COUNCIL DECISION

of 15 March 1982

supplementing Decision 81/1056/EEC adopting the annual report on the economic situation in the Community and laying down economic policy guidelines for 1982

(82/171/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 policies of the Member States of the European Economic Community [1], as amended by Decision 75/787/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 81/1056/EEC [5], to lay down as soon as possible the guidelines to be followed by the Hellenic Republic in its economic policy for 1982; whereas, therefore, the Annex to that Decision should be supplemented accordingly,

HAS ADOPTED THIS DECISION:

Article 1

Point 4 of the Annex to Decision 81/1056/EEC shall be supplemented by the guidelines to be followed by the Hellenic Republic in its economic policy for 1982, as set out in the Annex to this Decision.

Article 2

This Decision is addressed to the Member States.

Done at Brussels, 15 March 1982.

For the Council

The President

W. DE CLERCQ

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[1] OJ No L 63, 5. 3. 1974, p. 16.
[2] OJ No L 330, 24. 12. 1975, p. 52.
[3] OJ No C 327, 14. 12. 1981, p. 39.
[4] OJ No C 348, 31. 12. 1981, p. 10.
[5] OJ No L 385, 31. 12. 1981, p. 1.

ANNEX

ECONOMIC POLICY GUIDELINES FOR THE HELLENIC REPUBLIC

In Greece, economic policy faces problems of structural change due to a rapid alteration in its external environment. The resulting constraints exclude any return to rapid rates of growth of total consumption and will impose a moderate trend of economic growth, of which exports and productive investment should constitute the principal elements.

In order to achieve this objective, short-term economic policy must take on a stance which permits both a process of controlled recovery and a return to equilibrium. In 1981 the growth rate will be zero or slightly negative whereas for 1982 it is improbable that it will exceed 1·5 %. Although the rate of inflation is declining slowly, it is likely to remain excessively high in 1982 and will probably be in excess of 20 %. In these conditions, it seems necessary to moderate the upward thrust given to incomes at the beginning of the year through firm action to lower the economy's liquidity ratio by taking action both on the public deficit and on the availability of credit to enterprises. In order to achieve this, it will be essential to check the deteriorating trend of the current balance of the general government and public enterprises, not only by reducing the rate of growth of expenditure but also by fighting tax evasion, by reducing the delay that has occurred in the adjustment of certain public-sector prices, and by an overall increase in the tax burden. This strict management of the current operations on the public sector should provide some leeway to continue an adequate budgetary effort in favour of productive investment. In addition, enterprise investment should benefit from the new guidelines for the administration of credit, which are designed to reduce its cost for essential activities.

In short, the attempt should be made in 1982 to reduce the growth of the money supply to below the nominal increase of the gross domestic product; in order to achieve this, the borrowing requirement of general government should be reduced to 12 % of the gross domestic product.

In the longer run, one of the prime objectives of economic policy should be the elimination of inflation and of its distorting effects. This means that the efforts made to contain it in the short term should be extended to a permanent action combining voluntary moderation of the nominal growth of incomes and prices with budgetary restrictions, credit limitations and the stabilizing of savings. This policy, which ultimately aims at re-establishing the conditions for a rational allocation of the factors of production, does not rule out the application of a structural policy which, in order to meet the needs of rapid change, will have to be particularly active. The essential objective, which is imposed both by the external constraint and regional imbalances, must be to hasten the development, the sectoral diversification, and the geographical diffusion of industry and thus to take advantage of all the possibilities for growth which present themselves. Such a policy must include, to begin with, determined efforts to establish, during this initial phase, the required elements of infrastructure: in the field of energy, firstly, where the forecast rapid increase of consumption will require the intensive exploitation of national resources, but also in the field of transport and urban infrastructure. In addition, it must include the combination of the efforts, already begun, to assist simultaneously regional readjustment and sectoral development to market trends. To the extent that budgetary instruments continue to be used to achieve this objective, credit policy, which has hitherto been characterized by selectivity based on multiple rates, should gradually evolve towards a certain degree of uniformity.

TABLE 7

Greece : main economic aggregates, 1960 to 1981

	GDP volume growth	GDP volume growth per occupied person	Unemployed in labour force	Rises in consumer prices	Compensation per employee	Current account of balance of payments	General government balance (3)	Savings ratio of households	Money supply growth M2/M3
	% (2)	%	%	% (2)	% (2)	% GDP	% GDP	%	%
1960 to 1969	:	:	:	:	:	:	:	:	17·7
1970 to 1979	5·1	4·7	:	11·7	:	— 2·8	:	:	23·3
1979	4·0	2·7	2·2	18·2	21·2	— 2·9	:	22·6	18·4
1980	1·6	— 0·7	2·8	24·9	17·5	— 0·9	— 3·3	23·2	24·7
1981 (1)	— 0·2	— 1·7	3·1	24·5	21·8	— 4·0	— 6·3	20·1	34·7

(1) Preliminary estimate of the Commission services.

(2) % change over previous period, annual rate.

(3) Gross saving of general government and balance of capital account of central government budget.