

EUROPEAN ECONOMIC COMMUNITY

**SIXTH REPORT ON THE ACTIVITIES
OF THE MONETARY COMMITTEE**

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INTRODUCTION

The purpose of this report is to give a general picture of the activities of the Monetary Committee of the European Economic Community in 1963. The Committee held nine sessions in 1963 under the chairmanship of Jonkheer Mr. E. van Lennep, Treasurer-General in the Netherlands Ministry of Finance. A list of the members is attached to this report.

The Monetary Committee was set up under Article 105 (2) of the Treaty of Rome. Its function as laid down in the Treaty is to observe the monetary and financial policies and general payments systems of the Member States and, more generally, to promote the co-ordination of the Member States' monetary policies to the extent necessary for the efficient functioning of the Common Market.

During the early years the Committee concentrated mainly on reviewing the member countries' monetary and financial position. These reviews, which were carried out half yearly, enabled the Committee to gain a better insight into the member countries' economic structures, and the Committee made a point in this connection of supplementing the reviews by comparative studies of the instruments of monetary and financial policy available to the Member States.

Owing to the Committee's new functions, its regular reviews have gradually become less frequent with the passing years. Nevertheless, the Committee is still able to review the position of a member country at short notice if its economic situation calls for such action, as was recently the case with Italy. Furthermore, as in the past, views are exchanged at most meetings concerning the latest monetary and financial developments in the various member countries.

Apart from these reviews of the monetary and financial situation in member countries, the Committee's attention has been increasingly claimed by other problems. Firstly, the progress made in implementing the Common Market has necessitated much more frequent action by the Monetary Committee with a view to the formulation of opinions or preparation of surveys concerning problems arising either in the actual monetary and financial field or in other fields where decisions with monetary implications have had to be taken. Secondly, largely owing to the important part played by the European Community as a whole in world trade and, more generally, in the international monetary system, the Committee has been called upon to turn its attention more and more often to problems of international liquidity and, more recently, to the problems created by the trend of foreign payments of the countries of the Community. The matters with which the Committee has been concerned in this field are discussed in Chapter I of this report.

Thus other tasks have gradually been added to the functions specifically assigned to the Committee by the Rome Treaty or by directives of the Council. More frequent recourse than in the past to its alternates, whose proceedings have been of great assistance in preparing its sessions, has enabled the Committee to shoulder its new responsibilities without having to increase the number of its meetings. For, while it is essential that all the Committee members

should attend the meetings regularly, the positions which they hold in their national administrations and their commitments in other international bodies make it difficult to increase the frequency of the Committee's meetings, which, except in summer, are held monthly and usually last two days.

The future progress of economic integration, and, in particular, the new tasks which it will assume in accordance with the decisions of the Council reproduced in this report, will make its time-table even more crowded than hitherto. To cope with this situation, the closest possible co-ordination will be required between the Monetary Committee and the other committees. This is already provided by the ex officio attendance of the Chairman of the Monetary Committee at the meetings of the EEC Economic Policy Committee and by the fact that the Chairmen of both committees attend the Finance Ministers' conferences. It will be important to ensure that this co-ordination, which is the essential pre-requisite for an efficient division of labour, is extended to the bodies which the Council has decided to set up. The attendance of a representative of the Monetary Committee at the meetings of these new committees could, as in the case of the EEC Economic Policy Committee, be a step in the right direction.

Chapter I

GENERAL CONSIDERATIONS ON THE CO-ORDINATION OF MONETARY POLICIES

1. In earlier years the implementation of the Rome Treaty was facilitated by an exceptional combination of favourable factors. Economic expansion was rapid and continuous and the member countries' strong competitive position enabled the Community to show large surpluses in its current payments with non-Community countries. Gradually, however, this position has changed, with the result that since the end of 1962 the EEC has been faced with new problems.

2. The very length of the expansionary phase and the rapid rate of growth have given rise to inflationary pressures on some countries. Labour shortages have been making themselves felt for some time in almost all parts of the Community. The rise in wages, in some cases far in excess of the increase in productivity, have appreciably impaired the competitiveness of the Common Market countries. Thus all the member countries, and above all France and Italy, whose balances of payments have shown the sharpest deterioration in the past two years, have shown a marked elimination of their surplus on current account with non-Community countries, especially the United States.

More recently overall demand has become excessive in various member countries. This pressure of demand, differing greatly from country to country, has led to divergent trends in the balance of payments of the different countries and has created strains within the Community.

3. An examination of payments on current account emphasizes the reversal which has occurred in the course of a few years in the external position of the Community, as is clearly shown by the following table :

(in '000 million dollars)

	Annual average		
	1958-61	1962	1963
1. Balance of trade (fob-fob)	+ 1.7	+ 0.9	+ 0.1
2. Balance of services and transfers	+ 0.9	- 0.1	- 0.1
3. Current balance	+ 2.6	+ 0.8	0

This movement was entirely due to merchandise transactions. As is shown by Table I annexed to this report, all the member countries except the Federal Republic of Germany contributed to a greater or lesser extent to the worsening of the EEC's trade balance with non-Community countries. This was due to a number of causes. The high degree of

employment of productive capacities had the effect of slowing down exports and stimulating imports; the rise in production costs, as a result of a faster increase in wages than in productivity, led to a deterioration in the competitive position of the EEC countries in relation to the other industrialized countries, particularly the United States; and the growth in personal incomes, and thus in the demand for consumer goods, was reflected in larger imports, especially of foodstuffs. Furthermore, during this period the member countries pursued an increasingly liberal trade policy, and two of them adopted measures — the revaluation of the DM and the guilder — to reduce the very substantial surpluses which they had had during the early years of the implementation of the Treaty.

4. For all these reasons the whole of the increase in the Community's official reserves in 1963 was attributable to inflows of funds from non-Community countries, in most cases on the initiative of the latter. The rate of increase in official reserves recorded in 1963 does not reflect the deterioration analyzed above. Member States' official gold and foreign exchange reserves went up by some \$1500 million in 1963, against \$600 million in 1962 and \$1200 million in 1961. This increase does not, however, represent either a rise in or even the maintenance of the level of the Community's surplus with the rest of the world, the influence of which on the imbalance of international payments had received special attention from the Monetary Committee in earlier years. Indeed, if allowance is made for the extraordinary transactions which took place during this period, and particularly the advance redemptions of debt which were much larger in 1961 and 1962 than in 1963, and also for a net deterioration in the external position of the commercial banks, mainly attributable to the indebtedness of the Italian banks in the Euro-dollar market, it will be seen that the adjusted increase in the Community's gold and foreign exchange reserves amounted to only \$537 million in 1963, compared with \$755 million in 1962 and about \$3 000 million in 1961.

5. The persistence of the trends which have affected the pattern of the Community's balance of payments in recent years could not, in the longer run, be regarded as either normal or desirable. The reduction in the very large surpluses on goods and services account, while it did help to restore a better balance of international payments, was accompanied by a considerable rise in costs within the Community. If this process, which has entailed the sacrifice of internal stability by the member countries, were to continue, there would be a danger of its overshooting the desired objective, namely the restoration of external equilibrium.

For a group of industrialized countries such as those composing the EEC it is not possible for the balance on current account to remain in a state of persistent deficit involving, as a normal and more or less permanent feature, a net import of capital or a fall in reserves which could not be tolerated in the long run. On the contrary, and mainly in the interests of the developing countries, the Community's role would appear to be rather that of a net exporter of capital.

The experience of recent years, during which there have been large net inflows of private capital into the Community, raises the question

whether such an aim can be achieved in the near future. An analysis of these capital movements reveals, however, that there is a definite connection between the inflows of capital into the EEC and the capital outflows from the United States. In view of the worsening of the Community's competitive position, the faster rate of expansion in the United States, the adoption of certain measures in July 1963 by the U.S. monetary authorities and the announcement of other measures, there is likely to be a net reduction in the outflows of funds from the United States.

If the countries of the Community are ultimately to become net exporters of capital, an improvement in the functioning of their capital markets is essential in order to render them more easily accessible to foreign borrowers and make it possible to lessen or offset the inflationary effects which large capital inflows could produce on the economies of the member countries.

6. Owing to the fact that costs, wages, prices and domestic demand increased considerably faster in some member countries than in others, the year 1963 witnessed the development of strains in intra-Community relations which became more pronounced during the year.

These phenomena of "over-heating", which first became apparent in France and Italy in 1962, have since manifested themselves in the Netherlands and are now tending to affect Belgium. In 1963 they became particularly acute in Italy, where they were reflected in a drastic deterioration in the overall balance of payments, a state of approximate equilibrium in 1962 having been followed by a deficit of some \$1 200 million in 1963.

7. Owing to the progress already made towards European economic integration, the strains in France and Italy had almost immediate repercussions on the rest of the Community. There was thus a substantial increase in the exports of the Federal Republic of Germany, Belgium and the Netherlands to France and, above all, to Italy.

Owing to the almost universal full employment, the shortage of skilled labour and the lack of available production capacity, this growth in external demand helped to revive inflationary tendencies in the other member countries. In addition, the monetary authorities in the countries subject to external pressures, especially the Federal Republic of Germany, were at the same time faced by substantial inflows of short-term and long-term capital, of which a larger proportion than hitherto came from other member countries. The growth in capital movements between Community countries is not so much attributable to divergences in interest rates, since the rates in the various countries have continued to move closer together, but rather to divergences in the methods of taxation, a study of which would appear to be urgently needed.

8. Unless sufficiently energetic joint action is taken in good time, there is a danger that the strains which have developed within the Community will spread. If allowed to continue too long, the imbalances which appeared in 1963 would inevitably have serious effects on the development of the Common Market. Furthermore, it would be impossible to avoid the danger of an excessive decline in the competitive power of the Community

in relation to the rest of the world. The member countries might then be faced with a fall in employment due to a marked slackening of external demand, and would have virtually no weapons available for combating such a trend.

9. In the opinion of the Monetary Committee, it is essential that, in order to curb the rise in costs and prices and prevent the present strains from becoming more acute, the measures taken or planned in the various member countries, especially France, Italy and the Netherlands, should be applied with all necessary vigour. The Committee considers that the use of selective measures alone to combat the present trends is no longer sufficient to re-establish equilibrium. The only way to achieve this aim is by overall measures designed to check the increase in demand and the rise in costs and prices. True, such a course will inevitably cause a temporary slowing-down in the rate of growth, but such a slackening is the prerequisite for preventing a permanent weakening of the Community's competitive power and giving a fresh start to balanced long-term expansion. It should be noted in this connection that all the countries possess economic instruments which would enable them to reintroduce expansion rapidly if external demand were to become too weak.

10. The continuation and strengthening of the monetary policy already being pursued in most member countries, mainly aimed at curbing credit expansion, is one of the essential conditions for the restoration of a better economic equilibrium. In this connection the Committee welcomed the introduction in France of new instruments for restraining credit expansion similar to those already existing in the Netherlands. In the Federal Republic of Germany the effectiveness of a restrictive credit policy is severely limited by the reappearance of the problem by which the monetary authorities have previously been faced as a result of very large capital inflows from abroad. This being so, it would be wiser, in order to prevent an excessive growth in domestic demand, to adopt specific measures, especially in the field of public finance.

11. The same applies to the other member countries, where the mere tightening of national monetary policies would not be sufficient to curb inflation. For success in this struggle a stricter budgetary policy is also necessary. The efforts made in Italy, France and Belgium to reduce the budget deficit will have to be continued and even intensified, and member countries ought also to check the growth in public expenditure. In any case, where government budgets still show a deficit, steps will have to be taken to ensure that cash outlays are covered by methods which do not have any inflationary effect on the economies of the countries concerned. Member States should also endeavour to curb demand in the building sector, which is a particularly active source of contagion in all the Community countries.

12. Lastly, it is desirable that the introduction of an incomes policy should be accelerated in the member countries. The Committee notes with regret that the Netherlands, the only country which has introduced a co-ordinated incomes policy, has recently been faced with serious difficulties in this field. These difficulties are primarily attributable to the extreme tightness which has long been a feature of the labour

market. In view of the fact that a similar state of imbalance exists, to a greater or lesser degree, in the other member countries, it would seem necessary first of all to re-establish conditions which will permit the implementation of this policy.

13. The ease with which efforts to restore stability can be successfully implemented will depend on the extent to which co-ordination of action among the member countries can be improved. The need for such co-ordination is all the more pressing in view of the fact that monetary policy must increasingly take into account the progress of economic integration, and especially the adoption of common policies or rules in certain sectors. As has been previously noted by the Monetary Committee, such co-operation cannot be confined merely to the measures taken by the Central Banks. It should also embrace the actions of the authorities responsible for financial policy, which exert a considerable influence on monetary developments, sometimes affecting them even more decisively than do central bank measures.

14. The Committee welcomes the Council's decisions aimed at increasing the co-ordination already achieved, especially in the Monetary Committee. These decisions, which are annexed to this report, meet the wishes expressed by the Committee in the past, particularly in its Fifth Annual Report.

The Community procedures for which provision has thus been made cover all action on the part of the monetary authorities which is likely to have major internal or external repercussions. Such action must as far as possible be discussed in advance at the preparatory stage. This co-ordination will be made close and effective by the presence on the various committee of representatives of the authorities responsible for the shaping and implementation of decisions. True, these arrangements are still no more than consultative procedures which will not commit the member countries' governments; the experience gained, however, will make it possible subsequently to envisage the creation of institutional procedures capable of leading to Community action.

15. The Monetary Committee takes note of the specific tasks assigned to it in two respects by these decisions. Giving institutional form to the co-operation which the Committee is already practising in the form of frequent exchanges of views, the decisions provide, firstly, for regular prior consultation on all matters arising in the field of international monetary relations: the operation of the international monetary system, recourse by Member States to resources which can be drawn upon under international agreements, and the participation of one or more Member States in any major measures to provide monetary support to non-Community countries.

The Council's decisions also provide for prior consultation in the event of alterations in the rate of exchange of the currency of one or more Member States. In this connection, owing to the difficulty of holding such consultations in view of the need for speed and secrecy, the Committee has been instructed to work out a procedure for effective action.

16. More generally, owing to the importance of the EEC's trade with the rest of the world and the part played by its members' currencies, the proper functioning of the international monetary system is of vital importance to the six countries of the European Economic Community. The Monetary Committee therefore welcomed the establishment of the Working Group of the Ten Countries participating in the General Borrowing Arrangements of the International Monetary Fund; it should provide useful assistance in finding solutions to the problems connected with international liquidity to which the Monetary Committee has drawn attention since its 1961 "Report on current problems of international liquidity". The studies which the Monetary Committee has been carrying out in this field for some years, and the important contributions, both theoretical and practical, which some of its members have made on this subject, have given it a deeper understanding and clearer view of the present problems. In particular it has been examining to what extent it would be possible to arrange the international monetary system in a way more suited both to the attainment of the short-term aim of restoring a better balance in international payments and to the satisfactory achievement of the long-term purpose of meeting the liquidity requirements of the international monetary system.

Chapter II

INTERNAL AND EXTERNAL POSITION OF THE MEMBER STATES

Section I

GENERAL

In its previous report, the Monetary Committee expressed the opinion that a continuing rise in prices and production costs would jeopardize the balanced growth of the Community. Increasing strains did in fact become apparent in 1963 and, in order to combat them, several member countries introduced stabilization programmes.

In terms of volume, the Community's growth rate for the year was about 4%. It was thus lower than the rates for the preceding years, namely 5% in 1962 and 5.3% in 1961. This slackening, however, is more apparent than real, since it was in fact due to the severe cold spells in the early months of the year. After this exceptional period, activity rose again to high levels.

Although the increase in purchases by non-Community countries contributed more than in 1962 to the growth in overall demand (exports of goods increased by 4.5%, against 1% in 1962), domestic demand, especially for consumer goods, remained the main driving force behind the expansion. As domestic supply did not expand as fast as nominal demand, prices continued to rise and imports increased. Goods imports from non-member countries thus went up by 10.5% in both value and volume, against 8% in 1962.

The trade deficit therefore worsened, the adverse balance amounting, according to customs statistics, to about \$2 800 million, which represents a deterioration of some \$4 000 million compared with 1959. There was a similar movement, although less marked, in the current balance of payments, which, after showing a surplus of \$2 800 million in 1959, was close to equilibrium in 1963. The Community's overall balance of payments, however, remained positive, owing to large inflows of private capital.

The member countries' official gold and foreign exchange holdings increased by about \$1 500 million, against \$600 million in 1962, while there was a substantial fall in the net external assets of the commercial banks.

Intra-Community trade increased in 1963 by 16%, against 14% in 1962. This increase was attributable both to the gradual achievement of economic union and to the effect on merchandise trade of the growing divergence of the business trends in the various member countries.

Section II

POSITION IN THE INDIVIDUAL COUNTRIES AND MAIN FINDINGS OF THE COMMITTEE

FEDERAL REPUBLIC OF GERMANY

The gross national product at current prices increased by 6.2% against 8.8% in 1962, while the real growth was 3.2% against 4.2% in 1962. The slowing-down of the expansion is attributable to various factors. For one thing, production — especially in building — was severely affected at the beginning of the year by an exceptionally long and hard winter and, furthermore, the falling-off in demand already observable in some sectors in 1962 continued in 1963.

A certain increase in the mobility of labour and the recruitment of foreign workers led to slight easing of the labour market, which, however, remained strained, chiefly owing to further cuts in working hours. The rise in wages was, on the whole, less rapid in 1963 than in 1962. Prices continued to climb, but generally this upward movement slowed down during the year.

The worsening of the current balance of payments ceased early in the year, and there was a considerable improvement for the year as a whole (1962, -DM2 200 million; 1963, +DM1 000 million). This reversal is due not only to the slight easing of pressure in the domestic economy but also to the exceptional growth of foreign demand, especially from Italy and France. The trade surplus rose from DM3 500 million in 1962 to over DM6 000 million in 1963. This surplus was only partly offset by a substantial deficit on services account (1962; -DM1 700 million; 1963, -DM1 400 million). The adverse balance in respect of unrequited items remained high.

Whereas in 1962 long-term capital movements resulted in only a small surplus, there was in 1963 a considerable net inflow of capital (DM2 100 million). The net foreign position of the banks deteriorated by DM700 million, while the Bundesbank's official gold and foreign exchange reserves increased by nearly DM2 600 million to DM30 300 million.

Whereas their cash position had tended, mainly for seasonal reasons, to tighten until June the banks experienced an improvement in their liquidity from the middle of the year onwards, owing to the larger deficit in the cash transactions of public bodies and the increase in the balance-of-payments surpluses. They were thus able to reduce the indebtedness to the Bundesbank which they had incurred during the first half of the year. The Bundesbank did not deem it necessary to take any major action in the field of money or credit.

The economic expansion should continue in 1964 at a more rapid rate than in 1963, mainly because of the vigorous growth in foreign demand

and increased readiness to invest. Expenditure by public authorities will also rise further, although more slowly than in 1963. The rise in personal consumption will be slightly inferior to the increase in gross national product, which will go up by about 7.5% in nominal terms.

In view of the substantial advances in productivity — and assuming that foreign demand does not go on expanding at such a rapid rate — supply might be sufficiently elastic to meet the increase in demand without too great a rise in prices. It is to be feared, however, that the increase in demand in some sectors, and especially in building and construction, will be accompanied by a further marked rise in prices. This being so, the Monetary Committee welcomes the fact that the Federal Government is keeping a particularly close watch on this trend.

In order to avoid as far as possible the re-emergence of large balance-of-payments surpluses, it would be desirable to achieve a better balance in capital movements with other countries. The Monetary Committee believes that this aim could most easily be achieved by better organization of the capital market on the institutional plane and by abolishing the stamp duty on securities (Wertpapiersteuer).

As the trade surplus increased sharply in 1963 and appears likely to continue, the Monetary Committee considers — bearing in mind also the question of price stability — that imports, especially of agricultural products, should be encouraged as much as possible, while no measures should be taken to stimulate exports; in particular, it would be desirable to avoid the tying of aid to developing countries conditional to the purchase of German goods.

FRANCE

The Monetary Committee has in the past emphasized the need to keep a very close watch on the movement of prices and costs in order to preserve the internal and external equilibrium of the French economy. In 1963, despite the consequences of a hard winter and the effect of serious social unrest, the gross national product rose by about 4.5%. The rise in prices was, however, accentuated by a large expansion in demand.

Private consumption increased in volume by nearly 6% owing to the marked growth in population (+2.2%) accompanied by a continued acute labour shortage which caused a rapid rise in wages. The annual average of hourly wages having gone up by 9% and the total of wages distributed by about 13%, gross personal income, allowing for the less pronounced rise in other types of income, went up by 11%. On the other hand, the growth in private investment slackened. The upshot was that equilibrium between supply and demand was reached only through an appreciable rise in prices.

In addition, the value of imports rose by over 18%. Owing to the less rapid rise in exports (10%) and the decline in the surplus on services account, the current balance-of-payments surplus fell from \$770 to 330 million from 1962 to 1963. While short-term capital movements

produced hardly any effect on the overall balance, the surplus of long-term capital movements showed a further increase, so that the overall surplus was \$140 million smaller advance redemptions of debt than in the previous year and the decline in the banks' private exchange holdings, the increase in the official exchange reserves finally exceeded the 1962 figure (\$840 million against \$670 million).

In order to counteract the effect of the exchange inflows and other money-creating factors, the Banque de France tightened bank liquidity by raising the reserve requirement in two stages from 32 to 36%. Moreover, the monetary authorities took steps to curb the growth in credit to the economy by restricting the annual rate of increase of bank credit to 12% from 1 March and then to 10% in September. Lastly, as part of the stabilization programme put into effect from September onwards, the official discount rate was raised from 3 1/2 to 4%.

The measures adopted in the field of public finance in 1963 were aimed at covering an increasingly large proportion of the Treasury's commitments by means of medium and long-term loans. The 1964 Finance Law provided for an uncovered cash deficit ("impasse") one-third smaller than that for 1963. The Government furthermore decided to spread out public investment expenditure whenever there was a danger of its creating strains in specific areas or sectors.

The stabilization plan also includes far-reaching measures to control prices and the charges for certain services.

Although well aware of the difficulty of deciding exactly the right extent of the action to be taken, the Monetary Committee nevertheless questions whether the stabilization programme now being carried out is capable of bringing about a sufficiently rapid and permanent restoration of internal balance.

This return to equilibrium would be generally assisted by a greater slackening in the creation of money than in 1963. Actually, even if it is confirmed that the liquidity of the economy is being, in view of the decline in the balance-of-payments surplus, only slightly stimulated or not at all, the expected and permitted rate of increase in credit to the economy could lead to a growth in the money volume even larger than that in the real gross national product. Should this prove to be so, it would be desirable that the Treasury should exert a restrictive influence on liquidity by curtailing its recourse commitments to the monetary system and the Banque de France. In this connection the Committee was pleased to note that, as it had recommended earlier on several occasions, the issuing of two public loans in 1963 improved the Government debt structure and absorbed some of the excess liquidity.

The Committee believes that too pronounced a rise in wages and salaries in 1964 would jeopardize the success of what has been done; and by its effects on cost and demand it would also lead to a worsening of the trade deficit. The Committee therefore welcomed the French authorities' intention of introducing an incomes policy, the vital importance of which it had previously emphasized.

ITALY

Whereas the already rapid expansion in nominal domestic demand increased even faster in 1963, the rate of growth of the gross domestic product at constant prices, which was in the region of 5%, declined further (from 8.3% in 1961 and 6% in 1962). The development of Italy's economy in 1963 was thus characterized by increasingly marked disequilibrium. As the volume of domestic supply did not increase as fast as nominal demand, there was a large growth in imports and prices again rose considerably. The labour shortage, which had previously been confined to certain areas and categories, became more widespread and more acute. The expansion in exports slowed down, partly, it would seem, owing to a less favourable competitive position. There was a pronounced deterioration in the balance of payments.

The average rise in prices was approximately 9%. This was due not only to excess demand but also to the rise in costs, reflecting the very rapid increase of wages. Thus, agreed minimum wages in trade and industry went up — taking into account family allowances — by about 10%, and civil servants' salaries were raised by over 25%.

This rise in individual wages and salaries was accompanied by very large shifts of labour from agriculture to industry and services and a marked increase (3%) in the number of employed workers. A decline in the propensity to save led to a very sharp increase in the volume of private consumer expenditure. Consumption by public authorities expanded even more. Gross fixed capital formation, chiefly in the form of rationalization investments, seems to have quickened and may have reached a growth rate of 15%. In the public works and industrial building sector, on the other hand, the volume of investment probably fell short of the preceding year's level. The slowing-down in the expansion of merchandise exports (8% in 1963 compared with 12% in 1962) is mainly due to a fall in exports of agricultural products, foodstuffs and motor vehicles. Imports, on the other hand, rose by about 23% (against 17% in 1962), chiefly owing to the growth in demand for the products of the foodstuffs, motor vehicle, textile, engineering and iron and steel industries. The trade deficit increased substantially, to about \$2500 million, after having amounted to only \$1400 million in 1962. As the surplus in respect of services and unrequited transactions showed only a moderate increase, there was a marked deterioration in the balance of current payments (a deficit of \$560 million in 1963 against a surplus of \$294 million in 1962).

In addition, large exports of funds in the form of Italian banknotes (\$1500 million, of which only \$700 million returned) contributed to the deterioration of the balance-of-payments deficit in 1963. However, short-term borrowing by the Italian commercial banks, mainly in the first half of the year and especially on the Euro-dollar market, was on such a large scale that there was scarcely any change in the official reserves until October. The restrictive measures adopted in the autumn checked this borrowing and even led to a slight decline in the banks' foreign indebtedness in the last months of the year. The result was a drain on the official gold and foreign exchange reserves, which fell in 1963 by \$434 million.

During the first nine months of the year this borrowing from abroad enabled the banks to offset the tightening in their liquidity which would normally have resulted from the increased balance-of-payments deficit. However, a rapid growth in the public's holdings of banknotes, together with certain changes in the regulations applying to compulsory reserves, led to a tightening in the banks' cash position. Treasury operations, although making for easier market conditions, were not sufficient to reverse this trend. Moreover, the tightening of liquidity resulting from the balance-of-payments deficit produced its full effects after the adoption in 1963 of the above-mentioned measures.

The restrictive policy introduced in October 1963 was reinforced in February 1964 by certain further selective measures mainly designed to restrict demand. These, and particularly the increases in the taxes on petrol and motor vehicles and the proposed new restrictions on consumer credit, are intended to curb demand in the sectors where it has been strongest and has also played an important part in worsening the balance of trade. The resultant substantial tax revenues will be used less to reduce the large budget deficit than to finance new investment.

The economic expansion in Italy can be expected to continue in 1964. Although the measures taken will undoubtedly help to check the price rise, the growth in domestic demand and the deterioration in the balance of payments, the Italian authorities forecast for 1964 a deficit of the same order of magnitude as that for 1963.

The Monetary Committee considers that the shortage of labour, especially skilled labour, and the tying of wages to the cost-of-living index might lead to further wage rises which might, in turn, be passed on to prices. From this point of view the introduction of an incomes policy would seem particularly necessary. Apart from this, it appears likely that, despite the action taken, the growth in domestic demand, especially consumer demand, reflecting the continued improvement in personal incomes, will still be very substantial and will bring about a pronounced expansion of imports.

With regard to the Government and the local authorities, the Committee considers that revenues should be increased, in addition the rise in expenditure ought to be slowed down. If public-sector transactions again result in a deficit, this should be covered by non-inflationary methods.

The Monetary Committee is aware of the difficulties involved in strengthening a programme designed to restrict total demand. There is, however, a danger that, unless sufficiently energetic action is taken, the persistence of the internal and external imbalance of the Italian economy may have economic and psychological repercussions necessitating the adoption of even more severe measures which might possibly bring Italy's economic expansion to a halt.

NETHERLANDS

After having risen by 2.7% in 1962, the gross national product at constant prices went up by about 4.5%, while the nominal increase actually amounted to about 8.5%. After the hard winter of 1962/63, which considerably hampered economic expansion, there was a brisk revival of production and demand in the spring, so that the annual growth in industrial production came to 5%, thus falling only slightly short of the 5.5% rise achieved in 1962.

Despite an increase of 2% in the number of wage-earners, the labour market became even more strained, and this led to further increases in wages and salaries. Although the average increase in agreed wage rates was only just over 6%, the total wage bill increased by over 10%, mainly owing to the effect of the 1962 wage rises on the average for 1963.

Prices also continued to move upwards in 1963. Consumer prices rose at the same rate as in 1962, i.e. by about 3%. Towards the end of the year, however, the movement became more rapid, and the Government therefore took action in December to peg the prices of some commodities and services. As a result of the increases in wages and salaries and the effects of the tax reliefs which came into force in July 1962, there was a further substantial rise in disposable personal incomes. Personal consumer expenditure therefore increased by over 9% in value (against 7% in 1962) and by over 6% in volume.

The value of both imports and exports rose rapidly in 1963 (by 10% against about 4.5% in 1962) and the 1963 trade deficit was in the region of approximately \$400 million. The balance of services having developed more favourably, current transactions resulted in 1963 in a net surplus of nearly \$70 million (against \$170 million in 1962).

Large premature redemptions of external debt resulted in a deficit of about \$90 million in respect of public capital movements, but this was offset by a fairly substantial surplus on private capital account, this surplus having been mainly due to the difference between the balance of current payments on a transaction basis and the corresponding balance of actual payments. As a result, the overall balance of payments for 1963 showed a surplus of \$140 million. The total rise in the official gold and foreign exchange reserves was \$157 million.

The money market benefited in 1963 by large inflows of liquidity attributable to the Central Bank's purchases of foreign exchange. Even so, temporary strains were observable. In October, in order to check the rapid growth in demand, the Nederlandsche Bank reapplied the quantitative restrictions, designed to curb the expansion of short-term credit to the private sector, which it had suspended at the beginning of 1963. The Government also decided to spread the public investments over a longer period and to limit local authority loan issues on the capital market during the period from November 1963 to October 1964 to 91% of the amount of such issues between July 1962 and June 1963.

In 1964 agreed wage rates can be expected to rise by from 12 to 14% as a result of the agreements reached in 1963. The overall increase in wage payments is likely to be at least 18%. With pensions and civil servants' salaries also going up fairly considerably, domestic demand can be expected to expand even faster than in 1963. Consequently, and also owing to the effect of the big wage rises on the competitiveness of the Dutch economy, there might be an appreciable slackening in the expansion of exports, while demand for foreign goods will probably increase faster, so that the current balance of payments for 1964 must be expected to show a fairly large deficit. The financing difficulties anticipated for 1964 led to a rise in interest rates in the second half of 1963.

The Committee considers that the main danger which is likely to face the Dutch economy in 1964 is due to the fact that, in a climate of over-demand, any wage increases could set in motion an inflationary spiral. The Committee therefore welcomes the fact that the measures taken at the end of 1963 to curb the expansion in overall demand were strengthened at the end of January 1964.

BELGIUM

The Belgian economy continued to expand vigorously in 1963. The gross national product at constant prices increased by 4% in 1963 against 3.9% in 1962. The slackening of activity at the beginning of the year, mainly due to the bad weather, was compensated by later gains, and industrial production advanced by about 6.4%.

More pronounced strains became evident in the labour market, which is characterized by a growing labour shortage, even though the number of foreign workers entering the country was greater than in 1962. Wage payments per employed worker went up by 7.4%, while productivity increased by 3%. Consumer prices rose by 4.2%.

The increase in the total of earned incomes and transfer incomes (8.9% against 8.5% in the preceding year) helped to bring about the nominal rise in private consumption (6%). Public consumption expanded by Bfrs.9 000 million (11.5%) against 8 900 million (12.6%) in 1962. The growth of about 18% in public investment in 1963 (in terms of current prices), although admittedly smaller than in 1962, was nevertheless a definite stimulus to expansion. Productive business investment, reflecting greater rationalization efforts and the establishment of new enterprises, increased by approximately 6.5% in terms of current prices.

External demand was again in 1963 one of the main driving forces behind the expansion. While the increase in exports of goods and services (about 9% in value and volume) was roughly the same as in the preceding year, exports to member countries rose faster than those to non-Community countries. The increase in merchandise exports to France and Italy alone accounts for about 50% of the total growth in exports. Imports of goods and services increased faster than in the preceding year (by 10% in value, against 7%). The trade gap widened (\$261 million in 1963,

against \$232 million in 1962). The balance of service transactions swung into deficit owing to the deterioration of the balance of investment income and an increase in the net expenditure of the public authorities. The current balance of payments thus moved from a surplus to a deficit.

Net capital imports, which partly reflect the increase in the external public debt, having practically offset the deficit in respect of current transactions, the net foreign assets of the monetary bodies of the B.L.E.U. remained at about the same level as at the end of 1962. There was, however, a considerable change in their distribution in 1963, since the Central Bank's net foreign assets increased by \$225 million while those of the other monetary bodies declined by the same amount.

Unlike the preceding year, 1963 was marked by a rise in interest rates in the money and capital markets. The Central Bank raised the discount rate in two stages from 3 1/2% to 4 1/4%.

In view of the high level of activity which the economy reached in 1963 and the phase of psychological adjustment which followed the change in the tax regulations applying to income from securities, the Treasury had some difficulty in raising funds on the domestic capital market. It thus had to have greater recourse to short-term borrowing at home and abroad. This, together with the considerable increase in bank lending to the private sector, helped to expand domestic liquidity, although this expansion was moderated by the slower circulation of bank money and by hoarding.

The success of the government loan issued at the beginning of 1964 suggests that there is hope that the situation will return to normal. Altogether, leaving out of account transactions with the IMF, the public debt increased in 1963 by Bfrs.23 000 million, against Bfrs.13 000 million in the preceding period.

The strains observable in Belgium in the labour market and the field of prices and wages at the end of 1963 were not, it is true, as serious as those affecting the economies of certain other member countries. There is a danger, however, that they may become more acute, and further price rises would be liable to occur if there were too rapid an increase in domestic and foreign demand.

This being so, a further restriction of the growth in public expenditure and a reduction of the budget deficit would be desirable. A spreading of public investment outlays over a longer period would make it possible to avoid strains in the building and construction sector which might otherwise become a centre of infection. The Committee is also of the opinion that the cash deficit ought as far as possible to be covered with long-term funds from the domestic market and that an effort should be made to reduce the Government's short-term foreign indebtedness. Lastly, the granting of credit to the private sector should be kept within limits compatible with the safeguarding of the external and internal equilibrium of the Belgian economy.

LUXEMBOURG

There was a slight revival of economic activity in Luxembourg in 1963. The gross national product at constant prices, which declined in 1962, appears to have increased by about 0.5%. The index of industrial production rose by 1%. This growth in industrial production was made possible mainly by the expansion — fairly modest though it was — in foreign demand. As a result, however, of the continued weakness of steel prices, the very modest increase in exports does not appear likely to have any effect on the gross national income at market prices. The previous year's marked rise in imports did not continue.

Nominal domestic demand advanced faster in the investment sector than in private consumption. The upward movement of prices and wages quickened. Furthermore, owing to the continued rise in the cost-of-living index (about 3% against just under 1% in 1962) and also to their retroactive application, the sliding-scale wage clauses came into operation several times during the year. In the public sector, salaries and pensions were raised by about 20% to make up their accumulated leeway in relation to private-sector incomes.

Exports and private consumption must be expected to rise more rapidly in 1964. Owing to the labour shortage, there might be a certain decline in house-building. Gross fixed business investment will not increase at the same rate as in 1963, since it is hardly likely that the vigorous growth in investment in other sectors will be sufficient to offset the substantial fall in investment in the iron and steel industry. Government gross fixed investment, on the other hand, will increase.

The Committee welcomes the fact that the Luxembourg authorities are keeping a close watch on the movement of prices and wages, that they are planning to reduce the strains in the building and labour markets, and that they have adopted a number of specific measures in various fields. Even so, still greater efforts in this direction are required. Should there be any appreciable further aggravation of the strains on the labour market, it might, however, prove necessary to slow down the pace of the investments designed to increase the structural flexibility of the Luxembourg economy.

Section III

OUTLOOK

In the light of the general facts of the economic situation — the strains which were in evidence early in the year and the anticyclical measures which have been decided upon or are being applied — the expansion may be expected to continue in 1964 as a result of a further growth in both domestic and foreign demand. The gross product of the Community will probably increase in volume by about 4.5%.

Private expenditure should advance at about the same rate as in 1963, while the rate of growth of public authorities' current expenditures is likely to fall off slightly. Business investment should rise from 5.5% to 6%, whereas the rate of growth of public investment should be lower than in 1963. The rate of build-up of stocks might become more rapid.

In these circumstances, some countries will probably have difficulty in checking the rise in prices. In some countries this might continue at the same rate as in 1963, especially if, in line with the forecasts of the economic trend in the rest of the world, the stimulating influences from outside the Community are stronger than in previous years. Merchandise exports to non-member countries might in fact increase by 6% or 7%. Transactions with these countries will, however, show an appreciable overall deficit, since imports will rise even faster than exports. The Community's balance of current payments for 1964 is likely to show a deficit.

While this trend of trade with non-member countries does not warrant too much concern, it is to be feared that the divergences which have developed in intra-Community trade may become even more marked in 1964. The easing of the resultant strains will depend on the success achieved by the programmes undertaken in the various member countries and on the extent to which these countries are able to co-ordinate their policies.

ANNEX I

THE COMMITTEE MEMBERS AND ALTERNATES

Chairman :

Jonkheer Mr. E. van LENNEP Thesaurier-generaal bij het Ministerie van Financiën (The Hague)

Vice-Chairmen :

M.P. CALVET Premier sous-gouverneur de la Banque de France
(until 20 January 1964) (Paris)

Dr O. EMMINGER Mitglied des Direktoriums der Deutschen Bundesbank (Frankfurt/Main)

Members :

Dr P. BASTIAN Commissaire du gouvernement (Luxembourg)

Dott. F. BOBBA Director-General for Economic and Financial Affairs in the EEC Commission (Brussels)

M. B. CLAPPIER Sous-gouverneur de la Banque de France (Paris)
(from 21 January 1964)

M. A. de LATTRE Directeur des finances extérieures (Paris)

M. M. D'HAENZE Directeur général de l'administration de la trésorerie et de la dette publique (Brussels)

M. C. de STRYCKER Directeur à la Banque Nationale de Belgique (Brussels)

Prof. Avv. A. GAMBINO (Rome)
(until 31 March 1964)

Dr L. GLESKE Director in the Directorate-General for Economic and Financial Affairs in the EEC Commission (Brussels)
(until 31 March 1964)

Dr R. GOCHT Ministerialdirektor, Bundesministerium für Wirtschaft (Bonn)

M. J. HEINEN Conseiller de direction à la Caisse d'épargne de l'Etat (Luxembourg)

Prof. S. POSTHUMA Directeur der Nederlandsche Bank (Amsterdam)

Prof. G. STAMMATI Direttore generale del tesoro, Ministero del tesoro (Rome)
(from 1 April 1964)

Dott. A. VERNUCCI Direttore generale dell'Ufficio italiano dei cambi (Rome)

Chairman of the Alternates :

Mr. A.W.R. Baron MACKAY Onderdirecteur, Nederlandsche Bank (Amsterdam)

Alternates :

Dr H. BONUS Ministerialdirigent, Bundesministerium der Finanzen
(Bonn)

M. F. BOYER de la GIRODAY Head of Division in the Directorate-General for
Economic and Financial Affairs in the EEC
Commission (Brussels)

Dott. M. CARDINALI Ispettore generale delle valute, Ministero commer-
cio estero (Rome)

Drs. S.N. EISMA Ministerie van Financiën (The Hague)
(from 12 November 1963)

M. P. ESTEVA Directeur-adjoint au ministère des finances (Paris)

M. H. FOURNIER Directeur général des études et du credit de la
Banque de France (Paris)

Drs. J. GROOTERS Financial Attaché in the Netherlands Mission to
(until 11 November 1963) EEC and Euratom (Brussels)

M. R. LOMBA Chef du service des relations financières avec
l'étranger au ministère des finances (Brussels)

Prof. F. MASERA Capo del servizio studi di economia internazionale
della Banca d'Italia (Rome)

Prof. J. MERTENS de WILMARS Onderdirecteur der Nationale Bank van België
(Brussels)

Dr G. SCHLEIMINGER Bankdirektor, Abteilungsleiter in der Deutschen
Bundesbank (Frankfurt/Main)

M. M. SCHMIT Chef du service du budget (Luxembourg)

Dr H. STEFFE Director in the Directorate-General for Economic
and Financial Affairs in the EEC Commission
(Brussels)

M. R. WEBER Membre du Comité de direction de la Caisse
d'épargne de l'Etat (Luxembourg)

Secretariat :

M. R. de KERGORLAY

Dr H. BURGARD

ANNEX II

Table I

EXTERNAL TRADE OF THE COMMUNITY

(in million dollars)

	1958	1959	1960	1961	1962	1963
A. EXTRA-COMMUNITY TRADE						
1. Imports (cif)	16 156	16 222	19 445	20 455	22 353	24 644
2. Exports (fob)	15 911	17 051	19 484	20 428	20 636	21 620
3. Balance of trade	- 245	+ 829	+ 39	- 27	-1 717	-3 024
of which : Germany (F.R.)	+ 937	+1 058	+ 967	+1 147	+ 467	+ 487
France	- 397	+ 359	+ 390	+ 225	- 346	- 609
Italy	- 560	- 359	- 846	- 808	-1 136	-1 810
B.L.E.U.	+ 1	- 50	- 196	- 249	- 366	- 522
Netherlands	- 226	- 179	- 276	- 342	- 336	- 570
B. INTRA-COMMUNITY TRADE						
1. Imports (cif)	6 790	8 091	10 151	11 718	13 416	15 706
2. Exports (fob)	6 864	8 176	10 246	11 893	13 562	15 925
3. Balance of individual Member States with other Community countries :						
Germany (F.R.)	+ 510	+ 269	+ 345	+ 599	+ 517	+1 111
France	- 92	+ 161	+ 194	+ 318	+ 188	- 35
Italy	- 79	- 96	- 231	- 232	- 267	- 682
B.L.E.U.	- 84	- 97	+ 14	- 46	+ 135	+ 260
Netherlands	- 181	- 152	- 227	- 464	- 427	- 435
C. TOTAL TRADE						
1. Imports (cif)	22 946	24 313	29 596	32 173	35 769	40 350
2. Exports (fob)	22 775	25 227	29 730	32 321	34 198	37 545
3. Balance of trade	- 171	+ 914	+ 134	+ 148	-1 571	-2 805
of which : Germany (F.R.)	+1 447	+1 327	+1 312	+1 746	+ 984	+1 598
France	- 489	+ 520	+ 584	+ 543	- 158	- 644
Italy	- 639	- 455	-1 077	-1 040	-1 403	-2 492
B.L.E.U.	- 83	- 147	- 182	- 295	- 231	- 262
Netherlands	- 407	- 331	- 503	- 806	- 763	-1 005

Table II

OFFICIAL FOREIGN EXCHANGE RESERVES OF MEMBER STATES¹

(in million dollars)

	Reserves at			Changes in		Reserves at 31.12.1963 as % of imports in 1963	Reserves at 31.12.1963 as % of GNP in 1962
	31.12.1961	31.12.1962	31.12.1963	1962	1963		
	Germany (F.R.)	6 542	6 446	7 102	- 96		
France	2 939	3 610	4 457	+ 671	+ 847	51.1	6.2
Italy	3 420	3 491	3 057	+ 71	- 434	40.5	7.7
B.L.E.U.	1 657	1 622	1 802	- 35	+ 180	35.3	13.6
Netherlands	1 715	1 743	1 899	+ 28	+ 156	31.8	14.5
Total Community	16 273	16 912	18 317	+ 639	+ 1 405		

Sources : Deutsche Bundesbank
 Ministère des finances et des affaires économiques (France)
 Ufficio Italiano dei Cambi
 Banque Nationale de Belgique
 Nederlandsche Bank
 Imports and GNP : Statistical Office of the European Communities

¹ Statement of gross reserves of gold and convertible currencies.

1. DECISION OF THE COUNCIL

concerning co-operation between the Central Banks of the Member States of the European Economic Community

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY

In view of the Treaty establishing the European Economic Community and especially Article 105, paragraph 1, and Article 145, first sub-paragraph, thereof,

In view of the recommendation of the Commission dated 19 June 1963,

In view of the opinion of the Assembly,

In view of the opinion of the Economic and Social Committee,

Considering that the gradual achievement of economic union must involve the pursuit of economic and monetary policies designed to ensure the stability of the exchange parties between the currencies of the Member States;

Considering that the organization of consultations between the Central Banks which would, as far as possible, precede the decisions to be taken by these Banks should promote closer co-ordination of the monetary policies of the Member States;

DECIDES :

Article 1

In order to increase co-operation between the Central Banks of the Member States, a "Committee of Governors of the Central Banks of the Member States of the European Economic Community" shall be created.

Article 2

The members of this Committee shall be the Governors of the Central Banks of the Member States. If unable to attend, they may be represented by another member of the Management of their Central Bank.

The Commission shall as a general rule be invited to be represented by one of its members at the meetings of this Committee.

* The translation of Annex III is provisional and may differ on certain points with the official translation to be published later.

The Committee may also, should it deem this necessary, invite qualified persons, and particularly the Chairman of the Monetary Committee or, if he is unable to attend, one of the two Vice-Chairmen of that Committee.

Article 3

The function of the Committee shall be :

to hold consultations on the general principles and main lines of the Central Banks' policies, especially concerning credit, the money market and the foreign exchange market ;

to exchange information regularly regarding the main measures within the competence of the Central Banks and to study these measures. This study shall take place before these measures are adopted, if the circumstances, and particularly the timing of the adoption of these measures, so permit.

In performing its function, the Committee shall observe the development of the monetary situation inside and outside the Community.

Article 4

The Committee shall meet at regular intervals and whenever the situation necessitates it. The Commission may request an urgent meeting of the Committee if it seems that the situation so demands.

Article 5

The Committee shall establish its own internal regulations and organize its secretarial services.

Done at Brussels, 13 April 1964

By the Council

(H. FAYAT)
Chairman

2. DECISION OF THE COUNCIL

concerning co-operation between the Member States in the field of international monetary relations

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY,

In view of the Treaty establishing the European Economic Community and especially Article 105, paragraph 1, and Article 145, first sub-paragraph, thereof,

In view of the recommendation of the Commission dated 19 June 1963,

In view of the opinion of the Assembly,

In view of the opinion of the Economic and Social Committee,

Considering that there is a need to ensure close co-ordination of the policies of the Member States in the field of international monetary relations and that the best means of achieving such co-ordination is by holding the necessary consultations within the Monetary Committee.

DECIDES :

Article 1

Consultations shall be held in the Monetary Committee regarding any important decision or adoption of attitude by the Member States in the field of international monetary relations, especially concerning :

the general working of the international monetary system ;

recourse by a Member State to resources which can be drawn upon under international agreements ;

the participation of one or more Member States in major measures to provide monetary support to non-member countries.

Article 2

The Member States shall not adopt the above-mentioned decisions and attitudes until after the consultations referred to in Article 1 have been held, unless this is precluded by the circumstances and especially by the timing of the adoption of the said decisions and attitudes.

Done at Brussels, 13 April 1964

By the Council

(H. FAYAT)
Chairman

**3. DECLARATION
OF THE REPRESENTATIVES OF THE GOVERNMENTS OF THE
MEMBER STATES OF THE EUROPEAN ECONOMIC COMMUNITY
MET TOGETHER IN THE COUNCIL**

**regarding the organization of advance consultations between the
Member States in the event of changes in the exchange parities
of their currencies**

THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES OF THE EUROPEAN ECONOMIC COMMUNITY, MET TOGETHER IN THE COUNCIL,

Considering that Article 107 of the Treaty stipulates that each Member State shall treat its exchange rate policy as a problem of common interest;

Considering that it is desirable in this spirit that any change that may be made in the exchange parity of the currency of one or more Member States shall be preceded by consultation between the Member States;

Considering that it is useful that the Monetary Committee should express its opinion on what methods are most likely to enable such consultations to be held under the conditions most appropriate to the nature of the decisions to be taken in this field;

Considering that, as any changes of parity could affect the achievement and functioning of the Common Market, the Commission should be associated with these consultations,

DECLARE that :

the Governments of the Member States shall consult together before any change is made in the exchange parity of the currency of one or more Member States, by appropriate procedures which shall be specified after obtaining the opinion of the Monetary Committee;

the Commission shall be associated with these consultations.

Done at Brussels, 13 April 1964

4. DECISION OF THE COUNCIL

**concerning co-operation between the responsible
departments of the Administrations of the Member States
in the field of budgetary policy**

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY,

In view of the Treaty establishing the European Economic Community, especially Article 105, paragraph 1, and Article 145, first sub-paragraph, thereof,

In view of the recommendation of the Commission of 19 June 1964,

In view of the opinion of the Assembly,

In view of the opinion of the Economic and Social Committee,

Considering that budgetary decisions exert an important influence on the development of the economic and monetary situation of the Member States of the Community,

Considering that study and comparison of the budgetary policies of the Member States are necessary in order to facilitate the co-ordination of economic and monetary policies,

Considering that it is desirable to arrange for this study and comparison to be carried out within a group composed of representatives of the Governments of the Member States and of the Commission ;

DECIDES :

Article 1

A Budgetary Policy Committee shall be created. This Committee shall study and compare the main lines of the Member States' budgetary policies.

The Committee's opinion may be sought by the Council or the Commission.

In addition, the Committee shall formulate opinions on its own initiative whenever it deems this necessary for the proper fulfilment of its function.

Article 2

The Committee shall be composed of representatives of the Member States and of the Commission, which shall each appoint one principal member and two alternate members.

Article 3

The Commission shall co-ordinate and synchronize the work of the Committee with that of the Monetary Committee and the Economic Policy Committee.

The Chairman of the Monetary Committee and the Chairman of the Economic Policy Committee may attend the meetings of the Budgetary Policy Committee or be represented at them.

Article 4

The Budgetary Policy Committee shall elect its officers, whose terms of office shall be two years and renewable. It shall establish its own internal regulations. Its secretarial services shall be provided by the Commission.

Done at Brussels, 13 April 1964

By the Council

(H. FAYAT)
Chairman

