COUNCIL DECISION

of 23 July 1981

supplementing Decision 80/1265/EEC adopting the annual report on the economic situation in the Community (1980) and laying down the economic policy guidelines for 1981

(81/591/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Decision 74/120/EEC of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community [1], as last amended by Decision 79/136/EEC [2], and in particular Article 4 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament [3],

Having regard to the opinion of the Economic and Social Committee [4],

Whereas the Council agreed, in its Decision 80/1265/EEC [5], to lay down the first economic policy guidelines for Greece after its accession; whereas the Annex to the said Decision should therefore be accordingly supplemented,

HAS ADOPTED THIS DECISION:

Article 1

Section III of the Annex of Decision 80/1265/EEC shall be supplemented by the guidelines to be followed by Greece in its economic policy for 1981, as contained in the Annex hereto.

Article 2

This Decision is addressed to the Member States.

Done at Brussels, 23 July 1981.

For the Council

The President

N. LAWSON

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[1] OJ No L 63, 5. 3. 1974, p. 16.
[2] OJ No L 35, 9. 2. 1979, p. 8.
[3] OJ No C 172, 13. 7. 1981, p. 108.
[4] OJ No C 185, 27. 7. 1981, p. 1.
[5] OJ No L 375, 31. 12. 1980, p. 17.

ANNEX

Economic policy guidelines for Greece

In Greece, the improvement in the current account balance was achieved in 1980 at the cost of a moderate decline in domestic demand and a controlled drop in the exchange rate ; as a result, a more flexible economic policy was possible for 1981. The policy has two aims ; first, to contain the upturn in consumption of which there were signs toward the end of 1980, while stimulating the recovery of investment which is essential if production structures are to adjust to the new external context ; and second, to slow down prices — rising at an annual rate of 26 % at the end of 1980 — in order to preserve the competitiveness of the economy which is likely, sooner or later, to be affected if the present rate of price rises persists.

These objectives are to be achieved by a package of measures concerning incomes, the budget and credit. As a complement to the adjustments made to the income tax rates and allowances to counteract fiscal drag, incomes policy has laid down, for 1981, rules for the adaptation of wages designed simply to maintain purchasing power : this should help achieve the necessary slowdown in nominal pay rises and the moderation of private consumption. As for budgetary policy, it has provided for a substantial increase in public sector investment and an appreciably greater effort to assist certain categories of private investment. Lastly, monetary policy has considerably loosened the constraints on firms : for 1981, the increase in lending to the private sector is targeted to move roughly in parallel with the forecast increase in the value of gross domestic product ; however, no immediate moves have been made to lower interest rates.

This package seems to achieve the best compromise possible between short-term constraints and medium-term necessities. Only during the first half-year will it be possible to assess whether the results achieved fully correspond to the objectives set as regards, in particular, slowing down price rises and limiting the increase in the external deficit. If they do not, certain elements of the current policy would have to be tightened up.