent increase in headline inflation and past moderation.

The medium-term challenge: improving the basis for future growth and employment - The growth performance since 1997 has to be seen in a context of a cyclical recovery where slack could be used up. While potential output growth may well have improved over recent years as a result of productivity gains fostered by improved market functioning and new information and communication technologies, it is still considered to be insufficient to sustain growth rates of around 3 per cent over an extended period of time. Sustaining the expansion will therefore hinge on a permanent increase of potential growth. Policies should concentrate on creating the right conditions for the efficient use of productive and natural resources and for their enhancement over time. In particular, policies should contribute to improved market functioning by addressing market imperfections or failure due to the existence of externalities, market power, imperfect information or the regulatory environment.

To promote an increase in the labour supply, it is necessary to make sure that the regulatory framework encourages people to enter into or remain in the labour market. In particular, tax and benefit schemes should be further reformed to strengthen financial incentives for people to take up or stay in a job. A switch to focused active policies is needed to enhance the opportunities of unemployed and inactive persons. Active labour market policies also promote social inclusion. The more efficient use of the European labour force as a whole should also be achieved through the reduction of barriers to labour mobility within and between Member States, particularly with a view to tackling skills bottlenecks. Moreover, life-long learning should be fostered with a view to encouraging participation in the labour force and to enhancing the flexibility and adjustment capacity of the labour force.

Furthermore, well-functioning, competitive and integrated product and capital markets will contribute by making sure that resources are put to their best possible use. In this context, there is a need to enhance competition in goods and services markets and, in particular, in utilities and financial services. To this end, action at Community level should focus on completing the internal market, especially in services included in the financial sector and in network industries.

The longer-term challenge: preparing for the impact of ageing populations - the need for growth- and stability-oriented macroeconomic policies and comprehensive economic reforms aimed in particular at increasing labour supply is amplified by the challenge posed by ageing populations that is visible on the horizon. On present trends, the EU's working age population will fall by approximately 40 million people between 2015 and 2050 and the old age dependency ratio will roughly double over the next five decades. Member States need to develop comprehensive strategies for addressing the economic and budgetary challenges posed by ageing populations. Strategy measures might include reform of pension and health care systems, and care for the elderly, increasing the effective retirement age, stimulating higher labour supply participation, especially for older workers, setting up and increasing public pension fund reserves and possibly encouraging the expansion of supplementary privately-funded pension schemes (pillars 2 and 3).

The main components of the policy strategy both at macro and microeconomic level to deal effectively with these key challenges are as follows:

-ensure growth- and stability-oriented macroeconomic policies;

-improve the quality and sustainability of public finances;

-invigorate labour markets;

-ensure efficient product (goods and services) markets;

-promote the efficiency and integration of the EU financial services market;

-encourage entrepreneurship;

-foster the knowledge-based economy; and

-enhance environmental sustainability.