

Box 4

The Broad Economic Policy Guidelines 2001

The ECOFIN Council in Gothenburg adopted the Broad Economic Policy Guidelines 2001 (BEPGs) on 15 June 2001. The BEPGs lay down both general and country-specific guidelines for the economic policies of the Member States and the Community. This year's BEPGs emphasise the need for immediate policy actions in order to meet a number of challenges. In the short run, the strategy aims to preserve the economic expansion of the European Union in a context of less favourable global conditions through growth and stability-oriented macroeconomic policies. The medium-term goal is to strengthen the growth potential of the EU economy through the resolute and accelerated implementation of economic reforms and the promotion of entrepreneurship, innovation and a knowledge-based economy. These policies should also enhance the capacity of the EU economy to cope with longer-term structural changes, including the impact of population ageing. The ECB attaches great importance to sustained progress by Member States in fiscal consolidation and structural reform. The main general recommendations of the BEPGs concerning the Member States participating in the euro area are mentioned below.

Ensure growth and stability-oriented macroeconomic policies

Governments of euro area countries and social partners are responsible for contributing to balanced macroeconomic policy. The single monetary policy is committed to maintaining price stability in the euro area. Member States are invited to meet budgetary positions "close to balance" or "in surplus" in 2001 and to prepare budgets in the same spirit for 2002 so as to have sufficient margin to cope with adverse cyclical fluctuations. They are urged to avoid pro-cyclical fiscal policies and, where appropriate, to further strengthen public finances, especially with a view to securing their long-term sustainability. In case of overheating risks and inflationary pressures, they are asked to stand ready to tighten budgetary policy.

Governments can create the framework conditions needed to facilitate wage negotiations by social partners. The BEPGs 2001 argue that it is necessary from a macroeconomic perspective to set nominal wage increases consistent with price stability and job creation. This implies taking due account of the ECB's price stability objective while ensuring that real wage increases do not exceed productivity growth.

Improve the quality and sustainability of public finances

Member States are invited to make tax and benefit systems more employment-friendly, including, where appropriate, a reduction in the overall tax burden while continuing with fiscal consolidation, and to pursue targeted reforms of the tax and benefit systems, especially with respect to low-wage labour. They are also invited to redirect public expenditure towards physical and human capital accumulation and research and development, and to enhance the efficiency of public spending by institutional and structural reforms. Concerning the long-term sustainability of public finances, Member States are encouraged to pursue a comprehensive three-pronged strategy, based on actions to raise employment rates, a fast reduction in government debt and further reforms of the pension and healthcare system.

Invigorate labour markets

Member States are invited to implement the Employment Guidelines adopted by the Council in January 2001.¹ In dialogue with the social partners, they are urged to promote increased participation in the labour market and to pursue policies aiming to reduce gender pay differences due to de facto discrimination. They are invited to improve the efficiency of labour market policies and target these towards individuals most exposed to the risk of long-term unemployment. They are also urged to promote more flexible work organisation and to ensure that any reductions in overall working time should not lead to increases in unit labour costs. Member States should facilitate occupational labour mobility and reduce obstacles to labour mobility within and between Member States.

¹ For more details, see Box 4 on page 29 of the January 2001 issue of the ECB Monthly Bulletin on the Employment Guidelines for 2001.

Ensure efficient product (goods and services) markets

Member States are asked to make progress with the transposition of internal market legislation and to make more efficient use of the European standardisation and mutual recognition principle. They are invited to create an effectively functioning internal market in services by removing regulatory and other constraints on cross-border activities and market entry and to further open up the public procurement market by bringing it on-line by 2003. They are asked to accelerate the liberalisation of the network industries, while taking account of existing universal service obligations and the security of supply, to reinforce competition and to reduce the overall level of state aid as well as to redirect it away from ad hoc and sectoral aids.

Promote the efficiency and integration of the financial services market

In order to advance a truly single market for financial services, all relevant parties – the Council, the European Parliament and the Commission – are urged to ensure full implementation of the Financial Services Action Plan by 2005 at the latest. In particular, they are invited to implement key steps towards an integrated securities market by the end of 2003, including the priorities set out in the report of the Committee of Wise Men on the Regulation of European Securities Markets. There should also be increased efforts towards a well-functioning risk capital market by 2003 through the implementation of the Risk Capital Action Plan. The relevant authorities are invited to take the necessary measures to further improve supervisory arrangements across sectors and across borders in order to keep pace with developments in the financial system.

Encourage entrepreneurship

Member States are urged to create a business-friendly environment. They are invited to further reduce the administrative burden and barriers for business by introducing simpler and more transparent procedures, one-stop shops for company start-ups and by simplifying regulation and business tax systems. The efficiency of public services also needs to be improved, inter alia through benchmarking and the increased use of public tendering, while ensuring that public and private entities compete on a level playing-field.

Foster the knowledge-based economy

Member States are urged to strengthen intellectual property rights and achieve agreement on how to deliver the European Community patent before the end of 2001. They are encouraged to ensure sufficient funding for research and development, especially for basic research, and establish clear and consistent priorities for public research. They are asked to implement the unbundling of the “local loop” in order to help reduce the costs of using the internet, ensure a better and more widespread use of the internet in schools and strengthen the regulatory framework for e-commerce. They are invited to reinforce education and training efforts, both private and public, in order to increase the supply of trained researchers and highly qualified information and communications technology personnel and to improve the basic skills of the population.

Enhance environmental sustainability

The Gothenburg European Council has agreed on a European Sustainable Development Strategy. Member States are urged to introduce and strengthen market-based policies like taxation, user and polluter charges, insurance/liability schemes and tradable emission rights and to reduce sectoral subsidies, tax exemptions and other measures which have a negative environmental impact. They are also invited to intensify the use of economic instruments to curb greenhouse gas emissions and fulfil the requirements of the Kyoto Protocol. Finally, they are invited to agree on an appropriate framework for energy taxation at the European level and for the creation of a single internal market for energy.