European Monetary Institute EMI. 2nd annual report 1995

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The ECON adopted the report by Mr Carles GASOLIBA I BÖHM (ELDR). The second annual report of the EMI covers the financial and monetary situation in the European Union and preparatory work for the third stage of EMU. The analysis of the situation does not add any new information to the Commission's Annual Economic Report for 1996. The ECON points out that there are certain contradictions as regards the explanations given for the economic downturn. - On the role of the EMI: the report calls on the EMI to play a more active role in the coordination of the Member States' monetary policy, to pursue close cooperation with the other European institutions and to strengthen its relations with the various financial institutions in order to enable the future ECB to operate effectively in this area. - On the single currency: the ECON takes the view that the participation of all EU currencies in the European exchange rate mechanism is a necessary condition for safeguarding the proper functioning of the single market and for securing the transition to EMU. As laid down in its statutes the EMI is required, by 31 December 1996, to determine the instruments and procedures needed for a single exchange policy to be conducted. - On public deficits: although sounder public finances are a necessary condition for monetary union, it must not be at the expense of public and private investment in infrastructure and human capital. The ECON also rejects the position of the EMI which implicitly links the share of the public sector in the economy to the level of structural deficits. - On unemployment: here to, the ECON disagrees with the EMI report, contesting the idea that a more flexible labour market will make an essential contribution to the fight against unemployment. It reiterated that the Commission, in its economic report, posited that a process of strong growth and active labour market policies were the only ways of reabsorbing unemployment.