Broad guidelines of the economic policies of the Member States and the Community for 1998

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The Committee has adopted the report by Carles-Alfred GASOLIBA I BÖHM (ELDR, E) supporting the Commission's proposed Broad Guidelines for the Economic Policies of the EU and its Member States. To respond to the two main challenges in the year ahead - a successful launch of the euro and reduced unemployment - the committee calls for a policy mix favourable to economic growth and increased employment as well as a monetary policy conducive to investment-led growth. On the macro-economic side, the committee recommends that Member States move towards balanced budgets to place them in a better position to deal with any shocks or cyclical disturbances and that they conduct sound budgetary policies to keep long-term interest rates low. The report also calls for more explicit coordination of national budgetary policies. While stressing the importance of increased monetary policy co-ordination among the eleven eurozone countries in the run up to January 1st 1999, the committee also underlines the need for the "pre-ins" to coordinate their macro-economic policies with the "ins" in order to protect the integrity of the Single Market. Thus, the States not participating in EMU from the outset are urged to achieve levels of inflation in line with the eurozone level and maintain stable exchange rates against the euro. However, to tackle the twofold problem of underemployment and high unemployment the committee also argues for structural reform of product and labour markets as well as welfare and tax systems. While on the one hand advocating active labour market policies in line with the conclusions of the Luxembourg Summit on Employment, the report says it is equally important to reform welfare systems. The latter, while they must certainly provide adequate social protection, should not constitute disincentives to employment. For example, the committee advises Member States to avoid the "double safety net" approach whereby employees are protected not only by generous benefit systems but also by strong employment protection legislation. On taxation, the committee calls for reduced taxes on labour, especially at the lower end of the wage scale. Finally, it calls on employers and unions to reach wage settlements which take into account the objectives of price stability, a higher return on investment and increased purchasing power.