Growth and employment in the framework of EMU: economic policy for broad guidelines for 1998

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The Committee came out against a compulsory reduction in working time. This would be contrary to the principle of subsidiarity, it thought, and might have an adverse effect on employment, since the amount of work available could not be considered fixed but would instead be dependent on the unit costs of labour. By adopting the report by Carlos-Alfred GASOLIBA I BÖHM (ELDR, E) on the Commission Annual Economic Report and in the light of the special circumstances in 1998, i.e. the introduction of EMU, the Committee called on the Commission to come forward with a more detailed analysis of the salient aspects of the economic situation if the medium-term (5-year) prospects were to be fully examined. It was also stated that the central forecast set out in the Annual Economic Report was not without risks: future movements in the US dollar, indirect impacts on the European economy of the Asian crisis, and possible stock market crises required more consideration.Once again the Committee called for a further effort to combat unemployment at Community level in order to complement the efforts made by the member states. The Commission should come forward with proposals on ways in which, under the new conditions of EMU, the economic policy of the EU and its member states could be harmonized so that it would not result in a downward spiral of taxes and expenditure but in a European added value for employment. It was noted with regret that the rapid reduction of deficits in many countries had been achieved by lowering expenditure on easy targets such as investment, research and development, and education.Hence, there was a need to re-balance budgets to promote these physical and human capital expenditures. Extreme budgetary discipline at this time might cause adverse effects on economic activity. Budgetary discipline would not automatically lead to "virtuous cycle" effects as portrayed in the Commission's report and therefore had to be closely monitored. The Committee called on the member states to comply with the resolutions of the Council on tax competition between member states and stressed the need to reduce the tax burden on labour and to agree on an EU-wide minimum level of taxation on business. Finally, members were not in favour of creating employment by dramatically lowering wages in the low-skill labour market. This could lead to new poverty, threaten social cohesion in the Union and simply create employment which would not necessarily provide a decent livelihood.