1996 annual economic Report

1996/2042(COS) - 25/04/1996

The ECON adopted the report by Mr Bryan CASSIDY. It put forward a series of recommendations leading to specific employment measures: * General measures: - the ECON urged the monetary authorities to reduce interest rates; - it considered that confidence was essential to economic recovery and that measures should therefore be taken at several levels in order to restore confidence; - it called on the Commission to consider putting forward proposals with a view to establishing anti-cyclical instruments at Community level; - it pointed out that the EU's structural and economic policies should be based on unconditional adherence to the European social model; - it hoped that forthcoming annual reports would consider other factors such as wages, employment market flexibility, public investment, social security costs etc., with reference also to the countries with which the EU is in competition; - it called for greater coordination of economic policies and the convergence of economic results in order to improve the process set in motion by the main guidelines of the economic policies of the Member States and the Community, by establishing short-term objectives for the various Member States and, where appropriate, by putting forward recommendations for the countries which do not achieve those objectives; - it noted that the revival of world trade represents a unique opportunity for the European Union but that, at the same time, European companies prefer to invest outside the European Union borders and that the flow of direct investment into the EU is declining. * Investment measures: The ECON called for measures to revive investment and enlargement of the EIB's role as a loan guarantor, the expansion of the EIF and the creation of Community bonds to finance major Community investment projects. * Research and development measures: The ECON called on the Council and the Commission to put forward specific proposals to encourage research and technological development by means of appropriate fiscal advantages, to facilitate access to risk capital for SMEs active in research and development and to promote close cross-border cooperation between firms, universities and research bodies. * Social cohesion and employment measures: The ECON urged the Member States to conclude a European employment pact in order to combine the creation of new jobs with the redistribution of productivity gains between capital and labour. It also called for the redistribution of jobs and for resources currently used mainly for passive measures such as early retirement and unemployment benefit to be redirected. Structural measures needed to be adopted in order to create more flexible working time or reduce non-wage costs, particularly in the case of the lowest-paid workers. * Tax measures: The ECON again emphasized that taxation of labour was excessively high by comparison with the taxation of capital; the tax system therefore needed to be overhauled in order to meet the challenges of growth, competitiveness and employment. In particular, profits which were invested should be subject to lower taxation than profits which were distributed. * Public deficit measures: The ECON emphasized the need to continue budget consolidation and to draw up detailed medium-term plans for fiscal consolidation with the Member States in order to establish confidence as regards both investment and consumption. Debt reduction should be combined with a proper employment policy and with encouragement for innovation. * Monetary policy measures: The ECON pointed out the need for a single currency to be introduced so that monetary fluctuations could be combated and a more effective monetary policy implemented. To this end, a degree of discipline between the exchange rates of the various countries should be established so that advantage can be taken of the opportunities provided by the single market