

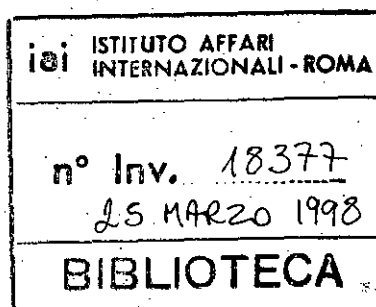
**L'EURO E LE SUE CONSEGUENZE PER L'EUROPA,
IL SISTEMA INTERNAZIONALE E L'ITALIA**

Istituto affari internazionali

Genova, 20-21/III/1998

a. Programma

1. The sustainability report [outline] / Stefan Collignon (4 p.)
2. The impact of the euro on the international monetary oligopoly / Robert A. Mundell (15 p.)
3. L'economia italiana e l'euro / Marcello De Cecco (10 p.)
- 3b. The Italian economy and the euro / Marcello De Cecco (10 p.)
4. Growth and employment in the stability-oriented framework of Emu : economic policy reflections in view of the forthcoming 1998 broad guidelines (II/33/98-EN) / European Commission-Directorate General II-Economic and Financial Affairs (22 p.)
5. Saluto del presidente della Regione Liguria ... / Giancarlo Mori (4 p.)
6. Rassegna stampa / IAI (2, 34 p.)



11,30 **TAVOLA ROTONDA**

Vivere con l'Euro

Le implicazioni per l'economia dell'introduzione della moneta unica.

Moderatore: *Giulio Anselmi* (Direttore, ANSA, Roma)

Partecipanti: *Rosario Alessandrello* (Consigliere Incaricato per l'Internazionalizzazione, Confindustria, Roma)

Vannino Chiti (Presidente, Conferenza dei Presidenti delle Regioni e delle Province Autonome, Roma)

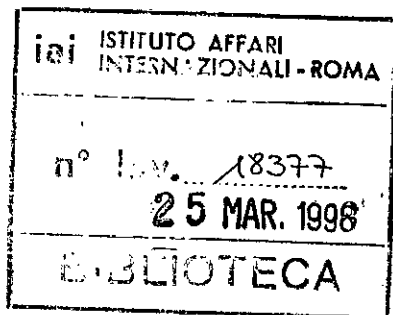
Sergio D'Antoni (Segretario Generale, CISL, Roma)

Aldo Fumagalli (Amministratore, SOL SpA, Monza)

Roberto Pinza (Sottosegretario di Stato, Ministero del Tesoro. Presidente del Comitato Strategico per l'Euro, Roma)

Giuseppe Zadra (Direttore Generale, Associazione Bancaria Italiana, Roma)

13,30 Pranzo-buffet



A soli quattro giorni dalla pubblicazione delle valutazioni della Commissione di Bruxelles e dell'Istituto Monetario Europeo sullo stato di convergenza economica dei Paesi dell'Unione in vista dell'Euro, l'Istituto Affari Internazionali di Roma in collaborazione con la Regione Liguria e la Fondazione Carige, propone un'approfondita riflessione sulle conseguenze nel Mondo, in Europa e nel nostro Paese, di questa storica decisione. A questo scopo sono stati invitati a partecipare al Convegno di Genova alcuni tra i migliori esperti ed operatori italiani e stranieri, le cui relazioni e i cui interventi consentiranno ai partecipanti di leggere poi quelle valutazioni con la migliore cognizione di causa.

I lavori si svolgeranno con traduzione simultanea in Italiano, Inglese e Francese.

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IN COLLABORAZIONE CON



FONDAZIONE
CASSA DI RISPARMIO
DI GENOVA E IMPERIA

**L'Euro e le Sue Conseguenze
per l'Europa,
il Sistema Internazionale
e l'Italia**

Palazzo Ducale
Genova, 20-21 Marzo 1998

CON IL PATROCINIO DI



UFFICIO
DI RAPPRESENTANZA
IN ITALIA
DELLA COMMISSIONE
EUROPEA



CONFERENZA
DEI PRESIDENTI
DELLE REGIONI
E DELLE PROVINCE
AUTONOME

VENERDÌ 20 MARZO

14,45 Saluto di apertura
Giancarlo Mori
(Presidente, Regione Liguria, Genova)
Vincenzo Lorenzelli
(Presidente, Fondazione Cassa Risparmio
Genova e Imperia)

15,00 I SESSIONE

L'Euro e il nuovo modello per l'economia europea

L'introduzione dell'Euro comporta l'avvio di un nuovo modello economico per l'Europa che non può essere quello americano. Quali ne possono essere le caratteristiche?

Moderatore: *Luca Paolazzi* (Inviato, Il Sole 24 Ore, Milano)

Relatore: *Stefan Collignon* (Direttore, Association for Monetary Union in Europe, Parigi)

Panel: *Franco Bruni* (Istituto di Economia Politica, Università Bocconi, Milano)

Fausto Cuocolo (Presidente, Banca Carige S.p.A., Genova)

Daniel Gros (Economista, Centre for European Policy Studies CEPS, Bruxelles)

Paolo Guerrieri (Università "La Sapienza", Consigliere scientifico, IAI, Roma)

Antonio Pedone (Presidente Onorario, CREDIOP S.p.A., Roma)

Loukas Tsoukalis (Università di Atene, London School of Economics, Londra).

16,15 Pausa caffè

16,30 Intervento

Il cammino dell'Italia verso l'Euro: la missione del gruppo dei Quattro

Umberto Vattani (Segretario Generale, Ministero degli Affari Esteri, Roma)

17,15 II SESSIONE

L'Euro e il sistema monetario internazionale

L'introduzione dell'Euro produce un mutamento strutturale profondo nelle relazioni monetarie internazionali oltre che nuove opportunità per la riforma del sistema.

Moderatore: *Paolo Garimberti* (Editorialista, La Repubblica. Direttore Il Venerdì di Repubblica, Roma)

Relatore: *Robert A. Mundell* (Professore di Economia, Columbia University, New York)

Panel: *Hervé Carré* (Direttore per gli Affari Monetari, Commissione Europea, Bruxelles)

Rainer Stefano Masera (Direttore Generale, Istituto Mobiliare Italiano, Roma)

Pier Carlo Padoan (Università "La Sapienza", Consigliere scientifico, IAI, Roma)

18,30 VIDEOCONFERENZA

Franco Modigliani (Professore di Economia, Massachusetts Institute of Technology, Cambridge)

SABATO 21 MARZO

09,15 III SESSIONE

L'Euro e l'Italia

Quali opportunità e vincoli per il nostro paese?

Moderatore: *Carlo Rossella* (Direttore, La Stampa, Torino)

Relatore: *Marcello De Cecco* (Università "La Sapienza", Roma)

Panel: *José Luis Alzola* (Economista, Salomon Smith Barney, Londra)

Mario Baldassarri (Università "La Sapienza", Roma)

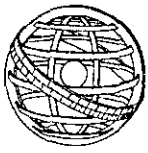
Lorenzo Caselli (Presidente Facoltà di Economia, Università degli Studi, Genova)

Enzo Grilli (Direttore Esecutivo, Fondo Monetario Internazionale, Washington)

Paolo Onofri (Consigliere del Presidente del Consiglio dei Ministri, Roma)

Norbert Walter (Deutsche Bank Research, Francoforte)

11,00 Pausa caffè



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sponsored by
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Conferenza dei Presidenti delle Regioni e delle Province Autonome*

"The Euro and its Consequences for Europe, the International System and Italy"

Palazzo Ducale, Genoa, March 20-21, 1998

THE SUSTAINABILITY REPORT

STEFAN COLLIGNON

The Sustainability Report

STEFAN COLLIGNON

European Monetary Union is at hand **What has been a lengthy (40 years!) and sometimes painful process is finally coming to completion.**

However, certain questions remain: Will EMU last? What are the constraints on future policies? Will labour markets be up to the new challenge?

When asking these questions we have effectively already moved beyond 1999: we are the way EMU will work in practice.

1. Sustaining Monetary Convergence

The convergence process over the last decade indicates that policies preferences have converged in favour of long term price stability. In Europe the significant convergence in inflation rates and the simultaneous reduction in nominal interest rates since the 1980s is a manifestation of this **consensus**.

A country's decision to join EMU depends on cost-benefit considerations. All benefits increase with the size of EMU. Costs are related to policy preferences. The benefits are related to transaction cost savings, a larger and deeper financial market and the reduction of risk premia in real interest rates and therefore encouraging investment. The costs of **abandoning exchange rate** instrument are short term. In the long run, devaluations in response to shocks lead to inflation, higher interest rates and real wage resistance. Therefore, giving up the exchange rate is no cost in the long term, but a benefit. Costs from joining a monetary union would only arise if the quality of the currency's purchasing power would be insufficient to keep peoples trust to use the currency. Therefore, sustainable EMU requires maintaining **price stability**.

Given that the net benefits of EMU are in the long run dependent on the maintenance of a good and stable currency, it would be against each **EMU member's own interest to behave** in a manner inconsistent with long-term price stability.

Transitory shocks are not a threat to EMU's sustainability, even if they may cause temporary losses. For the short term gain of leaving the Union must be compared with the expected persistent future gains within the Union after the shock has disappeared.

In conclusion, the convergence path to EMU seems to have been a painful purgatory to a better life in EMU.

2. Sustainability of public debt is assured in the foreseeable future

The consolidation of **public finances has improved** in all 15 EU countries. This has been due to restrictive fiscal policy stances and the improvement of the macroeconomic environment in recent years with lower interest rates and higher growth.

Although in most countries anticyclical behaviour is observable, this does not seem to have caused the rising debt levels. **Rather the high interest burden was the principal cause for the rising debt ratio** in EU countries.

The fiscal policy reactions in recent years have been consistent with stable government finances and sustainable budgetary positions. The **high debt levels are of no significant concern for the sustainability** of EMU. A continuation of the fiscal policy stance of recent years would imply a stabilisation of the debt ratio around 70 % given Europe's low growth rates. However, the speed of policy adjustment is likely to accelerate under the provisions of the Growth and Stability Pact.

3. EMU helps to consolidate public finances

The sustainability of debt position of highly indebted countries like **Italy** would be significantly higher within EMU than outside due to permanently lower interest rates. This has not caused negative externalities for stability-core countries as evidenced by recent convergence of interest rates to lower levels.

Growth is expected to improve in the single market through the elimination of the exchange rate risk and lower interest rates. This is an important contribution to the persistent consolidation of public finance and will favour private investment and economies of scales for firms.

In conclusion: The countries' **ability and willingness to consolidate public finances will be easier** within Monetary Union than outside.

4. Wage development to support price stability

Price stability can only be guaranteed if all economic agents behave in line with the central bank's stability commitment. This applies in particular to **wage bargainers**. **Excessive wage growth** raises domestic production costs and translates into inflation. When the Central bank refuses to accommodate inflation, the fixed amount of nominal money balances will restrict real economic growth and **cause unemployment**.

Productivity-orientated wage increases are the **Golden Rule** for a stability consistent behaviour of social partners in the long run. This rule becomes even more important in a monetary union where exchange rates cannot be adjusted. When unit labour costs fall because wage restraint keeps nominal labour cost increases below productivity increases, the **Central bank must cut interest rates to avoid deflation**. The combination

of lower unit labour costs and lower interest rates will then lead to high growth and employment creation.

European unit labour costs have stabilised in the 1990s after rapid growth in the 80s relative to Japan and the U.S. They have also converged within the EU. In eight countries unit labour costs show increases below 2 percent p.a. over 1990-96, **and only in two countries did** labour cost increase by more than 2.5% p.a.

Thus, despite famous structural rigidities the development of labour costs in eligible EMU countries does not pose a danger for the new currency's sustainability.

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"The Euro and its Consequences for Europe the International System and Italy"

Palazzo Ducale, Genoa, March 20-21, 1998

THE IMPACT OF THE EURO ON THE INTERNATIONAL MONETARY OLIGOPOLY

ROBERT A. MUNDELL

The Impact of the Euro on the International Monetary Oligopoly

ROBERT A. MUNDELL

1. The Significance of EMU
 2. The Pound and the Dollar
 3. The U.S. and World Inflation
 4. US Inflation, Debts and EMU
 5. Four Options
 6. A Dollar-Euro-Yen World
 7. ECB Monetary Policy
 8. The Security Factor
 9. The Fall-Back Factor
 10. Debt and the Money Multiplier
 11. Redundant International Reserves
 12. Transition Problems of the System
-

1. The Significance of EMU

The European Council will meet at the beginning of May 1, 1998 in London to announce the final decisions regarding the countries that are eligible to proceed to European Monetary Union (EMU). The next day the selected countries will meet in Brussels to make the decisions required to implement the decisions. The (up to) six executive directors of the ECB will be appointed, including the president and vice president and the designated countries will lock exchange rates by July 1 at the latest, and the ecu will become the euro on January 1, 1999. On this date, the process of replacing national currencies by euros within banks will begin. On January 1, 2002, the circulation of euro banknotes and coins will begin, to be completed six months later, when the legal tender status of national banknotes and coins will end.

By the middle of 2002, the technical transition will be complete. By this time a substantial degree of centralization of foreign exchange reserves will have taken place and monetary policy will be governed by the European Central Bank, on behalf of the European System of Central Banks. The national central banks will then be relegated to much the same position as the twelve Federal Reserve District Banks of the Federal Reserve System of the United States. From that date hence, the monetary histories of the member European states will end and the history of the core of the European Union as a single monetary entity will begin.

It is a foregone conclusion that eleven countries out of the fifteen members of the EU will proceed to EMU. The U.K., Sweden and Denmark have exercised their right to opt out or delay entry. Of the other twelve, all have achieved the crucial deficit convergence condition of 3 percent except Greece. Of a total EU population of 375 million, the EU-11 will total 293 million; of an EU GDP of \$8.2 trillion, the EU-11

GDP will be \$6.8 trillion. When, as can be forecast, all members of the EU have joined EMU, it will represent a single-currency area that is fully the equal of the United States and that, as the EU expands to the south and east, becomes substantially larger.

The introduction of the euro will mark an important turning point in the international monetary system. It will certainly be the most important change in it since the advent of flexible rates in 1973 and since President Richard M. Nixon took the dollar off gold in August 1971. But its significance is even deeper. The collapse of the Bretton Woods arrangements altered the modus operandus of the exchange system, but it did not change the power configuration of the international system: both before and after 1971, the dollar was the dominant currency. The introduction of the euro, on the other hand, will change the status of the dollar in the international monetary system and alter the power configuration of the world monetary system. In this sense it will be its most important development since the dollar replaced the pound sterling as its dominant currency in the 1st world war.

The euro will create an alternative to the dollar as the main standard of value in the international monetary system and vie with the dollar for seigniorage in the reserve currency market. It will also become a viable alternative to the dollar as an anchor currency. A decade from now the international monetary system will look very different. This article will try to assess the long run effects of the euro on the international monetary system and its impact on financial markets during the transition.

2. The Pound and the Dollar

Epochal events such as the introduction of the euro must be appreciated in the panorama of monetary history. The world economy has always been in need of a currency for international transactions and in the absence of an official world currency, the void has usually been filled by the currencies of the greatest powers in the period of their ascendancy. Two main factors operate to make a currency dominant: its stability and the size of its transactions area. Shekels of Babylon, darics of Persia, drachmas of Athens, staters of Macedon, denarii or aureii of Rome, dinars or dirhems of Islam, maravedis of Spain, deniers of the Carolingian, florins, ducats and sequins of the Italian states, scudos of Spain, thalers of Austria, livres and francs of France, pounds of England and dollars of the United States have each successively been widely used as international currencies. In our own times the pound sterling and the dollar have been great international currencies. For future reference, it is important to note that all these important international currencies were either metallic or backed by gold or silver.

The pound sterling goes back to early England, but it was in the reign of William III that the Bank of England was established and gave English finance that flexibility that made it the dominant international currency when Britain reached its ascendancy in the nineteenth century. The pound, however suffered a jolt with World War I, at a time when its successor, the dollar, was waiting in the wings. After World War II, the Bank of England was nationalized, Britain's empire fell away and monetary policy fell victim to the Phillip's Curve. Elizabeth I had a more stable monetary policy than Elizabeth II.

Both size and stability factors made the dollar dominant. Already by the 1870s, the U.S. was the largest economy in the world, and by the outbreak of World War I, its

GDP was more than thrice its nearest economic rivals, Britain and Germany. The inter-war weakness and instability of the pound reinforced reliance on the dollar. After World War II, the transition had become complete and in the post-war decades, the dollar achieved a position in world finance unrivaled in monetary history.

Anchored to gold, the dollar presided over an era of remarkably low unemployment, high growth and price stability, a great period that stands out in its performance characteristics far above its immediate predecessor in the 1930s or its successor in the 1970s. Nevertheless, fault signs began to appear in the international monetary structure as early as the 1950s. Although the architects of Bretton Woods had tried to create a symmetrical structure, in reality it was dramatically asymmetrical with respect to the role of the dollar: other currencies were linked to the dollar and only the dollar was linked to gold. Equilibrium in the system required a correct relationship between gold and the dollar. But wartime price increases had made gold, the price of which had been set in the 1930s, undervalued. It was just a matter of time before the United States would no longer be able to convert dollars into gold at \$35 an ounce for foreign monetary authorities. By the early 1960s the United States had lost half its gold reserves to European countries. Inevitably, the dollar became inconvertible, in 1971: when the dollar left gold other currencies left the dollar.

3. U.S. and World Inflation

The severing of the link to gold and the movement to flexible exchange rates did not prove to be a forward step for the world economy; contrary to the predictions of its advocates, flexible exchange rates did not reduce the need for international reserves, lead to the elimination of controls, reduce unemployment, or preserve price stability. In the decade of the 1970s, the world economy moved toward stagflation, with high and rising unemployment, and an outbreak of inflation unprecedented in world history.

Freed from the "albatross" of gold, US monetary policy became more inflationary. Freed from the discipline of convertibility into the dollar, the other countries also inflated. Left untended, the euro-dollar market exploded: from less than \$10 billion in 1968, it would top \$10 trillion three decades later. Gold and oil prices soared, huge oil deficits were financed through the Eurodollar market, and inflation, acting on progressive tax schedules, shifted taxpayers into higher brackets, increasing unemployment. High inflation and the falling dollar in the late 1970s drove Europeans into the creation of the EMS as a defense against the dollar.

A major objection to the dollar as an international currency had been that it gave the United States a power and income that other countries did not have. Even in the absence of inflation, the larger European countries vexed under what General Charles De Gaulle called that "exorbitant privilege" by which dollar balances were used as international reserves, enabling the United States to finance what his advisor, Jacques Rueff termed a "deficit without tears." Whereas other countries had to settle their deficits with owned reserves, the United States was enabled to settle its deficits with its own currency, an IOU of the United States, that, instead of being returned for payment, was added to foreign reserves. The gain the United States acquired from the use of the dollar as an international currency was a form of "seigniorage" or money tax.

Inflation aggravated the problem. When the US inflation rate went up, the real value of dollar balances went down. In order to keep the same real value of reserves or the same proportion of reserves to imports, countries would have to augment their dollar holdings just to stay level with inflation. The more US inflation, the more the rest of the world had to pay in seigniorage.

The problem could have been avoided if flexible exchange rates had made international reserves unnecessary, as--to repeat--its advocates predicted. The seigniorage argument against the dollar would not have applied. But in fact world reserve exploded with flexible exchange rates and countries that did not maintain sufficient reserves suffered repeated crises and loss of sovereignty to the international organization. It is no accident that the four Asian developing countries that escaped the worst of the current Asian crisis--China, Singapore, Hong Kong and Taiwan--had massive exchange reserves.

4. US Inflation, Debts and EMU

Not surprisingly, then, the impetus for a European currency to replace the dollar has been strongest when the dollar is in excess supply. Rising inflation and the weak dollar in the late 1960s led to the 1969 Hague summit, which established formally the goal of monetary union; the weak dollar in the late 1970s provoked the Bremen Summit and the European Monetary System; and the weak dollar in the late 1980s led to the Delors Report, the substance of which was implemented by the Maastricht Treaty. By contrast, not much was heard about monetary union when the dollar was comparatively strong in the middle 1960s, the middle 1970s, and the early 1980s. If the strong dollar today weakens the argument for EMU, it nevertheless has the compensating benefit of helping the weaker European countries to satisfy more easily their Maastricht convergence requirements.

Forces similar to those at work to undermine the dollar under the Bretton Woods arrangements act today to threaten the dollar in the future. In the post-war system, growing countries bought dollars to add to their reserves imposing on the U.S. a balance of payments deficit. Despite flexible exchange rates the same tendencies persist in the present system but in expanded form. If because of growth of outputs, countries want to add to their dollars or dollar assets every year, and buy these assets in the New York capital market, the capital inflow increases expenditure in the United States relative to its income and imposes a trade deficit on the United States. Since the late 1970s and early 1980s, the U.S. trade deficit has continued to mount, building up a pile of international indebtedness that is unique not just in America's history but in the history of the world.

The United States can take pride in recent economic performance. With the exception of a nine-month recession in 1990-91, the fifteen years between 1982 and 1998 have seen low inflation rates and continuous expansion producing no fewer than 38 million new jobs. This is more than the entire labor force of Germany! But it would be a mistake to ignore the downside of this period. In the same fifteen years current account deficits have exceeded \$1.5 trillion, turning the United States from the world's

biggest creditor to its biggest debtor. When it ends, the Clinton-Gore administration alone will have presided over cumulative trade deficits of more than a trillion dollars.

Fundamental changes have occurred in the U. S. economy in the past half-century. In the 1940s, the United States accounted for over a third of the world's output, was a large net capital exporter with a strong trade surplus, had an overwhelmingly strong reserve position with two-thirds of the world's gold stock, and was by far the world's largest creditor nation. A half century later, the United States accounts for less than a quarter of the world's GDP, is the largest capital importer with a huge and seemingly chronic trade deficit, has negative net reserves, and is the world's largest international debtor nation. Although more favorable demographics in the United States than in Europe or Japan may provide a temporary respite, the debt problems will one day come home to roost.

The Peter Principle, that in a hierarchy every employee tends to rise to his level of incompetence, applies to the hierarchy of currencies. Like its predecessor the pound, the use of the dollar will increase until it is extended beyond the point of its utility. The time will arrive when the pileup of international indebtedness--in itself a consequence of faith in the dollar--will make increased reliance on the dollar as the world's only main international currency untenable. It would be rash to predict instability of monetary policy in the United States in this spectacular fifteen-year boom and while it is under the Greenspan watch. But the boom will not go on forever and when it ends, there could be a spectacular run on the dollar. The huge stock of international reserves held in dollars makes that currency a sitting duck in a currency crisis. It was no accident that the dollar fell to 79 yen in 1995 at the peak of the fallout from the Mexican crisis, wrecking havoc with Japan's already distressed economy. The position of the United States as a the great debtor will eventually undermine the stability of the dollar as an international reserve currency.

A dollar-based system was inevitable in the early post-war years, when the rest of the world was wrecked by wars and racked by instability. But with the soaring strength of Europe and Japan, sole reliance on the dollar as the main reserve, invoice and intervention currency presents risks that are no longer necessary. While the dollar will continue to be an important part of the international monetary system--and perhaps remain the most important part of it for years to come--it is no longer necessary or even healthy for the United State or the rest of the world to rely solely upon the dollar.

5. Four Options

What should other countries do in the world of a potentially unstable dollar? There are several options. National floating is one. This is the option most favored by the International Monetary Fund, acting on the 2nd amendment to the IMF Articles of Agreement. But this policy has not worked out in practice. It has led to more inflation than at any time in history. It fails to give the smaller countries a target for economic policy. It balkanizes the non-dollar world. It exaggerates the power and importance of the dollar. A world of floating exchange rates remains a dollar world that can only end when the dollar becomes unstable.

A second option requires the creation of a multilateral world currency. It was the great opportunity missed at the 1944 Bretton Woods meetings. The two major plans discussed at Bretton Woods--the Keynes and White plans--in 1944 each contained provisions for a world currency--Keynes' bancor, White's unitas. But the United States rejected the idea of an international currency. The post-war system was based on gold and the dollar with no provision for an international currency. There was a provision in the Bretton Woods agreement for keeping the system going--a unilateral reduction in the par value of all currencies--but this solution was adamantly rejected by the United States.

Historically, international monetary reform in the direction of a world currency is blocked by the presiding superpower. Nothing is more inevitable than self-interest. Britain in the nineteenth century rejected the reform plans put forward by France, a descending power, and the United States, an ascending power, mainly on the self-interested grounds that it would challenge the world role of the pound. Similarly, the United States in the twentieth century--in 1933, in 1944 and in 1973--blocked proposals for an international monetary reform that would clip the wings of the dollar. When the SDR was established, it had a gold guarantee; when the price of gold soared, the US and its allies insisted that the gold guarantee be removed.

Today, there is no prospect at all for a world currency. Any proposal for the establishment of, say the SDR as an international currency would in the past have been blocked by the United States. Now that the euro seems to be a viable option, it would be blocked by Europe. Europe would look upon a proposal for basic international monetary reform today as a mere ploy to undermine or pre-empt the euro.

A third alternative would be fixed exchange rates to the dollar--the Bretton Woods solution. Such a solution would be workable for many countries provided they let the balance of payments determine their monetary policy. A currency board arrangement using the dollar as anchor is a specially tight example of this type of arrangement. Such a solution allows countries to shelter under the dollar umbrella. This means accepting the inflation rate set by unilateral Federal Reserve policy but it would be a step toward away from inflation and toward stability for a wide range of countries.

Unfortunately, it would not have the multilateral patina of the IMF that the post-war system had. It would be rejected by any of the larger countries unless the U.S. committed itself to some form of convertibility--which, judging by recent decades, the U.S. would reject. Unless the United States could develop institutions for internationalizing a dollar-centered currency area--with a commitment not to block funds for political reasons--a dollar standard would be unacceptable to many countries.

A fourth option would be a system of optimum currency areas. Instead of nearly two hundred countries floating their own currencies independently, larger currency groupings would exploit some of the economies scale and scope associated with the use of money as a unit of account, medium of exchange and vehicle of settlement. Such currency areas are usually asymmetrical, in the sense that smaller countries fix to a large country whose monetary policies they are willing to accept. (The EMU area, however, will be an exception.)

A system of currency areas--optimal or not--is the likely outlook for the world economy in the next few decades. There is and will always be for the foreseeable future

a dollar area. Nearly a fait accompli is the euro area. It is also likely, however, that additional currency areas will develop in the other continents. A Japan-led currency area in Asia is a distinct and imminent possibility when or if the United States withdraws its objections to it. In the long run, however, the inefficiency of these arrangements will make themselves felt and there will be a return of interest in a global international unit of account.

6. A Dollar-Euro-Yen World

While other smaller countries might accept a fix to the dollar, such a solution has proved to be unacceptable to Europe. Unlike most of the other countries, Europe has an alternative. With the road to economic integration already paved, Europe needs only to put the finishing touches on its common market with a common currency. With eleven countries set to join, the stage will be set for a single currency area that can be a worthy alternative to the dollar.

The introduction of the euro would at once make it the reserve currency of choice for a large number of countries connected in trade and finance with Europe. Diversification from the dollar to the euro would begin once confidence in the policies of the new European Central Bank had been established.

This attractive new option would be of enormous advantage to other countries in the event that the dollar again becomes unstable, and especially for countries where political difficulties made a dollar fix unworkable. At first glance, the international monetary system would seem to be dominated by relations between the dollar and euro. Certainly these will be the two most important currencies, followed by the yen. The dollar-euro would surely be the most important exchange rate in the world, followed by the yen-dollar and euro-yen rates.¹

How such a tri-currency world would work out depends importantly on relative market sizes. The size of a single-currency area determines its liquidity. Obviously a currency that is money for 100 million people is much more liquid than a currency that is money for 1 million. Size is also important for a different reason. The larger the single-currency area, the better it can act as a cushion against shocks.² If a shock such as German unification, manifested in a debt-financed increase in annual government spending and transfers of more than 150 billion DM, close to destabilizing the German economy, think of the effect of the same shock on a smaller economy. Alternatively, think how much more easily the shock would have been handled had there been in 1992 a stable European currency!

From the standpoint of size, the outlook for the euro is very favorable. The EU-15 has a population of 375 million, and the EU-11, which includes those countries slated to enter EMU, contains 292 million, somewhat larger than the United States; by comparison, Japan has 125 million. At current exchange rates, the GDP of the EU-15 is running at the rate of \$8.4 trillion, that of the EU-11, at \$6.6 trillion. These compare to US GDP running at 8.5 trillion and Japanese GDP at 4.1 trillion. All of a sudden, with or without the four countries that will not proceed to the first round, the EU becomes a player on the same scale as the United States. Over time, as the other countries join, as the per capita incomes of the poorer members of EU catch up, and as the EU expands

into the rest of Central Europe, the EU will have a substantially larger GDP than the United States.

The Big Three economies are about equally open, as measured by the ratios of exports or imports to GDP. Of course Europe is the most open economy if judged by the ratio of total exports or imports; the ratio of exports is around 30%. But for purposes of international comparison, it is necessary to net out intra-EU exports and imports. When that is done, the openness figures are remarkably similar, after making allowance for the large trade deficit in the US and trade surplus in Japan and the EU-15. The US ratio of imports to GDP is the highest, at nearly 11%; the EU-15 and Japan's import ratios are substantially lower, at around 8%. With openness measured by exports, on the other hand, Japan's and the EU-15's ratios are around 9%, while the US's is a little over 8%.

What emerges from these numbers is the significant fact that the three giant economies are all relatively closed, a fact that might lead to increased instability of exchange rates if any of the three regarded their exchange rates with benign neglect.

7. ECB Monetary Policy

The monetary policy scheduled for the EMU countries is clearly important. No currency could ever survive as an international currency with a high rate of inflation. The lower the rate of inflation, the lower the cost of holding money balances, and the more of them will be held. In addition to a low rate of inflation, a stable rate is also desirable; because, however, inflation and variance go hand in hand, much of the problem is avoided if inflation is kept low.

Additional considerations are predictability and consistency in monetary policy. In a democracy, both are abetted by transparency. If the monetary authorities openly state their targets and their strategies for achieving them, the market and the critical public will be able to make its own judgement about inflation outcomes.

From the standpoint of sound monetary policy, the outlook for the euro is also very favorable. The Maastricht Treaty is unambiguous in making price stability the target of monetary policy; while the ESCB can and should assist the monetary union in carrying out its other objectives, it is forbidden to do so if such assistance would conflict with price stability. Monetary policy will not be used to reduce unemployment by "surprise inflation" or to inflate away embarrassing public debts.

There remains considerable discretion for the independent ECB. They will have to determine how price stability can best be achieved. The problem is complicated by lags in the effect of monetary policy. The best approach for a large economy like the EU is to target the inflation rate, formulating monetary policy actions on forecasts of inflationary pressures. Leading indicators that should always be taken into account include gold prices, other commodity prices, rates of change in the different monetary aggregates, the growth rate and bond prices. The most successful central bankers have been pragmatists. But there is no reason why an independent ECB cannot be as effective a body as the Federal Reserve System in the United States or the Bundesbank in Germany.

8. The Security Factor

Political stability is a sine qua non of monetary stability. That is why strong international currencies have always been linked to strong central states in their ascendancy. The EU cannot be considered a strong, central state. Indeed, it is hardly a state at all. Monetary union will change that somewhat, and will be a catalyst for greater political union. But political union is a long way down the road. In the meantime, will the fact that the EU is not a strong central state be a fatal weakness in the strength of the euro?

The answer is no--or at least, probably not. The state is needed to prevent civil war and inhibit invasion. Europe has already had more than its shares of civil wars, and one of the motives for European integration has always been to make intra-European war impossible. At the same time, the Cold War ended, reducing drastically the external threat to Europe. Even so, the security of Europe is well attended to by Nato, the most successful military alliance in history. Allied with the military superpower, the prospects for peace in the next few decades are excellent. These factors greatly mitigate what would otherwise be a fatal defect.

9. The Fall-Back Factor

Historical analogies can be treacherous. Modern currencies differ from the great currencies of the past, which were all either gold or silver, or convertible into one or both of those metals. Unlike paper currencies, they had a fall-back value if the state collapsed. If any of the Italian city-states coining the sequins, florins or ducats of the Middle Ages collapsed, the 3.5 gram gold content would always have a fallback value in metal. That does not hold for a paper currency. When, for example, the Confederacy collapsed in 1864, its notes became worthless. Until the advent of the dollar, there is no historical record of any fiat currency achieving international significance. But the dollar is the exception that makes the rule: it is itself a ghost of gold.

There is in this a lesson for the euro. In any great war scare, and especially one that threatened the durability of the EU, there would be a run on the euro that would not be mitigated by any fall-back value. A run would have a devastating impact on the bond market. Even the possibility of a run would make it difficult to float really long term securities in euros.

It might be argued against this, that economies like Germany's thrived even when it was on the front line of the Cold War. Yet two factors need to be understood. The first was the existence of Nato, which kept Germany under the security umbrella of the United States. The second was that Germany, like most of the other countries on the European continent, did not--or only rarely--issued debt exceeding 10-15 years. The substantial issues of long term securities have been a phenomenon of the post-Cold War world.

Of course the same qualification of the strength of the euro could be used to point up a potential weakness for the dollar as well. Total political and military security can never be assumed. Nevertheless, the US situation differs for several reasons: the dollar has an old tradition; it is a military superpower; and, though a federation, has a

strong central government. The lesson in this for the euro is that the ESCB will need larger holdings of external reserves than otherwise or than the United States. Fortunately, the EU countries have dollars and gold in abundance and will therefore be able to meet any foreseeable contingency.

10. Debt and the Money Multiplier

I have already referred to the liquidity of the euro in connection with the size factor and the ability of the euro area to insulate itself against shocks. But there are other liquidity effects to consider. Monetary policy will have to take into account several liquidity effects associated with the introduction of the euro. First, there will be a once-for-all liquidity effect associated with the replacement of national currencies by euros. The replacement of the total stock of national currencies by euros will increase total liquidity. This is because a euro, with a larger transactions domain, will be more liquid than any of its component currencies. When, say 500 billion euros worth of national currencies are replaced by 500 billion euros, European liquidity will be increased just as if there had been a sudden increase in the European money supply. On this account, ECB monetary policy at the outset will have to be tight.

A similar effect will be experienced in the bond market. Like all assets, bonds have a liquidity dimension. Liquidity is measured by the ease with which an asset can be turned into cash without loss; it is inversely related to the cost of turning a bond into cash and then requiring it. Bonds with a large market are more liquid than bonds with a small market. The re-denomination of national debts and corporate bonds from local currencies to euros will all of a sudden create a vast single market in Euro-denominated bonds, a bond market of the same massive scale as that of the United States. The liquidity of this debt will be much larger than the liquidity of the combined public and corporate debts now denominated in national currencies. The redenomination of these national debts is bound to create a revolution in the European and in world capital markets.

How important is this liquidity effect likely to be? Some indication can be got by comparing the degree of securitization in Europe with that of the United States and Japan, the two countries in the world with the largest bond market. Outstanding government and corporate bonds in the Big Three markets--taking the EU-15 as a single entity--amounted to just short of \$40 trillion in 1995. Of this total, \$12.5 trillion was accounted for by the EU-15, and the remainder of \$27 trillion by the US and Japan together. The liquidity of the EU-15 debt will be greatly enhanced by the adoption of the single currency.

There is a related issue. The superiority of the new facility--the ability to issue euro-denominated debt--will make larger issues cheaper and more attractive. But by how much would the market expand? One heroic (or crude!) way to estimating the potential increase is to compare ratios of outstanding bonds to GDP--securitization ratios--in different countries. Using the outstanding-debt figures cited above for 1995, and taking the 1995 GDPs of the EU-15, the US and Japan as \$8422 trillion, \$7265 trillion and \$5135 trillion respectively (remember these are translated into dollars at 1995 exchange rates), the securitization ratios in the EU and the US + Japan come to,

respectively, 1.5 and 2.18. This is a remarkable difference and at least part of it can be attributed to the disadvantage the EU countries have up until now faced in their national-currency bond markets. No doubt there will be some shift from the other markets to the European markets and also an increase in total outstanding issues in Europe. Outstanding bonds in the EU-15 in 1995 would have had to have been an additional \$6 trillion to equal the ratio in the United States and Japan. The euro will create magnificent new openings until the market reaches maturity.

Another liquidity effect concerns the money multiplier. The money multiplier is the EU-15 money supply divided by the supply of euro currency outstanding. Obviously a considerable coordination problem is likely to arise because of different legal or practical reserve ratios in the different member countries. But a more serious problem is the creation of euro substitutes. Because the replacement of a national currency by the euro transfers seigniorage to the ECB, each country has an incentive to minimize the need for euros. This incentive exists even though it is weakened by the redistribution of ECB profits to the NCB's.³ What if the NCB's created a lender-of-last resort facility that enabled the banks to get by on a far smaller ratio of euros to deposit liabilities? The incentive for NCB's to do so may be eliminated for the most part by the provision by which their money incomes are earmarked for the general account and then "allocated to the national central banks in proportion to their paid-up shares in the capital of the ECB."⁴ There nevertheless remain opportunities for the private sector or another branch of the government to perform functions previously performed by the NCB's. The EU's money multiplier will have to be watched closely!

11. Redundant International Reserves

Much more well-known liquidity effects will arise from the centralization of international reserves. It is convenient to divide these reserves into three types: (a) foreign exchange held in European currencies, ECU's, IMF reserve positions and SDRs; (b) foreign exchange held in non-European currencies; and (c) gold. Category (a) assets "may" be held and managed by the ECB. The ECB will also receive "up to an amount equivalent to" ECU 50 billion. The contributions of each member state will be fixed in proportion to its share in the subscribed capital of the ECB.⁵

Reserve needs in Europe will be lower in Europe on two counts. First, once EMU is formed, intra-union deficits and surpluses will be netted out and reserve needs for the union as a whole will be considerably smaller than the sum of the reserve needs of individual members. If external (mainly dollar) reserves were at an appropriate level before the union, they will be excessive after it. The same holds for gold reserves, of which the EU countries hold almost half the world's monetary reserves--although here gold reserves could partially compensate for the absence of the strong central state. Any immediate action to dispose of the part of these reserves that are considered excessive would be damaging to exchange rate stability

Second, and in the long run much more important, the ESCB's need for foreign exchange reserves will decline drastically once the euro is successfully launched. The euro will then become a reserve currency of choice for many countries around the world. Reserve currency countries have less need for reserves--especially if there is

confidence in its monetary policy--because its own currency is liquid internationally; reserve currency status is a widow's curse that keeps the owner in perpetual liquidity.

Apart from IMF positions and SDRs, EU-15 reserves at the end of 1996 amounted to 350.6 million ounces of gold (to which could be added 92.0 million held by the EMI). The other big holders were the United States with 261.7 million ounces, Switzerland with 83.3 million ounces, and the IMF with 103.4 million. These countries and institutions thus hold 891 million ounces or 80 per cent of the world total of 1,108.1 million ounces. Pooling all foreign exchange would give the ECB \$387 billion, or 25.9 per cent of the world total of \$1,498 at the end of 1996. This compared with the holdings of \$209 billion in foreign exchange in Japan or about \$300 billion in "Greater China" (China, Taiwan and Hong Kong).

The foreign exchange reserves would not seem so excessive (at least compared to the Asian holdings) were it not for the fact that the euro, as already mentioned, will itself become a widely-used international currency, conferring on the EU the "exorbitant privilege" to run a "deficit without tears"--to use the phrases of Charles De Gaulle and Jacques Rueff in their prickly attacks on the dollar in the 1960s. China, for one, has already said it will hold part of its reserves in euros. Judging by the past experience of reserve centers, which have frequently got by on negative net reserves, Europe will be able to float its own IOU's to pay for future deficits as they might arise (At the end of 1996 the United States held only \$36 billion in foreign exchange, hardly 2.5 per cent of world foreign exchange reserves). It is therefore more than likely that there will be a glut of dollars that will have to be managed once the euro gets established.⁶

To conclude, the liquidity factors suggest that monetary policy will have to cope with conditions of excess liquidity in the early years of the euro. Reserves of the ESCB will be more than ample; the liquidity of the euro will be greater than the liquidity of the national currencies it replaces; there will be a tendency for the money multiplier to increase; and the liquidity of bonds will be higher. To offset these factors the ESCB will have to plan on a slower rate of euro growth than would otherwise be necessary.

There is a danger also for the United States. Any of the excess reserves held by the EU that get spent will create renewed dangers of inflation and currency depreciation in the United States, aggravating the exchange rate effects of the inevitable swing from the dollar to the euro. To the extent that the dollars come back home, the US will have to prevent them from causing renewed dangers of inflation.

The liquidity factors suggest that there will be excess liquidity in the transition phase that could lead to inflation. Over the longer run, however, this danger of inflation has to be set against the demand for euro reserves on the part of the rest of the world. There is bound to be a large and growing demand for euros to hold in central bank accounts that will eventually more than make up for inflationary liquidity factors inside Europe. Because the external demand will come at a later date, immediate policy will have to be conservative.

12. Transition Problems in the System

If the euro contributes to the stability of the international monetary system in the long run, it could present problems in the transition. I have already discussed a number

of effects that have to be considered: the once-for-all liquidity effect associated with the replacement of national currencies by euros; the increase in liquidity due to the replacement of national currencies by euros; the greater liquidity of euro-bonds; the increase in the money multiplier; the extra liquidity associated with reserve pooling; redundant reserves of the ECB; and the use of the euro itself to finance deficits. Judging by the past experience of reserve centers, which have frequently got by on negative net reserves, Europe will be able to float its own IOU's to pay for future deficits as they might arise. The liquidity factors suggest that there will be excess liquidity in the transition phase that could lead to inflation if these effects are not offset by restrictive monetary policies of the ECB.

Over the longer run, however, this danger of inflation will be mitigated by the demand for euro reserves on the part of the rest of the world. There is bound to be a large and growing demand for euros to hold in central bank accounts that will eventually more than make up for inflationary liquidity factors inside Europe. The new euro will create changes in currency preferences of central banks and other portfolio managers. Diversification effects are inevitable. Imagine the impact on exchange rates if new currency preferences were such that countries wanted to keep their official reserves divided equally between dollars and euros! The problem is magnified by the likelihood of a massive diversification into euro-denominated deposits in the off-shore currency markets and in the bond markets.

Both the EU and the United States would need to take strong defensive action to ease the transition. It may be necessary to create an institutional framework for dealing with the problem. A "Conversion Account" could be set up under the auspices of the IMF, authorized to accept deposits of gold or dollars or euros in return for credit balances denominated, perhaps, in Special Drawing Rights (SDR). With the replacement of the mark and franc, and eventually perhaps the pound by the euro, the SDR, of course, will have to be redesigned. It is at present a basket of five currencies with weights of 39 percent for the US dollar, 21 percent for the DM, 18 percent for the yen, and 11 percent each for the French franc and pound sterling. If the existing country weights were retained, the new SDR, assuming all three European countries entered the EMU, would have weights of 43 per cent for the euro, 39 per cent for the dollar, and 18 per cent for the yen.

My own view is that a well-run monetary union encompassing most of the members of the EU today, and most of Europe in the future, will be of enormous benefit to the people of Europe and also to the people of the rest of the world, not excluding the United States. Members of the EMU will get not just a currency on a par with the dollar and the right to a share in international seigniorage but also greater influence in the running of the international monetary system--much needed, if the fallout from the Asian crisis is a prevision of the future. The rest of the world will get an alternative asset to the dollar to use in international reserves and a new and stable currency that could be used as the focus for stable exchange rates or currency boards. The United States will get a needed respite from the eventually debilitating overuse of the dollar as an international currency, a single currency continent that vastly simplifies trade and investment, and a strong partner in Europe with an equal stake in constructing an international monetary system suitable for the twenty-first century.

NOTES

1) It would be a mistake, however, to neglect the role of gold. Gold is now the second most important reserve asset. Total above-ground gold stocks amount to, say, 110,000 tons, worth at \$10 million a ton, \$1.1 trillion. Financial authorities hold about a third of this--more exactly 1.1 billion ounces--worth \$330 billion at \$300 an ounce. EU countries held hold 365.9 million ounces or 457.9 million ounces, counting gold held by the European Monetary Institute on their behalf. By comparison, the United States holds 261.7 million ounces. Soon enough, however, reserves held in euros may displace reserves held in gold. The future of gold reserves will depend crucially on the attitude taken by Europe, which will have a strong voice in determining the role played by gold in the future of the international monetary system.

2) This idea can be seen in a formal model by examining how the slope of a national money demand curve changes when population and output are increased. The larger the country the flatter the slope and the smaller the change in the marginal utility of money corresponding to any given size of shock.

3) Article 33 (1.b) of the Protocols and Declarations annexed to the Treaty provides for the transfer of ECB's net profits (except for a maximum of 20% transferred to the general reserve fund) to the shareholders of the ECB (i.e., the NCB's) in proportion to their paid-up shares.

4) Article 32.5 of Protocols and Declarations.
[<http://europa.eu.int/euro/en/pap7/pap716.asp?nav=en>].

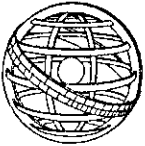
5) See Compilation of Community Legislation.
[<http://europa.eu.int/euro/en/pag716.asp?nav=en>].

6) In this connection, a prominent member of the European Commission, Yves-Thibault de Silguy, after noting the large stock of European reserves, comments as follows: "Some commentators have confidently asserted that the reserve markets will be flooded with surplus dollars. This is hardly a rational expectation! Central banks have just as much common sense as the markets. Who can seriously think they are unaware of the impact of their transactions on foreign-exchange markets? If there indeed turns out to be a dollar surplus in European central bank coffers, that surplus will be absorbed in an orderly and gradual fashion so as to prevent any disruption of the markets."
Speech delivered at the Institution of International Finance, Washington, D.C., on April 29, 1997 [<http://europa.eu.int/euro/en/silguy3/silg3.asp>].

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B. BIOTECA



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“L'Euro e le sue conseguenze per l'Europa, il Sistema Internazionale e l'Italia”

Palazzo Ducale, Genova, 20-21 marzo 1998

L'ECONOMIA ITALIANA E L'EURO

MARCELLO DE CECCO

L'economia italiana e l'Euro

MARCELLO DE CECCO

Sembra ormai probabile che, malgrado le geremiadi della Bundesbank, che non vuole assolutamente rinunciare al suo ruolo di Cassandra europea e lo ha addirittura trasmesso all'IME, sperando che quest'ultimo lo passi poi alla Banca centrale europea, il nostro paese entrerà dall'inizio tra quelli che daranno vita, il prossimo tre gennaio, alla Unione monetaria europea. Fiumi d'inchiostro sono già stati versati per giudicare della adeguatezza o meno del piano di rientro italiano a riportare il nostro debito pubblico a livelli più facilmente sostenibili. Non c'è dunque necessità di ulteriori commenti su questo pur importantissimo punto. È invece utile fare qualche considerazione di buon senso su quelle che si possono prevedere come probabili conseguenze della partecipazione italiana alla UME sulla struttura della economia del nostro paese.

A questo proposito è bene ricordare come il processo di integrazione europea si sia svolto a partire dalla fine degli anni cinquanta. È stato grande merito di uno storico inglese, Alan Milward, mostrare in numerose opere di grande impegno come, al di là della retorica europeista, il processo di integrazione europeo fosse stato condotto, dall'inizio, come un assai complesso esperimento che aveva lo scopo di salvare il concetto europeo di stato nazione dalla bancarotta nella quale lo aveva fatto precipitare la seconda guerra mondiale. Inghilterra e Francia ma anche Germania e Italia sono riuscite, nel corso dell'ultimo quarantennio, a ricostruire le proprie economie, a riportarle ad un livello di integrazione commerciale simile a quello di prima della prima guerra mondiale, e a farsi aiutare corposamente in tale esercizio dagli Stati Uniti, grandi promotori dell'integrazione europea, cercando di aderire nel minor modo possibile all'idea che il grande fratello d'Oltreatlantico aveva dell'integrazione stessa, la creazione cioè di uno spazio economico continentale, simile a quello creato nel Nord-America. I paesi fondatori della comunità europea sono riusciti invece a rendere massimi gli scambi commerciali all'interno dell'Europa mantenendo al tempo stesso strutture produttive nazionali che esibissero una matrice industriale più o meno completa.

Fino a dieci anni fa, questa affermazione poteva esser fatta senza possibilità di contestazioni. Ma nell'ultimo decennio ha cominciato a manifestarsi, col lancio del piano Delors e del mercato unico europeo, con la promulgazione delle direttive relative alle banche, il rafforzamento del Direttorato sulla concorrenza della commissione UE, un processo nuovo di integrazione, che ha provveduto a limitare fortemente la capacità dei vari stati membri di difendere la propria matrice industriale: Gli stati europei hanno fatto di tutto per resistere alla forza delle nuove tendenze integrative, ma solo la Germania può affermare di essere veramente riuscita a farlo.

Le matrici industriali degli altri paesi, infatti, hanno subito ragguardevoli limitazioni, cosicché si può dire che la specializzazione produttiva e commerciale dei vari paesi è fortemente aumentata.

È veramente difficile, tuttavia, attribuire senza dubbi tale processo alla forza integrativa del mercato unico europeo. Mentre tale politica era lanciata dai paesi della

UE, infatti, l'economia dell'intero pianeta veniva sottoposta ad una poderosa spinta integrativa, il fenomeno della globalizzazione al quale tanta attenzione è stata giustamente dedicata. La specializzazione dei paesi europei, quindi, si è spesso compiuta nei confronti dell'intera economia globale e non solo all'interno del mercato unico europeo. Esempio flagrante di ciò è il virtuale abbandono, da parte dei paesi dell'UE, della produzione di macchine per la elaborazione dati, in particolare di quelle decentrate, con la importazione di tali prodotti dagli Stati Uniti o dai paesi dell'Asia. Altro esempio calzante è l'integrazione dei mercati finanziari, che certo non ha rispettato i confini dello spazio unico europeo ed ha avuto luogo a livello globale.

Si è detto, ammettendo la presenza di questi fenomeni, che non ci sarebbe stato motivo perché l'integrazione avvenisse a livello europeo anziché globale, visto che i paesi europei hanno mantenuto tra loro la principale delle barriere, quella del cambio. E della fondamentale importanza della rimozione della barriera del cambio per favorire la ulteriore integrazione a livello europeo i paesi della UE hanno mostrato ampia coscienza, quando si sono imbarcati, fin dal 1978, in un esperimento di fluttuazione congiunta che, a partire dalla seconda metà degli anni ottanta, ha assunto le caratteristiche dichiarate di un processo di unione monetaria. Ma è anche noto come alle intenzioni prima di far fluttuare congiuntamente le monete dello SME e poi di raggiungere l'unione monetaria abbia purtroppo corrisposto una serie di fallimenti, probabilmente innescati da eventi esogeni, come le vicissitudini del dollaro e dello Yen e specialmente la riunificazione della Germania, indotta dalla distruzione del blocco sovietico e poi della stessa Unione Sovietica.

Ma proprio queste vicissitudini hanno informato il modo col quale le tappe più recenti della integrazione economica europea sono state coperte. Numerosi economisti, tra i quali il sottoscritto, hanno nelle loro ricerche messo in evidenza il formarsi di un nucleo centrale e di una periferia, all'interno della UE, che seguono fedelmente le vicissitudini monetarie degli ultimi quindici anni. Paesi come l'Italia e la Spagna, ma anche la Gran Bretagna, se si esamina la struttura del loro commercio, sono venute a differire, nelle loro relazioni commerciali, dal modello delle medesime esibito dai paesi che sono stati capaci di mantenere fermi i tassi di cambio delle loro monete con quello del marco tedesco. Questo è particolarmente evidente se si considera il livello intra-industriale del commercio stesso, dal quale meglio si rilevano la specializzazione e la integrazione tra paesi del centro dell'Unione Europea.

Si può dire altresì che le traversie del mercato dei cambi hanno rafforzato ulteriormente la vocazione dei paesi a moneta debole, come l'Italia e la Spagna, a specializzarsi nella esportazione di beni a limitato contenuto di tecnologia e a elevato contenuto di lavoro. Mentre hanno progressivamente abbandonato, e questo è vero in particolare per l'Italia, le esportazioni di beni di investimento e ad alto contenuto tecnologico. Il contrario sembra essere accaduto alla Francia e in qualche misura all'Inghilterra, mentre nel caso della Germania è stata evidente una maggior capacità del paese centro dell'Europa di mantenere la propria struttura industriale ed esportativa, se si fa eccezione per la debacle continentale delle esportazioni di prodotti elettronici, che non ha risparmiato nemmeno la Germania.

Un rapido sguardo ai profili strutturali delle esportazioni dei grandi paesi europei mostra immediatamente la eterogeneità italiana rispetto ad essi. In comune con la Germania l'Italia conta una forte presenza nelle esportazioni dell'industria meccanica,

ma entro tale settore l'Italia è molto debole nelle esportazioni di beni prodotti con rilevanti economie di scala, come le automobili, mentre è altrettanto noto che la Germania ha vieppiù rafforzato negli ultimi anni la sua poderosa presenza nel comparto elevato di tale settore. Unico tra i paesi sviluppati, l'Italia mantiene una presenza assai rilevante nei beni del sistema moda, nei tessili, nelle calzature, e conta una forte presenza in quelli che si chiamano altri beni manufatti, con una dispersione categoriale delle proprie esportazioni assai maggiore a quella degli altri grandi paesi europei.

Come la Germania unita, ma al contrario degli altri grandi paesi europei, l'Italia vede una forte concentrazione delle esportazioni in alcune sue regioni, quelle del Centro-Nord, mentre per la Germania sono i lander occidentali. Come la Germania, il nostro paese è fortemente polarizzato, quanto a livelli di reddito e occupazione, ma cinquant'anni di politica meridionalista non sono riusciti a cambiare tale situazione, mentre il caso della Germania è patentemente diverso, e le politiche di riduzione della polarizzazione hanno solo alcuni anni di vita, e la loro efficacia potrà misurarsi solo nel futuro.

Abbiamo in apertura ricordato le geremiadi della Bundesbank. Esse riguardano, per buona parte, la capacità dell'Italia di restare nella unione monetaria, una volta entrata dall'inizio. Se si estrapola dai comportamenti anche recenti del nostro paese, lo scetticismo della banca centrale tedesca può trovare comprensione. Ogni volta, infatti, che una grave perturbazione del sistema monetario internazionale ha avuto luogo, Italia e area-centro dell'Europa si sono trovati su opposti versanti. Il cambio della lira ha dovuto essere abbandonato a se stesso, e si è corposamente svalutato, mentre il contrario è accaduto alla Germania. Ed è anche vero che il sollievo derivante all'Italia dalla precipitosa discesa dei tassi di interesse è stato veramente molto rilevante, se ha permesso al servizio del debito pubblico di scendere alla metà di quel che era solo due anni fa. Ma, anche al livello attuale, esso assorbe una percentuale di PIL doppia di quella che esso assorbe in Germania.

Se si riconsiderano gli avvenimenti degli ultimi anni, tuttavia, ci si accorge di un fatto altrettanto inquietante: la discesa del cambio del dollaro in termini di marchi e franchi francesi che è culminata nell'autunno del 1996 ha mostrato con estrema chiarezza la impossibilità delle economie tedesca e francese di reggere per troppo tempo alla sopravvalutazione delle proprie valute. Per esse questo episodio è stato profondamente rivelatore di una situazione di disagio della struttura produttiva dei due paesi che, per quanto meglio equipaggiata di quella italiana a reggere al cambio forte, non garantiva di farlo per un tempo anche solo poco più lungo. La rivolta di Giscard d'Estaing contro la Bundesbank, appoggiata da Helmuth Schmidt, e accettata da parte americana specialmente per impedire la catastrofe dell'economia giapponese, è arrivata appena in tempo per salvare anche le due economie centro dell'Europa da un destino estremamente cupo, con una corsa alla delocalizzazione industriale che stava assumendo i caratteri di una vera e propria debacle industriale nel cuore dell'Europa. La risalita del dollaro, come è noto, ha coinciso con una rimonta della Lira in termini di franchi e marchi del tutto equivalente alla svalutazione del 1995-96. Negli ultimi diciotto mesi l'industria italiana ha restituito tutti i vantaggi che aveva acquisito in precedenza, ma non sembra attualmente nelle condizioni rovinose nelle quali si erano rapidamente ridotte quelle tedesca e francese. La discesa dei tassi di interesse ha poderosamente giovato alle imprese italiane, oltre che ai conti pubblici del nostro paese, e lo stesso vale

per la discesa concomitante dei prezzi delle materie prime.

Anche ammettendo tutto ciò, non sfugge alle autorità francesi e tedesche che una rivalutazione delle loro monete nei confronti di quelle italiana e spagnola, oltretutto verso le monete dell'area del Dollaro, cioè quelle dei paesi asiatici, non può essere nuovamente sopportata dalle proprie strutture produttive.

L'episodio recente di apprezzamento del cambio della Lira ha permesso invece di valutare in tutta la sua importanza il risanamento dei conti pubblici italiani e la nuova credibilità che la banca centrale italiana ha potuto di conseguenza acquisire sia a livello interno che internazionale. A causa della necessità di far fronte alla lunga emergenza dei conti pubblici, la banca centrale italiana aveva visto ridursi fin quasi ad annullarsi il proprio spazio di manovra. Col miglioramento della finanza pubblica, essa tale spazio lo ha riacquisito in buona misura, e nel futuro prossimo la dinamica virtuosa potrà addirittura accentuarsi.

Il perdurare di un periodo di bassa inflazione, ora che l'economia italiana sembra aver ritrovato un ritmo di crescita non solo indotto dalle esportazioni ma anche basato sulla dinamica della domanda interna, avrà certamente effetti estremamente positivi sulla limitazione delle importazioni di prodotti manufatti e impedirà le facili speculazioni del passato sui prezzi delle materie prime importate.

Tutto quello che si è appena detto, tuttavia, deve fare i conti con il dualismo accentuato dell'economia italiana, che vede condizioni di piena occupazione nelle aree forti del paese, mentre quelle deboli mostrano percentuali di disoccupati elevate quanto e più di quelle registrate nei lander orientali della Germania.

La tradizionale soluzione a questo sfasamento è stata l'importazione di manodopera meridionale. Negli anni recenti questa è cessata, mentre sono stati importati lavoratori extra-comunitari. Nel futuro, se tra le conseguenze della unione monetaria si manifesta quella di una più accentuata specializzazione produttiva all'interno della nuova area monetaria, non sarà difficile immaginare un rafforzamento ulteriore dei settori forti della industria italiana e un indebolimento ulteriore di quelli che hanno mostrato maggiore affanno in anni recenti. Tra i primi ci sono il sistema moda e la meccanica, tra i secondi quel che rimane dei settori caratterizzati da economie di scala e di quelli ad alta intensità di ricerca e tecnologia. Dovremo dunque immaginare un'area di crisi in Piemonte e a Taranto, mentre nella terza Italia e nelle parti del Nord Ovest dove prevale l'industria meccanica e quella tessile si stenterà a soddisfare la domanda estera.

Assolutamente cruciale risulterà allora la capacità che il nostro paese mostrerà di venire a capo dell'unico vero problema del Mezzogiorno, che è quello della delinquenza. Se è vero infatti che la dotazione di servizi delle regioni meridionali è fortemente carente, è anche vero che il tipo di industria che verso tali aree tende a delocalizzarsi non richiede servizi troppo sofisticati, se riesce agevolmente a delocalizzarsi verso paesi extracomunitarie in cui la situazione dei servizi non è certo superiore a quel che essa è nel Mezzogiorno. E si deve aggiungere che anche il livello di delinquenza che in tali paesi si trova non è di molto inferiore a quel che si rinviene nel Mezzogiorno.

Dopo il risanamento dei conti pubblici, quindi, l'Italia dovrà affrontare la bonifica sociale delle regioni meridionali. Essa richiede, come nel caso dei conti pubblici, essenzialmente solo la volontà politica di venire a capo del problema. Grandi

regioni come la Campania e la Puglia, che non hanno tradizioni di delinquenza organizzata diffusa, possono essere bonificate in tempi brevi, ed aprirsi a prospettive di sviluppo agricolo, turistico e industriale che non richiedono investimenti importanti per decollare. Gli episodi di industrializzazione "dal basso" sono stati in questi anni molteplici. Essi dimostrano la facilità con la quale i problemi possono essere risolti. Anche numerosi sono stati i casi di industrializzazione "dall'alto" di successo. Le numerose fabbriche di automobili impiantate nel Mezzogiorno testimoniano quanto sia facile stabilirsi al Sud, quando lo si vuole veramente. Lo stesso vale per l'acciaieria di Taranto, quando ad essa è stato permesso di sfruttare appieno tutti gli impianti, senza le remore imposte dalla unione europea. Ed è anche noto che buona parte di quel che resta della industria aerospaziale italiana è dislocata nel Mezzogiorno. I suoi problemi non dipendono certo dalla qualità della manodopera e dalla obsolescenza degli impianti.

La internalizzazione del commercio intra-europeo dopo la unificazione monetaria comporterà dunque una esaltazione delle tendenze già da molti anni in atto in Europa, e abbiamo appena accennato a quelle che consideriamo più facili da prevedere per l'Italia. Rassegnatosi il nostro paese già da tempo a cristallizzarsi in un ruolo di fornitore di prodotti di fascia alta in settori tradizionali, nei quali l'innovazione può essere ancora il frutto di intelligenza e iniziativa individuali e non richiede una accorta politica di produzione e diffusione a livello statale, se lo stato riesce ad affrontare l'emergenza della sicurezza nelle regioni meridionali con la decisione che ha mostrato nel risanare i conti pubblici, non è difficile prevedere un futuro positivo per l'industria italiana, con le eccezioni della produzione di autoveicoli e forse di acciaio. Ma nel caso dell'acciaio la modernità degli impianti può fornire elementi sufficienti di competitività anche all'interno di un'area a moneta unica nella quale si muovono poderosi concorrenti. In quello degli autoveicoli, il problema riguarda essenzialmente gli assemblatori, dato che i produttori di parti e componenti sono ormai integrati con l'industria automobilistica tedesca ed europea in generale. La soluzione ottimale vedrebbe dunque un graduale ridimensionamento degli impianti di assemblaggio, purtroppo molto difficile da attuare senza traumi, proprio per le caratteristiche della domanda e degli impianti. Ed una possibile alleanza del produttore italiano con qualche altro gruppo straniero.

Se dunque nell'industria manifatturiera, ferme restando al livello attualmente raggiunto le capacità di controllare prezzi e costi, il futuro non appare roseo solo a chi si era illuso che il proprio paese potesse giuocare un ruolo più elevato nella grande sfida tecnologica mondiale, e a chi si preoccupa di una possibile correlazione tra tipi di produzioni e livelli di maturità politica e civile, assai peggiori appaiono le prospettive dell'enorme settore dei servizi, nel nuovo contesto della moneta unica. Peggiori, naturalmente, dal punto di vista della emigrazione dei centri decisionali e dei nuclei pensanti delle varie branche in cui questo eterogeneo settore si articola. A dire il vero nemmeno Francia e Germania sono all'avanguardia per quello che riguarda i livelli di produzione e occupazione, e di produttività ed efficienza, nei servizi. Pensiamo in particolare al settore finanziario e in generale alla gran parte dei servizi ad elevato valore aggiunto. In tutti questi settori, tuttavia, si giuoca il futuro della occupazione europea, dato che le capacità future di assorbimento di manodopera da parte dell'industria in senso stretto sono generalmente considerate limitate e in diminuzione nel tempo. Questo almeno è obbligatorio pensare se si estrapola l'esperienza degli ultimi vent'anni.

Abbiamo già visto che la tipologia della struttura industriale italiana, meno centrata sulle grandi fabbriche di quella francese o tedesca, lascia qualche speranza futura di creazione di occupazione. Ma le vere possibilità, sempre estrapolando l'esperienza dell'ultimo decennio, sono da ritrovarsi nei servizi, specie se si guarda all'esempio degli Stati Uniti. Ora, la rivoluzione delle comunicazioni che è attualmente in atto lascia intravedere possibilità finora insperate di produzioni di servizi con economie di scala in molti settori. Il che vuol dire, specializzazione di produttori intraprendenti nella fornitura di servizi omogenei a tutta l'area della moneta unica europea. Forti ostacoli sono ancora frapposti alla standardizzazione dalla esistenza delle lingue nazionali, ma in molti settori questo non sembra essere un problema rilevante. Ci si può quindi aspettare una potente ondata di concentrazioni, acquisizioni, incorporazioni, e successiva razionalizzazione, in molti settori dei servizi. Pensiamo ai servizi finanziari, a quelli informativi, a quelli di tutte le articolazioni dell'industria della produzione e distribuzione di spettacoli, specie televisivi. In molti di questi settori i produttori di punta sono statunitensi, e si sono da tempo mossi per assicurarsi una quota rilevante del nuovo mercato unico europeo. Non è eccessivamente pessimistico ritenere che solo qualche grande produttore europeo potrà sopravvivere alla concorrenza americana, che conosce benissimo le modalità operative di un grande mercato unico per averle prima sperimentate in patria e poi nella propria espansione a livello globale. Non è difficile prevedere che nella gran parte dei casi i soli concorrenti europei saranno tedeschi e, in qualche caso, francesi e inglesi. Nel settore bancario, in particolare, il futuro delle banche italiane è la vendita al dettaglio di prodotti confezionati in grandi centri finanziari esteri, da pochi operatori di grande capacità. Questo è già ampiamente evidente per quanto riguarda l'investment banking, ma appare chiaro anche per i prodotti securitizzati e per il risparmio gestito. Di nuovo, come nel caso dell'industria, rassegnarsi a giocare ruoli subordinati vuol dire assicurarsi la sopravvivenza. Ma nessuno in Italia si illude di poter dar vita a un centro finanziario di portata globale, come sembra ancora intenta a fare la Germania. Lo stesso vale per le assicurazioni, settore nel quale una veloce escalation tedesca si è già manifestata. La riorganizzazione e concentrazione nel settore delle telecomunicazioni è in pieno svolgimento. Di nuovo, il fatto che l'Italia costituisce un grande mercato ad elevata capacità di spesa assicura una presenza a produttori di grandi dimensioni, che daranno notevoli quantità di occupazione a lavoratori italiani. Ma è eccessivamente ottimistico prevedere che il controllo degli operatori principali sarà in mani italiane. Nella migliore delle ipotesi, i principali gruppi privati italiani riusciranno a mantenere qualche interesse in questi settori, prendendo partecipazioni di minoranza in grandi gruppi stranieri. Ma i centri organizzativi certamente non saranno in Italia.

In generale, è facile prevedere a tutti questi settori un futuro prossimo del tutto simile a quello del settore farmaceutico. Permanenza di produzioni a basso livello, e totale o quasi totale emigrazione dei centri organizzativi e dei centri di ricerca.

Il settore per il quale è quasi obbligatorio prevedere un impoverimento definitivo è quello della educazione universitaria. Tutte le mansioni offerte nella riorganizzazione delle attività produttive e di servizi a livello europeo e globale richiedono limitati livelli educativi. L'emigrazione della gran parte delle attività di alta organizzazione e di ricerca, il rarefarsi definitivo della grande industria hanno la conseguenza obbligata della decadenza dei livelli della ricerca universitaria e quindi anche della educazione

universitaria. Le università italiane, ancor più di oggi, saranno quindi declassate a istituzioni di selezione di giovani intelligenti, da inviare presso i centri di educazione e ricerca stranieri. In questo caso, la situazione attuale della Germania non induce a far ritenere che tali centri di educazione e ricerca saranno in quel paese. Ma, mantenendo e accrescendo le proprie grandi organizzazioni di produzione di beni e servizi, i tedeschi potranno quanto meno offrire ai propri giovani, che mandano e manderanno a perfezionarsi in università specialmente americane, la possibilità di trovare occupazioni ai livelli intellettuali da essi raggiunti. Ciò mancherà sicuramente ai giovani italiani, per i quali la prospettiva migratoria sarà l'unica in grado di garantire una carriera adeguata a livelli intellettuali elevati. Tutto questo è già in atto da parecchi anni, specie in alcuni settori professionali. Ma la riorganizzazione del mercato europeo scatenata dalla moneta unica lo renderà assai più frequente e diffuso. Purtroppo, in questo settore, la incapacità dei governanti e della opinione pubblica italiani di comprendere i problemi è stata desolante e lo è tuttora. Molte sciocche considerazioni si sono fatte e si fanno sulle meraviglie di Silicon Valley e del Venture Capital, senza comprendere che la prima e il secondo sono figli delle grandi università californiane e degli imponenti budgets di ricerca assicurate ad esse da privati e governo americani. Come sempre il privato di successo è figlio del pubblico preveggenze e bene organizzato. Ma nel nostro paese, e per quanto ci consta, anche in Germania, l'opinione pubblica e i governi non sono stati in grado di comprendere che la dequalificazione dell'università, la sua riduzione ad esame di massa, avrebbero avuto come conseguenza lo spegnersi della ricerca dell'eccellenza e la emigrazione delle invenzioni sotto forma di innovazioni verso il settore privato.

Ormai parecchi anni fa, alla vigilia di quel che doveva essere Europa 92 e finì al modo che tutti ricordiamo, ebbi occasione di scrivere che il mercato unico e l'unione monetaria avrebbero esaltato i paesi che si erano in tempo attrezzati con amministrazioni pubbliche moderne ed affondato quelli che o permettevano a settori pubblici invecchiati di sopravvivere o addirittura credevano ingenuamente che il mercato unico e la unione monetaria avrebbero permesso loro di fare a meno dello stato. Era una profezia troppo facile, ed infatti essa si è già ampiamente avverata. L'Italia, ad esempio, è stata costretta dalla propria imprevidenza precedente a disfarsi della gran parte della propria impresa pubblica, azzerando decenni di investimenti e risorse, solo per riuscire a radunare abbastanza capitali che le permettessero di fermare la corsa del debito pubblico e iniziare a mandarlo indietro. Ma specialmente, per acquistare credibilità nei confronti di un mercato finanziario internazionale dal quale il paese dipendeva per il proprio risanamento finanziario, e che era assai mal disposto nei confronti dell'impresa pubblica. Nessun altro paese ha eseguito in tanto breve tempo una massa così elevata di privatizzazioni. Ma una vittima di questo accelerato smantellamento dell'impresa pubblica è stata certamente la visione del ruolo che il settore pubblico deve ricoprire in un paese grande come l'Italia dopo il raggiungimento del mercato unico e della unione monetaria. Lo stesso non sembra essere accaduto in Europa, e in particolare in Germania. In quest'ultimo paese, la razionalizzazione del settore pubblico procede con molto maggiore lentezza e, almeno così pare di capire, con una idea assai più chiara degli obiettivi finali che si vogliono perseguire. Le banche pubbliche, ad esempio sono state esentate, per quanto riguarda le loro concentrazioni, dall'interferenza della Direzione della Concorrenza dell'Unione Europea. Ciò è stato

oggetto di un ukaz del cancelliere Kohl al vertice di Amsterdam. In seguito alla accettazione di tale pressante richiesta da parte tedesca, abbiamo assistito a due fusioni tra banche pubbliche, una al Sud e l'altra al Nord della Germania. Ad esse altre seguiranno prossimamente. Non ci sembra di aver colto alcuna conquista di posizione di controllo da parte di banche straniere nel settore bancario tedesco, da sempre il cuore del sistema economico di quel paese. Ma lo stesso si può dire del settore assicurativo. Il signor Schroeder ha di recente nazionalizzato la acciaieria Preussag, situata nel Niedersachsen, perché i proprietari intendevano venderla agli austriaci della Voest Alpine nell'imminenza delle elezioni. Non ci sembra che il governo federale abbia obiettato, né abbiamo sentito la voce del signor Van Miert, tanto rapido nelle sue condanne del governo italiano. Né ci pare esistano piani per privatizzare la raffineria Leuna, anch'essa situata nella Germania Est, che sembra un pozzo senza fondo di risorse pubbliche, e conta ben cinquemila dipendenti.

Dai primi segnali, dunque, la visione colta da Milward già parecchi anni fa, di una unificazione dell'Europa che avviene nel mantenimento delle strutture industriali e infrastrutturali nazionali, sembra essersi modificata solo per quanto riguarda i paesi, come l'Italia, forniti di una amministrazione statale incapace di modernizzarsi per affrontare le sfide della integrazione europea e globale e della moneta unica. Gli altri paesi grandi d'Europa, e in particolare la Germania riescono ad usare i poteri pubblici per aiutare le forze produttive nazionali a mantenere la propria indipendenza nei settori considerati strategici, e a intrecciare complesse reti di alleanze a livello europeo e globale. Malgrado le continue dichiarazioni a sentire le quali si direbbe che l'Europa sia caduta nelle mani della banca centrale europea e della Commissione di Bruxelles, appare estremamente chiaro che la politica industriale dell'Europa la stanno organizzando, per gli anni futuri, i grandi gruppi dei vari paesi spalleggiati vigorosamente dai propri governi. D'altronde sarebbe assai strano aspettarsi alcunché di diverso. Nel nostro paese non sembra ancora essersi fatta strada la coscienza della nuova natura della sovranità economica all'interno del mercato unico e della unione monetaria. Ci si aspetta ingenuamente la eutanasia di tutti i governi, perché gli italiani hanno in odio il proprio e non vedono l'ora di essere governati da Bruxelles e da Francoforte. Ma negli altri paesi d'Europa il pubblico è ben lontano dal nutrire tali speranze. Ha fiducia nei propri amministratori ed esige che essi lo rappresentino adeguatamente in seno alle istituzioni europee. Nella costruzione della nuova geografia del potere pubblico in Europa, è evidente che la tendenza dichiarata ad una sempre maggiore sussidiarietà porterà all'avvantaggiarsi dei paesi che sono riusciti a creare istituzioni di governo locale moderne ed efficienti. Persino lo stato ultra-centralizzato francese sembra essersi reso conto di questa nuova realtà ed ha provveduto a stimolare le autonomie locali. Con risultati che sembrano estremamente efficienti agli imprenditori italiani che hanno cercato di impiantare attività nel resto d'Europa. Le autonomie locali sono tradizionalmente forti in uno stato di antica esperienza federale come quello tedesco. Anche la Spagna possiede capacità di autonomia molto sviluppate. Le nostre regioni e i nostri comuni, invece, cominciano solo ora a svegliarsi da una lunga ignavia, a comprendere che nei prossimi anni saranno loro in prima fila in Europa, in concorrenza e in collaborazione con altri enti locali, e ad essi sarà demandata gran parte della nuova politica economica. Gli stati centrali, nei paesi meglio organizzati, stanno insegnando ai governi locali come meglio muoversi in questo nuovo contesto. Non ci sembra che lo

stia facendo in maniera molto significativa lo stato italiano, anche se qualche isolato esempio si comincia a intravedere.

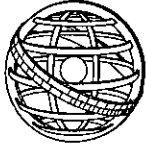
Nel nuovo contesto di unità europea che sembra dischiudersi, gli italiani potranno dunque per la gran parte sopravvivere senza grandi difficoltà, anzi probabilmente raggiungendo nuovi livelli di prosperità individuale. Quello che ci sembra assai problematico è la sopravvivenza delle istituzioni economiche italiane di grossa dimensione, in altre parole la sopravvivenza della capacità da parte di istituzioni economiche italiane private e pubbliche di regolare il proprio destino, di formulare strategie, di intrecciare vantaggiose alleanze con istituzioni simili dei nostri partner europei, che non comportino la sudditanza o addirittura la scomparsa di quelle italiane. È assai più probabile che tutte le massime istituzioni economiche italiane siano acquistate da un partner di controllo straniero che il simmetrico accada in altri paesi europei. Mentre, a livelli inferiori, è molto probabile che le medie e piccole imprese italiane si espandano nel resto d'Europa, magari con maggior successo delle loro consorelle europee. Ma, quando esse avranno raggiunto dimensioni interessanti, saranno assorbite da grandi gruppi europei, mentre di nuovo è assai improbabile che grandi gruppi italiani assorbano medie imprese straniere. Questo è il modello di integrazione che riteniamo probabile in Europa nei prossimi anni. Se tutta la sovranità cessasse di essere nazionale e si stemperasse in una nuova grande nazione europea, ciò non dovrebbe essere considerato come uno sviluppo negativo. Ma da quel che si vede dalle prime mosse della nuova Europa, la sopravvivenza del modello messo in luce da Alan Milward sembra assicurata per un periodo non breve. Ci saranno dunque, come risultato del mercato unico e della unione monetaria, meno nazioni in Europa, cioè meno aggregazioni di potere economico capaci di regolare il proprio destino. Ma ce ne saranno sempre un certo numero. La politica industriale della Unione europea non parteciperanno a disegnarla gli italiani, ma certamente lo faranno tedeschi e francesi. Una volta disegnata, anche le nostre imprese avranno in essa uno spazio, all'interno del quale potranno prosperare e crescere. Ma è altamente improbabile che esse potranno partecipare al disegno della strategia dell'intera unione.

Questo può risultare difficile da accettare a italiani animati da sincero e onesto spirito nazionale, confrontabili dunque ai loro assai più numerosi omologhi europei. Ma essi, tradizionalmente, sono stati assai pochi in Italia, e dopo la guerra perduta sono divenuti ancor meno. L'eutanasia della sovranità italiana sarà dunque guardata con distacco dalla gran parte degli italiani, e da molti di essi anche con entusiasmo. E se poche migliaia di giovani brillanti dovranno studiare e poi fare la propria carriera all'estero, questo certamente non turberà i sonni dei molti milioni di cittadini ai quali non pesa nulla non essere padroni del proprio destino. La parabola iniziata col Risorgimento avrà descritto il suo corso.

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THE ITALIAN ECONOMY AND THE EURO

MARCELLO DE CECCO

The Italian economy and the Euro

MARCELLO DE CECCO

It now seems probable that, despite the jeremiads of the Bundesbank, which refuses to give up its role of European Cassandra and which has even transmitted it to the EMI, hoping that this latter will pass it on to the European Central Bank, our country will be among those creating the European Monetary Union on 3rd January next. A great deal has already been said about the adequacy or not of the Italian plan to bring our debt-to-GDP ratio down to more easily sustainable levels. There is no need of further comment on this matter, however crucial it might be. It could instead be helpful to make some considerations about the probable consequences on our country's economic structure of Italy's participation in the EMU.

We should not forget that the process of European integration was initiated at the end of the fifties. It was the great merit of an English historian, Alan Milward, to show in his writings how, going beyond unification rhetoric, the European integration process had at the very start been a complex experiment to save the European concept of a nation state from the bankruptcy into which World War Two had forced it. Great Britain and France, as well as Germany and Italy, have managed to rebuild their economies over the last forty years, to bring them back to a level of commercial integration similar to that before World War One. They were greatly helped in this task by the United States, great advocate of European integration, albeit they tried keep their distance from their American big brother's idea of it as a continental economic space, similar to that of North America. The founder members of the European community managed instead to develop trade inside Europe and at the same time maintain national production structures which had a more or less complete industrial matrix.

Up to ten years ago, this affirmation would not have been disputed. But over the last decade, with the launch of Delors plan and the European single market, with the promulgation of directives for banks and with the strengthening of the EU Commission's Directorate-General on Competition, a new process of integration has started up, greatly restricting the various member states' capacity to defend their own industrial matrix. The European states have done all they can to resist the force of the new integrative trends, but only Germany can affirm that it has actually managed to do so.

The industrial matrixes of the other countries have undergone such considerable restrictions that it can now be said that production and commercial specialisation in the various countries has greatly increased.

However, it is difficult to attribute this process solely to the integrative force of the European single market. Whilst the EU was launching this policy, the economy of the entire planet was being subject to a great impulse of integration, that globalisation process to which so much attention has rightly been dedicated. The specialisation of the European countries has therefore often been accomplished within the entire global economy and not only inside the European single market. A conspicuous example of this is the EU countries' virtual abandonment of the

production of computers, in particular PCs, importing them from the United States or Asian countries. Another glaring example is the integration of financial markets, which certainly has not respected the boundaries of the European single space and has taken on a global level.

It has been said, when admitting the presence of these phenomena, that there would be no reason why integration should occur on a European level rather than a global one, seeing that the European countries have still maintained the main barrier, that of currency exchange. The removal of the exchange barrier is of fundamental importance for encouraging further integration on a European level. The EU countries were aware of this when they embarked on the experiment of combined fluctuations in 1978 to become, in the second half of the eighties, a declared monetary union process. But it is well known that those original intentions were doomed to failure, probably triggered off by outside events such as the vicissitudes of the dollar and yen and, above all, the reunification of Germany after the destruction of the Soviet bloc and then of the Soviet Union itself.

But it was precisely these vicissitudes which paved the way for the recent steps towards European economic integration. Numerous economists, including the writer, have pointed out that a central nucleus and a periphery have been created inside the EU which have faithfully followed the monetary vicissitudes of the last fifteen years. If we examine the commercial structure of countries such as Italy and Spain, but also Great Britain, we can see they have different trade relations from the models in countries which have been able to keep their exchange rates stable against the German mark. This is particularly evident if we consider the intra-industrial level of the trade itself, which gives a good picture of the specialisation and integration between countries in the centre of the European Union.

It can also be said that the adversities of the foreign-exchange market have further strengthened the vocation of countries with weak currencies, like Italy and Spain, to specialise in the export of goods with a low technological and a high labour content. Whereas they have gradually abandoned, and this is particularly true of Italy, the export of investment goods and those with a high technological content. The contrary seems to have occurred in France and to some extent in Great Britain, whereas in the case of Germany there has been a greater capacity to maintain its own industrial and export structure, except for the continental debacle in the exports of electronic products, which even involved this central European country.

A rapid glance at the structural profiles of the exports of the major European countries immediately shows up the greater heterogeneity of Italy. In common with Germany, Italy has a strong presence in mechanical engineering exports, but in this sector is very weak in the exports of goods produced with considerable economies of scale, such as automobiles, whereas Germany has increased its already considerable presence in the upper part of this sector over the past few years. Only Italy among the developed countries has maintained its considerable presence in fashion goods, textiles and footwear. It also has a strong presence in what are called other manufactured goods, with a much greater dispersion of its exports in the category than that of the other major European countries.

Like the united Germany, but unlike the other major European countries, Italy has a strong concentration of exports in its centre-northern regions, whereas for Germany they are the western landers. Like Germany, our country is greatly

polarised with regards to income and employment levels and the fifty-year-old policy aimed at the south has not managed to change this situation. However, the case for Germany is patently different, as the policies aimed at reducing polarisation are only a few years old and their effectiveness cannot yet be evaluated.

At the beginning we mentioned the jeremiads of the Bundesbank. They mainly concern Italy's ability to remain in the monetary union, once admitted. When we look at our country's recent behaviour, the central German bank's scepticism is understandable. Every time there has been a every serious upset in the international monetary system, Italy and central Europe have found themselves on opposite sides. The lire exchange rate has had to be left to itself and has greatly devalued, whereas the contrary has occurred in Germany. It is also true that Italy was greatly relieved by the steep fall in interest rates which enabled the service of the public debt to drop to half what it was only two years ago. But even at its current level it absorbs a GDP percentage double of what it absorbs in Germany.

The events of the last years reveal another, equally disturbing fact: the fall in the exchange-rate of the dollar against the mark and French franc which culminated in the autumn of 1996 has clearly shown that the German and French economies cannot support the over-valuation of their currencies for too long. This episode has been a sharp indication of the problems of the two countries' production structures which, however better equipped than the Italian one to support strong exchange rates, give no guarantee of doing so for even only a little while more. Giscard d'Estaing's revolt against the Bundesbank, backed by Helmut Schmidt and accepted by the Americans mainly to stop the disaster of the Japanese economy, arrived just in time to save the two central economies of Europe from an extremely dismal fate, with a rush to relocate industry which had almost created an authentic industrial debacle in the European heartland. The rise of the dollar coincided with a rise of the lire in terms of the franc and mark, similar to the devaluation of 1996-6. Over the last eighteen months, Italian industry has lost all the advantages it had gained in the past, but it does not seem to be in the ruinous conditions that the German and French ones had been rapidly reduced to. The drop in interest rates has greatly benefited Italian firms, as well as the public accounts of our country, and the same goes for the concomitant drop in the prices of raw materials.

Even admitting all this, the French and Germans are well aware that their production structures cannot support another revaluation of their currencies against the Italian and Spanish ones, as well as against the dollar-area currencies, i.e. those of the Asian countries.

The recent appreciation of the lire exchange rate has instead demonstrated the real significance of the recovery of the Italian public accounts and the new credibility which the Italian central bank has consequently been able to acquire on both a domestic and international level. To cope with the long crisis in public accounts, the Italian central bank had almost totally reduced its manoeuvring space. With the improvement of public finances, it has to a great extent reacquired this space and in the near future the virtuous dynamics could even improve.

The persisting period of low inflation, now that the Italian economy seems to have found a rhythm of growth induced not only by exports but also based on the dynamics of domestic demand, will indubitably have extremely positive effects on

the limitations on manufactured products and will prevent the facile speculations of the past on the prices of imported raw materials.

All this, however, has to reckon with the great dualism of the Italian economy, with full employment in strong areas of the country whereas the weak areas have unemployment percentages as high and higher than those recorded in Germany's eastern landers.

The traditional solution to this divide was to import southern labour. This has ceased in recent years, to be replaced by non-EU immigrant workers. In the future, if the monetary union prompts a greater productive specialisation inside the new monetary area, it will not be difficult to imagine a further strengthening of the strong sectors of Italian industry and a further weakening of those which have shown the greatest problems in recent years. Among the former are the fashion industry and mechanical engineering, among the latter what remains of the sectors characterised by economies of scale and those with a high research and technology intensity. We will therefore have to imagine problem areas in Piemonte and Taranto, whereas in the third Italy and in the north-western parts, where the engineering and textile industries prevail, there will be difficulty in meeting foreign demand.

Our country's capacity to solve the only real problem of the Mezzogiorno, which is that of criminality, will therefore become crucial. It is true that there is a great lack of services in the southern regions, but it is also true that the type of industry which tends to relocate to these areas does not require very sophisticated services, since it has no trouble in relocating in non-EU countries where service conditions are certainly no better than those in southern Italy. And it must be added that the level of criminality in these countries is not much less than in the Mezzogiorno.

After the recovery of its public accounts, therefore, Italy will have to face the social rehabilitation of its southern regions. As in the case of public accounts, it requires basically only the political will to tackle the problem. Major regions such as Campania and Puglia, which do not have a history of widespread organised crime, will not take long to clean up and the development of their agriculture, tourism and industry does not need immense investments. There have been many examples of industrialisation "from the bottom" over the past few years. They demonstrate how easy it is to solve these problems. There are also numerous cases of successful industrialisation "from the top". The numerous automobile factories in the Mezzogiorno testify to how easy it is to set up in the south when you really want to. The same applies to the steel works of Taranto, when it is allowed fully to exploit all its facilities without the restraints imposed by the European Union. And a good part of what remains of the Italian aerospace industry has also moved to the Mezzogiorno. Its problems certainly do not depend on the quality of the workforce or the obsolescence of its facilities.

The internalisation of European trade after monetary unification will therefore enhance the tendencies already under way for some years now in Europe, and we have just mentioned what we consider the most obvious predictions for Italy. Our country has for some time resigned itself to a role of supplier of top-of-the-range products in traditional sectors, in which innovation can still be based on intelligence and individual initiative and does not require a cautious production and dissemination policy on a national level. Thus, if the state manages to cope with the

public security crisis in the southern regions with the determination it has demonstrated in improving public accounts, it is not difficult to foresee a positive future for Italian industry, with the exception of automobile production and perhaps also steel. But in the case of steel, the modernity of facilities can supply sufficient elements of competitiveness, even within a single currency area containing substantial competitors. In the automobile sector, the problem mainly concerns the assemblers, given that the producers of parts and components are by now integrated with the German automobile industry and the European one in general. The optimal solution would therefore be a gradual retrenchment of assembly plants, unfortunately difficult to implement without trauma precisely because of the characteristics of the demand and the facilities themselves, and a possible alliance of Italian producers with other foreign groups.

Therefore most people think the future is rosy enough in the manufacturing industry if it maintains its current ability to control prices and costs. The only ones who disagree are those who deluded themselves that their country could have had a larger role in the great, global technological challenge and those who are worried about a possible link between types of production and levels of political and civil maturity. On the other hand, in the new context of the single currency, the prospects of the enormous service sector seem much worse. Worse, naturally, from the point of view of the emigration of the decision-making centres and intellectual nuclei of the various branches of this heterogeneous sector. To tell the truth, not even France and Germany are on the cutting edge for levels of production and employment or productivity and efficiency in services. We are thinking in particular of the financial sector and in general the majority of services with a high added value. However, the future of European employment is at stake in all these sectors, given that industry's future capacity for absorbing manpower as such is generally considered limited and steadily falling. Or so it seems, going by the experience of the last twenty years.

We have already seen that the Italian industrial structure, less concentrated on the big factories than the French or German one, offers some hope for creating more jobs in the future. But the real opportunities, again on the basis of the experience of the last ten years, are to be found in the service sector, especially if we look at the example of the United States. The current revolution in communications gives a glimpse of hitherto unimagined possibilities of producing services with economies of scale in many sectors. This means the specialisation of enterprising producers in supplying homogeneous services to the whole European single currency area. The language barrier is still a hurdle towards standardisation but in many sectors this does not seem a significant problem. Thus a great surge of mergers, take-overs, incorporations and subsequent rationalisation can be expected in many service sectors, such as financial services, information technology and all the various areas of the production and distribution of entertainment, especially television. In many of these sectors, the front-rank producers are American and they have already grabbed a large slice of the new European single market. It is not being overly pessimistic to claim that only a few European producers will be able to survive competition from the US, since the Americans know very well how a great single market works both at home and in their expansion abroad. It is not difficult to predict that the Germans will be almost the only European competitors and, in a few cases, the French and British. In the banking sector, in particular, Italian banks will

become retailers for products packaged in big foreign financial centres by a small group of competent dealers. This is already widely evident for investment banking, but it also appears to be happening for securitized products and for managed saving. Again, as in the case of industry, resigning yourself to playing subordinate roles means ensuring survival. But nobody in Italy is under the illusion of creating a financial centre of global scope, as Germany still seems intent on doing, for example in its insurance sector in which a fast escalation has already occurred. The reorganisation and concentration in the telecommunications sector is in full swing. Again, the fact that Italy constitutes a major market with a high spending capacity ensures the presence of big producers who will provide employment for Italian workers. But it is over optimistic to expect that the Italians will direct the main actors. In the best of scenarios, the main Italian private groups will manage to retain some influence in these sectors by taking minority holdings in big foreign groups. But the central organisation will certainly not be in Italy.

In general, it is easy to predict a future for all these sectors very similar to that of the pharmaceutical one. Low-range production will remain, whereas all or almost all the organisation and research centres will emigrate.

The sector for which an impoverishment is almost certain is that of university education. The jobs offered in the reorganisation of the manufacturing and service sectors on a European and global level only require low educational standards. The emigration of the majority of higher organisation and research activities and the definitive dwindling of big industry will mean that the levels of university research will be lowered and thus also university education. The Italian universities will become reduced, even more than now, to institutions for selecting intelligent young people to send to foreign educational and research centres. The present situation in Germany does not make us think that these centres will be in that country. But by maintaining and increasing its own big organisations for producing goods and services, the Germans will at least be able to offer its young people - whom it sends and will go on sending to complete their education abroad and especially in American universities - the possibility of finding jobs commensurate with their educational standards. Young Italians will certainly not have this possibility and emigration will be the only chance of ensuring a suitable career at high educational levels. All this has been going on for many years, especially in certain professional sectors. But the reorganisation of the European market triggered off by the single market will make it much more frequent and widespread. Unfortunately, the inability of the Italian government and public opinion to understand the problems in this sector has been, and still is, disheartening. Many silly things have been said, and are still being said, on the marvels of Silicon Valley and Venture Capital, without understanding that they are both the offspring of the great Californian universities and the impressive research budgets ensured them by the American private sphere and government. As always, the successful private sphere is the result of a provident and well-organised public sector. But in our country, and as far as we know also in Germany, public opinion and government have not been able to grasp that the decline of the university, its reduction to a mass examination site, would mean the end of top-level research and the emigration of inventions under the form of innovations towards the private sector.

Many years ago now, on the eve of what was to have been Europe 92 and which ended up as we all remember, I wrote that the single market and monetary union would boost the countries which had equipped themselves in time with modern public administrations and drag down those which had allowed ageing public sectors to survive, or even ingenuously believed that the single market and monetary union would have enabled them to do without the state. It was all too easy a prophesy, and in fact it has already come true. Italy, for example, has been forced by its previous improvidence to get rid of a large part of its public undertakings, cancelling out decades of investments and resources, just to rake up enough capital to enable it to stop the public debt rising and start to make it fall. But even more than this, to enable it to acquire credibility on an international financial market on which the country depended for its financial recovery and which was extremely badly disposed towards public enterprise. No other country has carried out such a great amount of privatisation in so short a time. But a victim of this rapid dismantling of the public undertaking has undoubtedly been the vision of the role which the public sector should cover in a major country like Italy after the single market and monetary union come into being. The same does not seem to have happened in Europe, and in particular in Germany. In this latter country, the rationalisation of the public sector is proceeding much more slowly and, at least so it seems, with a much clearer idea of the final goals. Mergers of public banks, for example, have been exempted from the interference of the Directorate General for Competition of the European Union. This was the subject of a ukase of Chancellor Kohl to the Amsterdam summit. Following this pressing request from the German side, we watched two mergers between public banks, one on the south and one in the north of Germany. These will soon be followed by others. Foreign banks do not seem to have obtained any controlling positions in the German banking sector, as always the heart of that country's economic system. And the same can be said of the insurance sector. Mr. Schroeder has recently nationalised the Preussag steelworks in Nel Niedersachsen because the owners wanted to sell it to the Austrians of the Voest Alpine at election time. It does not seem that the Federal government objected, nor have we heard the voice of Mr. Van Miert, so quick to condemn the Italian government. Nor do there seem to be any plans to privatise the Leuna refinery, also situated in east Germany, which seems a bottomless well of public resources and boasts five thousand employees.

The first signs, therefore, of Milward's vision of so many years ago, of a unification of Europe without breaking up national industrial structures and infrastructure seems only to have changed for countries, like Italy, with a state administration incapable of modernising itself to face the challenges of European and global integration and the single currency. The other major countries of Europe, and in particular Germany, are managing to use public powers to help national production forces and maintain their independence in the sectors considered as strategic, and to weave together complex networks of alliances on a European and global level. Despite the continual declarations about Europe falling into the hands of the European central bank and the Brussels Commission, it seems very clear that Europe's industrial policy is being organised by the big groups of the various countries, enthusiastically backed up by their governments. It would be extremely strange to expect anything different. In our country, the new nature of economic sovereignty inside the single market and monetary union does not yet seem to have

been really understood. Italians are ingenuously expecting the euthanasia of all governments, because they dislike their own and cannot wait to be governed from Brussels or Frankfurt. But people in the other countries of Europe are far from nourishing these hopes. They have faith in their own administrators and want them to represent them adequately in the European institutions. When constructing the new geography of public power in Europe, it is evident that the declared tendency towards an increasingly greater subsidiarity will be to the advantage of those countries which have managed to create modern and efficient local government institutions. Even the ultra-centralised French state seems to have realised this new scenario and has encouraged local autonomies, with results that seem extremely efficient to Italian entrepreneurs who have tried to set up businesses in the rest of Europe. Local governments are traditionally strong in a state with a long federal experience such as the German one. Even Spain has very well-developed autonomous capacities. Our regions and municipalities, instead, are only now starting to wake up from a long indolence, to understand that in the future it will be they who will be in the front row in Italy, in competition and co-operation with other local bodies, and that a large part of the new economic policy will be entrusted to them. The central states in the better organised countries are teaching local governments how best to move in this new context. It does not seem that the Italian state is doing this in a very significant manner, albeit some isolated examples can now be glimpsed.

However, the Italians will mostly be able to survive without too much trouble in the new scenario of European unity which seems to be opening up, even perhaps achieving new levels of individual prosperity. What seems very doubtful to us is the survival of the big Italian economic institutions; in other words, the survival of the capacity of private and public Italian economic institutions to control their destiny, to formulate strategies or to create profitable alliances with similar institutions of our European partners which do not involve the subjection or even the disappearance of the Italian ones. It is much more probable that all the major Italian economic institutions will be acquired by a foreign controlling partner than that the opposite will occur in other European countries. Whereas, on lower levels, it is very probable that the Italian small and medium-sized firms will expand into the rest of Europe, perhaps with greater success than their European sisters. But when they achieve significant dimensions they will be absorbed by the big European groups, while once again it is very improbable that large Italian groups will absorb medium-sized foreign firms. This is the model of integration we consider probable in Europe in the near future. If sovereignty were to cease to be national and be melted into a new, great European nation we would not consider it a negative development. But the first steps taken by the new Europe seem to demonstrate that the model created by Alan Milward will survive for quite a while yet. The single market and monetary union will mean less nations in Europe, that is less aggregations of economic power able to control their own fates. But there will always be a certain number. The Italians will not help to design the industrial policy of the European Union, whereas undoubtedly the Germans and French will. Once designed, however, our firms will have a space in it in which they will be able to prosper and grow. But it is highly improbable that they will be able to participate in designing the strategy of the entire Union.

This can be difficult to accept for Italians animated by a sincere and honest national spirit, comparable therefore to their much more numerous European opposite numbers. But historically there have been very few of them in Italy, and after the war we lost they have become even fewer. The euthanasia of Italian sovereignty will thus be viewed with detachment by the majority of Italians and by many of them even with enthusiasm. And if a few thousand brilliant young people have to study and make their careers abroad this will certainly not keep awake at night the many million citizens who are untroubled about not being masters of their fate. The parabola begun with the Risorgimento will have described its course.

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GROWTH AND EMPLOYMENT IN THE
STABILITY-ORIENTED FRAMEWORK OF EMU
Economic policy reflections in view of the forthcoming 1998 Broad Guidelines

GROWTH AND EMPLOYMENT IN THE STABILITY-ORIENTED FRAMEWORK OF EMU

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STATISTICAL ANNEX

GROWTH AND EMPLOYMENT IN THE STABILITY-ORIENTED FRAMEWORK OF EMU

Economic policy reflections in view of the forthcoming 1998 Broad Guidelines

INTRODUCTION

This Communication comes at a defining moment in the development of the European Union. Within a couple of months, the European Union will decide on which countries will participate in Economic and Monetary Union from the starting date of 1 January 1999. This decision will be based on convergence reports currently under preparation in the Commission and the European Monetary Institute and on a recommendation from the Commission. As a consequence, the present Communication, which, this year, replaces the traditional Annual Economic Report, does not analyse the convergence issue. Instead, it focuses on the current economic situation, examines the main challenges in the years to come and suggests where the main priorities for policies should lie. Its main purpose is to initiate a debate in the European Parliament and the Member States on the policy options to be considered in the forthcoming 1998 Broad Guidelines for the economic policies of the Member States and the Community. These Broad Guidelines will be the first after the initial list of participants in EMU has been decided upon and will put a particular emphasis on growth and employment.

1. ECONOMIC SITUATION AND OUTLOOK

1.1. The present recovery in a longer-term perspective

In the EU, the renewed upturn which began in the spring of 1996 is gathering momentum and is expected to turn into a self-sustaining expansion. The rebound was initially driven by buoyant export demand from outside the European Union and a marked improvement in competitiveness due to a lower exchange rate against the dollar, moderate wage developments and on-going productivity increases. Given improved competitiveness and assuming that the expected strong export market growth materialises, exports will remain supportive over the short run.

In the years ahead, the growth impulses are expected to stem increasingly from domestic demand, in response to favourable monetary conditions, especially declining risk premiums in long-term interest rates and the strength of the dollar against European currencies, and improved confidence of companies and households. These favourable monetary conditions were brought about by the remarkable progress towards convergence of inflation rates and the correction of excessive budgetary positions in the vast majority of Member States.

Investment is poised to become the engine of growth in the Union, thereby adding to total demand as well as to both productive capacity and to the potential for sustaining growth in future years. Investment in equipment, especially, should expand briskly, being underpinned by improvements in demand prospects, competitiveness and profitability, as well as a continuation in terms of moderate wage developments. Following some slackening in 1997, private consumption is expected to accelerate gently in the years ahead on the back of moderate increases in real wages, a fall in precautionary savings and, increasingly, by rising employment.

On balance, the Commission services' Autumn 1997 forecasts expected that in the EU as a whole, GDP would expand by 2.6 per cent in 1997, accelerating to about 3 per cent in 1998-99.

The progressive acceleration in real GDP growth is expected to have resulted in net employment creation at a rate of 0.5 per cent in 1997 in the EU as a whole, rising to 0.8 % and 1.3 % in 1998 and 1999 respectively. This will correspond to a cumulative net creation of 3.8 million jobs over

the three years. This encouraging performance will, however, not completely compensate for the job losses of the early 1990s (4½ million). In addition, stronger and sustained employment growth over the medium term is required to provide employment opportunities for both the high number of unemployed and the increased number of people wanting to enter the labour force or to re-enter it after a spell of inactivity.

Since labour supply is still expected to grow at about 0.5 per cent per year due to in particular a further rise in the participation of women and fewer men withdrawing from the labour force, the creation of jobs will not lead to an equal reduction in unemployment. In the EU as a whole, the unemployment rate is expected to decrease from a peak of just below 11 per cent in 1996 to 10.7 per cent in 1997, falling gradually further to 9½ per cent in 1999.

As a result, four years after the adoption of the first Broad Economic Policy Guidelines in late 1993, the Union's economic performance shows a mixed record. On the positive side, all Member States have managed to reduce inflation and budget deficits significantly, having implemented stability-oriented macroeconomic policies over the past years. Conversely, in terms of economic growth and employment, the performance has been disappointing during the first half of the 1990s. This has raised doubts in some circles about the effectiveness and the soundness of the overall policy strategy advocated in the Broad Guidelines.

That the strategy recommended is appropriate and works is demonstrated by the economic performance in countries which have for some time followed sound economic policies, achieved wage trends approximately in line with the Guidelines recommendations, and which have clearly reduced their budget deficits to below 3 per cent of GDP. In these countries, the results in terms of sustainable economic growth and job creation have been favourable and are clearly among the best in the Union (the countries are, Ireland, Luxembourg, the Netherlands, Denmark and more recently Finland).

The perception that the strategy has not yet delivered satisfactory results in the Union at large, is in part due to the sheer size of the challenges at the start of the second stage of EMU and in part to the, at times, insufficient progress in implementing the appropriate policy measures. The disappointing performance of the EU during the period 1991-96 in terms of GDP growth (1.6 per cent p.a.) and employment (-0.4 per cent p.a.) is in sharp contrast with the substantial results achieved in 1986-90 (growth of 3.3 per cent p.a., employment 1.3 per cent p.a.). With hindsight, it becomes increasingly evident that the poor growth and employment performance in the Union over the years 1991-96 was mainly the result of three macroeconomic obstacles to growth within the Union.

- (i) An initial overheating of the economy (from 1988 onwards), precipitated by an excessively expansionary macroeconomic policy-mix, fuelled inflation (from 1989) which spiralled into correspondingly higher increases in nominal wages (from 1990). The rekindling of inflationary pressures caused the monetary authorities to adopt a very tight policy, which had a knock-on effect in all the EU countries, but budgetary policy initially remained lax, or even clearly expansionary in some countries. Consequently, rising interest rates and the currency crisis of 1992 led to the stabilising recession of 1992-93, with a substantially negative impact on employment. This stability conflict between budgetary policy, wage developments and monetary policy was a major macroeconomic obstacle to growth.
- (ii) A timely moderation of wage increases, sharp rises in productivity and increased competitiveness all contributed in 1993-94 to a healthy upswing, similar to the 1996-97 recovery. Exports and investment led the upswing, which was further supported by a gradual improvement in private consumption and employment. This upturn was, however, abruptly aborted under the combined impact of the currency upheaval of spring 1995 and a marked rise in long-term interest rates. Factors beyond the control of policy-makers in the EU (e.g., the Mexican crisis and the related dollar weakness) undoubtedly played a role in these

developments. The monetary turmoil was, however, largely rooted in insufficiently credible economic policies in the Union, especially a lack of credible budget consolidation plans in several Member States. Such currency upheavals, which have occurred repeatedly in the Union, were another major macroeconomic obstacle to growth.

- (iii) The fact that healthy upswings have been repeatedly cut short by stability conflicts and currency upheavals since the first oil price shock and the end of the Bretton Woods system has contributed to a decline in the investment rate in the Union. As a result, the potential rate of economic growth is relatively low (currently at around 2¼ per cent per annum), which in itself constitutes a third obstacle to growth.

If the Union is to achieve a sustained period of healthy economic growth capable of ensuring a significant and lasting reduction in unemployment, it has to find lasting solutions to these macroeconomic obstacles to growth. A more vigorous and credible implementation of the Guidelines strategy over the last two years has set in motion a virtuous circle. The exchange rate disturbances, which occurred during 1995, have been broadly reversed and a higher degree of stability has returned within the ERM. Long-term interest rates have converged towards low levels. Sounder economic policies have led to an improvement in economic confidence and have laid the ground for the current improvement in economic activity. Thus, the economic strategy described in the Broad Economic Policy Guidelines is now delivering its expected results. The stability-oriented policy framework of EMU is likely to help overcome, in a more permanent manner, these obstacles to sustained growth and job creation. The benefits in terms of economic growth and job creation from a good macroeconomic performance will be all the greater the more product, service and labour markets work efficiently. In these areas, although considerable progress has been made in recent years, much remains to be done. It is therefore essential that Member States step up their efforts in these fields.

1.2. Opportunities and risks

- (i) After a protracted period of slow growth, the necessary conditions for sustained growth in output and employment in the EU are now in place. Taking into account the combination of very favourable supply-side conditions, improved demand prospects and a further strengthening of confidence, a period of balanced and self-sustaining economic growth could indeed ensue.

Underlying economic fundamentals are sound and, if anything, are as good as or even better than those prevailing at the onset of the 1993-94 upswing or even during the high growth period 1986-1990. Inflation is historically low and contained in almost all Member States. With spare capacity still available and a recovery increasingly supported by capacity-increasing investment, growth can develop without generating inflationary pressures. The profitability of investment is at a level not seen since the late 1960s and is improving further. In such a situation, brightening demand prospects and strengthened confidence can generate a sound and durable recovery. At present, there are still some weaknesses in internal demand. But in the present context, demand cannot be stimulated by fiscal expansion or by significantly stronger wage increases. Internal demand has thus to come from an endogenous process in which the initial external impulse should be progressively replaced by the induced expansion of investment and private consumption. This presupposes favourable monetary conditions, a high profitability of investment and a climate of confidence. These conditions are more and more being met. Interest rates are at an historical low and are converging downwards while intra-EU exchange rates have been very stable and are in line with fundamentals. Finally, business and consumer confidence is being buttressed by several factors. The latter include heightened expectations of a robust recovery, credible and soundly based reductions in budget deficits, an increased political will and determination, both at national and EU level, to tackle the Union's stubborn unemployment problem and the growing perception that a large EMU will be launched on schedule.

- (ii) Concerning the Asian crisis, despite the grim economic situation in Asia and the challenges facing the international financial system, there are reasons, given developments so far, for believing that the Asian crisis will only have a small impact on the present recovery in the EU and will have no influence on the arrival of the euro. The trade exposure of the EU to the Asian region is limited. Consequently, the lower demand growth in Asia and the improved competitiveness of the region following the marked depreciation of its currencies will affect EU exports only marginally. The exposure of the financial sectors of some Member States to the region is important, but concentrated in relatively sound economies (namely Hong Kong and Singapore). On the other hand, through lower EU import prices, the Asian crisis may exert a positive influence on inflation in the EU, implying that officially-controlled interest rates could be held lower than they otherwise would have been. Finally, there are no signs as yet that the Asian financial turmoil has affected the spill-over in the EU from external demand to domestic spending, which should become the main driving force of economic growth in 1998. In sum, the financial turbulence in Asia will lead to some reduction in economic growth in the EU in 1998, but the adverse impact is likely to be rather small. A recent simulation with the QUEST model, which suggests that the crisis could knock off about a quarter of a percentage point of output growth in the EU in 1998, corroborates this qualitative assessment.

In part related to developments in Asia, there has also been some concern about the stock market volatility that affected the world economy at large during the second half of 1997 and at the beginning of 1998. In the industrial countries, the correction that took place during this period has, however, been reversed in recent weeks. Nevertheless, renewed falls in stock prices cannot be excluded. Were these to occur, the adverse impact on confidence and economic activity would probably not be very important. Unlike in the United States, market capitalisation is low and the role of shares in households' portfolios is rather limited in continental Europe. Furthermore, any negative effect could be offset by lower interest rates if the liquidity withdrawn from stock markets were to be invested in the bond market or through policy reactions by the monetary authorities.

1.3. Economic policy requirements

Although an increasingly robust cyclical upturn has taken hold, this is not the time for any relaxation of policy effort. The challenges facing policy-makers are twofold:

- in the short run, to maintain monetary stability and market confidence;
- in the medium-term, to transform the upswing into a strong and sustained growth process.

Meeting these challenges is crucial to the realisation of two complementary priority objectives of the EU, namely:

- a smooth transition towards EMU and its successful operation;
- a substantial and lasting reduction in the level of unemployment while significantly increasing the employment rate.

Progress towards a return to sound public finances is instrumental to the fulfilment of these two objectives.

With spare capacity available and with prospects for healthy growth in investment in plant and machinery, solid growth should be able to take place without encountering capacity constraints or generating inflationary tensions. Monetary conditions may thus remain favourable for an extended period. Moreover, the fact that interest rates have converged towards low levels shows that financial markets are confident that the framework for monetary and budgetary policies in EMU will ensure low inflation in the long run.

It is essential to maintain this confidence and to guarantee a smooth transition to EMU through credible policy action. In the monetary field, once the decision has been made as to which

countries will take part in the third stage of EMU from its outset, there is likely to be a need for enhanced monetary co-ordination for two principal reasons. Firstly, to support market stability in the intermediate phase by emphasising the firm commitment to EMU and by underlining a common view on the future single monetary policy. Secondly, to ensure that the ECB inherits a monetary environment consistent with price stability in the prospective euro area and thus to help avoid any sharp movements in interest rates at the beginning of EMU. In the budgetary field, it is essential that Member States fully implement their 1998 budgets and/or their convergence programmes. The objectives set out in these budgetary plans should be considered as ceilings, not targets. In those countries where growth has been quite robust for some years or where the convergence in interest rates in the run-up to EMU would imply a further fall in rates, there may be a particular need to quicken the pace of budget deficit reduction.

Ensuring a transformation of the present recovery into a non-inflationary, high economic growth process over the medium term – a prerequisite for substantially and durably higher employment – will require a strengthened programme of macroeconomic and structural policies to address a number of key challenges while allowing the EU economies to better adapt to changing circumstances in the years ahead. In conformity with the Resolution on Growth and Employment from the Amsterdam European Council, durably reducing unemployment will require action over a broad front, with an essential ingredient being macroeconomic policies, including wage developments, that promote sustainable growth and stability. It will also be essential that Member States continue, and where necessary, intensify structural reforms that should, over time, improve the functioning of product, services and labour markets.

2. THE EMPLOYMENT CHALLENGE

2.1. Why an employment challenge?

Article 2 of the Amsterdam Treaty on the European Union states explicitly: *"The Community shall have as its task, by establishing a common market and an economic and monetary union and by implementing common policies or activities [...], to promote throughout the Community a harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection, equality between men and women, sustainable and non-inflationary growth, a high degree of competitiveness and convergence of economic performance, a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States."*

Indeed, a common, comprehensive definition of competitiveness in the economy as a whole is as follows. A country is internationally competitive if concurrently:

- its productivity increases at a rate which is similar to or higher than that of its major trading partners with a comparable level of development;
- it maintains external equilibrium in the context of an open free-market economy; and
- it realises a high level of employment.

If one looks at the overall performances of the European Union in terms of productivity and external equilibrium, the picture is satisfactory. During the last 24 years (1974-1997), the growth of labour productivity¹ remained stable at 2 per cent per year on average; i.e. well above the United States (0.7 per cent per year during the same period) and, more recently, even slightly above Japan (1.9 per cent per year in 1986-97). Similarly, the current account of the EU as a whole has always fluctuated within narrow limits, close to equilibrium or in slight surplus thereby allowing for capital export and development aid. However, as regards the labour market, the most dominant feature of the EU is *the mediocrity of its employment growth and level* with respect not only to

¹ Defined as real GDP per employed person.

what the Union was able to sustain during the 1960s but also compared to the United States and Japan.

2.2. The extent of non-employment

According to Eurostat's standardised unemployment definition, the number of unemployed persons in the Union amounted to approximately 18 million in 1997, representing 10.7 per cent of the civilian labour force. Furthermore, the weak employment performance of the Union since the mid-1970s has not only led to a fivefold increase in the unemployment rate but has also resulted in a very low ratio of effectively employed persons with respect to the working-age population. This ratio, the employment rate, fell from 67 per cent in 1961 (a level reached even before the considerable expansion of the female labour force) to about 60 per cent presently whereas it exceeds 74 per cent in the USA and Japan. Such a large fall goes beyond the impact of unemployment alone since activity rates tend to fall when unemployment goes up ("discouraged worker" effect).

The future employment rate will depend on economic and social conditions that may strongly differ from previous periods. However, in the medium to long term, if sufficient jobs are created, the EU employment rate could easily return to a level at least as high as in the early 1960s (67 per cent). In fact, if the female employment rate remains unchanged at the level reached in 1997 and if the male employment rate returns to its high level of the 1960s, then the overall employment rate for the EU could even be 70 per cent. Besides, a further (and likely) increase in female participation would bring the EU to 72 per cent or even close to the US and Japanese levels. These two limits (67 and 72 per cent) imply an employment potential of either 22 or 34 million people, respectively the equivalent of total employment at present in France and Germany².

It should also be noted that, in fact, the employment potential is even higher since the present 60 per cent employment rate corresponds to 55 per cent in terms of full-time equivalent posts due to the impact of part-time work of which a part is involuntary and corresponds thus to a form of partial unemployment.

In the short run, the present degree of non-employment is undoubtedly a weakness and the source of a large social cost but the labour reserve associated with it also represents a very important growth potential beyond the growth coming from labour productivity increases. Such a potential is not available in the US and in Japan, and it constitutes an opportunity that should be seized. Indeed, the utilisation of this potential would greatly alleviate Member States' public finances and social security systems³, facilitating the safeguarding and development of common European social values, as well as the reduction of tax pressure both on companies and on individuals. It would also make the transition towards a more environmentally friendly production mode significantly easier. For the latter, examples of the social and environmental needs that may be fulfilled within the job creation process may be found in recent Commission reports on Employment Pacts and Local Initiatives. In the same spirit, an investment-led, durable growth pattern fits very well with the long term investment strategies proposed by the Commission in its November 1997 Communication on

² Strong economic growth over the medium term combined with a determined implementation of the 1998 Employment Guidelines could result in an increase in the employment rate to 65 per cent within five years in the EU as a whole.

³ The ratio of people aged 65 and over to those in the active age groups (the so-called grey pressure) will increase by about one third between 1995 and 2020. If the employment rate, i.e. the share of those financing pay-as-you-go pension schemes, remains as low as it is now and unemployment remains above 10 per cent of the labour force, social contributions likewise would have to be increased by 33 per cent if one wants to maintain the present ratio of pensions to earned income. On the other hand, if the employment rate could be raised to the present US or Japanese levels (74 per cent) with a return to (nearly) full employment, the increase in contributors would nearly match the increase in pensioners. Furthermore, the increase in contribution rates required to maintain the same relative pension levels would be negligible. For more details, see *European Economy*, n° 56, 1994, Analytical Study n° 5.

Environment and Employment, so as to promote environmentally sustainable production and consumption patterns.

Finally, strong economic growth in the EU provides considerable help towards a successful transition in the candidate countries and in the less-developed world as a whole.

To exploit the huge labour reserve, two conditions must be met: firstly, the existing workforce must be "employable" and notably meet the changing skill requirements of the economy and, secondly, the economy must create the necessary working posts.

2.3. The employability of labour

The effects of globalisation and the permanent introduction of new technologies are raising the skill requirements for jobs. In this context, in agreement with the recommendation contained in the 1998 Employment Guidelines approved by the Council in December 1997, training policies (broadly defined) should provide the environment needed for the improvement in human capital, which remains a major economic and social goal. It must, however, be noted that given the pressure of competition (both internal and external) and of technological and organisational progress, this need for qualifications applies to all members of the potential labour force, both in and out of work. Investment in knowledge is a permanent task and will remain so in the medium to long run.

But it should be kept in mind that in order to produce their full return, training policies must go together with a strong creation of working posts in the economy so that people going through these re-training efforts do indeed find a job at the end of it. If this is not the case, the full potential of these costly efforts cannot be realised and for individuals, it is a strong source of frustration.

It should also be appreciated, at the present time, that both the cyclical (about 2 per cent of the labour force) and nearly one half of the non-cyclical part of unemployment (i.e. about 4 per cent)⁴ is composed of persons still in the normal turnover of the labour market, in the sense that they could easily return to work, with some (limited) retraining, provided that new working posts are created for them. This means that from the present 10.7 per cent of the labour force which is unemployed, about 6 per cent could re-enter the job market fairly fast if and when jobs are offered to them. Thus, despite some bottlenecks in a few specific sectors, there is no evidence that the skills offered by a sizeable share of the workforce are basically outdated or insufficient to ensure employability. The true immediate bottleneck is located at the level of net job creation in the economy.

Finally, in a longer term perspective, even part of the structural unemployment *stricto sensu* (about 5 per cent of the labour force) could be re-integrated into employment by active labour market policies and other structural measures (see section 4.5, below) if the economy creates the required working posts.

2.4. Growth, productivity and employment

To achieve a high employment rate in the EU, which is a requirement of the Treaty (Article 2), it will be crucial to generate, over an extended period of time, economic growth well above the rate coming from increases in labour productivity in the overall economy, whatever the pace of the latter might be. Over the last two decades, overall labour productivity has increased at a stable rate of 2 per cent per year on average in the Union⁵. This has resulted, in more or less equal proportion,

⁴ See, *European Economy*, n° 59, 1995, Analytical Study n° 3.

⁵ With the productivity trend stable at 2 per cent per year, a trend growth of real GDP of 2 per cent per year will simply keep employment constant. Furthermore, since labour supply is still likely to grow by about 0.4 to 0.5 per cent per year in the medium term, a real GDP growth rate of higher than 2.5 per cent is needed to reduce unemployment.

from the incorporation of technological and organisational progress (total factor productivity) and a substitution of labour by capital at the macroeconomic level⁶.

Since technological progress is the main source of wealth and improvement in the quality of living standards over the long run, policies should be directed at maintaining, and even accelerating, the pace of technological change. This is also necessary in order to safeguard the Union's competitiveness in an ever closely integrated world economy. Furthermore, there are powerful forces at work, such as globalisation, the completion of the internal market and the move towards a knowledge-based economy, which are expected to sustain the trend of total factor productivity but also of labour to capital substitution in the Union in the future.

On the other hand, with respect to substitution of capital for labour at the macroeconomic level, the Union's economy has traditionally been characterised by a comparatively strong degree of substitution, implying a stronger increase in the capital intensity of its production process than for instance in the United States. However, the analysis of the 1986-90 data shows that the combination of wage moderation (hence, profitability increases) combined with good demand prospects and strong growth in capacity-expanding investment may reduce significantly the rate of labour to capital substitution. Thus, if the evolution of wages continues to be appropriate, a further slowing-down of this substitution process is to be expected. Simultaneously, through increased profitability, it reinforces the foundations for higher, investment-supported, economic growth as demand prospects brighten. By incorporating new technologies, the new investment will contribute to sustaining total factor productivity growth and, to the extent it is capacity widening, slow down the substitution process⁷. For another way to weaken the substitution process, see section 4.5.

3. EMU AND MACRO-ECONOMIC POLICIES CONDUCIVE TO GROWTH AND EMPLOYMENT

3.1. The established consensus of the Broad Guidelines and the favourable, new, policy framework in EMU

Within the framework of the Broad Economic Policy Guidelines a solid EU-wide consensus has been established on a common macroeconomic policy strategy to achieve sustained, investment-supported, output growth and job creation over the medium term without inflationary tensions. This strategy contains three essential ingredients, which may be summarised as follows:

- a stability-oriented monetary policy;
- sustained efforts to consolidate the public finances in most Member States consistent with the objectives of the Stability and Growth Pact;
- nominal wage trends consistent with the price stability objective; at the same time, real wage developments with respect to increases in productivity should take into account the need to strengthen the profitability of investment and to support the purchasing power of workers.

⁶ For a detailed analysis, see "1997 Annual Economic Report", *European Economy*, n° 63, 1997.

⁷ The experience of Ireland seems to bear this out in an even clearer way. In Ireland, macroeconomic wage moderation since the mid-1980s was much stronger than in the Union on average (e.g. over the period 1991-97, in Ireland real wages grew by 1.5 percentage points less than the labour productivity trend of 4 per cent p.a. whereas in the EU they rose by 1.1 percentage point less than the labour productivity trend of 2 per cent p.a.). This has resulted in a significant slowing down of capital-labour substitution, but the growth of labour productivity has been maintained, helped by higher capacity-widening investment which incorporated technical progress. Simultaneously, in Ireland, economic activity and employment grew at a strong pace (average annual rate of growth of 6½ per cent and 2½ per cent, respectively). On the other hand, in the Netherlands wage moderation in combination with labour market reforms (especially part-time work) since 1983 has led to a slowdown in capital-labour substitution but also in apparent labour productivity growth.

The underlying reasoning is that "the more the stability task of monetary policy is facilitated by appropriate budgetary measures and wage developments, the more monetary conditions, including exchange rates and long-term interest rates, will be favourable to growth and employment"⁸.

The framework for macroeconomic policies in EMU, as laid down in the Treaty and supplemented by the Stability and Growth Pact and the new exchange rate mechanism (ERM2), reflects, builds on and will reinforce this consensus. Consequently, the realisation of EMU enhances the prospects of avoiding the three principal reasons or obstacles that have, on repeated occasions, brought economic growth and job creation in the Union to a premature halt (see above, section 1.1). This holds because in EMU:

- ◆ *exchange rate turbulence will be ruled out among participating countries* and the euro exchange rate with non-participating Member States is likely to be stable, especially if they participate in the ERM2, as countries with a derogation are expected to do. The more countries take part in the single currency, the greater the benefits of the Single Market will be. Moreover, given the economic importance of the prospective euro-zone in the world economy, the euro could help stabilise world currency relationships. This possibility is further enhanced by the commitment of policy-makers on both sides of the Atlantic to pursue stability-oriented macroeconomic policies. Thus, extra-EC trade (representing only about 10 per cent of Community GDP) would probably also be favoured;
- ◆ *stability conflicts will be more easily avoided*. The Treaty provisions (Art. 104 to 104c)⁹ and the Stability and Growth Pact with its goal of an underlying budgetary position close to balance or in surplus in "normal" cyclical conditions decisively reduce the risk of conflicts between budgetary and monetary policies. This also makes it possible to durably achieve a low level of long-term interest rates. Moreover, given that exchange rate changes between participating countries are ruled out and given the price stability task of the ECB, the responsibilities of the two sides of industry in setting wages are increased. These two factors will also make it easier for them to settle wage agreements in conformity with stability and growth. Finally, the conditions and incentives for wage and price discipline will be enhanced in EMU by increased product market integration and competition;
- ◆ *a more stable and less risk-prone environment for investment will be created*. The single currency will create a zone of macroeconomic stability and low inflation and will thus provide a stable framework in which companies can plan and invest. The investment process will thus benefit from the stability context in the sense that its expansion will not be abruptly and prematurely interrupted by stability conflicts or monetary turbulence. Besides, reduced volatility in exchange rates, inflation, interest rates and economic activity will reduce the required rate of return on investment decisions. The euro will be a complement to the Single Market, boosting competition and providing new opportunities to invest. For these reasons, the stability provided by the EMU regime will make a decisive contribution to overcoming the third obstacle to growth, namely the insufficient growth of productive capacity with respect to the labour productivity trend.

In sum, EMU will help to lock in the fundamental change in the macroeconomic policy mix which has been progressively achieved in the Union and which has started to deliver its expected results.

As emphasised in the Luxembourg European Council Resolution on "Economic policy co-ordination in stage 3 of EMU", the policy mix under EMU will require closer Community surveillance and co-ordination of economic policies, both among Member States and between the

⁸ See "1997 Broad Economic Policy Guidelines", *European Economy*, n° 64, 1997.

⁹ Art. 104: ban on the monetary financing of government deficits; Art. 104a: ban on privileged access for the public authorities to the financial markets; Art. 104b: the Community and the public authorities of the Member States are prohibited from assuming liability for the debts of other public authorities; Art. 104c: excessive government deficits and debts must be avoided.

parties involved in economic decision-making. This notably implies the close monitoring of macroeconomic developments in Member States and of the euro exchange rate, the surveillance of budgetary positions and policies, the monitoring of structural policies in labour, product and services markets and of cost and price trends, the fostering of tax reform to raise efficiency and discourage harmful tax competition.

The enhanced co-ordination will adhere to the principle of subsidiarity, respecting the prerogatives of national governments in determining structural and budgetary policies subject to the provisions of the Treaty and the Stability and Growth Pact. It will respect too the independence of the ESCB and the role of the ECOFIN Council as the central decision-making body and will respect national traditions and the competence of the social partners in the wage formation process.

Finally, the Broad Economic Policy Guidelines should be developed into an effective instrument for ensuring sustained convergence and should provide more concrete and country-specific guidelines and focus more on measures to improve Member States' growth potential, thus increasing employment.

3.2. Monetary policy

Monetary policy in the euro-area will be under the responsibility of the ECB and the ESCB. In conformity with Article 105(1), the primary objective of monetary policy will be to maintain price stability and, subject thereto, to support the economic objectives of the Union, including in particular sustained, non-inflationary, growth and a high level of employment, as laid down in Article 2 of the Treaty.

The credibility of the ECB in delivering price stability is of paramount importance in achieving low long-term interest rates and positively influencing the behaviour of price and wage setters. This credibility is an important asset in realising higher levels of investment, growth and employment.

The credibility of the ECB in delivering price stability is underpinned not only by the clarity of its objective but also by the Treaty guaranteed independence of the ECB and of its governing council. The credibility of the ECB and the euro will therefore from the outset be as high as that of any existing central bank and major world currency. This has been clearly confirmed by developments in the financial markets in the run-up to EMU. In the countries that have shown a determination to meet the convergence criteria and participate in EMU, long-term interest rates have fallen towards the best performers in the ERM. Moreover, long-term interest rates have even fallen to record low levels in Germany, the country that is traditionally viewed as having had the most credible central bank and most stable money. Record-low nominal interest rates in Germany and other countries are an unmistakable sign that the credibility of the euro and the ECB is, from the outset, comparable with that of the best performing Member States.

Finally, and not least importantly, the more the stability task of monetary policy is facilitated by a sound budgetary policy, inspired by the Stability and Growth Pact, and by appropriate wage developments, in line with stability and growth, the less monetary policy is overburdened and the more monetary conditions, including the euro exchange rate and long-term interest rates, can develop in a way that is favourable to growth and employment. This will represent clear progress over the earlier, "pre-EMU", times.

For the European Central Bank this implies, in line with Art. 105 (1) of the Treaty, that it pursues its primary objective of maintaining price stability with emphasis and credibility, but it implies also that, "without prejudice to the objective of price stability", it support(s) the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Art. 2", including the objectives of growth and employment.

3.3. Budgetary policy

Budgetary policies will remain the responsibility of national governments in EMU but will be subject to the constraints of the Treaty and the Stability and Growth Pact, which emphasises the need to balance the budget in "normal" economic conditions and clarifies the key Treaty provisions on budgetary policy. These legal provisions reflect the recognition that sound budgetary policies are an essential condition for sustained, non-inflationary growth and a high level of employment. This is so because sound budgetary policies, apart from facilitating the task of monetary policy in maintaining price stability, will:

- ◆ by helping to reduce long-term interest rates, *generate a crowding-in of private investment*. Since in such circumstances governments no longer absorb private saving, but make a positive contribution to savings in the economy, the increase in the investment rate can - other things being equal - take place without pressures on the balance of payments and long-term interest rates;
- ◆ *create the necessary room to cope with adverse cyclical developments*. This will be particularly important after the introduction of a single currency, because the adjustment to country-specific shocks will then, to a higher degree, rest with budgetary policy;
- ◆ by curbing public debt ratios and hence reducing the debt service burden, *facilitate the needed restructuring of government spending towards more productive uses and lowering of taxes and social security contributions, while making the taxation system more employment friendly*. It will also help prepare for the budgetary consequences of population ageing.

Budgetary issues will also form an integral part of the strengthened multilateral surveillance and co-ordination of economic policies agreed at the Luxembourg European Council. Such policy co-ordination will facilitate the maintenance of appropriate budgetary policies in each participating Member State and in the euro-zone as a whole, taking into account the current and prospective stance of monetary policies, the economic situation and prospects, etc.

Critics have argued that this commitment to disciplined budgetary policies will result in an unduly restrictive budgetary stance, hence risking exacerbating fluctuations in economic activity. However, this does not take into account that, given the "virtuous circle" effects of the considerable efforts already made, of the fall in interest rates and the general reduction in the public debt burden, it will be much easier to bring budget deficits from 3 per cent of GDP to zero, if the medium term growth path develops as expected, than it was to bring them to 3 per cent of GDP in the first place.

Critics also ignore the fact that the possibility to use the stabilising function of fiscal policies has been increasingly lost over the last three decades. In this period, Member States with relatively high deficits and debt levels have often found themselves compelled to follow restrictive budgetary policies during periods of economic slowdown. Budgetary consolidation will help regain that margin.

Budgetary positions close to balance or in surplus in normal cyclical positions allow sufficient scope to deal with all but the most severe disturbances without breaching the 3 per cent reference value. In exceptional circumstances (as specified in the Stability and Growth Pact), Member States will be allowed to surpass this value. Some Member States will, however, actually have to plan budget surpluses in favourable economic conditions to comply with the Pact's objective of ensuring a sustainable public finance position over the full range of the economic cycle. Sound budgetary policies will in all likelihood also increase the effectiveness of the automatic stabilisers. Proven budgetary discipline will strengthen the confidence of economic agents that a rising deficit during a recession will not permanently disrupt the public finances, thereby alleviating the adverse effects through higher interest rates.

Over the last year, Member States have submitted new or updated convergence programmes setting out their medium-term budgetary objectives. They all aim for a continuing budgetary improvement in the years to come, thus making steady progress towards the objective of budgetary positions close to balance or in surplus. The improvement in the public finances is helped by the expected upswing in growth and employment. In many countries, the full effect of recent years' sharp reduction in interest rates also still has to come through. In most cases, these cyclical and interest rate induced gains are accompanied by further, if moderate, improvements in the structural budget positions net of interest payments.

Given the important efforts made in recent years, showing already positive results, it is essential that Member States stick to the budgetary objectives set out in their recent convergence programmes. The opportunities offered by the improving economic cycle must be seized in order to improve the state of the public finances and to fulfil the objective of close to balance or in surplus at the earliest possible date. It is equally important that policy mistakes are avoided in other areas, notably policies which might add to labour cost and inflation pressures and thus could precipitate a rise in interest rates or a premature halt in business expansion and investment dynamism.

In order to be consistent with the Broad Economic Policy Guidelines, budget deficit reductions should be achieved mainly through continued expenditure restraint rather than through tax increases. Until now, for the EU as a whole, the impressive budgetary consolidation effort (from a deficit of 6.1 per cent of GDP in 1993 to 2.6 per cent in 1997) was indeed entirely made by a contraction in the level of total expenditures in GDP (from 52.4 per cent in 1993 to 48.7 per cent in 1997) since the overall tax pressure remained practically constant (at 46.3 per cent of GDP in 1993 and 46 per cent in 1997).

However, having reduced their budget deficits to 3 per cent of GDP or below, some Member States (especially the Netherlands, but recently also Germany) have embarked, or are contemplating doing so, on a strategy of simultaneously curbing the budget deficit and the burden of taxation. Such a programme is motivated by the need both to control government expenditure growth and to promote economic dynamism, thereby strengthening the conditions for sustained growth and employment creation. In view of the important distortions and disincentives emanating from a high level of taxation, such a strategy is certainly appropriate provided that it does not jeopardise further, steady, progress towards sound budgetary positions.

The successive Broad Guidelines exercises have identified two general principles for focusing the expenditure structure: (i) priority of controlling public consumption, public pensions provisions, health care, passive labour market measures and subsidies; (ii) priority in favouring productive activities such as investment in infrastructure, human capital, and active labour market initiatives. To the extent that such a restructuring would lead to a reduction in the number of people of working age receiving social transfers and/or to an increase in employment, it would help to improve budgetary positions over the medium term. However, *ex post facto*, it appears that a number of Member States had difficulties in applying these principles. For instance, the EU average share of public capital formation in GDP fell from 2.9 per cent in 1992 to 2.2 per cent at present and the shift from passive to active labour market policies seems to be somewhat slow. It may therefore be asked whether, in the future, such expenditures should not be better preserved from the general consolidation process.

As regards the structure of taxation, the Broad Guidelines and the 1998 Employment Guidelines recommended, for most Member States, a reduction in the social contribution burden or in tax wedges as a whole, in order to reverse the trend towards an increase in the tax burden borne by employed labour (which rose from 35 per cent in 1980 to more than 42 per cent at present). It is essential that the timing and modalities of efforts to reduce the tax burden on labour are decided upon with a view to maximising their employment effects while fostering sound public finances. In

a broader perspective, apart from an overall reduction in the general level of taxation, as called for by the Amsterdam European Council and the 1997 Broad Guidelines, the Commission regards it as essential to achieve greater fiscal coherence throughout the Union. To this end, following the adoption of a code of conduct in December 1997 and in conformity with the Luxembourg European Council Resolution on Policy Co-ordination, which asks explicitly for "... tax reform to raise efficiency and the discouragement of harmful tax competition", the Commission will endeavour to reach agreement in other important areas, such as the taxation of capital income and a Community framework for the taxation of energy products. These points will be further covered in sections 4.4 and 4.5.

3.4. Wage developments

In EMU, wage setting will remain the responsibility of the social partners at the national, regional, sectoral or even at a more decentralised level following their respective traditions. As underlined in the Amsterdam Resolution on "Growth and employment", the social partners are responsible to reconcile high employment with appropriate wage settlements and to set up a suitable institutional framework for the wage formation process. The social dialogue is important for achieving the right results. For that reason, the Broad Guidelines urged the Commission to continue to develop the European social dialogue, especially on macroeconomic issues, on the basis of the Broad Guidelines. National governments retain a considerable responsibility for wage setting, both because of their role as a large employer and because they set the macroeconomic framework and determine the labour market rules and regulations in which the social partners operate.

The requirements for employment-friendly wage trends in EMU are no different from those already specified in the Broad Economic Policy Guidelines: (i) nominal wage increases must be consistent with price stability; (ii) real wage increases with respect to productivity should take into account the need to strengthen the profitability of investment and to support the purchasing power of wage earners; and (iii) collective agreements should better reflect, in a pragmatic way, productivity differentials according to qualifications and skills, regions and, to some extent, sectors. These recommendations concern wage developments in countries which will participate in EMU but also in the other Member States as they should be equally committed to stability-oriented policies¹⁰.

The credibility of the EMU macroeconomic framework and the increased competition in the single currency zone is likely to strengthen wage and cost discipline. The *conditions* for maintaining appropriate wage trends will be improved because EMU will provide low inflation, secured by the ECB, as well as lower inflation variability because sudden shifts in exchange rates are ruled out among participating countries. The known and credible price stability objective will facilitate agreement on moderate and appropriate wage increases. In countries where the social partners agree on moderate wage increases in order to help strengthen employment, they no longer risk seeing the job benefits of their moderation undermined by currency appreciation relative to EMU partners. The *incentives* for wage discipline will be improved too because irresponsible and inappropriate wage increases can no longer be accommodated by national monetary and exchange rate policies.

If there were to be national or regional wage agreements not in line with these general rules, this would not necessarily imply an acceleration of inflation in the entire monetary union. Even in the country or region concerned, the impaired competitiveness would probably lead less to higher inflation but more to higher imports from other regions, since in the monetary union and with the internal market the elasticity of supply will be high. As the reduced competitiveness would risk resulting in lower employment in the country or region, it is probable that the social partners would avoid such an outcome.

¹⁰ See also, "Wage policy and employment in Economic and Monetary Union", Opinion of the Economic Policy Committee to the Ecofin Council, October 1997.

On the other hand, national or regional differences in wage developments will continue to be possible and necessary in EMU, especially if a healthy catching-up process is developing. Catching-up countries tend to have a higher trend in productivity growth in the exposed sector and therefore have room for higher real wage increases while maintaining competitiveness and profitability. Developments in Ireland since the mid-1980s clearly illustrate this point. Continued moderation of nominal wage increases has led to higher investment and higher productivity growth which in turn permitted a rise in real wages that lay clearly above the EU average, without affecting inflation and competitiveness and allowing for strong growth and employment (see also footnote 7, page 8).

While the responsibility of the social partners for employment trends will be enhanced in general, two special cases merit attention. Firstly, the increased transparency of wage and costs levels between Member States due to the existence of a single currency and the elimination of exchange rate fluctuations, may lead to a certain increase in labour mobility but may also give rise to wage claims in lower-wage countries to close the gap with higher wage countries. As noted above, an increase in wages faster than warranted by productivity levels in a country or region would lead to a deterioration in competitiveness and investment profitability and therefore to reduced attractiveness as a production location. The country or region's export performance would suffer, investment would be deterred and unemployment would increase. Through a process of labour shedding and capital-labour substitution, labour productivity could gradually increase to match the higher level of wages. But such a process would entail further job destruction and higher unemployment. For these reasons, "wage imitation" must be avoided¹¹.

Secondly, as a consequence of the transfer of national monetary and exchange rate policies to the Union level, the role of other adjustment instruments will be enhanced in the event of possible country-specific disturbances. It will be particularly important to assure that wage adjustment plays a positive role in re-establishing output growth and employment following asymmetric shocks (see also section 4.2).

4. EMU AND STRUCTURAL POLICIES FOR GROWTH AND EMPLOYMENT

4.1. Concepts, subsidiarity and Community coherence

The Maastricht convergence process has championed greater clarity and a remarkable consensus on the role of macroeconomic policies in bringing about higher growth and employment. A similar degree of understanding has not yet emerged with respect to structural policies. However, at the EU level, considerable progress towards a more rational debate is taking place, fostered by the procedures established by the Internal Market programme, the Broad Economic Policy Guidelines and the Employment Title of the Amsterdam Treaty.

There can be no doubt that structural policies have a key role to play in stimulating economic growth, restoring competitiveness and raising employment levels. In economic terms, their key role is to help ensure a tension-free macroeconomic growth process, to reinforce the EU's competitiveness (and therefore increasing the potential growth of productivity), to increase the employment-content of growth and to make growth more respectful of the environment. However, to reach their full effectiveness, they must be coherent with the pursuit of sound macroeconomic policies. In this respect, it is essential that the budgetary costs of structural reform are kept under control and do not jeopardise the achievement of sound budgetary positions. Their economic benefits also emerge only gradually over time and they are clearly more efficient in a context of higher economic growth.

¹¹ The analysis of present labour cost differences between regions in Europe suggests that these differences largely reflect the existing discrepancies in labour productivity.

Most structural policies are the responsibility of national governments and of the social partners. It is obvious that in these fields the principle of subsidiarity must be respected. It is, however, equally clear that in implementing structural policies, Member States must take into account a certain number of principles and the necessity of coherence at the level of the Union. These principles include *inter alia* (i) respect of the Treaty principle of an open market economy, with free competition; (ii) the need not to impede the proper functioning of the internal market; (iii) consistency with the macroeconomic strategy; (iv) respect of certain social values and the equality of opportunity and, finally, (v) respect for the environment. In full respect of the principle of subsidiarity, a combination of Community surveillance, joint actions and exchange of national practices offers the potential of strengthening the competitiveness, growth and job performance of the Member States and the Union.

Finally, the Resolution on "Growth and employment" adopted by the Amsterdam European Council asked that the Broad Economic Policy Guidelines put more emphasis on growth and employment through the co-ordination of macroeconomic and structural policies. The Resolution also contains a request for the Community itself to complete national measures by all relevant Community policies having an impact on growth and employment, like e.g. the TEN's and R&D policies and by an increased responsibility of the European Investment Bank in financing the development of high-tech projects in SMEs, in studying interventions in education, urban renewal and environmental protection and in increasing its interventions in the field of the high-priority TEN projects adopted in Essen. The Commission has also proposed the creation of a Research Fund in the field of Coal and Steel following the expiration of the CECA Treaty.

4.2. Enhanced need for structural adjustment in EMU

In the EU, the implementation of structural reform has so far been uneven, with considerable progress in some fields, particularly product markets, and rather less in other areas, especially labour markets. Justified efforts aimed at further correcting structural deficiencies, which are deeply rooted in the European economies, are made all the more pressing by the imminence of EMU. The introduction of a single currency reduces the instruments available to the national authorities to tackle disturbances that affect their economy differently. It will no longer be possible to absorb or dampen them through nominal exchange rate adjustments.

Some observers have expressed doubt whether EMU Member States will be sufficiently well equipped to cope with economic shocks, especially asymmetric shocks that have differential effects across countries. The first point to recall is that the exchange rate instrument is only suitable to deal with shocks that are country-specific, real and temporary. Already today, such shocks are exceptional. Furthermore, in EMU, there are grounds for believing that the incidence of asymmetric shocks will be limited for various reasons. In the past, the asymmetric character of shocks was considerably amplified by diverging monetary, exchange rate and budgetary policies. In EMU, with a common monetary policy and exchange rate and with consensus and limits on budgetary policies, such developments will become much more rare and much smaller, leading to better prospects for more cyclical convergence. Finally, while most Member States already have highly diversified industrial structures -- more diversified than in the United States -- increased product market integration may possibly, in line with the historical experience of the Union, stimulate intra-industry trade between Member States and further enhance the diversification of industrial structures.

When asymmetric shocks do occur, the correct policy response would depend on the nature of the shock. In the case of a temporary domestic demand disturbance, the automatic stabilisers and possibly other budgetary measures to cushion the negative demand impact will be desirable and sufficient. As already noted, when it will reach its cruising speed, the Stability and Growth Pact allows sufficient room for this to occur. The automatic budgetary stabilisers in fact will provide more stabilisation in EMU Member States than is the case for instance in individual US states even

though the latter benefit from net budgetary transfers from the Federal government. But in addition to budgetary stabilisers, some shocks, notably those that affect the competitiveness or the external balance of the economy, may require adjustment of relative prices which in EMU can only come about through changes in the rate of wage growth, profit margins or productivity growth. This underscores the need for EU Member States to further reform product, services and labour markets to enhance flexibility and efficiency.

Failure to make resolute headway in bringing about a greater flexibility of the Member States' economies will have serious consequences; economic growth will not be sufficiently bolstered, employment levels will not be significantly raised and progress towards greater economic and social cohesion among the Member States will be jeopardised. On the other hand, EMU itself is likely to act as a catalyst for structural reform. The single currency will unleash competitive forces that will strengthen the incentives for structural reforms, thereby improving the chances for reducing unemployment. Policy makers have recognised the importance of flexible markets to help in adjusting to shocks and to make their economies more efficient. With the adoption of an Action Plan for the Single Market and the 1998 Employment Guidelines, the Council took decisive actions last year. It is essential to carry these plans through and to complement them, especially at the national level, with measures in other fields.

4.3. Sectoral changes in the growth process and structural policies

Technical progress and globalisation lead to permanent structural changes in the growth process. They put constant pressure on the economy to maintain and improve competitiveness and productivity and unleash a dynamic process of job creation and job destruction. In sectors with high increases in productivity, fierce international and intra-EU competition leads to falling relative prices which in turn allow productivity gains, for a large part, to be passed on to the rest of the economy through the price mechanism. This market-induced transfer of purchasing power allows for rising relative prices in sectors with low productivity gains and less competitive pressure, thereby permitting the creation of profitable jobs in these sectors.

This is an age-old process, for which there is clear statistical evidence, and which requires that the price mechanism operates effectively. To a large extent the opening-up of markets and the liberalisation and deregulation of previously closed sectors have met this condition. Nevertheless, in order for this process to create sufficient jobs there are two further prerequisites: (i) sectoral change must be accepted, including more labour mobility, and be assisted by strengthened efforts to improve human capital formation, in particular with respect to low-skilled labour, and has to occur in a socially acceptable manner; (ii) the growth rate in the economy at large must be sufficiently high for the balance between sectoral job creation and sectoral job losses to be positive and large enough to bring about a fall in unemployment.

These two conditions are interrelated. The stronger the overall economic growth, the easier the process of sectoral change will be, and the more readily its social effects can be cushioned. Only if efforts to increase competitiveness and productivity are accompanied by correspondingly high growth and rising employment levels can the potential prosperity gains from technical progress, globalisation and the internal market be fully exploited. On the structural side, it will be necessary to ensure that product and services markets function efficiently and that the labour force is employable and adaptable, thereby underscoring the need for a determined implementation of the specific recommendations contained in the 1998 Employment Guidelines.

4.4. Better functioning product and service markets

The functioning of product and services markets covers many aspects.

The process of sectoral change and the interplay of relative prices described in section 4.3 require that the price mechanism works fully in the EU. Price flexibility will be of even greater importance after the introduction of a single currency. Competition policy will thus remain of critical importance under EMU in order to ensure that neither private, nor public behaviour undermines effective competition in more globalised and integrated markets.

All too often, the product and services markets in the EU are still submitted to outdated or corporatist regulations that hamper their full development. The suppression or modernisation of these regulations when made in a socially acceptable way is likely to favour entrepreneurship and to allow a faster growth without tensions in the relevant sectors. These deregulation efforts are all the more needed to promote the start up of firms and to encourage the development of self-employment. In that way, environmentally sustainable production and consumption patterns and further development of eco-industries could also be promoted.

Improved functioning of markets for goods and services will also require timely and full completion of the internal market programme, in conformity with the Commission's Action Plan. The Single Market represents the cornerstone of Economic Union. By favouring an efficient allocation of resources and reinforcing competition, it will contribute to the good functioning of markets, which is essential to the sustainability of Monetary Union.

In the EU, significant barriers to market access still exist in sectors accounting for approximately half of the GDP of the EU. In the field of goods, the main barriers are to be found in the fields of public procurement and construction (which alone accounts for 10% of GDP). For services such restrictions are frequent in services sold to other enterprises (producer services) as well as in those sold to the final consumer (consumer services). They include on the one hand key services for industry such as energy, telecommunications and transport, financial services and business, particularly professional, services and on the other hand such services as commerce and distribution, household and welfare services.

Amongst the services with the tightest restrictions are to be found most of the sectors with the highest job creation potential. In their search for the most efficient forms to organise production, companies have externalised services that have formerly been provided within the company itself. This process has been driving the growth of producer services, as has the growing intangible content of products.

Several infrastructure services have in the past been delivered predominantly by monopoly suppliers. Here, liberalisation of markets may initially lead to significant job losses amongst established suppliers as they quickly exploit the latent potential for productivity gains attainable in these industries. However, the consequences of liberalisation are the growth of new market entrants, the development of new products using infrastructure services and the increased investment in infrastructure capital goods. This means that job creation has proved positive overall in those countries where liberalisation has been achieved. The leading example is telecommunications. A competitive market in this field is also a necessary requirement for the development of the information society and the introduction and expansion of electronic commerce.

The job creation potential of services supplied to consumers is particularly significant, because most of them occur in a geographically limited area and are little traded. Therefore, they are not exposed to pressure from third countries with low wages, despite being labour-intensive. In addition, the changing structure of demand in developed countries means that these services have

one of the highest output growth rates. A comparison with other developed countries demonstrates that particularly the job-creating component of service growth has been significantly less than in North America and Japan.

In the framework of the Commission's Action Plan, and in line with the Resolution on economic policy co-ordination attached to the Luxembourg European Council conclusions, all factors affecting the efficiency of Member States' economies as well as the structural impediments which diminish their growth and job-creation potential will have to be scrutinised. This requires that special attention be paid to policies in the areas of product- and services-market competition, taxation, state aids and the labour market, while fully respecting the principle of subsidiarity. Such an exercise of multilateral surveillance of structural factors would be a natural complement to the on-going macroeconomic multilateral surveillance. It would aim to ensure, not only the sustainability of EMU, but also its success in terms of deeper integration and a more solid and flexible economic union.

At the Community level, simplification and modernisation is going on. In its work programme for 1998, the Commission will notably draw conclusions from the second phase of the pilot scheme for the simplification of legislation for the internal market (SLIM) and the work of the Business Environment Simplification Task Force (BEST) with a view to simplifying administrative formalities and easing regulatory constraints, especially for SMEs. In 1998, the Commission will launch phase III (dealing with legislation related to social security rights and insurance markets) and phase IV of SLIM.

The Internal Market and overall globalisation exert a strong pressure to improve competitiveness, but the latter is also linked to national or Community policies in the field of R&D and, notably, the information society. The logistic environment of firms is also critical for a smooth development of trade relations and warrants a strengthening of efforts in TEN and national infrastructure projects both in keeping an adequate share of public investment in overall public expenditure and by searching for joint ventures with the private sector where appropriate.

Finally, the opening-up of the markets of third countries for both goods and services from the European Union can have an important impact on job creation. Barriers to market entry in third countries for services are a frequent case, while at the same time advances in communications technology make many more services directly tradable across borders. Restrictions on inward investment and inadequate protection of intellectual property rights also weaken European industry's capacity to penetrate foreign markets and reduce the returns on past intangible investments. Significant progress to open third-country markets has been made through the Uruguay Round and WTO. Effective implementation of this agreement along with enlargement of the Union to the Central and Eastern European Countries constitute significant levers for action of the European Union.

4.5. Policies for efficient labour markets

The European Union has developed a strategy in the field of employment based on two pillars. At the economic policy level, including macroeconomic and structural elements, the Broad Economic Policy Guidelines define an overall policy mix favourable to growth and employment in the stability framework of EMU and this aspect should be strengthened in the future, in agreement with the Resolution on "Growth and employment" adopted by the Amsterdam European Council. At the same time, in anticipation of the Employment Title of the Amsterdam Treaty, the Council adopted in December 1997 Employment Guidelines for labour market policies. These Employment Guidelines are co-ordinated with the Broad Economic Policy Guidelines in order to make them consistent and mutually supportive. They will also be transposed into National Action Plans, which will be discussed for the first time at the Cardiff European Council in June 1998.

These Employment Guidelines propose basically four lines of action:

- ◆ Improve the "employability" of manpower;
- ◆ Promote entrepreneurship;
- ◆ Encourage the adaptability of firms and workers;
- ◆ Strengthen the policies for equal opportunity.

From an economic viewpoint, the first line of action (employability) covers all policies (training and improvement in human capital, active measures in favour of the young or long-term unemployed) which aim at avoiding tensions on the labour market particularly when unemployment starts to fall significantly during the growth process and at making better use of the growth potential offered by the labour reserve. The conditions for the sound working of these measures have already been dealt with in section 2.3 above.

The second line of action (entrepreneurship) is closely linked to reforms on the product and service market (section 4.4 above) and is directly concerned with the most important bottleneck on the labour market at present, i.e. the insufficient creation of new job posts.

Finally, allied to equity objectives, the last two areas of action (adaptability and equal opportunities) aim at increasing the employment rate and at making growth more employment creating. The third line of action (adaptability) seeks to encourage a more dynamic approach to improving the employment situation by making enterprises more productive and competitive. This includes, notably, actions by governments and the social partners aimed at modernising work organisation (including working time, new forms of contracts, etc.) while achieving the right balance between flexibility and security. The fourth line of action (equal opportunities) aims at increasing the employment rate by tackling gender gaps, reconciling work and family life, facilitating reintegration into the labour market and promoting the integration of people with disabilities into working life.

As regards the increase in the labour content of growth, structural reforms have the effect that apparent labour productivity grows more slowly, so that more jobs could be generated for a given rate of GDP growth. Obviously, the purpose is neither to hamper productivity at the sectoral or company level, nor to reduce the organisational and technical progress, since it would be damaging for competitiveness and general welfare. In this reasoning, the slowdown in the apparent labour productivity at the macroeconomic level may result from:

- (i) less substitution of labour by capital;
- (ii) a greater sharing of working time (reorganisation and reduction of working time, including part-time jobs).

(i) Slowdown of labour by capital substitution via a widening of the wage scale

As already presented in section 2.4, from a macroeconomic viewpoint, a process of moderate overall wage increases, within a given wage structure, and which does not distribute the increase in productivity coming from capital-labour substitution into real wages, as happened in 1982-89 and 1992-96, would act in the right direction but will take some time to bring significant effects, unless the moderation is very intense. On the other hand, these substitution effects would be completed with strong, immediate, profitability effects thanks to the reduction in real unit labour costs. The latter, in turn, have a powerful potential impact on employment in making possible a stronger classical, investment-supported, growth exceeding the productivity trend when demand prospects are good.

An alternative approach would be to assume that the wage scale could be strongly opened, especially downwards. At present, it is deemed that the EU economies are not using all the employment opportunities, especially in low-skilled, low-productivity activities that are presently priced out of the market by too high wage costs. Should the conditions be created permitting the

full use of these opportunities, re-introducing in the production process activities with below-average productivity would, all other things being equal, entail a reduction in the apparent productivity of labour.

There are basically two ways to "price in" activities with excessive wage costs relative to the productivity level in the activity concerned.

- ◆ Widen the wage distribution downwards -- In order to reach its target, a downward widening of the wage scale would imply a fall in the wage cost of low-skilled activities by about 20 to 30 percent, as happened, for instance, in the United States during the 1970s and 1980s. Furthermore, in order to be efficient, the downward extension of the wage distribution would require in Europe a corresponding lowering of unemployment compensations and social protection schemes in order to eliminate the so-called "poverty trap".

This would, *ceteris paribus*, widen the income distribution towards larger inequality and, at the limit, would create "working poor" groups, unable to survive decently from their wages. Such an evolution would introduce in Europe a form of exclusion just as damaging for social cohesion as unemployment and it is worth noting that in the United States, these consequences are now deemed to be sufficiently serious for warranting a switch towards a less extreme system and welfare support in the form of the so-called "Earned-Income Tax Credit". In Europe, this would mean that part of the saving in unemployment compensation would have to be switched to other forms of social transfers and would therefore not alleviate the public budget constraints.

This form of wage-cost reduction would thus be difficult to apply in the EU although pragmatic collective agreements between the social partners, including entry level wages for the long-term unemployed, may make some contribution to it.

- ◆ Reduce non-wage labour costs -- In most countries, social security contributions form by far the largest part of taxes on labour. Often they have a complex structure which, besides their undesirable aspect of a tax on the use of labour, also makes them weigh relatively more heavily on low wages. Furthermore, these systems were created as an expression of social solidarity at a time when the number of contributors was high (low unemployment and a high employment rate), budgets were balanced and the degree of solidarity could increase. At present, the employment rate and thus the number of contributors has fallen (cf. section 2.2), social expenditures are growing and significant reductions in the degree of generosity are politically difficult to implement. This resulted in a vicious circle of ever-increasing social contributions and tax wedges on a decreasing proportion of working persons in the total number of potential beneficiaries. For instance, the share of social security contributions in GDP, which was about 10.5 per cent in 1970 is presently at about 16 per cent for the EU as a whole and represents only a part of the total tax wedge in overall wage costs.

Initially, between 1970 and 1981, the increase in the tax wedge went together with an increase in total labour costs per unit of output, i.e. the share of the overall wage bill in GDP. Indeed, during those years, the wage share in GDP increased by 4.6 percentage points. However, between 1981 and 1997, the strong wage moderation has more than compensated for this increase. Between 1981 and 1997 the wage share in GDP decreased by 6 percentage points, bringing wage costs per unit of output below their level of 1970. Thus, the increase in the tax wedge has been totally passed on to wage income. This evolution is expected to continue in the near future, thereby contributing to a further improvement in profitability (see section 3.4 above).

But, in spite of this favourable development of overall labour costs per unit of output, it is indisputable that, at the individual level, the tax wedge remains very high and is especially

harmful at the low end of the wage scale where it causes pricing-out of the market for low-skilled, low-pay jobs and an increase in "black market" activities.

Given the dimension of the tax wedge, there is room for a cut in wage costs for the employers without reducing the net wage income of wage earners. However, a general, across the board, reduction would have no more effect on unit labour costs than a few years of further wage moderation but would either imply a strong reduction of social benefits or have a high budget cost which would go well beyond the automatic stabiliser effects of a lower number of unemployed. This reduction would thus need to be compensated for by other fiscal reforms (including, where appropriate, higher environmental taxes) which should of course have as little negative side effects (in terms of inflation, for instance) as possible, a constraint that is not easy to satisfy. On the other hand, cuts in the tax wedge would be most efficient when targeted at specific labour force groups at the low end of the wage scale (young workers, long-term low skilled unemployed) where their impact might be more substantial, especially when combined with active labour market measures in education, apprenticeship schemes, vocational training and re-training, etc., which could be partly financed by using social transfers such as unemployment benefits in a more active way and new forms of partnerships with the private sector. In that way, the budgetary consequences may remain within manageable limits. In this context and to maximise the employment impact, care needs also to be taken to reduce as much as possible substitution and dead-weight effects resulting from targeted cuts in the tax wedge.

These reductions of the tax wedge should be inserted in the general reforms of the social security systems and the tax structure that are needed for many other reasons (ageing, explosion of health expenditure, elimination of "poverty traps", introduction of environmental taxes, etc.).

Thus, a sustained attention to the relationship between wages and productivity, integrated into the normal process of collective wage negotiations, combined with fiscal reform where applicable, would help to make growth more employment creating by fostering market conditions conducive to the return, and the development, of activities currently priced out of the market and by reducing the "black" economy¹².

(ii) Reduction in working time

The secular reduction in the number of hours worked in industrial countries has undoubtedly been a factor of social progress and welfare in this century. But it must be noted that most progress in this field was made during periods of fast growth and high employment and were part of a "work versus leisure" choice. The trend is, in fact, nothing more than a distribution of productivity growth, with lower working times and less growth in real income. A return to this secular trend when growth recovers may therefore be expected and would be quite normal and welcome as an improvement in working conditions and quality of life.

In periods of recession and high unemployment, however, it is often put forward that a massive, across the board, compulsory reduction in working time would be the fastest and most efficient solution for a significant reduction of unemployment. This approach, in fact considers the amount of work available to be somehow fixed and that the only way to reduce unemployment is thus to redistribute it over the whole labour force, with less hours worked per individual.

Such a solution nevertheless raises a number of questions:

¹² A slowdown of capital for labour substitution could for instance result from well-designed measures supporting pent-up demand for new activities, notably in services to persons and communities, without a fall in the productivity level of existing production.

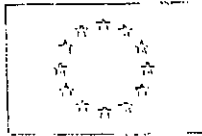
- ◆ A compulsory reduction in working time may have adverse consequences in firms where labour and capital are used in a fixed proportion at a given point in time. If the firm is organisationally unable to maintain the total number of hours worked (through additional hiring and/or decoupling between labour hours and capital hours), its productive capacity is likely to be reduced, even if productivity per hour increases¹³ somewhat. This entails a reduction in potential output growth (i.e. in the potential creation of wealth and income) which could be negative in the long run for employment.
- ◆ If one wants to avoid a deterioration of profitability which would negatively affect investment and thus compress even more the productive potential, the growth of real wages per capita would have to be adjusted downwards in order to avoid a deterioration in real unit labour costs. Such a reduction may be difficult to obtain and cause severe and conflicting problems in terms of income distribution.

However, this should not exclude specific measures of working time reduction at the microeconomic level where it is warranted by local conditions, negotiated by the social partners and is either reversible or can be seen as integrated into the secular trend of reduction in working time.

In this context, some initiatives suggest that measures combining a reduction of working time with job creation and fiscal advantages could entail positive results.

Another approach for increasing the labour content of growth would be to encourage, if need be by revision of existing legislation, the maximum use of *voluntary* part-time and new forms of employment. The possibilities in that field are obviously very different in Member countries given the very large differences in the proportion of part-time workers that one may observe at present.

¹³ This is the major reason why a reduction of working hours would have to be significant in order to have a positive employment effect.



EUROPEAN COMMISSION

DIRECTORATE GENERAL II
ECONOMIC AND FINANCIAL AFFAIRS

**GROWTH AND EMPLOYMENT IN THE
STABILITY-ORIENTED FRAMEWORK OF EMU**
Economic policy reflections in view of the forthcoming 1998 Broad Guidelines

STATISTICAL ANNEX

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Table 1

The European economy ⁽¹⁾ - Key indicators

(% change p.a. if not otherwise indicated)

	61-73	74-85	86-90	91-96	1990	1991	1992	1993	1994	1995	1996	Forecasts Autumn 1997		
												1997	1998	1999
Economic growth (real % change p.a.)														
Private consumption	4.9	2.2	3.7	1.5	2.9	2.2	1.8	-0.3	1.7	1.8	2.1	2.1	2.5	2.6
Government consumption	3.8	2.5	2.0	1.1	2.1	1.8	1.5	1.2	0.3	0.5	1.0	0.8	1.2	1.5
Gross fixed capital formation	5.7	-0.1	5.7	-0.1	3.6	-0.4	-0.9	-6.6	2.5	3.6	1.3	2.6	4.7	5.5
of which equipment	-	2.1	7.2	0.0	5.4	0.2	-3.7	-11.5	4.3	7.5	3.0	4.5	6.3	7.0
of which construction	-	-1.0	4.9	-0.1	3.4	-0.3	1.1	-3.7	1.2	1.3	0.0	1.2	3.3	4.2
Exports of goods and services ^(a)	8.0	4.3	5.0	5.3	6.6	5.0	3.7	1.7	9.0	7.9	4.7	7.9	7.4	7.2
Imports of goods and services ^(a)	8.7	2.8	7.4	3.9	6.1	4.1	3.9	-3.0	7.7	6.7	3.9	6.7	7.0	7.2
GDP	4.8	2.0	3.3	1.5	2.9	1.5	0.9	-0.5	2.9	2.4	1.8	2.6	3.0	3.1
Demand Components: Contribution to changes in GDP (%)														
Consumption	3.6	1.7	2.6	1.1	2.1	1.6	1.4	0.8	1.1	1.2	1.5	1.4	1.7	1.8
Investment	1.3	0.0	1.2	0.0	0.8	-0.1	-0.2	-1.4	0.5	0.7	0.3	0.5	0.9	1.1
Stockbuilding	0.0	-0.1	0.1	0.0	-0.1	-0.4	-0.1	-0.5	0.9	0.2	-0.3	0.2	0.1	0.0
Domestic demand	4.9	1.6	3.8	1.1	2.8	1.2	1.0	-1.0	2.5	2.1	1.4	2.1	2.7	2.8
Exports ^(b)	-	0.4	0.1	0.8	0.3	0.3	0.4	1.4	0.9	0.9	0.9	1.4	1.1	1.1
Final demand ^(b)	-	2.1	3.9	1.9	3.1	1.5	1.5	-0.4	3.4	3.0	2.3	3.5	3.9	4.1
Imports ^(b) (minus)	-	-0.1	-0.6	-0.4	-0.2	0.0	-0.5	0.0	-0.5	-0.5	-0.6	-0.9	-0.9	-1.0
Net exports	-	0.4	-0.5	0.4	0.1	0.2	-0.1	1.4	0.4	0.4	0.3	0.5	0.2	0.1
Savings and Investment in % of GDP														
Private sector	21.2	21.1	20.8	20.9	20.8	20.1	20.6	21.0	21.3	21.7	20.7	19.9	19.6	19.8
of which households ^(c)	10.3	12.5	10.0	9.1	9.8	10.0	9.1	9.3	8.7	8.9	8.5	8.1	7.9	7.7
of which enterprises ^(c)	10.9	8.6	10.8	11.8	11.0	10.1	11.6	11.7	12.6	12.8	12.2	11.8	11.9	12.1
General government	4.1	0.6	0.2	-1.7	0.2	-0.4	-1.7	-2.7	-2.3	-1.8	-1.3	-0.2	0.4	0.9
National savings	25.3	21.6	21.0	19.2	21.0	19.7	18.9	18.3	18.0	19.9	18.4	18.8	20.2	20.7
Gross capital formation	24.7	21.9	20.6	19.4	21.7	21.1	20.1	18.4	19.0	19.4	18.7	18.7	19.0	19.4
Current account	0.4	-0.4	0.1	-0.3	-1.0	-1.9	-1.7	-0.1	0.0	0.6	0.9	1.3	1.4	1.4
Determinants of Investment														
Capacity utilisation ratio	-	-	83.1	80.8	84.9	82.5	80.5	77.7	79.8	83.0	81.2	82.0	-	-
GDP gap	-	-1.9	1.1	-1.3	2.2	1.2	-0.2	-2.7	-2.0	-1.7	-2.1	-1.7	-1.1	-0.6
Profitability Index (1961-73=100)	100.0	72.9	88.1	94.8	90.5	90.0	90.5	89.2	95.6	99.5	102.6	107.0	111.0	113.6
Growth potential														
Capital/Output ratio (C/GDP)	3.0	3.3	3.3	3.4	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.3
Capital intensity	4.5	2.9	1.2	2.6	1.2	2.5	4.0	3.9	2.3	1.4	1.9	1.5	1.3	1.1
Growth of capital stock (real)	4.9	2.9	2.5	2.2	2.9	2.5	1.9	1.9	2.0	2.0	2.0	2.0	2.2	2.4
GDP growth (real)	4.8	2.0	3.3	1.5	2.9	1.5	0.9	-0.5	2.9	2.4	1.8	2.6	3.0	3.1
Productivity growth (GDP/pers.empl.)	4.4	2.0	1.9	2.0	1.2	1.3	2.4	1.4	3.3	1.9	1.5	2.1	2.1	1.8
Employment and Unemployment														
Employment	0.3	0.0	1.3	-0.4	1.7	0.1	-1.4	-1.9	-0.4	0.8	0.2	0.5	0.8	1.3
Activity Rate as % of pop. 15-64	-	-	67.3	67.8	67.8	68.3	68.1	67.6	67.6	67.8	67.7	-	-	-
Employment rate (benchmark) ^(d) , % (1980) (1974)	67.5	65.2	61.3	60.9	62.6	62.7	61.8	60.4	60.1	60.3	60.3	-	-	-
Employment rate, full-time equivalent ^(e) , %	-	-	57.0	56.0	58.0	58.0	57.0	55.6	55.1	55.2	55.0	-	-	-
Unemployment rate % of active pop. ^(d)	2.3	6.4	8.9	10.2	7.7	8.2	8.3	10.7	11.2	10.8	10.9	10.7	10.3	9.8
Prices and wages														
Nominal wages	9.8	12.4	6.2	4.7	7.6	7.1	7.0	4.1	3.4	3.2	3.4	3.2	3.2	3.5
Real wages ^(f)	5.0	1.6	1.9	0.8	2.6	1.4	2.2	0.1	0.1	0.2	0.8	1.1	1.0	1.2
Nominal unit labour costs	5.3	10.2	4.2	2.7	6.3	5.7	4.5	2.7	0.1	1.3	1.9	1.1	1.0	1.6
Real unit labour costs	0.0	-0.3	-0.5	-0.9	0.9	0.2	0.0	-0.9	-2.4	-1.6	-0.5	-0.8	-0.9	-0.6
GDP deflator	5.2	10.6	4.9	3.5	5.4	5.5	4.5	3.8	2.8	2.9	2.4	1.8	2.0	2.2
Private consumption deflator	4.7	10.7	4.3	3.9	4.9	5.6	4.7	4.0	3.3	3.0	2.8	2.1	2.2	2.2
Terms of trade	0.4	-1.3	1.7	0.2	0.6	0.4	1.2	0.1	-0.7	-0.4	0.3	-0.2	-0.1	-0.1
General government budget, % of GDP														
Expenditure	-	46.3	48.2	50.9	48.2	48.4	50.8	52.4	51.3	51.0	50.4	48.7	47.9	47.1
Current revenues	-	42.7	44.9	45.8	44.7	45.2	45.6	48.3	45.8	45.9	46.1	46.0	45.6	45.3
Net borrowing	-	3.6	3.3	5.0	3.5	4.2	5.1	6.1	5.4	5.1	4.2	2.7	2.2	1.8
Net borrowing cyclically adjusted	-	3.4	3.9	4.8	5.2	5.3	5.5	5.1	4.8	4.7	3.6	2.1	2.0	1.9
Debt	-	-	54.9	65.7	55.3	58.0	60.4	66.0	67.9	70.9	73.0	72.3	71.3	69.7
Monetary conditions														
Long-term interest rate (1)	-	-	9.8	8.6	11.1	10.3	9.8	7.8	8.2	8.3	7.1	6.2	6.1	6.2
Short-term interest rate (2)	-	-	9.8	8.2	11.7	11.0	11.2	8.9	8.6	8.7	5.1	4.6	4.4	4.5
Yield curve (1-2)	-	-	0.0	0.4	-0.6	-0.7	-1.4	-0.8	1.5	1.8	2.0	1.6	1.7	1.7
Long-term interest rate adjusted for inflation ^(g)	-	-	4.7	5.0	5.4	4.6	5.1	4.0	5.4	5.5	4.8	4.2	3.3	-
DEM/USD	3.76	2.38	1.84	1.57	1.61	1.66	1.56	1.65	1.82	1.43	1.50	1.75	1.81	1.80
Nominal effective exchange rate	0.3	-4.1	5.9	-1.6	12.8	-3.7	2.5	-12.5	-2.2	3.9	2.3	-4.6	0.4	-0.2
Real effective exchange rate (Index: 1991=100)	93.3	95.5	93.5	95.8	103.0	100.0	104.7	92.7	89.6	92.8	94.9	89.2	88.3	87.1

⁽¹⁾ EU including the new German Länder from 1991; for percentage changes from 1992.^(a) Including intra-EU trade.^(b) Extra-EU trade.^(c) EUR12 until 1993.^(d) 1980 figure from the national accounts (Ameco).^(e) Eurostat definition.^(f) Private consumption deflator.^(g) GDP deflator.

Source: Commission services.

Table 2

Main Economic Indicators, 1995-1999 (Autumn 1997 forecasts)

1997	Popula- tion	GDP national currency (bln)	GDP in ECU (bln)	GDP p/head ECU (thou)	GDP p/head FFS EUR=100	GDP at constant prices (annual % change)				
						1995	1996	1997	1998	1999
B	10.2	8522	212.6	20.9	113.0	2.1	1.5	2.4	3.0	3.1
DK	5.3	1078	144.0	27.3	117.1	2.6	2.7	3.5	3.3	3.2
D	82.2	3658	1862.6	22.7	109.5	1.9	1.4	2.5	3.2	3.3
EL	10.6	32879	105.6	10.0	88.2	2.0	2.6	3.3	3.5	3.0
E	39.3	77389	466.8	11.9	77.5	2.8	2.3	3.3	3.5	3.6
F	58.6	8151	1230.9	21.0	106.1	2.1	1.5	2.3	3.1	3.1
IRL	3.6	49	65.7	18.0	103.7	11.1	8.6	8.6	8.1	7.6
I	56.8	1945520	1009.6	17.8	102.4	2.9	0.7	1.4	2.5	2.8
L	0.4	598	13.7	32.6	161.7	3.8	3.0	3.4	3.8	4.0
NL	15.6	701	317.2	20.3	108.6	2.3	3.3	3.1	3.6	3.3
A	8.1	2502	181.0	22.4	109.6	1.5	1.6	1.9	2.8	3.3
P	9.4	17843	90.0	9.6	69.2	1.9	3.3	3.5	3.7	3.7
FIN	5.1	607	103.3	20.1	98.6	5.1	3.3	4.6	4.0	3.6
S	8.9	1745	201.5	22.7	99.5	3.6	1.1	2.1	2.9	3.3
UK	59.0	788	1141.2	19.3	96.6	2.5	2.3	3.3	2.1	2.3
EUR	373.1	-	7145.8	19.2	100.0	2.4	1.8	2.6	3.0	3.1
USA	267.6	8074	7185.9	26.9	144.7	2.4	2.8	3.6	2.6	2.5
JAP	125.9	512777	3825.4	30.4	118.0	1.4	3.5	1.3	2.3	2.8

	Domestic demand at constant prices (annual % change)				
	1995	1996	1997	1998	1999
B	1.4	1.1	1.7	2.3	2.4
DK	4.4	2.6	4.4	3.3	3.2
D	2.1	0.6	1.2	2.4	3.1
EL	3.2	3.4	4.1	4.1	4.3
E	3.1	1.4	2.5	3.9	4.2
F	1.8	0.9	1.0	2.7	2.9
IRL	8.4	8.4	7.6	6.7	7.4
I	1.9	0.4	1.5	2.2	2.7
L	3.2	1.9	3.8	1.3	2.9
NL	2.0	3.5	3.4	3.0	3.0
A	2.0	1.5	1.4	2.1	2.7
P	1.5	3.3	4.6	3.9	4.0
FIN	4.8	3.3	3.8	3.3	3.2
S	2.3	0.0	1.0	2.4	2.8
UK	1.5	2.7	4.0	3.1	2.4
EUR	2.1	1.4	2.1	2.8	3.0
USA	2.3	3.0	4.0	2.8	2.3
JAP	2.2	4.6	0.2	2.2	2.8

	Deflator of private consumption (annual % change)				
	1995	1996	1997	1998	1999
B	1.7	2.3	1.7	1.8	1.8
DK	2.0	2.1	2.1	2.5	2.7
D	1.8	1.8	2.1	2.2	2.2
EL	9.3	8.5	6.0	4.5	3.5
E	4.7	3.4	2.1	2.2	2.3
F	1.6	1.9	1.3	1.5	2.0
IRL	2.0	1.1	1.4	2.5	3.0
I	5.8	4.3	2.2	2.2	2.9
L	0.7	1.4	1.6	1.7	1.8
NL	1.5	1.3	2.1	2.4	2.6
A	1.4	2.5	1.9	2.1	2.2
P	4.2	3.3	2.2	2.1	2.3
FIN	0.3	1.6	1.3	2.0	2.8
S	2.4	1.2	1.8	2.0	2.3
UK	2.6	2.6	2.4	2.4	2.3
EUR	3.9	2.6	2.1	2.2	2.2
USA	2.2	2.4	2.1	2.4	3.0
JAP	-0.5	0.2	1.5	1.1	1.0

	Gross fixed capital formation in equipment at constant prices (annual % change)				
	1995	1996	1997	1998	1999
B	5.5	3.3	4.8	5.0	5.3
DK	12.6	3.7	7.6	5.3	4.9
D	2.0	2.4	4.3	7.7	8.8
EL	5.1	14.1	11.8	11.5	11.8
E	12.1	5.9	8.9	8.9	8.4
F	6.6	0.7	-0.5	4.2	0.1
IRL	4.0	11.8	10.0	9.0	12.0
I	13.4	1.3	2.0	6.0	7.0
L	-	-	15.0	-9.5	5.0
NL	10.6	10.9	6.9	3.9	6.5
A	3.1	2.9	5.0	7.5	7.6
P	1.3	8.2	9.1	7.5	7.0
FIN	25.5	11.6	2.9	1.9	6.0
S	29.2	6.5	5.8	5.5	5.1
UK	5.1	2.2	6.6	6.0	4.1
EUR	7.5	3.0	4.5	6.3	7.0
USA	10.3	10.1	10.4	10.8	6.8
JAP	10.2	7.2	4.6	8.1	7.1

	Compensation of employees per head (annual % change)				
	1995	1996	1997	1998	1999
B	2.9	1.4	2.3	2.6	2.6
DK	3.8	3.1	3.8	4.4	4.6
D	3.6	2.5	2.0	2.5	3.0
EL	12.5	11.6	10.5	7.5	6.1
E	2.2	4.4	2.7	3.0	3.1
F	2.5	2.6	2.4	2.7	3.2
IRL	1.8	2.2	5.5	5.3	5.3
I	4.8	5.5	5.3	3.2	3.3
L	2.2	1.8	3.3	3.3	3.4
NL	2.1	2.0	3.2	3.6	3.6
A	3.1	1.7	1.7	2.3	2.8
P	4.5	5.7	4.7	4.1	4.2
FIN	4.0	3.6	2.4	2.6	3.0
S	2.9	7.3	4.5	3.9	3.9
UK	2.4	3.5	4.2	4.3	4.2
EUR	3.2	3.4	3.2	3.2	3.5
USA	3.5	3.4	3.2	3.8	5.2
JAP	1.6	0.8	1.2	2.4	2.8

Note: As usual, the forecasts are conditioned upon, inter alia, the technical assumption of "no policy change". This means that specific policy measures, especially in the budgetary field, which have not yet been disclosed are not taken into account. As a result, projections for 1999 are essentially an extrapolation of expected trends in 1997/98.

Source: Commission services.

Table 2 continued.

Main Economic Indicators, 1995-1999 (Autumn 1997 forecasts)

	Number of unemployed as % of the civilian labour force						Total employment (annual % change)				
	1995	1996	1997	1998	1999		1995	1996	1997	1998	1999
B	9.9	9.8	9.7	8.8	8.0	B	0.5	0.0	0.2	1.1	1.0
DK	7.2	6.9	6.0	5.1	5.1	DK	1.6	1.1	2.2	0.9	0.6
D	8.2	8.9	10.0	9.8	9.1	D	-0.3	-1.2	-1.3	0.3	1.5
EL	9.2	9.6	9.5	9.3	9.2	EL	0.8	1.3	1.6	1.7	1.8
E	22.9	22.1	21.0	19.8	18.7	E	1.7	1.5	2.5	2.4	2.5
F	11.7	12.4	12.5	12.3	11.9	F	1.0	0.0	0.3	1.1	1.4
IRL	12.3	11.8	10.8	9.5	7.9	IRL	4.8	3.7	4.6	3.8	4.0
I	11.9	12.0	12.1	11.9	11.8	I	-0.2	0.2	0.1	0.3	0.5
L	2.9	3.3	3.6	3.6	3.9	L	2.5	2.4	1.8	2.2	2.2
NL	6.9	6.3	5.5	4.8	3.9	NL	1.4	1.8	1.9	2.0	2.0
A	3.9	4.4	4.4	4.2	3.9	A	0.2	-0.7	0.0	0.7	1.3
P	7.3	7.3	6.8	6.7	6.3	P	-1.0	0.8	-1.5	0.7	0.8
FIN	16.3	15.4	13.8	12.6	11.7	FIN	1.7	0.9	2.4	1.8	1.5
S	9.2	10.0	10.4	9.9	9.3	S	1.5	-0.6	-1.1	0.7	1.2
UK	8.7	8.2	6.4	5.8	5.5	UK	1.2	1.2	1.5	0.5	0.5
EUR	10.5	10.9	10.7	10.3	9.7	EUR	0.6	0.2	0.5	0.8	1.3
USA	5.6	5.4	5.0	4.7	5.1	USA	1.5	1.4	2.4	1.8	0.8
JAP	3.1	3.4	3.3	3.1	3.1	JAP	0.2	0.4	1.2	1.0	1.2

	Balance of current transactions (as a % of GDP)				
	1995	1996	1997	1998	1999
B	4.5	4.5	5.0	5.4	5.7
DK	0.8	0.8	0.2	0.3	0.4
D	-1.2	-1.2	-0.6	-0.2	-0.2
EL	-2.7	-2.8	-2.9	-3.0	-3.1
E	0.4	0.3	1.0	0.5	0.1
F	1.5	1.8	2.4	2.5	2.8
IRL	4.5	3.8	3.3	2.9	1.4
I	2.4	3.5	3.7	4.0	4.4
L	17.2	16.0	14.6	16.2	17.0
NL	5.5	5.7	5.4	5.4	5.5
A	-2.1	-1.8	-1.6	-1.4	-1.3
P	-2.0	-2.5	-2.4	-2.3	-2.4
FIN	4.1	3.8	3.7	4.8	5.8
S	1.1	1.2	-1.9	2.2	2.6
UK	-1.9	-0.1	0.0	-0.5	-0.7
EUR	0.6	0.9	1.3	1.4	1.4
USA	-1.8	-1.7	-1.9	-2.0	-1.9
JAP	2.2	1.4	2.3	2.5	2.3

	General government net lending (+) or borrowing (-) (as a % of GDP)				
	1995	1996	1997	1998	1999
B	-3.9	-3.2	-2.8	-2.3	-2.2
DK	-2.4	-0.8	1.3	1.8	2.4
D ¹⁾	-3.3	-3.4	-3.0	-2.6	-1.7
EL	-8.8	-7.6	-4.2	-3.0	-2.7
E ²⁾	-7.3	-4.7	-2.9	-2.4	-2.2
F	-5.0	-4.1	-3.1	-3.0	-2.6
IRL	-2.1	-0.4	0.6	1.2	2.1
I	-8.0	-6.8	-3.0	-3.7	-3.6
L	2.0	2.6	1.6	1.0	0.5
NL ³⁾	-4.0	-2.3	-2.1	-1.9	-1.5
A	-5.0	-3.8	-2.8	-2.8	-2.4
P	-5.8	-3.2	-2.7	-2.4	-2.2
FIN	-5.0	-3.1	-1.4	-0.2	0.5
S	-7.1	-3.7	-1.9	-0.2	0.2
UK	-5.5	-4.9	-2.0	-0.6	-0.3
EUR	-5.1	-4.2	-2.7	-2.2	-1.8
USA	-2.3	-1.4	-0.3	0.3	0.8
JAP	-3.7	-4.4	-3.4	-3.0	-2.5

	Cyclically adjusted lending (+) or borrowing (-) of general government (as a % of GDP)				
	1995	1996	1997	1998	1999
B	-3.3	-2.2	-1.9	-2.1	-2.4
DK	-1.8	-0.3	1.3	1.8	1.8
D	-3.2	-2.7	-2.3	-2.2	-1.6
EL	-8.1	-6.9	-3.8	-3.0	-3.1
E	-6.2	-3.5	-2.1	-2.0	-2.2
F	-4.4	-3.3	-2.4	-2.8	-2.7
IRL	-2.1	-1.0	-0.5	-0.1	0.8
I	-7.9	-6.2	-2.3	-3.3	-3.7
L	-	2.2	1.7	1.4	0.8
NL	-3.3	-1.9	-1.8	-2.1	-1.8
A	-5.0	-3.4	-2.2	-2.1	-2.4
P	-4.6	-2.3	-2.1	-2.1	-2.2
FIN	-3.1	-1.8	-1.3	-0.6	-0.2
S	-6.3	-2.4	-0.7	0.3	-0.2
UK	-5.0	-4.5	-2.2	-0.7	-0.3
EUR	-4.7	-3.6	-2.1	-2.0	-1.9

	General government gross debt (as a % of GDP)				
	1995	1996	1997	1998	1999
B	131.2	126.9	124.7	121.3	117.7
DK ⁴⁾	73.8	71.6	67.0	62.2	57.0
D	58.0	60.4	61.7	61.4	60.0
EL	111.3	112.6	109.3	106.4	104.2
E	65.3	70.1	68.1	66.5	64.8
F	52.5	55.7	57.3	58.2	58.2
IRL	82.2	72.7	65.8	59.2	52.3
I	124.4	123.8	123.2	121.9	120.0
L	5.9	6.8	6.7	6.8	7.6
NL	78.1	77.2	73.4	71.5	69.4
A	69.3	69.5	66.1	65.6	64.8
P	66.5	65.6	62.5	60.8	59.5
FIN	58.1	58.0	59.0	57.3	55.8
S	78.2	77.8	77.4	75.3	71.2
UK	53.8	54.4	52.9	51.5	49.8
EUR	71.0	73.0	72.4	71.4	69.8

¹⁾ Not including unification related debt and asset assumptions by the federal government in 1995 (Treuhand, eastern housing companies and Deutsche Kreditbank), equal to DEM 227.5 bn.

²⁾ Figures complying with Eurostat's recommendations of February 1997 establishing a common and harmonised interpretation of the rules of ESA 2nd edition. The figures for 1995 and 1996 are 6.4 % of GDP.

³⁾ Not including for 1995 a net amount of 32.84 bn NLG of exceptional expenditure related to the reform of the financing of the social housing societies.

⁴⁾ Government deposits with the central bank, government holdings of non-government bonds and public enterprise related debt amounted to some 16 % of GDP in 1996.

Source: Commission services.

Table 3

Economic policy-mix in the EU: favourable to growth and employment

	Real effective exchange rate ¹⁾ (Unit labour costs) (1993 = 100)		Change in short-term interest rates since Q1 1995 (3-month interbank)	Change in long-term interest rates since Q1 1995 (10-year benchmark)	Change in cyclically-adjusted budget balance ²⁾		Nominal compensation per employee		Nominal unit labour cost		Real unit labour cost ²⁾	
	Q1 1995	Q4 1997			Jan 1998	Jan 1998	1996/97 annual average	1998	1997 ⁴⁾	1998 ⁴⁾	1997 ⁴⁾	1998 ⁴⁾
	Percentage change											
B	107.2	98.7	-2.2	-3.3	0.7	-0.2	2.3	2.6	0.1	0.7	-1.2	-1.1
DK	102.9	102.6	-2.5	-3.7	1.6	0.3	3.9	4.3	2.5	1.9	-0.2	-0.8
D	106.3	92.0	-1.5	-2.5	0.4	0.2	2.0	2.5	-1.7	-0.4	-2.6	-2.0
EL	110.6	128.2	1.1	n.a	2.7	0.8	10.5	7.5	8.7	5.6	1.7	0.7
E	90.7	91.8	-4.3	-6.5	2.1	0.1	2.7	3.0	2.0	1.9	0.1	-0.3
F	102.8	98.4	-3.0	-3.1	1.0	-0.4	2.4	2.7	0.4	0.7	-0.8	-0.6
IRL	95.3	91.4	-0.6	-3.4	0.8	0.4	6.5	5.3	1.1	1.1	-0.3	0.4
I	88.2	101.6	-3.8	-6.6	2.8	-1.0	5.3	3.2	4.0	1.0	1.4	-1.0
NL	103.2	97.6	-1.6	-2.7	0.8	-0.3	3.2	3.6	2.0	1.9	0.1	-0.4
A	104.7	95.5	-1.0	-2.5	1.4	0.1	1.7	2.3	-0.2	0.2	-1.5	-1.4
P	108.6	106.2	-5.5	-6.3	1.3	0.0	4.7	4.1	2.6	1.1	-1.0	-1.2
FIN	113.9	106.1	-2.5	-4.9	0.9	0.7	2.4	2.6	0.3	0.5	-0.6	-1.6
S	97.3	108.9	-3.6	-5.2	2.8	1.0	4.5	3.9	1.2	1.7	-0.7	-0.3
UK	99.2	119.6	0.8	-2.6	1.5	1.5	4.2	4.3	2.3	2.7	-0.4	0.0
EUR ⁶⁾	101.6	96.2	-2.1	-3.6	1.3	0.1	3.2	3.2	1.1	1.1	-0.7	-0.9
USA	102.6	115.0	-0.6	-2.0	0.2	-0.1	3.2	3.8	2.0	3.0	-0.1	0.7

¹⁾ Relative to 22 industrialised countries.

²⁾ A minus sign indicates a deterioration, i.e. a rise in the deficit.

³⁾ Deflated by GDP deflator.

⁴⁾ European Commission Autumn 1997 forecast.

⁶⁾ Exchange rate relative to 9 industrial non-EC countries.

Source: Commission services and OECD.

Table 4

Labour market situation, EUR¹⁾

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
a) Non activity rate, as % of population 15-64 year (a = 100-b)	33.6	33.3	33.0	32.7	32.3	32.2	31.7	31.9	32.4	32.4	32.4	32.3
b) Activity rate, as % of population 15-64 year (b = c+t)	66.4	66.7	67.0	67.3	67.7	67.8	68.3	68.1	67.6	67.6	67.6	67.7
c) Employment rate, benchmark series, % of population 15-64 year (c)	59.8	60.1	60.5	61.1	62.1	62.6	62.7	61.8	60.4	60.1	60.3	60.3
d) Full-time equivalent employment rate ²⁾	55.8	56.0	56.3	56.9	57.7	58.0	58.0	57.0	55.6	55.1	55.2	55.0
e) Effect of part-time employment (e=c-d)	4.0	4.1	4.2	4.2	4.4	4.6	4.7	4.8	4.8	5.0	5.1	5.3
f) Unemployment rate, as % of population 15-64 year (f=b-c)	6.6	6.6	6.5	6.2	5.6	5.2	5.6	6.3	7.2	7.5	7.3	7.4
g) Unemployment rate, as % of civilian labour force ³⁾	10.0	9.9	9.7	9.1	8.3	7.7	8.2	9.3	10.7	11.2	10.8	10.9

¹⁾ Variables c, d and g are original input. Other variables are derived from these.

²⁾ Taking into account part-time and over-time in relation to national legislative number of working hours per week.

³⁾ Definition Eurostat.

Source: Commission services.

Table 5

Labour market situation, individual Member States ¹⁾

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EUR
a) Non activity rate, as % of population 15-64 year (a=100-b)																
1985	40.8	16.7	32.0	38.3	43.7	31.0	38.1	41.9	34.0	37.1	30.2	30.5	20.9	17.4	25.3	33.6
1990	41.4	15.9	30.8	39.5	40.6	30.9	38.2	40.9	27.8	33.7	27.9	30.6	22.6	15.7	22.2	32.2
1993	38.2	16.5	30.5	39.6	40.3	31.6	37.5	41.2	22.3	32.4	26.1	29.1	26.5	19.9	23.6	32.3
1996	37.2	18.9	31.3	37.0	39.4	31.2	36.2	41.6	18.2	30.5	27.0	28.8	27.1	21.9	24.0	32.3
b) Activity rate, as % of population 15-64 year (b=c+f)																
1985	59.2	83.3	68.0	61.7	56.3	69.0	61.9	58.1	66.0	62.9	69.8	69.5	79.1	82.6	74.7	66.4
1990	58.6	84.1	69.2	60.5	59.4	69.1	61.8	59.1	72.2	66.3	72.1	69.4	77.4	84.3	77.8	67.8
1993	61.8	83.5	69.5	60.4	59.7	68.4	62.5	58.8	77.7	67.6	73.9	70.9	73.5	80.1	76.4	67.7
1996	62.8	81.1	68.7	63.0	60.6	68.8	63.8	56.4	81.8	69.5	73.0	71.2	72.9	78.1	76.0	67.7
c) Employment rate, benchmark series, % of population 15-64 year (c)																
1985	53.1	77.4	63.1	57.3	44.1	62.0	51.4	53.1	64.1	57.7	67.3	63.5	74.3	80.1	66.2	59.8
1990	54.7	77.6	66.3	56.6	49.7	62.9	53.5	53.7	71.0	62.2	69.7	66.2	74.9	82.8	72.4	62.6
1993	56.3	75.1	64.0	55.2	46.1	60.4	52.7	52.7	75.6	63.2	70.9	66.9	61.1	72.5	68.5	60.4
1996	56.6	75.5	62.6	56.9	47.2	60.3	56.3	51.4	79.1	65.1	69.8	66.0	61.7	70.3	69.8	60.3
d) Full-time equivalent employment rate ²⁾																
1985	50.9	67.6	58.9	55.8	42.8	59.1	49.7	52.3	54.3	47.6	63.5	61.9	70.7	70.6	58.0	55.8
1990	51.7	68.3	60.6	55.4	48.4	59.6	51.3	52.8	53.0	50.2	65.8	64.5	71.2	72.8	63.2	58.0
1993	52.7	66.1	59.1	54.1	44.4	56.7	49.8	51.8	52.6	50.8	66.8	64.8	58.1	63.6	59.1	55.6
1996	52.7	67.3	57.0	55.6	45.1	56.1	53.0	50.2	51.0	51.7	65.0	63.8	58.5	63.3	59.8	55.0
e) Effect of part-time employment rate (e=c-d)																
1985	2.2	9.8	4.2	1.5	1.3	2.9	1.7	0.8	9.8	10.1	3.8	1.6	3.6	9.5	8.2	4.0
1990	3.0	9.3	5.7	1.2	1.3	3.3	2.2	0.9	18.0	12.0	3.9	1.7	3.7	10.0	9.2	4.6
1993	3.6	9.0	4.9	1.0	1.7	3.7	2.9	1.0	23.1	12.4	4.1	2.0	3.0	8.8	9.4	4.8
1996	3.9	8.2	5.6	1.3	2.1	4.2	3.3	1.2	28.1	13.4	4.8	2.2	3.2	7.0	10.0	5.3
f) Unemployment rate, as % of population 15-64 year (f=b-c)																
1985	6.1	5.9	4.9	4.4	12.2	7.0	10.5	5.0	1.9	5.2	2.5	6.0	4.8	2.5	8.5	6.6
1990	3.9	6.5	2.9	3.9	9.7	6.2	8.3	5.4	1.2	4.1	2.4	3.2	2.5	1.5	5.4	5.2
1993	5.5	8.4	5.5	5.2	13.6	8.0	9.7	6.1	2.1	4.5	3.0	4.0	12.4	7.6	7.9	7.2
1996	6.2	5.6	6.1	6.1	13.4	8.5	7.5	7.0	2.7	4.4	3.2	5.2	11.2	7.8	8.2	7.4
g) Unemployment rate, as % of civilian labour force ³⁾																
1985	10.3	7.1	7.2	7.0	21.6	10.1	16.9	8.5	2.9	8.3	3.6	8.7	6.0	3.0	11.5	10.0
1990	6.7	7.7	4.8	6.4	16.2	8.9	13.4	9.1	1.7	6.2	3.2	4.6	3.3	1.8	7.0	7.7
1993	8.9	10.1	6.0	8.6	22.8	11.7	15.6	10.3	2.7	6.6	4.0	5.7	16.9	9.5	10.4	10.7
1996	9.8	6.9	8.8	9.6	22.1	12.4	11.8	12.0	3.3	6.3	4.4	7.3	15.4	10.0	8.2	10.9

¹⁾ Variables c, d and g are original input. Other variables are derived from these.

²⁾ Taking into account part-time and over-time in relation to national legislative number of working hours per week.

³⁾ Definition Eurostat.

Source: Commission services.

Table 6

**Growth, employment and productivity trends,
EUR, USA and Japan**

(Average annual growth rates, in %)

	1961-73	1974-96	1974-85	1986-96	1986-90	1991-96
1. Real GDP growth						
EUR	4.7	2.2	2.0	2.3	3.2	1.5
USA	3.9	2.4	2.3	2.5	2.8	2.1
JAP	9.6	3.3	3.7	3.0	4.6	1.7
2. Labour supply						
EUR	0.3	0.6	0.7	0.4	0.9	-0.1
USA	1.9	1.7	2.1	1.3	1.5	1.1
JAP	1.2	1.0	0.9	1.2	1.4	0.9
3. Employment						
EUR	0.3	0.1	0.0	0.3	1.4	-0.5
USA	1.9	1.7	1.9	1.5	1.9	1.1
JAP	1.3	0.9	0.8	1.1	1.5	0.6
4. Labour productivity¹ (= 1-3 ÷ 5+6)						
EUR	4.4	2.0	2.0	2.0	1.9	2.0
USA	1.9	0.7	0.5	1.0	0.9	1.0
JAP	8.1	2.4	3.0	1.9	3.1	1.1
5. Total factor productivity²						
EUR	2.8	1.1	1.0	1.2	1.5	1.0
USA	1.6	0.6	0.4	0.8	0.9	0.8
JAP	6.3	1.1	1.4	0.7	2.0	-0.3
6. Labour-to-capital substitution³						
EUR	1.6	0.9	1.0	0.8	0.4	1.0
USA	0.3	0.1	0.1	0.1	0.0	0.2
JAP	1.8	1.3	1.5	1.1	1.1	1.3

¹⁾ Real GDP per employed person.

²⁾ Average of capital and labour productivity, weighted by factor income shares in GDP.

³⁾ Discrepancy between labour productivity and total factor productivity.

Source: Commission services.

Table 7

General government net lending / borrowing (% of GDP)
Convergence programme projections

	Date ¹⁾	1996	1997	1998	1999	2000	2001
B	1/97	-3.4	-2.9	-2.3	-1.7	-1.4	
DK	6/97	-1.4	0.7	0.7	0.9	1.1	²⁾
D ³⁾	1/97	-3.9	-2.9	-2.5	-2.0	-1.5	
EL	7/97	-7.4	-4.2	-2.4	-2.1		
E	4/97	-4.4	-3.0	-2.5	-2.0	-1.6	
F	1/87	-4.0	-3.0	-2.8	-2.3	-1.8	-1.4
IRL	4/97	-0.9	-1.5	-1.5	-1.1		
I	6/97	-6.7	-3.0	-2.8	-2.4	-1.8	
NL	12/96	-2.6	-2.2	-2.25			
A	10/97	-4.0	-2.7	-2.5	-2.2	-1.9	
P	3/97	-4.0	-2.9	-2.5	-2.0	-1.5	
FIN	9/97	-3.1	-1.3	-0.1	0.3	1.0	1.9
S ⁴⁾	9/97	-2.5 (-3.7)	-1.8 (-1.6)	0.6	0.5	1.5	
UK ⁵⁾	9/97	-4.2	-1.6	-0.3	-0.1/0.4	0.5/1.5	0.9/2.4

1) Date when most recent version of convergence programme was submitted.

2) Government surplus of 2.8% of GDP projected for 2005.

3) Taking into account revised estimates (for 1996 and 1997) provided by the German authorities in February 1997.

4) Main series according to Swedish national accounts, figures in brackets for 1996 and 1997 according to ESA accounting principles.

5) Financial year ending in March of the following calendar year.

Source: Commission services.

Table 8

Receipts and expenditures of general government - EUR a)

(in % of GDP)

	1961	1970	1973	1982	1989	1993	1994	1995	1996	1997
Current receipts										
1. Total (2+3+4+5)	34.3	37.4	38.2	44.3	44.8	46.3	45.8	45.9	46.1	46.0
<i>of which:</i>										
2. Indirect taxes	13.9	13.5	12.9	13.2	13.5	13.6	13.8	13.7	13.8	14.0
3. Direct taxes	8.7	10.2	10.7	12.4	13.3	12.9	12.6	12.8	12.8	12.9
4. Social security contributions	10.2	10.7	11.8	14.7	14.6	16.0	15.9	16.0	16.1	15.8
5. Other current receipts	1.5	2.9	2.8	4.0	3.4	3.8	3.5	3.4	3.4	3.3
Total expenditure										
6. Total (7+8+9+10+11)	33.6	36.9	38.7	49.3	47.2	52.4	51.3	51.0	50.4	48.7
<i>of which:</i>										
7. Current transfers	11.5	14.7	16.0	21.6	20.7	23.7	23.5	23.3	23.1	22.5
<i>7bis. of which:</i>										
Households		12.1	13.0	17.9	17.1	20.0	19.9	19.8	19.7	19.3
8. Actual interest payments	3.1	1.8	1.7	4.1	4.6	5.4	5.2	5.4	5.4	5.0
9. Public consumption	13.7	15.4	16.4	19.6	18.2	19.6	19.2	19.0	18.9	18.7
10. Net capital transfers	0.8	0.7	0.9	1.0	0.9	1.1	0.8	0.8	0.6	0.3
11. Gross capital formation	4.5	4.2	3.7	2.9	2.8	2.8	2.7	2.5	2.4	2.2
Memory items										
12. Gross saving (1-7-8-9)	6.0	5.2	4.1	-1.0	1.2	-2.4	-2.1	-1.8	-1.3	-0.2
13. Net lending(+)/ borrowing(-) (1-8)	0.7	0.3	-0.6	-5.1	-2.4	-6.1	-5.4	-5.1	-4.2	-2.6
14. Gross public debt ^{b)}	65.2	38.8	35.3	45.6	54.1	66.1	68.1	71.1	73.2	72.6

a) 1961 : EUR 15 excluding Greece, Portugal, Austria, Sweden and Finland; 1970: EUR15 excluding Greece, Portugal and Finland, 1973 : EUR 15 excluding Luxembourg, Greece and Portugal.

b) 1970: EUR 15 excluding Denmark, France, the Netherlands and Portugal 1973 : EUR 15 excluding France and the Netherlands.

Source: Commission services.

Table 9

Sectoral change in the EU ¹⁾

(% p.a.)

Indicator	Period	Total	Agriculture	Industry ²	Services
Value added	1961-73	4.9	1.8	5.5	5.6
	1974-85	2.0	1.4	1.5	2.7
	1986-90	3.2	1.3	2.6	3.4
	1991-94	1.1	0.9	0.1	1.8
Employment	1961-73	0.3	-4.6	0.5	1.6
	1974-85	0.2	-2.9	-1.6	1.7
	1986-90	1.2	-3.3	-0.2	2.0
	1991-94	-0.8	-3.8	-3.3	0.5
Labour productivity	1961-73	4.6	6.5	5.0	4.0
	1974-85	1.8	4.3	3.1	1.0
	1986-90	2.0	4.6	2.8	1.4
	1991-94	1.9	4.7	3.4	1.3
Relative prices	1961-73	0.0	-0.4	-1.0	0.7
	1974-85	0.0	-2.6	-0.7	0.6
	1986-90	0.0	-1.6	-1.3	0.8
	1991-94	0.0	-6.1	-1.4	0.7

Relative weight of value added (in % of total in current prices)

1960	7.6	35.5	41.3
1973	4.8	33.7	49.5
1985	3.0	29.4	56.9
1990	2.6	26.9	60.1
1994	2.0	24.3	63.5

Occupied population per sector (in % of total)

1960	15.9	30.8	41.4
1973	8.6	31.6	49.1
1985	6.0	26.6	59.0
1990	4.8	23.9	61.7
1994	4.2	21.6	65.0

¹⁾ EUR15 excluding Greece, Spain, Ireland, Luxembourg and Portugal. For the period 1961-73 comparable data is only available for EUR5 (Belgium, West Germany, France, Italy and the Netherlands) and for 1974-85 EUR 8 (Belgium, Denmark, West Germany, France, Italy, Finland, Sweden, the UK).

²⁾ Excluding building and construction.

Source: Commission services.

Table 10

Wage dispersion in the EU

	ECHP ¹⁾	OECD(96)	ECHP ¹⁾	OECD(96)	ECHP ¹⁾	OECD(96)
	Overall Dispersion (D9/D1)	Overall Dispersion (D9/D1) ²⁾	Upper-Half Dispersion (D9/D5)	Upper-Half Dispersion (D9/D5)	Lower-Half Dispersion (D5/D1)	Lower-half Dispersion (D5/D1)
B	2.42	2.25	1.64	1.57	1.47	1.43
DK	2.10	2.17	1.53	1.57	1.37	1.38
D ³⁾	2.95	2.32	1.76	1.61	1.68	1.44
EL	2.50	n.a.	1.60	n.a.	1.56	n.a.
E	3.64	n.a.	2.04	n.a.	1.78	n.a.
F	3.20	3.28	1.98	1.99	1.62	1.65
IRL	4.18	n.a.	2.00	n.a.	2.08	n.a.
I	2.13	2.80	1.52	1.60	1.40	1.75
L	3.38	n.a.	1.94	n.a.	1.74	n.a.
NL	2.33	2.59	1.62	1.66	1.44	1.56
A	n.a.	3.66	n.a.	1.82	n.a.	2.01
P	4.20	4.05	2.63	2.47	1.60	1.64
FIN	n.a.	2.38	n.a.	1.70	n.a.	1.40
S	n.a.	2.13	n.a.	1.59	n.a.	1.34
UK	3.73	3.38	1.94	1.87	1.92	1.81
EUR12	3.05	n.a.	1.83	n.a.	1.66	n.a.
USA	n.a.	4.39	n.a.	2.10	n.a.	2.09

1) EC Household Panel.

2) $(D9/D1) = (D9/D5) * (D5/D1)$

3) OECD data referring to Western Germany only.

Note: Based on (provisional) data of the ECHP-94, the earnings dispersion have been calculated on normal gross monthly earnings (for NL : net monthly earnings) for full-time employees. Figures are ratios of upper/lower deciles in the distribution of earnings. The ratios for EU12 have been calculated as the sum of the dispersion rates for each Member States, weighted with the respective share in total employment (from Labour Force Survey 1994).

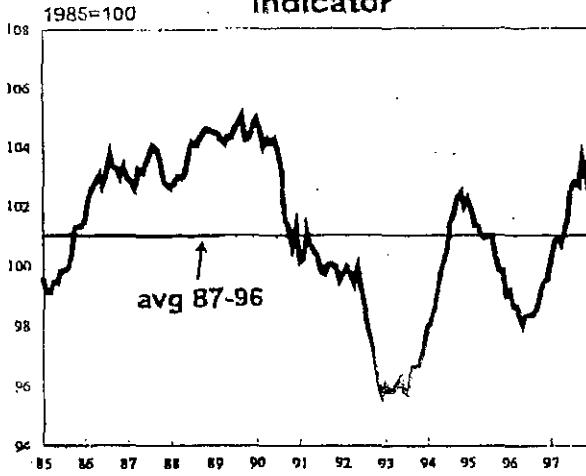
Source: Commission services and OECD.

Graph 1

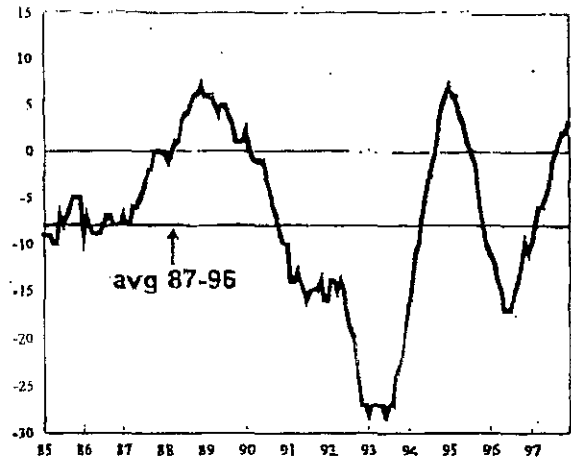
Survey indicators - EUR

(balance between positive and negative answers)

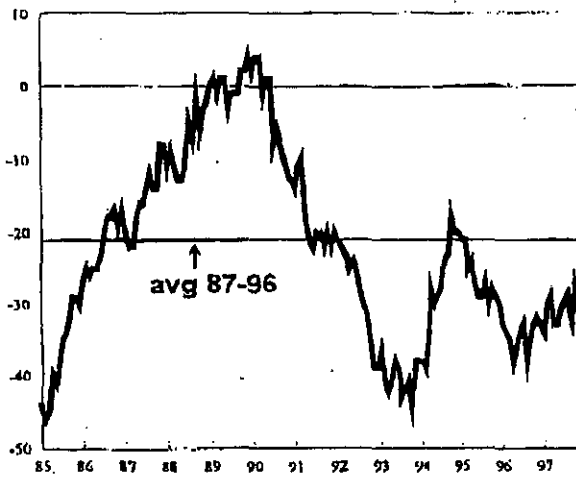
Economic confidence indicator



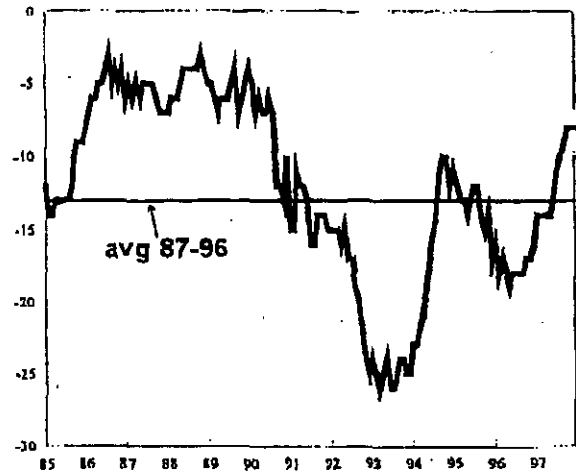
Industrial confidence



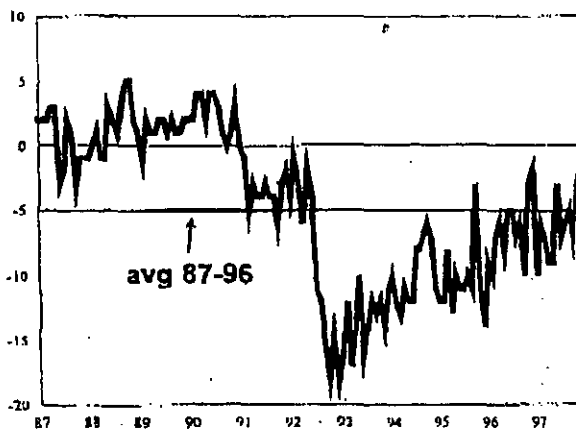
Construction confidence



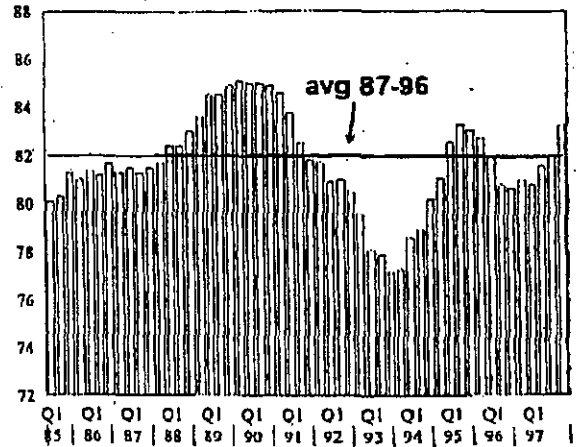
Consumer confidence



Retail trade confidence indicator



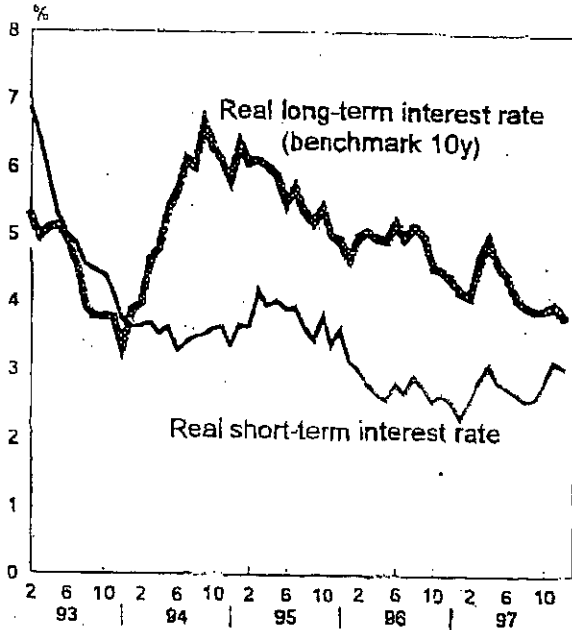
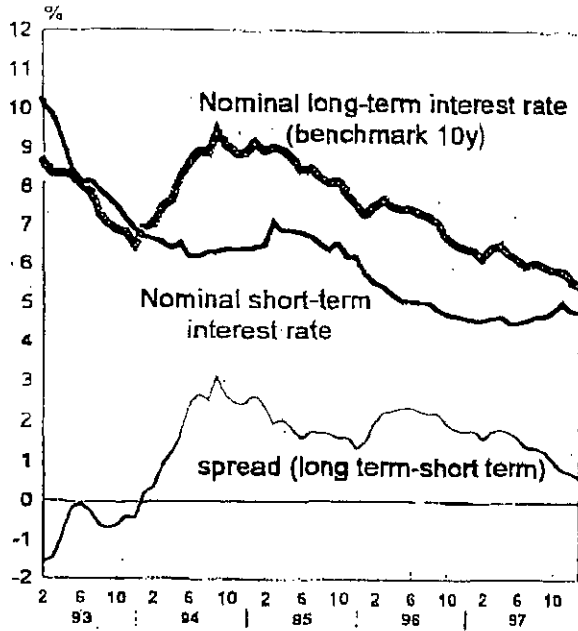
Capacity utilisation rate



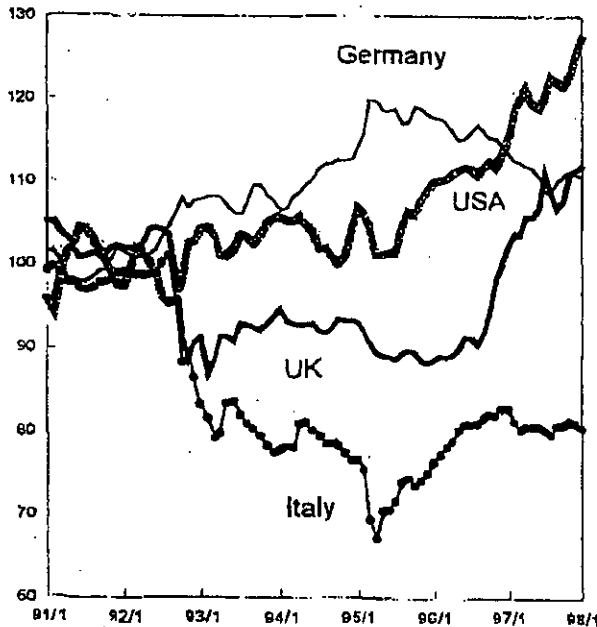
Source: Commission services.

Graph 2

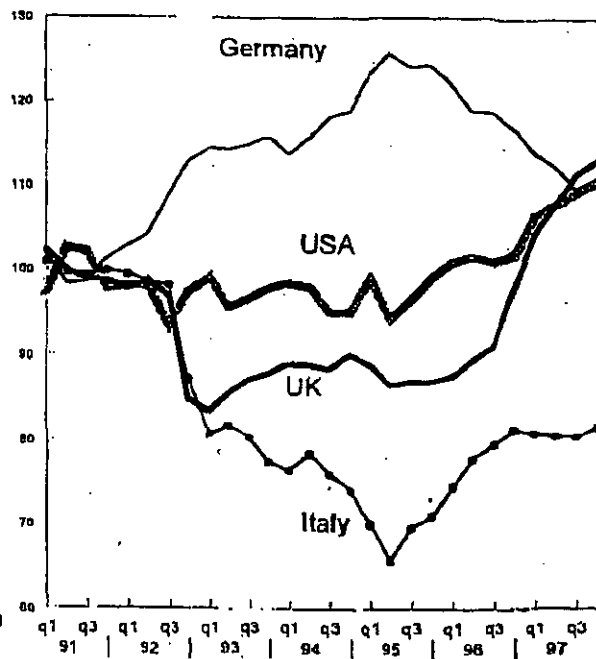
Interest rates and effective exchange rates - EUR



Nominal effective exchange rates (1991=100)



Real effective exchange rates, adjusted by ulc; (1991=100)

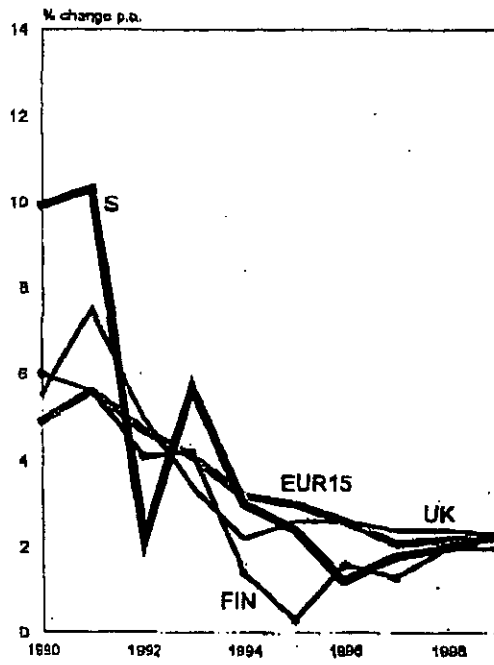
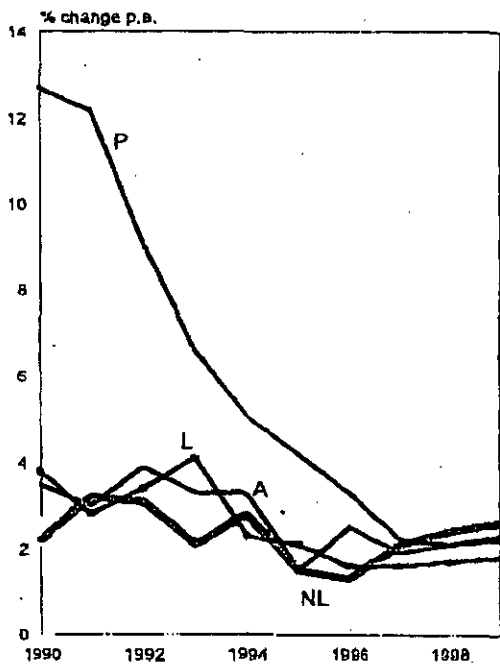
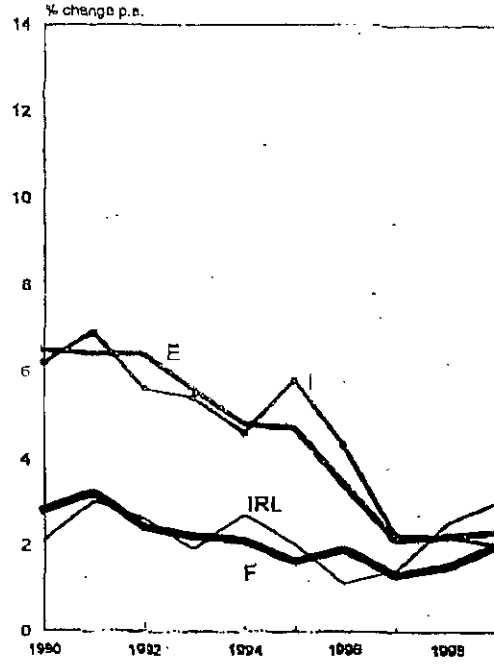
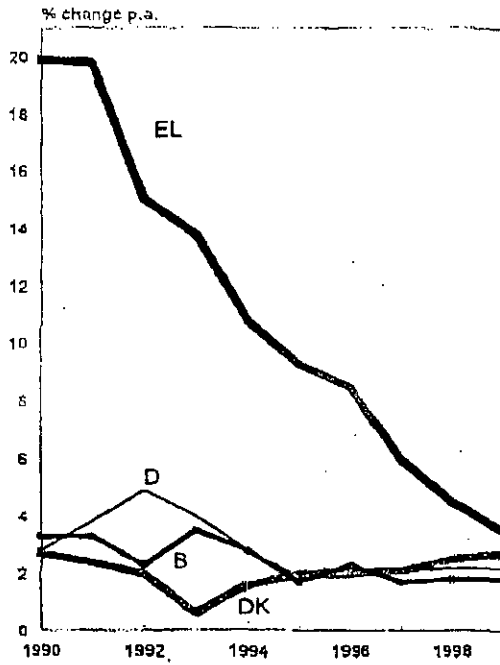


Source: Commission services.

Graph 3

Convergence in the EU

a. Inflation trends¹⁾

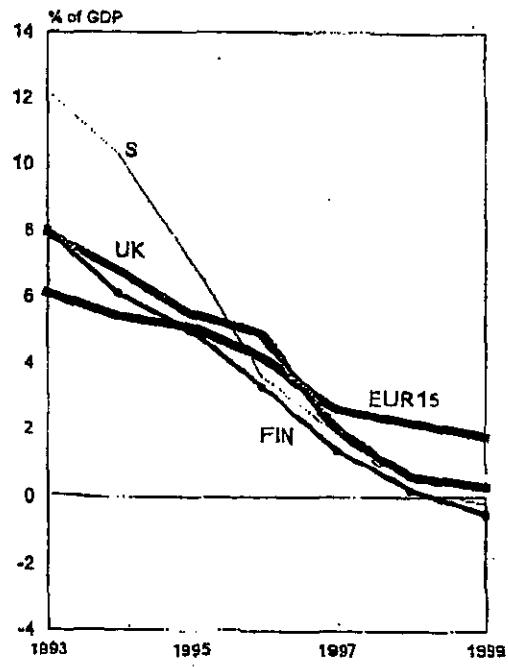
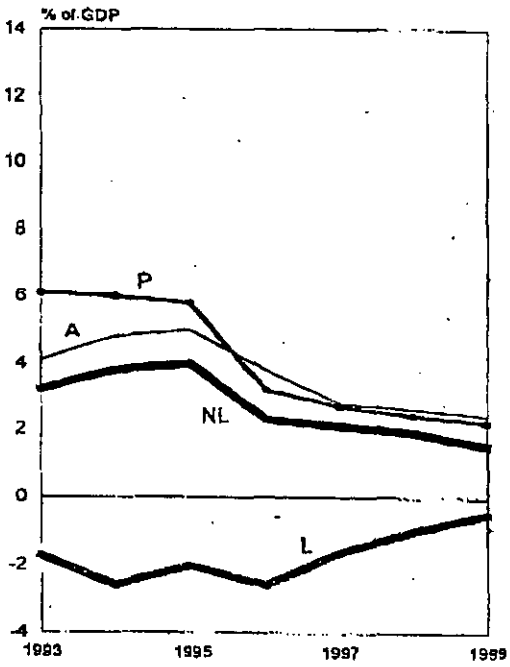
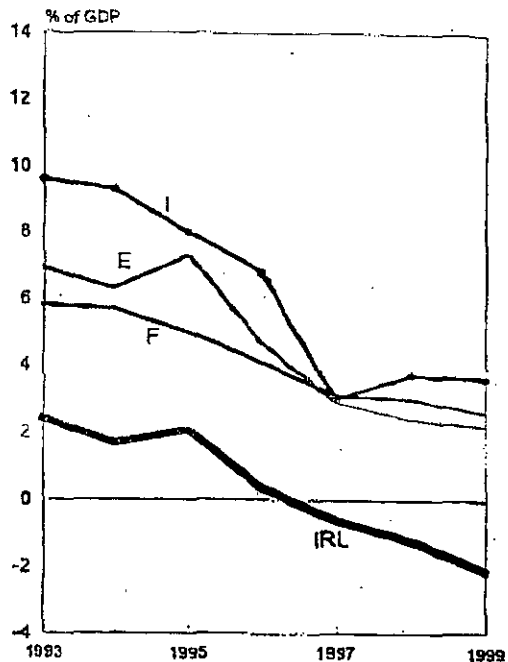
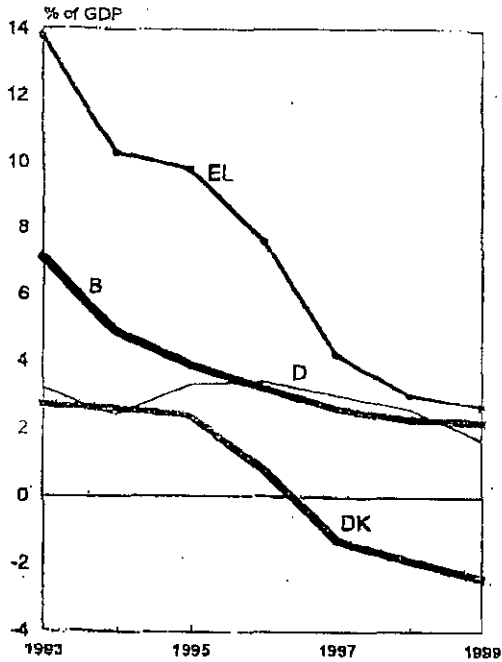


1) Private consumption price deflator.

Source: Commission services.

Graph 3

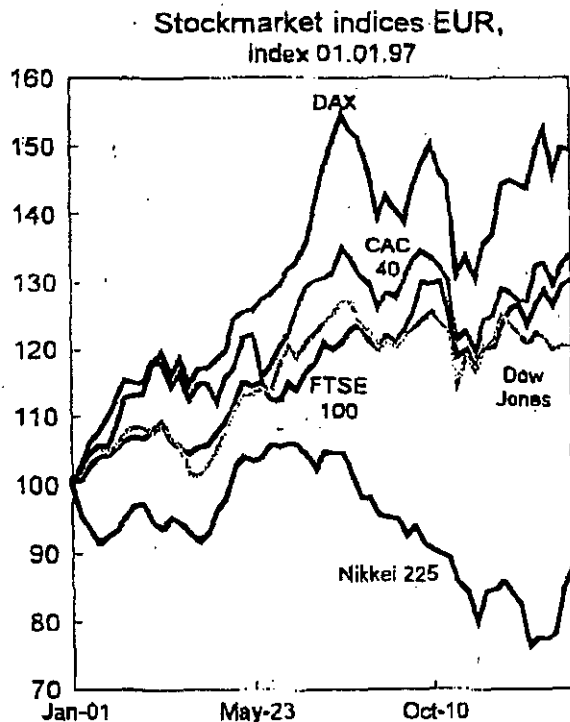
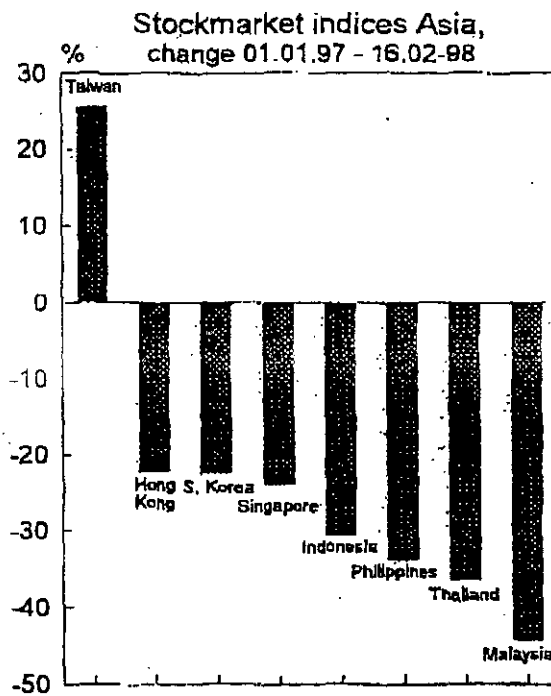
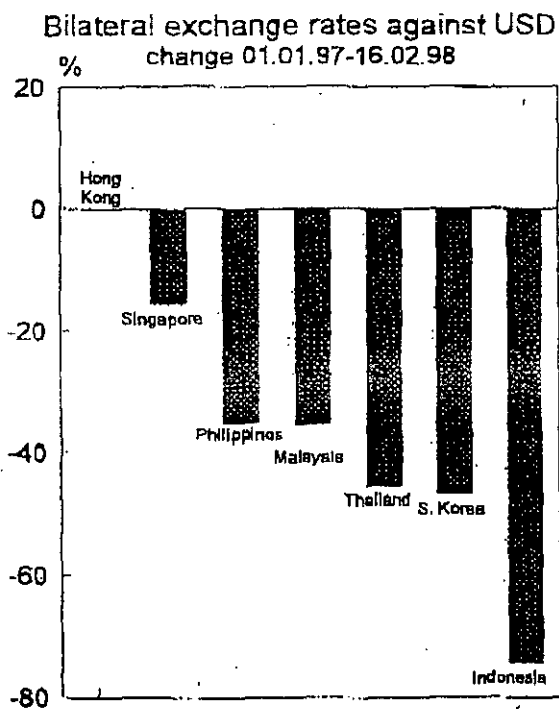
Convergence in the EU b. General government deficits



Source: Commission services.

Graph 4

Asia



Source: Commission services.

Bilateral trade flows

Selected bilateral trade for EU, US and Japan in 1996 (%)

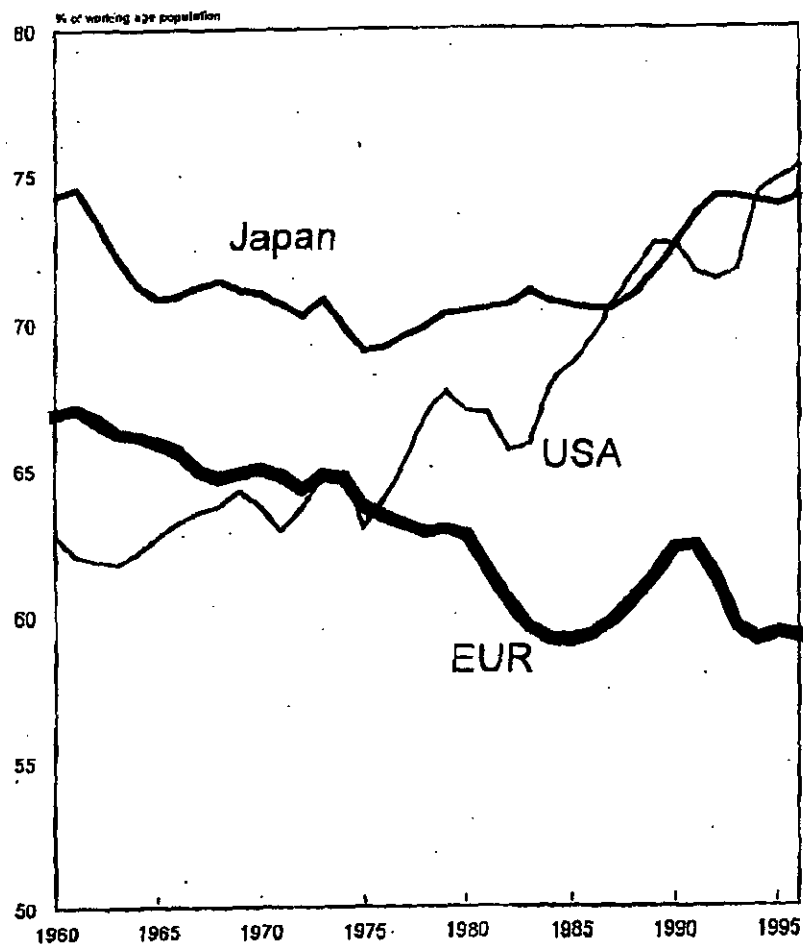
Destination:	Origin of exports			
	EU15		USA	Japan
	Extra-EU15 exports	Total exports		
Asia	24	9	30	44
of which				
Japan	6	2	11	-
China	2	1	2	5
Korea	2	1	4	7
Tigers*	4	2	4	12
USA	18	7	-	27
EU15	-	52	21	15
Eastern Europe +FSU	14	5	1	1
OPEC-Indonesia	6	2	3	2
Latin America	4	2	7	3
Africa	8	2	1	1
Rest of World-EU	27	10	36	6
World-EU	100	30	78	85

* Thailand, Philippines, Malaysia, Indonesia

Graph 5 + 6

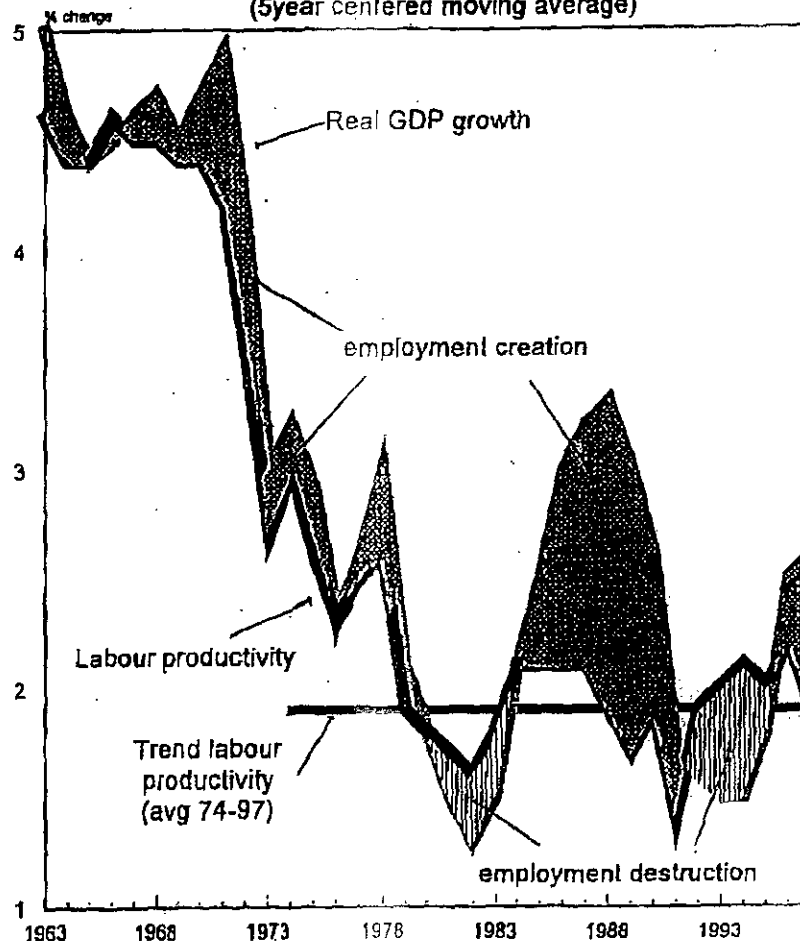
Employment rates and employment creating growth - EUR

Employment rates; EUR, USA and Japan

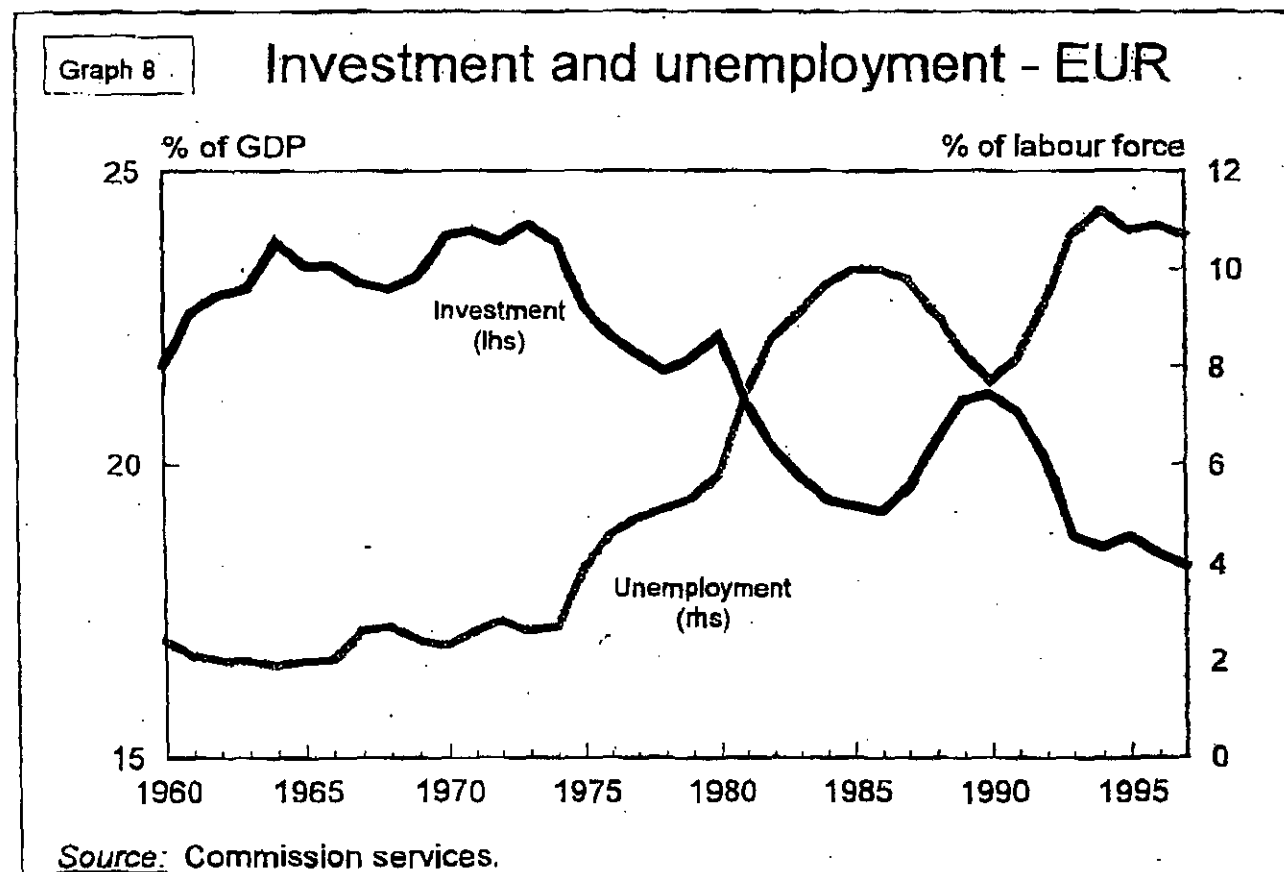
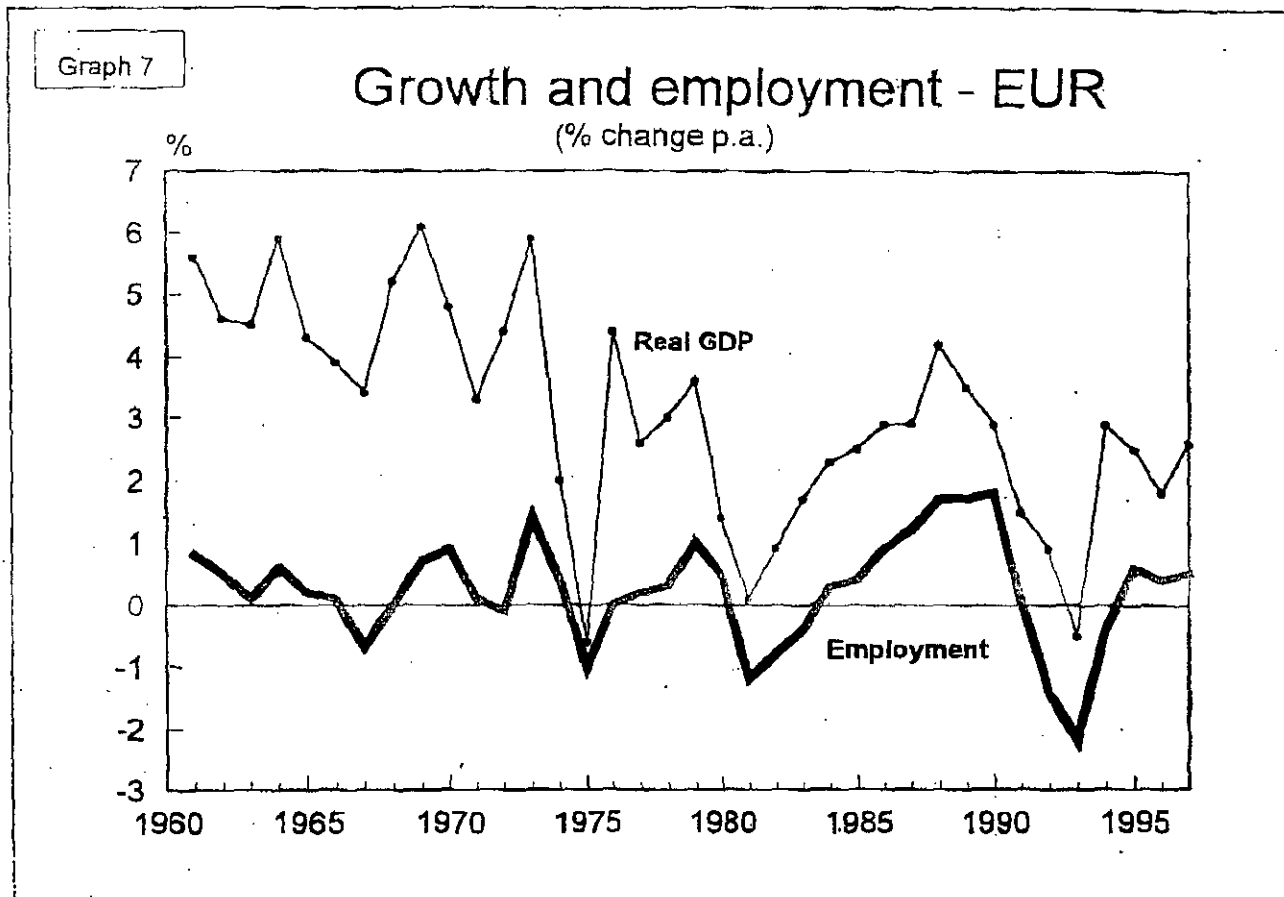


Source: Commission services.

Employment-creating growth - EUR¹⁾ (5 year centered moving average)



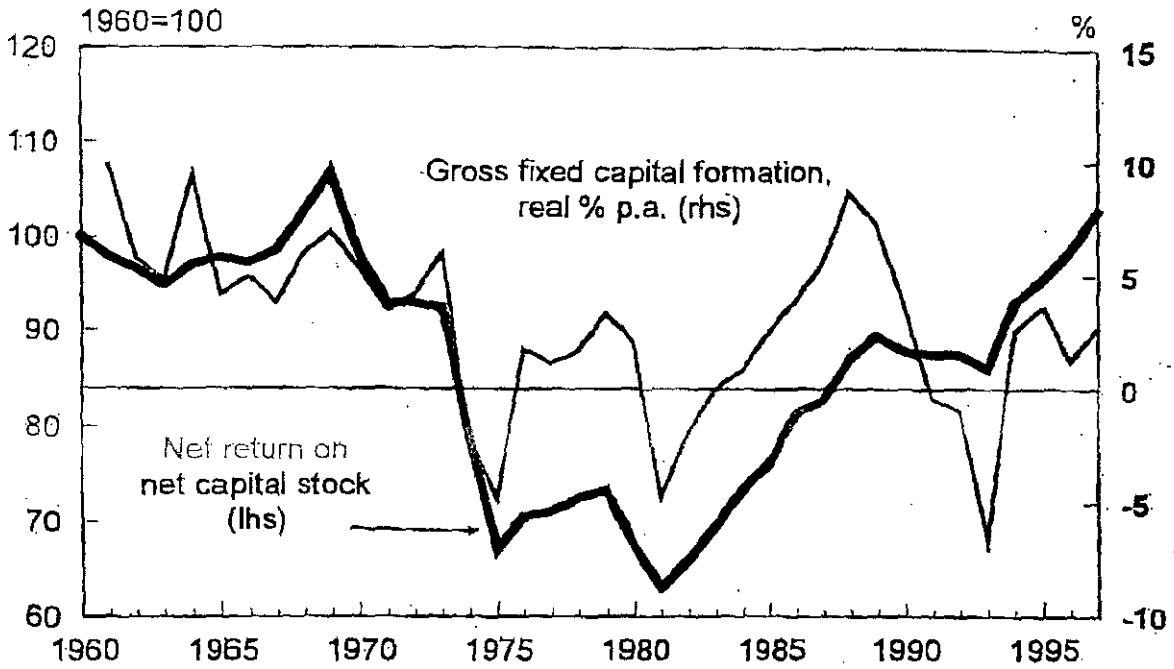
¹⁾ As from 1992 (5 year centered moving average 1990-1994)
EUR includes Unified Germany.



Source: Commission services.

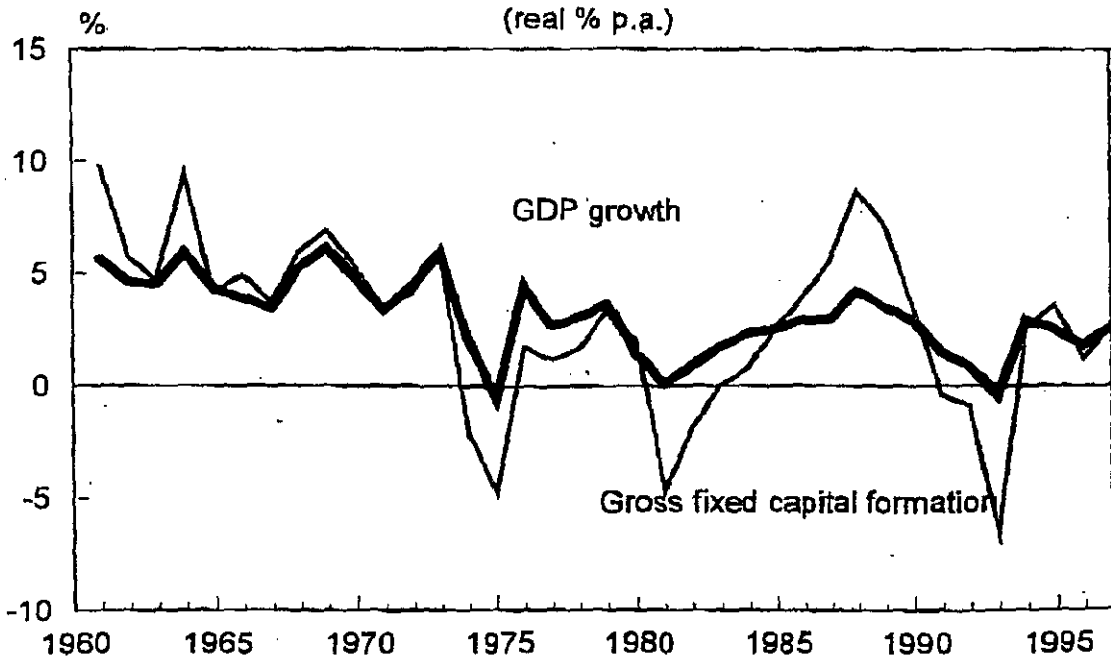
Graph 9

Profitability and investment - EUR



Graph 10

Growth and investment - EUR

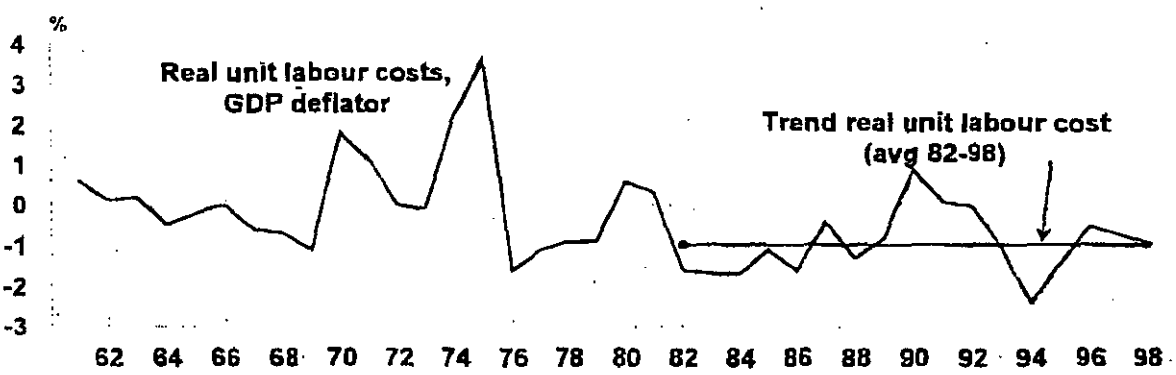
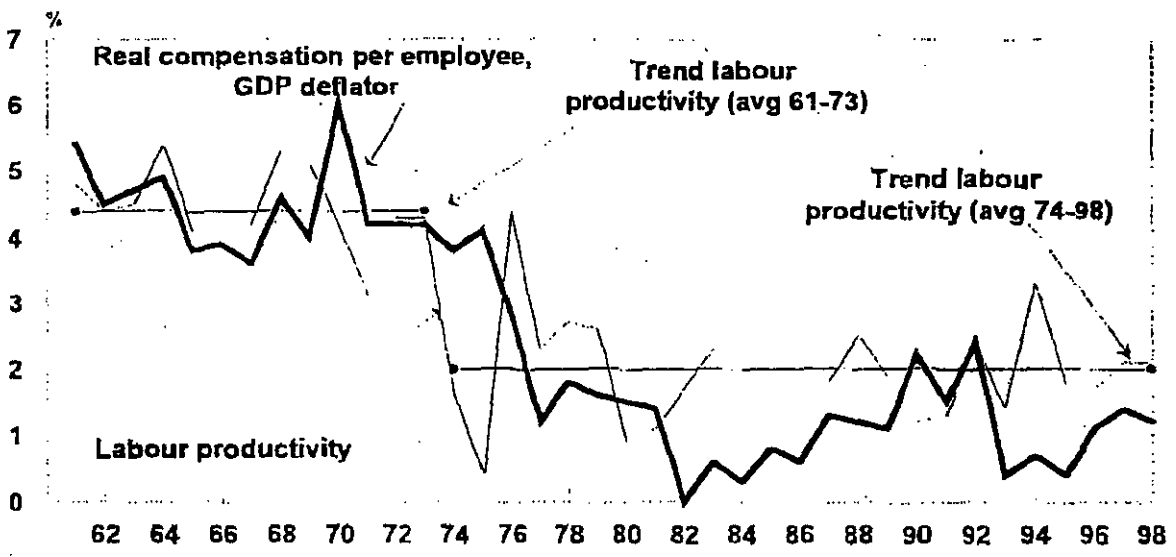
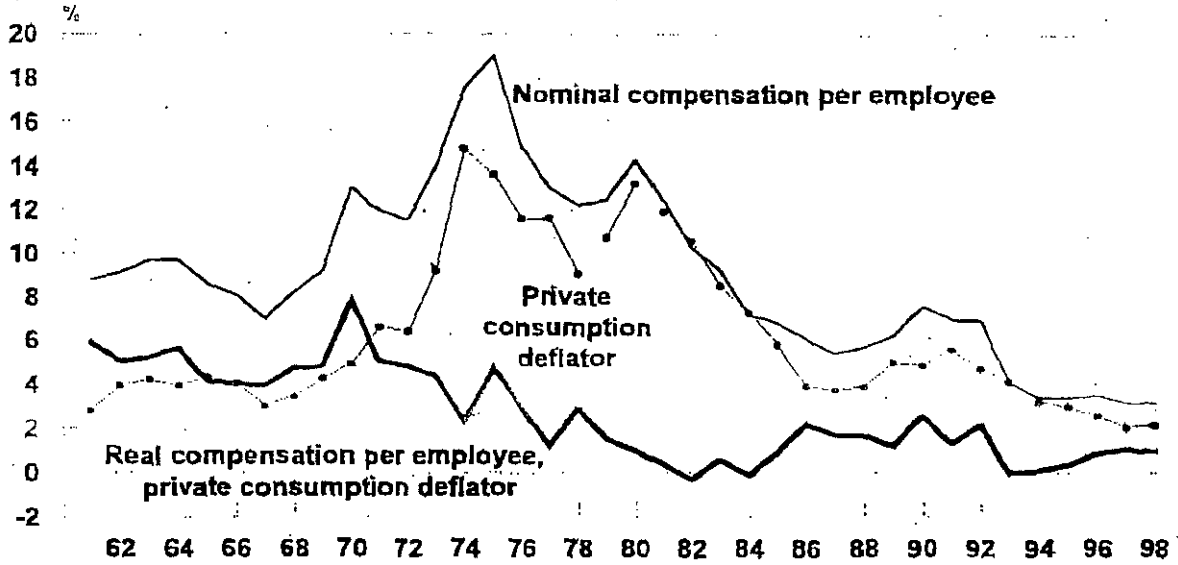


Source: Commission services.

Graph 11

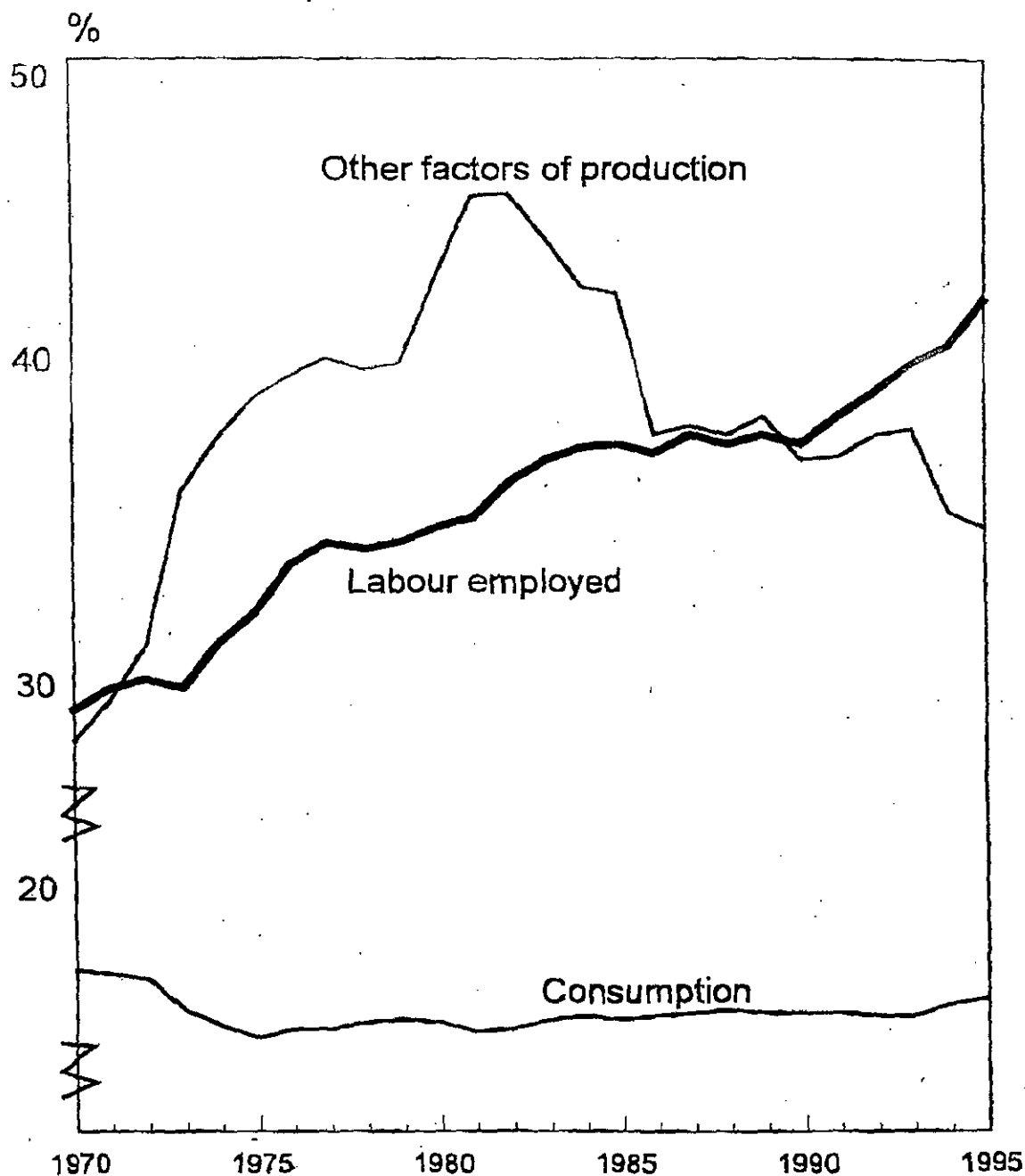
Wage developments - EUR

(% p.a.)



Source: Commission services.

Graph 12

Implicit tax rates¹⁾ - EUR²⁾

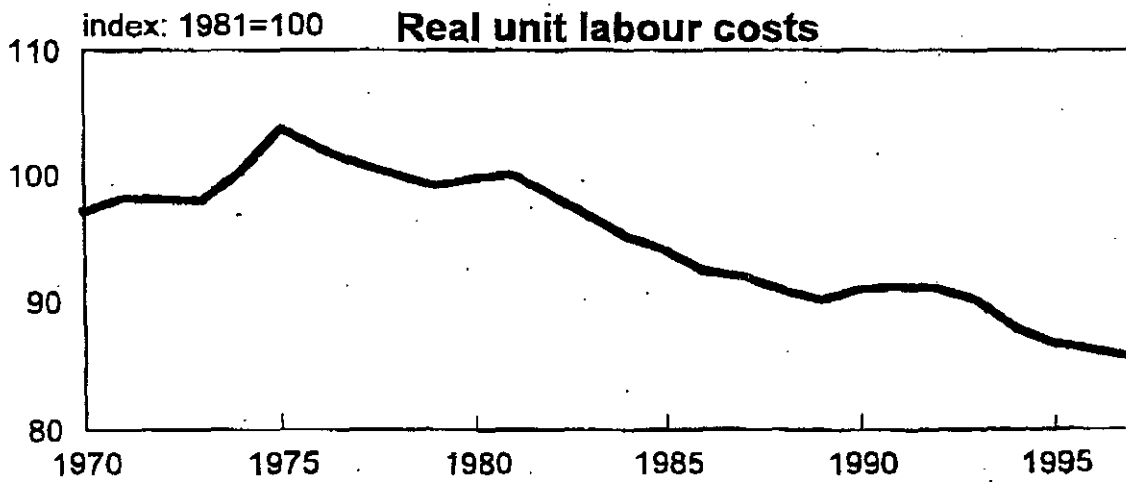
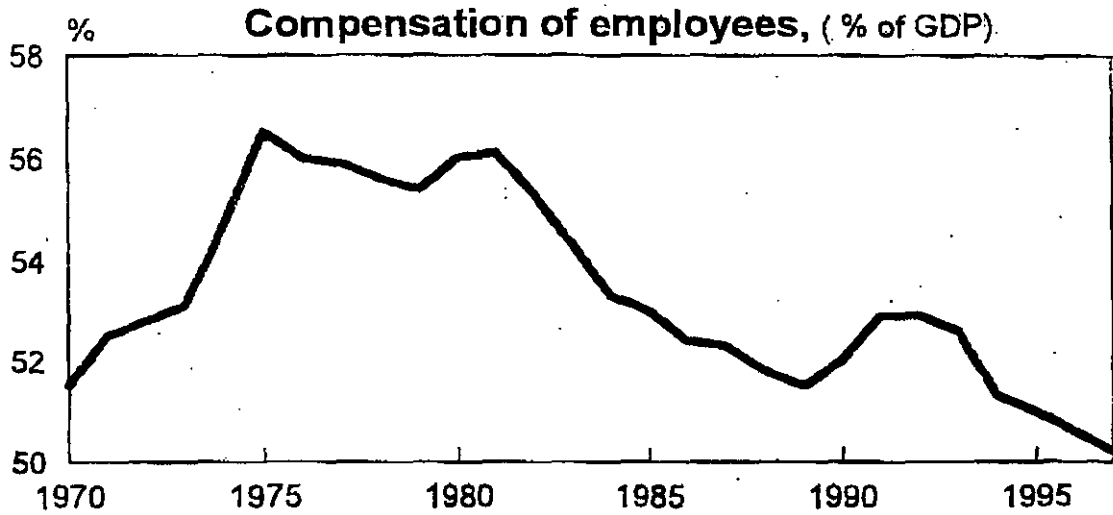
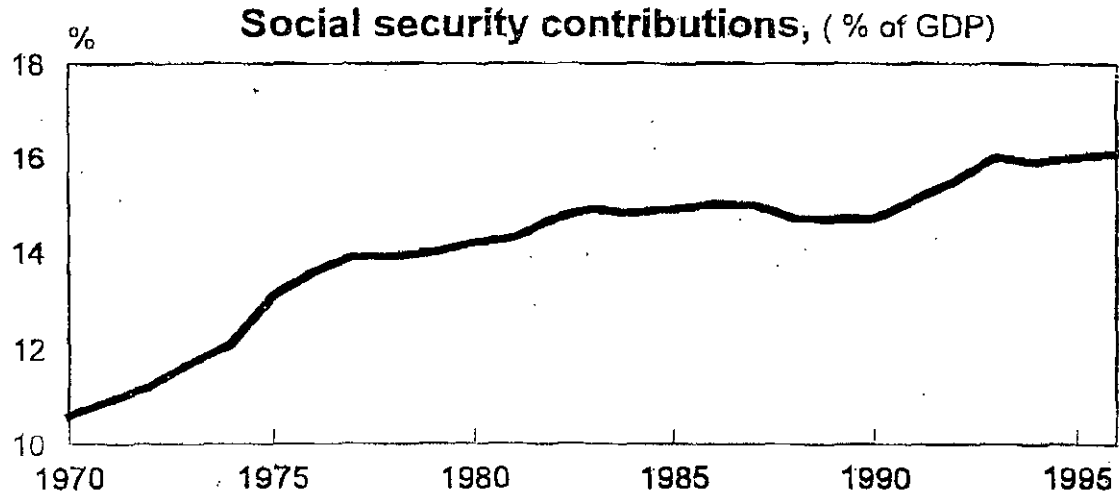
1) Tax rates calculated by dividing the taxes on the economic activity by the appropriate tax base. For further definitions see Eurostat publication "Structures of the taxation systems in the European Union, 1970-1995" (1997).

2) 1970-72 EUR6, 1973-85 EUR9, 1986-94 EUR12 1995 EUR15.

Source: Commission services.

Graph 13

Wages and non-wage labour costs - EUR



Source: Commission services.

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n° Inv. 18377

25 MAR. 1998

BIBLIOTECA

SALUTO DEL PRESIDENTE DELLA REGIONE LIGURIA
DOTT.GIANCARLO MORI ALLA CONFERENZA-TAVOLA
ROTONDA "L'EURO E LE SUE CONSEGUENZE PER
L'EUROPA, IL SISTEMA INTERNAZIONALE E L'ITALIA"-
GENOVA, PALAZZO DUCALE 20-21 MARZO 1998.

Signore e Signori,

è con particolare piacere che porto il saluto della Regione da me presieduta in occasione della Tavola Rotonda sull'Euro e le sue conseguenze per l'Europa, l'Italia e il sistema internazionale dei rapporti. Si tratta di un evento particolarmente importante per l'argomento di strettissima attualità che investe tutto il sistema dei rapporti locali, nazionali, comunitari e internazionali. Genova è particolarmente orgogliosa di ospitare questa Conferenza che vede una presenza di relatori delle tre sessioni particolarmente qualificata e di grande professionalità, arricchita altresì dalla video conferenza del Prof.Modigliani che porterà il proprio contributo a questi lavori.

Dire che l'Unione Monetaria porterà modificazioni epocali nella gestione della politica economica, nei ruoli dei diversi livelli territoriali, in nuove forme di coesione politico-economica tra gli Stati membri può sembrare una banalità; ma tale espressione deve essere analizzata sulla base dei parametri e delle regole rigide che l'Unione Europea si è data dal Trattato di Maastricht in avanti. Regole che investono principalmente tre assi portanti degli stati membri quali il tasso di cambio, la politica monetaria, la politica di bilancio.

Mi soffermerò brevemente su questi aspetti.

Il tasso di cambio.

L'Italia è stata caratterizzata a partire dagli anni '70 fino al recente passato da problemi di equilibrio interno o esterno cui si è data

soluzione, nel breve periodo, con il deprezzamento del tasso di cambio. Questa misura, talvolta adottata per scelta politica, talvolta imposta dai mercati (come la svalutazione dell'estate 1992 e la conseguente uscita dallo SME), ha avuto nel nostro Paese una ricorrenza assai maggiore rispetto agli altri paesi europei; tuttavia nel prosieguo della politica di perseguimento dell'unione monetaria ciò risulterà, a regime, non più possibile.

La politica monetaria.

In Italia, come in altri paesi europei, la politica monetaria è stata in molte fasi congiunturali lo strumento più utilizzato per il riequilibrio economico attraverso misure che, determinando una diminuzione dei tassi di interesse, perseguivano un rilancio degli investimenti. Tuttavia tale rilancio presentava due implicazioni: una di breve periodo, quale effetto moltiplicatore, di sostegno immediato alla domanda e all'occupazione; una di più lungo periodo, attraverso l'aumento della produzione e l'accrescimento della competitività sui mercati internazionali.

Con la piena realizzazione dell'unione monetaria la politica monetaria si trasferisce dalle banche centrali dei singoli Stati membri alla Banca Centrale Europea che subentrerà dal 1999 all'I.M.E. (Istituto Monetario Europeo). La Banca Centrale Europea dovrà perseguire principalmente il compito di assicurare la stabilità dei prezzi attraverso politiche finanziarie ma non economiche (che devono essere perseguite da altri organi dell'U.E. in primis la Commissione e il Consiglio) con politiche di sostegno alla crescita produttiva.

Ritengo infatti che una politica monetaria europea non potrebbe soddisfare obiettivi anticongiunturali stanti l'estrema eterogeneità delle aree geoeconomiche che caratterizzano l'Europa e i ritardi con cui la politica monetaria produce i suoi effetti, diversi tra gli stati membri.

La politica di bilancio.

E' noto a tutti come la politica di bilancio nel nostro Paese sia stata utilizzata, in particolare negli anni '70-'80, con scelte di indirizzo eccessivamente Keynesiano, originando quell'enorme debito pubblico che tuttora costituisce la variabile assolutamente fuori linea rispetto alle esigenze di riequilibrio finanziario del Paese.

La realizzazione dell'unione monetaria implica che la politica di bilancio divenga uno strumento assai restrittivo per il contenimento del debito pubblico; in questa direzione va anche il rigoroso piano presentato all'unione europea dal Ministro Ciampi.

Ma la garanzia a mio giudizio più incisiva nel perseguimento della rigorosa politica di bilancio da parte degli Stati membri è costituita dal c.d. "patto di stabilità" derivante dal vertice dei Capi di Stato e di Governo dei paesi dell'Unione Europea di Dublino del 1996 laddove si è stabilita la previsione di comminare pesanti sanzioni finanziarie a quei Paesi che dovessero superare i parametri imposti dall'U.E.; superamento non dovuto a fattori contingenti.

L'unione monetaria presenta quale naturale conseguenza un incremento della concorrenzialità delle prestazioni tra le diverse aree europee; infatti con la moneta unica le imprese si troveranno a competere più direttamente, mentre sono destinate a decadere le strutture protezionistiche e di monopolio ancora esistenti.

Tuttavia l'adozione di rigorose misure atte al contenimento della spesa pubblica al fine del rientro nei parametri di Maastricht non deve essere prevalentemente perseguito con la cessione di parti importanti del sistema produttivo e industriale pubblico; bisogna perciò cercare di rendere equilibrate le due esigenze dell'unione monetaria e dello sviluppo economico-produttivo del paese, fattore base per costruire nuova ricchezza.

Desidero infine fare una riflessione sul ruolo delle Regioni nella nuova Europa unita. Questo grande processo in itinere non potrà non determinare un aumento delle misure strutturali, infrastrutturali e del territorio, delle politiche attive del lavoro e della formazione, in politiche di sostegno alle imprese e di servizi alle medie e piccole

imprese che devono trovare pronte anche le regioni e gli enti locali a cogliere queste opportunità.

La grande sfida degli anni futuri deve vedere le regioni svolgere, nel rispetto delle competenze, un ruolo cruciale per lo sviluppo del Paese ed esercitare una pressione verso lo Stato affinché possa dotare questi enti di risorse necessarie allo svolgimento di tale ruolo; regioni che sino ad oggi sono state sacrificate sul fronte del contenimento della spesa complessiva che costituisce da anni un forte limite alla crescita e all'espansione dei rispettivi territori locali.

Le politiche settoriali dell'Unione Europea dovranno essere prevalentemente svolte a livello regionale - locale e non a livello nazionale; ciò significa che il potenziamento del ruolo delle Regioni diventa una implicazione spontanea e necessaria dell'unione monetaria indipendentemente da scelte ideologiche e da preferenze istituzionali in senso federalista.

E' con questa convinzione che formulo i migliori auguri di buon lavoro.

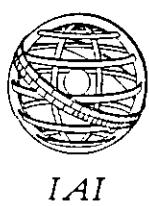
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Istituto Affari Internazionali

RASSEGNA STAMPA
20-21 marzo 1998

RASSEGNA STAMPA DEL 20-21 marzo 1998
SOMMARIO

- **Convegno EURO**

BANCHE: CARIGE; CUOCOLO. ATTENDIAMO RISPOSTA SU ACQUISTO CARISA

(ANSA) - GENOVA, 20 MAR - "Il consiglio di amministrazione della Carisa e' stato ricostituito, penso che verra' convocato presto e che la decisione sulla nostra offerta di acquisizione venga presa": lo ha dichiarato il presidente della Carige, Fausto Cuocolo, precisando che l'offerta dell'istituto bancario genovese rimane "valida e preferibile".

In margine al convegno in corso a Genova dal titolo "L'Euro e le sue conseguenze per l'Europa, il sistema internazionale e l'Italia", Cuocolo ha confermato che si e' chiuso oggi l'aumento di capitale varato dalla Carige. "E' stato ampiamente sottoscritto - ha precisato - speriamo di impegnarlo a Savona, altrimenti ci guarderemo intorno".

Cuocolo ha affermato che la Carige si pone come banca aggregante come polo ligure. "Abbiamo contatti non ufficiali per acquisizioni e guardiamo a Liguria e Piemonte", ha aggiunto. (ANSA).

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DOMANI IN LIGURIA

35 ORE: MODIGLIANI, CON LEGGE COSI' ITALIA FUORI DALL' EURO

(ANSA) - GENOVA, 20 MAR - "Se la legge sulle 35 ore pagate per 40 passa cosi', l' Italia deve restare fuori dall' Euro": lo ha dichiarato l' economista Franco Modigliani nel corso di un collegamento in videoconferenza con il convegno in corso a Genova sull' Euro organizzato dall' Istituto Affari Internazionali. Modigliani ha spiegato che la legge cosi' come provocherebbe nel giro di pochi mesi una tensione inflazionistica che porterebbe l' Italia fuori mercato: un aumento del 15% del costo del lavoro, ha spiegato, non puo' non scaricarsi sui prezzi e questo provocherebbe una spirale inflazionistica non concepibile in un paese unico europeo. "Soltanto persone senza testa - ha detto Modigliani - possono pensare ad una soluzione del genere". Per l' economista l' unica possibilita' e' un' altra: "chi vuole lavorare 20 ore viene pagato per 20 ore, chi vuole lavorare 15 ore...". Secondo Modigliani, inoltre "e' un' assurda' che il governo debba dettare per legge quanto si debba lavorare; occorre pensare attentamente prima di andare avanti su questa strada". "Nessuno si e' reso conto finora - ha affermato - che la legge sulle 35 ore e' incoerente rispetto all' Euro".
(ANSA).

RC/ST
20-MAR-98 19:49 NNNN

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20-MAR-98 19:54 NNNN

EURO: VATTANI, ANCHE SU PENSIONI DISSIPATI DUBBI PARTNER

(ANSA) - GENOVA, 20 MAR - "Siamo riusciti a dissipare i dubbi dei nostri partner nei confronti dell'Italia" ha dichiarato oggi l'ambasciatore Umberto Vattani, segretario generale della Farnesina, e autore assieme a Mario Draghi, Roberto Nigido e Fabrizio Saccomanni del lungo giro nelle capitali europee per spiegare ai partners la situazione dell'Italia. "Un giro provvidenziale - ha detto Vattani, intervenendo ad un convegno sull'Euro organizzato dall'Istituto Affari Internazionali - perche' abbiamo avuto l'impressione che qualcuno avesse fatto le pulci nei nostri conti per vedere se qualcosa non tornava".

In particolare ai partners europei, secondo quanto ha riferito Vattani, e' stato messo in evidenza il programma di privatizzazioni messo in atto dall'Italia dal '94 al '97 per un ammontare di 40 miliardi di dollari e la riforma delle pensioni: "Nessun paese in Europa ha fatto qualcosa di simile in cosi' poco tempo - ha detto il segretario generale della Farnesina -. Enorme impressione ha creato lo straordinario sforzo fatto dal governo e dal paese".

"Sul fronte della pensioni - ha spiegato Vattani - l'evoluzione della spesa, se non fossero state apportate le correzioni del 1993 e del 1995, avrebbe raggiunto nel 2043 il 24,27% del reddito lordo". (SEGUE).

RC/ST

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EURO: VATTANI, ANCHE SU PENSIONI DISSIPATI DUBBI PARTNER (2)

(ANSA) - GENOVA, 20 MAR - "Con le correzioni, invece - ha spiegato Vattani - la spesa per le pensioni raggiungera' nel 2033 il 15,7% del reddito lordo e nel 2043 il 14,24 per cento".

Altro punto oggetto di chiarimenti con i partners e' stato il settore pubblico. Vattani ha sottolineato che in percentuale sulla popolazione attiva la pubblica amministrazione in Italia rappresenta il 5,2% contro il 10,7% della Francia e il 7,3% del Regno Unito. "L'Italia - ha concluso - ha un rapporto tra i piu' bassi in Europa e questo dimostra che anche in questo campo il paese sta facendo la sua parte".

Intervenendo allo stesso convegno Daniel Gros, economista del Centro per gli studi di politica europea di Bruxelles, ha parlato, riferendosi all'Italia, di "sprint": "Uno sprint - ha aggiunto - reso piu' facile dal vento di poppa dovuto ai tassi di interesse piu' bassi e al dollaro piu' forte. La sfida - ha concluso Gros - e' di sostenere questo sforzo".

(ANSA).

35 ORE: MODIGLIANI, CON LEGGE COSI' ITALIA FUORI DALL' EURO

(ANSA) - GENOVA, 20 MAR - "Se la legge sulle 35 ore pagate per 40 possa così", l'Italia deve restare fuori dall'Euro", lo ha dichiarato l'economista Franco Modigliani nel corso di un collegamento in videoconferenza con il convegno in corso a Genova sull'Euro organizzato dall'Istituto Affari Internazionali. Modigliani ha spiegato che la legge così com'è provocherebbe nel giro di pochi mesi una tensione inflazionistica che porterebbe l'Italia fuori mercato: un aumento del 15% del costo del lavoro, ha spiegato, non può non scaricarsi sui prezzi e questo provocherebbe una spirale inflazionistica non concepibile in un paese unico europeo. "Soltanto persone senza testa - ha detto Modigliani - possono pensare ad una soluzione del genere". Per l'economista l'unica possibilità è un'altra: "chi vuole lavorare 20 ore viene pagato per 20 ore, chi vuole lavorare 15 ore...". Secondo Modigliani, inoltre "è un'assurdità che il governo debba dettare per legge quanto si debba lavorare; occorre pensare attentamente prima di andare avanti su questa strada". "Nessuno si è reso conto finora - ha affermato - che la legge sulle 35 ore è incoerente rispetto all'Euro".
(ANSA).

RC/ST

20-MAR-98 19:49 NNNN

EURO: GRILLI. DOPO CONSOLIDAMENTO RIFORME STRUTTURALI

(ANSA) - GENOVA. 21 MAR - "Superato il problema del consolidamento, per tutti ora si pone l'esigenza di affrontare le riforme strutturali": per il direttore esecutivo del fondo monetario europeo Enzo Grilli, il cammino da fare nel segno dell'integrazione europea e' ancora lungo e la moneta unica non e' il fine ma soltanto un mezzo.

Grilli e' intervenuto a Genova ad una due giorni di dibattito sull'Euro organizzata dall'Istituto Affari Internazionali a pochi giorni dalla pubblicazione delle valutazioni della commissione di Bruxelles sullo stato di convergenza economica fra i paesi dell'unione candidati ad entrare nella moneta unica. Vi hanno partecipato economisti e rappresentanti di governo e del mondo industriale e sindacale.

Secondo il direttore esecutivo del Fmi, il mantenimento del processo di integrazione a livello europeo e' un problema che riguarda tutte le economie dei paesi membri, soprattutto, quelle dei paesi piu' grandi. "Le difficolta' - spiega - sono in grandissima parte comuni - e non a caso la disoccupazione e' al

KBXC

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YGE60041

R ECO SOA S41 QBXW

EURO: GRILLI, DOPO CONSOLIDAMENTO RIFORME STRUTTURALI (2)

(ANSA) - GENOVA, 21 MARZO - Il mercato del lavoro, ha detto il responsabile del Fmi, va affrontato in tutte le sue componenti. In particolare va risolto il problema della "struttura della tassazione e degli incentivi che questo rappresenta per l' utilizzo di lavoro: tassando il lavoro fortemente si inducono le imprese a sostituire il lavoro con capitale, si utilizzano meno uomini e piu' macchine".

Il dibattito, nella seconda giornata del convegno, si e' sviluppato sulla relazione del professor Marcello De Cecco dell' Universita' la Sapienza di Roma. Il direttore generale dell' associazione bancaria italiana Giuseppe Zadra ha sottolineato che sul fronte dei mercati finanziari l' effetto dell' Euro e' gia' in atto mentre poco e' successo per quanto riguarda la rimozione dei vincoli cui il sistema bancario e' sottoposto. L' unica spinta positiva, ha detto Zadra, e' venuta dal sindacato con la firma dell' accordo quadro sui dipendenti bancari.

Secondo il direttore dell' Istituto per il commercio estero Fabrizio Onida, affinche' il sistema Italia non rimanga in periferia occorre andare avanti sul fronte delle privatizzazioni, delle alleanze e degli investimenti multinazionali che vanno considerati "fattori di valorizzazione e non di colonizzazione". (ANSA).

RC

21-MAR-98 17:02 NNNN

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ZCZCO258/SXA

ZCZC0560/SXR

YGE60025

R ECO S56 QBXW

REGIONI: CHITI, CON L' EURO NON ANCORA IN PARADISO

(ANSA) - GENOVA, 21 MAR - Sono tre le sfide da vincere per restare nell' Euro dopo esserci entrati: risanare il Mezzogiorno, rilanciare la scuola, riformare lo Stato. Solo così si potrà assicurare la necessaria competitività non solo alle imprese ma anche ai territori italiani. Lo ha detto il presidente della Conferenza delle Regioni e presidente della Regione Toscana Vannino Chiti intervenendo al convegno "L'euro e le sue conseguenze per l' Europa, il sistema internazionale e l' Italia" promosso dall' Istituto affari internazionali.

"Entrando nell' Euro come sono convinto faremo - ha detto Chiti - abbiamo scongiurato il rischio di cadere nell' inferno, ma non saremo ancora in paradiso. Per compiere il passo decisivo dovremo riuscire a coniugare rigore e sviluppo, a rilanciare tutto il sistema Italia, a partire dall' emergenza meridionale, per la quale dovremo adoperare la stessa determinazione già dimostrata per risanare il bilancio dello Stato".

"Dovremo - ha proseguito - rivedere la qualità degli investimenti nell' istruzione per orientare maggiormente la scuola verso la produzione e lo sviluppo. E dovremo riformare in senso federalista quello Stato che la sordità della cultura e la responsabilità della politica hanno finora ingessato. Tanto che la Toscana ha dovuto truccare le carte per aprire un proprio ufficio a Bruxelles, quando ancora la legge nazionale lo impediva". (SEGUE).

RC/ST

21-MAR-98 15:43 NNNN

ZCZC0723/SXR

GOVERNO: PINZA, NON FASI MA POLITICA CON BINARI DEFINITI

(ANSA) - GENOVA, 21 MAR - "C' è qualcuno che non ha colto bene il significato della politica economica che si sta facendo pensando che fosse una politica a tappe o di traguardo": lo ha dichiarato oggi il sottosegretario di stato al ministero del tesoro Roberto Pinza, intervenendo al convegno organizzato a Genova dall' Istituto affari internazionali sul tema "L' Euro e le sue conseguenze per l' Europa, il sistema internazionale e l' Italia".

Rispondendo ad una domanda durante l' ultima tavola rotonda del convegno, Pinza ha sottolineato che in realtà "ci sono momenti in cui vengono fissati i parametri per passaggi futuri" e ha fatto riferimento al testo del nuovo documento di programmazione economica e finanziaria che sarà anticipato al 15-20 aprile per poter essere messo il 3 maggio sul tavolo delle discussioni dei partners sull' ammissione alla moneta unica.

"I binari sono già definiti" ha affermato il sottosegretario al Tesoro. "Dopo una brevissima stagione di due settimane in cui qualcuno ha parlato di fasi - ha aggiunto - non a caso nella giornata di ieri qualcuno ha parlato di patto di legislatura. Il vero parametro cui dobbiamo adeguarci è che la politica e i governi siano stabili". (ANSA).

RC/ST

GOVERNO: PINZA, NON FASI MA POLITICA CON BINARI DEFINITI

(ANSA) - GENOVA, 21 MAR - "C'è qualcuno che non ha colto bene il significato della politica economica che si sta facendo pensando che fosse una politica a tappe o di traguardo": lo ha dichiarato oggi il sottosegretario di stato al ministero del tesoro Roberto Pinza, intervenendo al convegno organizzato a Genova dall'Istituto affari internazionali sul tema "L'Euro e le sue conseguenze per l'Europa, il sistema internazionale e l'Italia".

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RC

21-MAR-98 14:55 NNNN

MONETA UNICA: A NOVEMBRE A GENOVA GRANDE MOSTRA NUMISMATICA=

(AGI) - GENOVA, 20 MAR. - UNA GRANDE MOSTRA NUMISMATICA INTITOLATA "DAL DENARIO ALL'EURO. UOMINI E MONETE SULLE STRADE D'EUROPA", ORGANIZZATA A PALAZZO DUCALE NEL PROSSIMO NOVEMBRE DALLA REGIONE LIGURIA E DALLA FONDAZIONE DELLA CASSA DI RISPARMIO, CELEBRERA' LA NASCITA UFFICIALE DELL'EURO, PREVISTA PER IL 1° GENNAIO '99.

REALIZZATA IN COLLABORAZIONE CON IL COMUNE DI GENOVA E LA SOPRINTENDENZA ARCHEOLOGICA DI ROMA, LA MOSTRA DOCUMENTERA' L'AZIONE "UNIFICATRICE" SOVRANAZIONALE SVOLTA PRIMA DELL'EURO DALLE PRINCIPALI MONETE BATTUTE NEL CORSO DEI SECOLI IN ITALIA, I CUI PIU' SIGNIFICATIVI ESEMPLARI SONO RIUNITI NELLA COLLEZIONE NUMISMATICA DI VITTORIO EMANUELE III DI SAVOIA, DI PROPRIETA' DELLO STATO ITALIANO. (AGI)

RED-RAS/TAR 1500E

201530 MAR 98

MONETA UNICA: A NOVEMBRE A GENOVA GRANDE MOSTRA NUMISMATICA (2) =

(AGI) - GENOVA, 20 MAR. - SI POTRANNO COSI' AMMIRARE LE MONETE PIU' RARE: DAL DENARIO DI ETA' REPUBBLICANA, ACCETTATO OVUNQUE FOSSE ARRIVATE LE LEGIONI ROMANE, AL SOLIDO D'ORO, CHE UNIFICO' MONETARIAMENTE GLI IMPERI D'ORIENTE E D'OccIDENTE AL TEMPO DI COSTANTINO; DAL TARI', DIFFUSO LUNGO LE ROTTE DEL MEDITERRANEO DURANTE LA DOMINAZIONE ARABA, ALLE MONTE DI CARLO MAGNO; E POI ANCORA SARANNO ESPOSTI I GENOVINI, I DUCATI E I FIORINI CHE SI AFFERMARONO NEI COMMERCII IN TUTTA EUROPA.

UNA SEZIONE DELLA MOSTRA SARA' DEDICATA ALLE MONETE CON DIFFUSIONE INTERNAZIONALE SATTUTE IN LIGURIA DALL'ALTO MEDIOEVO AL RINASCIMENTO, ACCANTO ALLE QUALI VERRANNO ESPOSTI I MODELLI DELLE STORICHE IMBARCAZIONI CHE RESERO FAMOSE LE IMPRESE DEI MERCANTI GENOVESI NEL MONDO E NUMEROSE OPERE D'ARTE PROVENIENTI DAI MUSEI LIGURI.

ALLE SOLLIE DELLA CIRCOLAZIONE DELLA NUOVA MONETA COMUNITARIA. L'INIZIATIVA RAPPRESENTERA' QUINDI UN'OCCASIONE PER VALORIZZARE IL PATRIMONIO CULTURALE DEL NOSTRO PAESE E APPROFONDIRE ASPETTI IN PARTE SCONOSCIUTI DELLA STORIA ECONOMICA E MONETARIA DI GENOVA E DELLA LIGURIA. (AGI)

RED-MAR/TAR
201533 MAR 98

MEZZOGIORNO: PINZA, SI TORNA A PARLARE DI PATTO DI LEGISLATURA=

(AGI) - GENOVA, 21 MAR. - "QUALCUNO NON HA COLTO BENE QUALE ERA IL SIGNIFICATO DELLA POLITICA ECONOMICA DEL GOVERNO, QUALCUNO HA PENSATO CHE FOSSE UNA POLITICA A TAPPE O A TRAGUARDO". COSI' IL SOTTOSEGRETARIO AL TESORO ROBERTO PINZA, INTERVENUTO, OGGI A GENOVA, AL CONVEGNO "L'EURO E LE SUE CONSEGUENZE PER L'EUROPA, IL SISTEMA INTERNAZIONALE IN ITALIA", HA RISPOSTO A CHI GLI FACEVA OSSERVARE COME CON L'AVVICINARSI DELL'APPUNTAMENTO CON L'EURO, SI FACCESSERO SEMPRE PIU' FORTI I SEGNALE DI INSTABILITA' DA PARTE DEL GOVERNO. NON SI TRATTA DI INSTABILITA' MA, COME HA OSSERVATO PINZA, "MOMENTI CHE SERVONO A DEFINIRE PIANI FUTURI. NON A CASO DOPO UNA BREVISSIMA STAGIONE IN CUI QUALCUNO HA PARLATO DI FASI, NELLA GIORNATA DI IERI SI E' TORNATO A PARLARE CON FORZA DI PATTO DI LEGISLATURA". (AGI)

CHC/RST

211547 MAR 98

UEM: ONIDA, IN DIECI ANNI ITALIA SOGGETTO DINAMICO =

(AGI) - GENOVA, 21 MAR. - "FRA DIECI ANNI L'ITALIA SARA' UN SOGGETTO DINAMICO E CREDIBILE E NON PIU', COME HA RISCHIATO DI ESSERE, UNA PERIFERIA POCO AFFIDABILE". A LANCIARE LA SCOMMESSA IL PRESIDENTE DELL'ISTITUTO DEL COMMERCIO ESTERO FABRIZIO ONIDA, INTERVENUTO, OGGI, A GENOVA, AL CONVEGNO "L'EURO E LE SUE CONSEGUENZE PER L'EUROPA, IL SISTEMA INTERNAZIONALE E L'ITALIA". ORGANIZZATO DALL'ISTITUTO ADRIANI INTERNAZIONALI.

PER PROSEGUIRE CON SUCCESSO SUL CAMMINO DELL'EURO L'ITALIA DEVE PUNTARE, SECONDO ONIDA, SU ALCUNI ASPETTI, QUALI LE PRIVATIZZAZIONI, LE ALLEANZE CON PARTNER PIU' FORTI E FAVORIRE INVESTIMENTI DELLE MULTINAZIONALI IN ITALIA. "QUESTI - HA SOTTOLINEATO IL PRESIDENTE DELL'ICE - DEVONO RIPRENDERE, CAMBIANDO UN PO' LA CULTURA POLITICA E SINDACALE DEL NOSTRO PAESE, CHE VEDE ANCORA OGGI L'INGRESSO DEL CAPITALE STRANIERO COME UNA SORTA DI SCUNFITTA. CON QUESTA CULTURA NON SI ENTRA IN EUROPA, SI DEVE CAPIRE INVECE CHE GLI INVESTIMENTI DELLE MULTINAZIONALI NEL NOSTRO PAESE NON SONO COLONIZZAZIONE MA VALORIZZAZIONE. SECONDO ME - HA CONCLUSO - SONO MOLTE LE RISPOSTE E LE OPPORTUNITA' CHE L'ITALIA PUO' COGLIERE CON L'EURO". (AGI)

CHC/RST SEGUE

211546 MAR 98

21 MAR. 1998

AGI Del

UEM: ONIDA, IN DIECI ANNI ITALIA SOGGETTO DINAMICO (2) =

(AGI) - GENOVA, 21 MAR. - E DALL'INCONTRO DI GENOVA E' SEMBRATO EMERGERE UN GENERALE OTTIMISMO RIGUARDO AL CAMMINO CHE ATTENDE L'ITALIA VERSO L'EURO, ANCHE SE NON MANCANO ALCUNE OMBRE. SECONDO MARCELLO DE CECCO, DELL'UNIVERSITA' LA SAPIENZA DI ROMA. "NEL NUOVO CONTESTO DI UNITA' EUROPEA CHE SEMBRA DISCHIUDERSI, GLI ITALIANI POTRANNO, PER LA GRAN PARTE, SOPRAVVIVERE SENZA GRANDI DIFFICOLTA', ANZI PROBABILMENTE RAGGIUNGENDO NUOVI LIVELLI DI PROSPERITA' INDIVIDUALE. QUELLO CHE CI SEMBRA PROBLEMatico E' LA SOPRAVVIVENZA DELLA CAPACITA' DA PARTE DI ISTITUZIONI ECONOMICHE ITALIANE PRIVATE E PUBBLICHE DI REGOLARE IL PROPRIO DESTINO, DI FORMULARE STRATEGIE, DI INTRECCIARE VANTAGGIOSI ALLEANZE CON ISTITUZIONI SIMILI DEI NOSTRI PARTNER EUROPEI, CHE NON COMPORTINO LA SUDDITANZA O ADDIRITTURA LA SCOMPARSA DI QUELLE ITALIANE". "LA POLITICA INDUSTRIALE DELL'UNIONE EUROPEA - HA DETTO ANCORA DE CECCO - NON PARTECIPERANNO A DISEGNARLA GLI ITALIANI, MA CERTAMENTE LO FARANNO Tedeschi E Francesi. UNA VOLTA DISGNATA, PERO', ANCHE LE NOSTRE IMPRESE AVRANNO IN ESSA UNO SPAZIO, ALL'INTERNO DEL QUALE POTRANNO PROSPERARE E CRESCERE".

E DEL RUOLO DELLE IMPRESE HA PARLATO ANCHE ALDO FUMAGALLI, GIA' PRESIDENTE DEI GIOVANI IMPRENDITORI DI CONFINDUSTRIA. SECONDO IL QUALE "PER LE IMPRESE E' VITALE CHE SI FACCIANO L'EURO E L'EUROPA. SARLBBE GRAVISSIMO E DELETERIO SE L'ITALIA NON RIUSCISSE AD ENTRARE". "CERTO - HA AGGIUNTO FUMAGALLI - BISOGNA ADITURARSI ALL'EURO, ATTREZZARE LE PICCOLE E MEDIE IMPRESE, MAGARI STUDIANDO DEGLI INCENTIVI PER L'AMMODERNAMENTO DEI SISTEMI INFORMATICI. ANCHE LA PUBBLICA AMMINISTRAZIONE DEVE ESSERE PREPARATA. BISOGNA METTERE IN MOTO UN PROCESSO DI CRESCITA CULTURALE PER POTER ESSERE TRA I PRIMI A PARTIRE".

(AGI)

CHC/RST SEBUE
211947 MAR 98

TEM: ONIDA, IN DIECI ANNI ITALIA SOGGETTO DINAMICO (3)=

(AGI) - GENOVA, 21 MAR. - ED INFINE, IL DIRETTORE DELL'ABI GIUSEPPE ZADRA, HA SOTTOLINEATO IL GRAN FERMENTO CHE STA VIVENDO IL SISTEMA BANCARIO ANCHE IN VISTA DELL'APPUNTAMENTO CON L'EURO. IN PARTICOLARE, ZADRA HA RIMARCHATO QUANTO "POCO SIA STATO FATTO IN ITALIA PER LA RIMOZIONE DEI VINCOLI A CUI IL SISTEMA BANCARIO E' SOTTOPOSTO. L'UNICA FORZA CHE CI HA AIUTATI E' IL SINDACATO: IN UN ANNO, INFATTI, SIAMO ARRIVATI A FIRMARE UN BUON ACCORDO QUADRO, CHE RIGUARDA IL NOSTRO SETTORE. DA PARTE DEGLI ALTRI SOGGETTI ISTITUZIONALI C'E' ANCORA INVLOCC POCA ATTENZIONE".

E DAL RUOLO SINDACATO EURO HA PARLATO IL RESPONSABILE DEI RAPPORTI INTERNAZIONALI DELLA CISL LUIGI CAL, CHE HA AFFERMATO: "SE SIAMO SULLA STRADA DELL'EURO (IL MERCATO E' DELLE PARTI SOCIALI CHE CI SONO IN ITALIA, CHE HANNO FIRMATO UN'INTESA COME QUELLA DEL LUGLIO '93, CHE HA ANTICIPATO MAASTRICHT, CON L'INTRODUZIONE DELL'EURO SONO ORA NECESSARI PASSI IN AVANTI, SERVE UNA POLITICA DI CONCERTAZIONE EUROPEA, DI CONTRATTAZIONE, UNA POLITICA PER L'OCCUPAZIONE". "IO SPERO - HA CONCLUSO CAL - CHE COME IL SINDACATO E' RIUSCITO A RISPONDERE IN ANTICIPO ALLA SFIDA DI MAASTRICHT, CON L'INTESA DEL LUGLIO '93 SIA ORA IN GRADO DI RISPONDERE IN ANTICIPO ALLA SFIDA EUROPEA". (AGI)

CHC/RST

211051 MAR 98

(FIN) Carige: Cuocolo, attendiamo Fondazione Carisa

Radiocor - Genova, 20 mar - "Aspettiamo ancora che la Fondazione Cassa di Risparmio di Savona decida. Il Consiglio della Fondazione e' stato ricostituito, penso che verra' convocato presto per decidere sulla nostra offerta di acquisizione che rimane ferma e valida". Lo ha detto Fausto Cuocolo, presidente di Banca Carige, a proposito di un possibile sblocco della vicenda Carisa.

lan-cs-m-

(RADIOCOR) 20-03-98 NNNN

(FIN) Carige: Cuocolo, attendiamo Fondazione -2-

Radiocor - Genova, 20 mar - A margine del convegno "L'euro e le sue conseguenze dell'Europa, il sistema internazionale e l'Italia", Cuocolo ha detto che Banca Carige si propone come banca aggregante, di un polo ligure. In attesa della conclusione dell'operazione Cassa di Risparmio di Savona, la banca "sta guardandosi in giro e decidera'". Cuocolo ha ricordato che l'aumento di capitale da 230 miliardi e' stato "ampiamente sottoscritto" e questo da' all'istituto "un notevole free capital". La banca decidera' se impegnare questa liquidita' nell'operazione Savona ma comunque l'istituto ha gia' contatti non ufficiali per acquisizioni e guarda alla Liguria e all'area piemontese.

lan-cs-m-

(RADIOCOR) 20-03-98 NNNN

BANCHE: CARIGE: CUOCOLO. ATTENDIAMO RISPOSTA SU ACQUISTO CARISA

(ANSA) - GENOVA, 20 MAR - "Il consiglio di amministrazione della Carisa e' stato ricostituito, penso che verra' convocato presto e che la decisione sulla nostra offerta di acquisizione venga presa": lo ha dichiarato il presidente della Carige, Fausto Cuocolo, precisando che l'offerta dell'istituto bancario genovese rimane "valida e preferibile".

In margine al convegno in corso a Genova dal titolo "L'Euro e le sue conseguenze per l'Europa, il sistema internazionale e l'Italia". Cuocolo ha confermato che si e' chiuso oggi l'aumento di capitale varato dalla Carige. "E' stato ampiamente sottoscritto - ha precisato - speriamo di impegnarlo a Savona, altrimenti ci guarderemo intorno".

Cuocolo ha affermato che la Carige si pone come banca aggregante come polo ligure. "Abbiamo contatti non ufficiali per acquisizioni e guardiamo a Liguria e Piemonte", ha aggiunto. (ANSA).

RC/ST

CARIGE: SI CONCLUDE OGGI OPERAZIONE AUMENTO CAPITALE 230 MLN =

(AGI) - GENOVA, 20 MAR. - SI CONCLUDE OGGI L'OPERAZIONE DI AUMENTO DI CAPITALE PER 230 MILIARDI DECISA DALL'ASSEMBLEA DI CARIGE, UNA OPERAZIONE CHE HA OTTENUTO POSITIVI RISCONTI ANCHE SUI MERCATI ESTERI. LO HA ANNUNCIATO IL PRESIDENTE DI CARIGE SPA, FAUSTO CUCCOLO, A MARGINE DEL CONVEGNO PROMOSSO DALL'ISTITUTO AFFARI INTERNAZIONALI DI ROMA "L'EURO E LE SUE CONSEGUENZE PER L'EUROPA, IL SISTEMA INTERNAZIONALE E L'ITALIA".

CUCCOLO HA PRECISATO CHE L'OPERAZIONE SI E' RESA NECESSARIA NELL'AMBITO DI UNA "CAMPAGNA ACQUISTI" CHE LA CASSA DI RISPARMIO DI GENOVA STA PORTANDO AVANTI NELL'AMBITO DI UNA ESPANSIONE DELLA PRESENZA DELLA CASSA IN LIGURIA E NELLE REGIONI LIMITROFE. E' PROBABILE CHE LE NUOVE RISORSE SIANO DESTINATE ALL'ACQUISIZIONE DI CARISA, LA CASSA DI RISPARMIO DI SAVONA, CONTESSA DA TEMPO DALLA BANCA TOSCANA DEL GRUPPO MONTE DEI PASCHI DI SIENA. "ASPETTIAMO LA CONVOCAZIONE DEL CDA DELLA FONZIONE CARISA CHE DOVRA' DECIDERE A CHI CEDERE IL PACCHETTO DELLA CASSA. NEL CASO - HA PRECISATO CUCCOLO - L'OPERAZIONE NON SI CONCLUDESSE, ABBIAMO CONTATTI IN CORSO PER ALTRE OPERAZIONI CHE VEDONO COMUNQUE CARIGE BANCA AGGREGANTE". CUCCOLO HA CONCLUSO RICORDANDO CHE PROPRIO OGGI E' STATA ACQUISTATA A BRESCIA LA SEDE PER LA FILIALE DI CARIGE. (AGI)

RAB/CHI

201657 MAR 98

Due giorni di convegno al Ducale

Il nostro futuro nel regno dell'Euro

Modigliani in videoconferenza

Due giorni di confronto sul futuro sotto il segno dell'Euro. Domani e sabato a Palazzo Ducale si terrà un convegno internazionale dal titolo "L'Euro e le sue conseguenze per l'Europa, il sistema internazionale e l'Italia", nato da un'iniziativa dell'Istituto Affari Internazionali di Roma in collaborazione con la Regione Liguria e la Fondazione Carige. Obiettivo del convegno è gettare lo sguardo al di là dell'Euro, cominciando a ragionare sulle conseguenze pratiche dell'introduzione della moneta unica. Per farlo saranno molto utili gli interventi di numerosi economisti italiani e stranieri. Il momento forse più atteso sarà la videoconferenza del premio Nobel Franco Modigliani in programma domani alle 18.30. Al termine delle due mezzeggiornate del convegno si terrà una tavola rotonda sulle implicazioni pratiche che l'introduzione della nuova moneta avrà per i cittadini. Ne di-



Franco Modigliani

scuteranno il sottosegretario al Tesoro Roberto Pinza, Rosario Alessandrello per la Confindustria, Vannino Chiti in rappresentanza delle regioni italiane, Sergio D'Antoni per i sindacati, l'imprenditore Aido Fumagalli e Giuseppe Zandra, direttore generale dell'Abi.



PALAZZO DUCALE
GENOVA

IL LAVORO

Supplemento di Repubblica

Due giorni di convegno sulla nuova moneta

Euro al Ducale

In video anche un Nobel

GENOVA — Ci sarà anche il premio Nobel per l'economia, Franco Modigliani, collegato in videoconferenza dal suo studio al Massachusetts Institute of Technology di Boston, a dibattere di prospettive e conseguenze dell'Euro. Di Euro, sistema internazionale e Italia discuteranno per due giorni, domani e sabato a Palazzo Ducale, studiosi, sindacalisti, uomini di governo, industriali. Tre le sessioni di base in cui si snoderà il dibattito, che inizierà alle 15, dopo il saluto del presidente della Regione, Giancarlo Mori e di Vincenzo Lorenzelli, presidente della Fondazione Cassa di Risparmio di Genova e Imperia. Si comincerà con 'Euro e nuovo modello per l'economia europea'. Previsti interventi di Stefan Collignon, direttore dell'Association for Monetary Union in Europe di Parigi, Daniel Gros, economista del Centre for European Policy Studies Ceps di Bruxelles, Loukas Tsoukalis, docen-

te dell'Università di Atene e membro della London School of Economics di Londra. A seguire toccherà al vicesegretario generale del Ministero degli Affari Esteri, Umberto Vattani che cercherà di ricostruire il cammino dell'Italia verso l'Euro.

Nuova sessione, alle 17.15, moderata dal direttore dei Venerdì di Repubblica, Paolo Galimberti. Al centro il sistema monetario internazionale. Tra i relatori Robert A. Mundell, professore di Economia alla Columbia University e Rainer Masera, direttore generale dell'Istituto Mobiliare Italiano. Alle 18.30 in scena la videoconferenza con Modigliani. Il giorno dopo, dalle 9.15, si approfondiranno 'opportunità e vincoli per il nostro paese' con il consigliere del presidente del consiglio, Paolo Onofri e, tra gli altri, José Luiz Alzola, economista della Salomon Smith Barney. Ultimo appuntamento: 'vivere con l'Euro'.

■ **CONFERENZA SULL'EURO** -
Oggi alle 14,30 nella sala del Minor
consiglio al Ducale convegno pro-
mossa dall'Istituto affari internazio-
nali su "L'Euro e le sue conse-
guenze per l'Europa, il sistema in-
ternazionale e l'Italia". Alle 18,30
video conferenza in collegamento
con l'economista Franco Modiglia-
ni.

Cardinale e Tribuno

di TEODORO CHIARELLI

Genova, con i suoi tassi di disoccupazione "meridionali", sembra veramente entrata in un viccio cieco. Certo, la città ha un radioso futuro come centro turistico-culturale: il porto antico, l'Accuario, il Quirinale, i musei, i teatri. Ma non basta, non può bastare. E le aziende? L'industria? Il lavoro?

Le cifre, come sempre, sono implacabili: 11.300 disoccupati, 52 mila in cerca di prima occupazione, 300 mila pensionati su un milione di abitanti tra città e provincia. E ancora: le 20 mila domande per i 150 posti nel costruendo Ipercoop, o i 9 mila che si sono presentati alla distribuzione dei 500 posti in lavori socialmente utili (800 mila lire al mese).

Genova è una città che invecchia e non riesce a dare una prospettiva ai propri figli. «Che ne è dell'uomo, se l'uomo non ha lavoro?», ha quasi urlato ieri Dionigi Tettamanzi dal pulpito della cattedrale. Come non condividere, laici o credenti, l'appello del Cardinale che più di altri, evidentemente, sente il polso del suo gregge? Tettamanzi ha colto i segnali, ha avvertito il pericolo di tensioni sociali, ha compreso la necessità di azioni concrete.

Il Cardinale-Tribuno ha sferzato la classe politica: «a livello nazionale e locale quale rilevanza viene riconosciuta al mantenimento e alla creazione di solide possibilità di lavoro?». Parole pesanti come macigni, risonate severe sotto le volte della cattedrale. Parole che si sono fatte addirittura taglienti quando Tettamanzi ha affrontato i casi Ansaldo (800 esuberanti previsti su Genova) ed Elsig Bailey (soluzione-spezziato in arrivo).

Qui il Cardinale, dimostrando un'insospettata conoscenza della situazione, ha sollevato dubbi sulle strategie di governo, Iri e Finmeccanica, ricordando, non senza malizia, che di aziende costituite con risorse pubbliche si tratta.

Il messaggio dell'uomo di Chiesa è chiaro: parole e promesse non sono più sufficienti. Non basta più pregare. Bisogna reagire. La città i suoi amministratori, i suoi imprenditori. Tutti.

Bruxelles: anche l'Italia avrà l'euro

La lira rivaluta sul marco?

Ciampi smentisce: solo voci speculative

ROMA - Il peso del debito pubblico italiano non costituisce un ostacolo insormontabile sulla via dell'euro. Lo ha ribadito ieri a Bruxelles il commissario europeo Yves-Thibault de Silguy in un'intervista alla stazione radio francese Bfm. «Da nessuna parte del Trattato sta scritto che il debito pubblico tenga essere inferiore al 60% del prodotto interno lordo», ha sottolineato de Silguy. Non si può quindi sostenere, ha aggiunto, che Italia e Belgio non rispettino i parametri per fare parte fin dall'inizio dell'euro. Il commissario non ha esplicitamente detto che Belgio e Italia riceveranno un parere positivo per la moneta unica quando l'Esecutivo comunitario pubblicherà, il 25 marzo, le proprie pagelle in vista della decisione definitiva da prendere all'inizio di maggio a livello di capi di Stato e di governo, ma è sembrato confermare le aspettative secondo cui i "promossi" saranno undici sui quindici Paesi dell'Ce (isolei Grecia, Gran Bretagna, Danimarca e Svezia non avranno l'euro).

Ieri intanto il ministro francese delle Finanze, Dominique Strauss-Kahn, ha rilanciato la proposta che Italia, Francia e Germania abbiano un seggio permanente nel direttorio della Banca centrale europea. Il problema comunque, insieme alla famosa questione della presidenza della Bce, sarà affrontato oggi, al margine del consiglio Ecotin informale in programma a York. Ieri sera intanto il ministro del Tesoro, Ciampi, ha smentito le voci di mercato secondo le quali l'Italia sarebbe in procinto di chiedere una rivalutazione della lira sul marco a quota 960 (l'attuale parità è fissata a 900).

Convegno a Genova. Oggi a Palazzo Ducale si terrà intanto un convegno sul tema: "L'euro e le sue conseguenze per l'Europa".



GIORNO E NOTTE

MUSICA

Gli Aria all'M&M Cafè

Musica dal vivo con il duo Aria, questa sera, alle 22.30, all'M&M Cafè, in Piazza Fontane Marose.

SAMPIERDARENA

Visita guidata

L'associazione Genova Insieme propone oggi una visita guidata a Villa Centurione Carpaneto di Sampierdarena, una splendida dimora seicentesca con soffitti affrescati da Bernardo Strozzi. L'appuntamento è di fronte alla villa, in Piazza Montano, alle 10.

CONFERENZA

Barberi al Dam

Questa sera alle 21, l'associazione «Mani sul cuore», in salita San Matteo, presenta «Essere Reiki», conferenza di Luca Barberis sul corso di Reiki di primo livello in programma sabato e domenica. Per informazioni telefonate al numero 80.29.58.

TELEVISIONE

Clip a Telenord

La trasmissione «Clip Time», in onda oggi alle 11.15, alle 19 e alle 24.50 su Telenord e alle 11.40 e 13.25 su Canale 7 presenta oggi il video più votato durante la settimana.

PALAZZO DUCALE

Convegno sull'Euro

Convegno sull'Euro promosso dall'Istituto Affari Internazionali con Regione Liguria e Banca Carige, oggi alle 14.30, nella Sala del Minor Consiglio.

Alle 18.30 videoconferenza con l'economista Franco Modigliani.

CAMPOPISANO

Show di Castiglia

Va in scena domani sera, alle 21, al Piccolo Teatro di Campopisano, lo spettacolo «Una vita di racconti», con Guido Castiglia. Ingresso lire 20 mila, ridotti 13 mila.

GARAGE

Recital annullato

Lo spettacolo «Recital per Leopardi» con Flavio Bucci, previsto questa sera alla Sala Diana, è stato annullato per motivi di salute dell'attore impossibilitato a proseguire le recite di questo e dell'altro spettacolo «Uno nessuno centomila» che stava portando in tournée.

CONCERTI

La Mac Kennitt al Genovese

Sono aperte le prevendite per il concerto di Lorena Mc Kennitt in programma lunedì 23 marzo al Politeama Genovese, organizzato dalla Little-Thing Grandi Eventi di Vincenzo Spera. I biglietti sono disponibili a lire 60 mila, 50 mila e 30 mila lire presso il botteghino del Politeama, da Oriandini in Sottopasso Cadorna, presso la Pro Loco di Recco e al Teatro Cantero di Chiavari.

MUSICOTERAPIA

Partono i seminari

L'associazione Italiana di Studi di Musicoterapia promuove seminari propedeutici informativi e teorico pratici. Per informazioni telefono 25.12.39.

Carige conclude aumento

Si è conclusa ieri l'operazione di aumento di capitale per 230 miliardi deciso dall'assemblea di Carige, un'operazione che ha ottenuto positivi riscontri anche sui mercati esteri. Lo ha annunciato il presidente di Carige spa, Fausto Cuocolo.

Cuocolo ha precisato che l'operazione si è resa necessaria nell'ambito di una campagna acquisti che la Carige sta portando avanti nell'ambito di una espansione della presenza della Cassa in Liguria e nelle regioni limitrofe. È probabile che le nuove risorse siano destinate all'acquisizione di Carisa, la Cassa di risparmio di Savona, contesa da tempo dalla Banca toscana del gruppo Monte dei paschi di Siena. «Aspettiamo la convocazione del cda della Fondazione Carisa che dovrà decidere se chi cedere il pacchetto della Cassa. Nel caso» ha precisato Cuocolo, «l'operazione non si concludesse, abbiamo contatti in corso per altre operazioni che vedono comunque Carige banca aggregante». Cuocolo ha concluso ricordando che proprio ieri è stata acquistata a Brescia la sede per la filiale di Carige.

Dal Denario all'Euro storia delle monete al Ducale

Una grande mostra numismatica intitolata "Dal Denario all'Euro, uomini e monete sulle strade d'Europa", organizzata a Palazzo Ducale, a novembre di quest'anno, dalla Regione Liguria e dalla Fondazione della Cassa di Risparmio celebrerà la nascita ufficiale dell'Euro. Il 1° gennaio 1999 verranno infatti fissati i tassi di scambio fra le valute dei Paesi che per primi entreranno a far parte dell'Unione.

Prevale l'ottimismo al convegno genovese sulla moneta unica

Modigliani: euro a undici

Il Nobel fulmina i falchi della Bundesbank

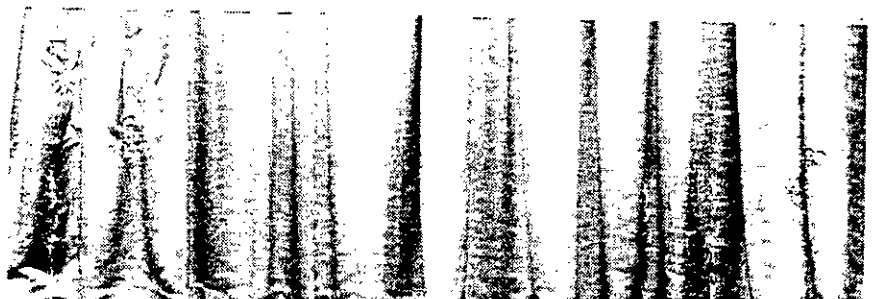
GENOVA - La fase tecnica dell'Euro si è conclusa. Ora il gioco diventa essenzialmente politico. La scelta di chi entra e di chi sta fuori, che verrà fatta il 2 maggio, sarà una scelta politica, così come atterra alla sfera politica l'eventuale modifica del patto di stabilità e l'istituzione di un governo dell'economia che non potrà essere la futura banca centrale europea. È questo il *leit-motiv* del convegno su "L'Euro e le sue conseguenze per l'Europa, il Sistema Internazionale e l'Italia" organizzato dall'Istituto Affari Internazionali, in collaborazione con la regione Liguria e la Fondazione Carige, in programma ieri e oggi a Palazzo Ducale, con la partecipazione di alcuni fra i maggiori esperti internazionali.

Un motivo che l'economista Franco Modigliani, in videoconferenza dagli Stati Uniti, ha sottolineato con vigore. «Il 2 maggio, su chi taglierà il traguardo assisteremo a un *fotofinish* - ha esordito - ma come economista tengo a dire che tutti gli 11 Paesi oggi sono qualificati a entrare in quanto hanno raggiunto un punto di convergenza sui tre fattori davvero importanti, e cioè l'inflazione, i tassi di interesse e la stabilità dei cambi. Solo per ragioni politiche si tira in ballo il rapporto debito-lordo, che ha un interesse soprattutto storico (significa che l'Italia in passato ha sprecato risorse). E altrettanto vale per il rapporto deficit/Pil».

Per Modigliani, secondo cui la Bundesbank, «che finora ha usurpato il ruolo di banca centrale europea, è responsabile di politiche fiscali e monetarie che hanno prodotto una disoccupazione a due cifre nei Paesi della Ue, «bisognerà vedere chi vuole davvero l'Euro». Ma anche porre al centro dell'Euro il problema disoccupazione, «a costo di sacrificare la stessa moneta unica».

Per l'Italia, comunque, Roberto Vattani, segretario generale del ministero degli Esteri, è fiducioso. «Siamo riusciti a dissipare i dubbi dei nostri partner», ha dichiarato Vattani, che con Mario Draghi, Roberto Nigido e Fabrizio Saccomanni ("il gruppo dei Quattro") ha fatto il giro delle capitali europee per convincere i partner. Uno «sprint» che anche Daniel Gros, economista del Centro per gli studi di politica europea di Bruxelles, riconosce all'Italia, sia pure favorita dal ribasso dei tassi e dal dollaro forte.

Egle Pagano



La presidenza del convegno sull'euro al Palazzo Ducale di Genova

Convegno a Genova sulla moneta unica e le sue conseguenze per Europa e Italia

Modigliani: la doppia sfida dell'euro

(DAL NOSTRO INVIATO)

GENOVA — Abbattere la disoccupazione e rilanciare gli investimenti. Questa è la sfida congiunta che attende la gestione dell'euro. E per vincerla la stabilità della moneta unica sarà una condizione necessaria ma non sufficiente. Occorreranno una maggiore flessibilità, l'armonizzazione delle politiche fiscali e sociali, riforme microeconomiche che facilitino la crescita, ma anche nuovi investimenti pubblici che colmino i ritardi accumulati in questi anni di rincorsa ai parametri di Maastricht.

Soprattutto servirà una politica monetaria accomodante, che pieghi i tassi di interesse bassi. A lanciare questo consi-

to è Franco Modigliani, viceconferenziere da Boston a prima delle due giornate «L'euro e le sue conseguenze per l'Europa, il sistema internazionale e l'Italia», organizzate da Iai, Regione Liguria e Carige per discutere i nuovi scenari che si aprono con l'arrivo della moneta unica europea.

Modigliani ha così potuto esporre la sua discussione sulle cause della disoccupazione europea, che riconduce essenzialmente a una ca-

za di domanda prodotta un mix sbagliato di politiche di bilancio e politica monetaria. La prima correttamente impostata per ridurre i deficit pubblici, «spreco di risorse». La seconda imposta dalla Bundesbank al resto d'Europa, attraverso i legami del Sistema monetario europeo. «Spero che l'euro sia più forte rispetto al dollaro — dice Modigliani — perché l'Europa ha bisogno di una politica monetaria espansiva che compensi la severità

della politica di bilancio»: solo così gli investimenti possono ripartire e l'export tirare la crescita europea che serve per abbattere la disoccupazione.

Modigliani ha smontato le altre spiegazioni, di destra e di sinistra, dell'alta disoccupazione europea, che non dipenderebbe da un'eccessiva pressione fiscale (le pure tasse sono il 23% in Usa e 27% nella Ue; gli oneri sociali, ha detto il premio Nobel, non sono una tassa ma un risparmio for-

zoso), né dal mancato incontro qualitativo tra domanda e offerta di lavoro, né dalla difficoltà di reimpiegare lavoratori troppo a lungo disoccupati, né dal progresso tecnologico o dalla concorrenza "sicale" dei Pvs. Modigliani ha anche detto che nemmeno il sussidio di disoccupazione può essere considerato causa di disoccupazione e che anzi andrebbe alzato quando la disoccupazione è più alta (cioè la probabilità di trovare lavoro è più bassa).

Infine, Modigliani, che ha annunciato il varo imminente di un manifesto elaborato da una folta schiera di economisti per indicare ai Governi come combattere la disoccupazione, non ha resistito alla tentazione di entrare nello scontro sulle 35 ore, affermando che se l'Italia farà passare una legge che impone le 35 ore pagate per 40 «non deve entrare nell'euro perché entra con una molla inflazionistica caricata». «Ciascuno deve essere libero di fare le

ore che vuole ed essere pagato corrispondentemente. Altrimenti anziché l'occupazione si divide la miseria».

Daniel Gros, del Ceps, ha detto che già oggi si prevede che la politica monetaria nell'euro sarà espansiva. Bob Mundell, della Columbia University, ha ricordato che Austria, Olanda e Portogallo, pur condividendo la stessa politica monetaria tedesca, hanno tassi di disoccupazione ben più bassi di quelli medi europei. Infine, Pier Carlo Padoan, dell'Università La Sapienza, ha avvertito che l'euro aprirà una nuova fase nelle relazioni politiche ed economiche tra Usa ed Europa e ciò richiederà più cooperazione tra le due sponde dell'Atlantico.

L.P.

Il governo invita a non drammatizzare **D'Alema a Confindustria** **«Riparlamo di 35 ore»**

Modigliani: legge incoerente con l'euro
Magnabosco: aggravio del 14% sui costi

ROMA. Sulle 35 ore la parola d'ordine, nel governo e nella maggioranza, è: sdrammatizzare. Comincia D'Alema lamentando che c'è troppa «esagitazione» e esprimendo «un caldo invito» a Confindustria perché «si torni al dialogo». Anche perché, sostiene il leader del pds, «non siamo di fronte a un colpo di mano», ma a un disegno di legge che sarà discusso in Parlamento «in un dialogo aperto alle parti sociali».

Dal fronte governativo, Walter Veltroni giudica «ingiustificato» il dissenso di Confindustria e spera sia possibile «una ricucitura». E il sottosegretario Micheli getta acqua sul fuoco assicurando che «la riforma delle 35 ore non sarà deflagrante per il sistema economico».

Ma i segnali che arrivano dal mondo industriale continuano a essere improntati a una decisa opposizione al progetto di legge. Un'indagine di Assolombarda conferma la preoccupazione degli imprenditori per le 35 ore «soprattutto in presenza di una crescente pressione competitiva» derivante dall'avvio dell'euro. E anche il presidente della Confindustria dell'Emilia Romagna, Mantovani, si pronuncia a favore della abrogazione dell'eventuale legge sulle riduzioni d'orario, invocando a sua volta i rischi per la competitività.

Sullo stesso tasto batte an-

che, da Melfi, il direttore del personale e organizzazione di Fiat Auto, Maurizio Magnabosco, secondo il quale «non vi sono le condizioni per poterci permettere una riduzione dell'orario di lavoro a parità di salario». Perché, ha spiegato Magnabosco, si avrebbe un incremento del costo del lavoro del 14 per cento che ci porterebbe fuori mercato.

Ma una netta opposizione al progetto di riduzione forzata dell'orario arriva anche da un economista dell'autorevolezza di Franco Modigliani. Il premio Nobel ritiene infatti che «la legge delle 35 ore pagate per 40 è incoerente con l'entrata nell'euro: vi metterebbe subito fuori». E nello stesso senso va un'indagine promossa dal Cnr secondo cui le 35 ore sono «una risposta ambigua ad un problema affrontato solo dal punto di vista politico e non da quello economico». Un giudizio condiviso, secondo un sondaggio del Cirm, da una larga parte degli italiani: il 49% è poco e per nulla interessato alle 35 ore (contro il 43 di molto interessati), mentre il 48% pensa che la riduzione d'orario porti conseguenze negative.

L'opposizione intende cavalcare questo movimento d'opinione e anche an si è schierata con Berlusconi per un referendum abrogativo se passerà la legge sulle 35 ore. [r. r.]

IL LAVORO

Supplemento di Repubblica

Vivere con l'Euro strategie al Ducale

APPUNTAMENTO con l'Euro, stamattina a Palazzo Ducale, dov'è in programma la seconda giornata del convegno internazionale sulle prospettive dell'unione monetaria. Si comincia alle 9.15 con la sessione dedicata a «opportunità e vincoli per il nostro paese» con il consigliere del presidente del consiglio, Paolo Onofri. A seguire si aprirà la tavola rotonda conclusiva: «vivere con l'Euro», moderata dal direttore dell'Ansa, Giulio Anselmi, con la presenza di docenti universitari e esperti monetaristici, ma anche di dirigenti di Confindustria e del segretario della Cisl, Sergio D'Antoni.

Il convegno Parole dure di Franco Modigliani sulla resistenza della banca centrale tedesca al varo dell'Euro.

Un Nobel contro l'arroganza della Bundesbank

Una tavola rotonda moderata dal direttore dell'Ansa Anselmi con Chilli, Pirza, Zadra, Fumagalli e D'Antoni

Non c'è dubbio, per l'economista Franco Modigliani, sul fatto che gli undici paesi candidati ad entrare nell'Euro siano qualificati affinché ciò avvenga.

«Tutti - ha affermato stasera, nel corso di un collegamento in videoconferenza dagli Usa nel corso di un convegno sull'Euro in corso a Genova - hanno raggiunto i punti di convergenza sulle questioni importanti, e cioè inflazione, stabilità del cambi, tassi di interesse. Ma vi sono ulteriori condizioni, questioni istituzionali, quali il rapporto fra il deficit e il Pil che possono essere prese come scuse per ritardare l'ingresso». «La decisione finale - ha quindi aggiunto - non sarà economica ma politica, se si vuole veramente l'Euro».

L'economista ha citato «cricoli tedeschi renani che non vogliono l'Italia e fanno pressio-

ni». C'è poi il problema della Bundesbank, la banca centrale tedesca «che di fatto, dagli anni '80, funziona come singola banca centrale per l'Europa».

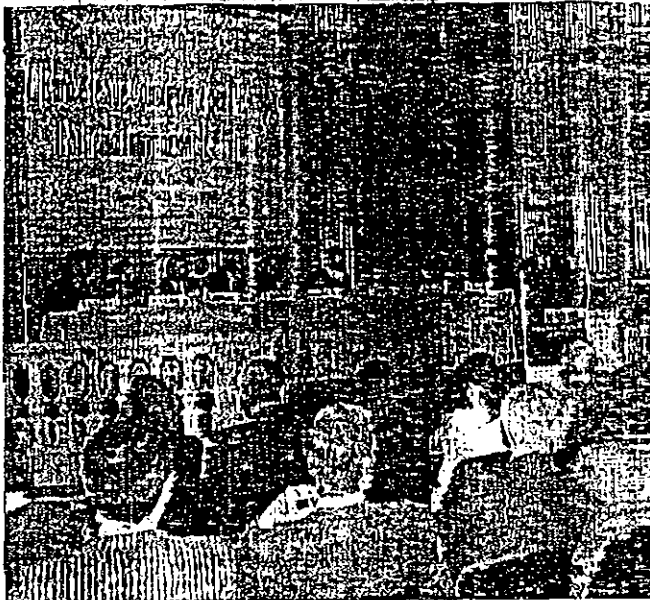
La Bundesbank, sostiene Modigliani, «non vuole rinunciare a questo ruolo di banca che stabilisce la politica monetaria per tutto il sistema».

La Germania, ha spiegato, per se stessa e per l'Euro vuole il prestigio e quindi un cambio allo rispetto al dollaro americano. «Io invece, e lo dico come europeo - ha proseguito - preferirei un dollaro più forte rispetto all'Euro», perché «una moneta più debole consente una politica espansiva».

La Germania invece, secondo l'economista, sostenendo una politica di prestigio, diventa automaticamente contraria ad una politica espansiva, anche se politica espansiva significa occupazione.

«E non c'è dubbio invece - aggiunge - che l'occupazione è più importante del prestigio».

Nella tarda mattinata i saloni di palazzo Ducale hanno ospitato due dibattiti sulle opportunità e i vincoli che l'introduzione dell'Euro imporrà all'Italia. Moderati da Carlo Rossella, direttore de La Stampa, si sono confrontati dapprima economisti di fama come Marcello De Cecco, José Luis Aizola, Mario Baldassarri, Lorenzo Caselli, Enzo Grilli, Paolo Onofri e Norbert Waller; poi la tavola rotonda moderata da Giulio Anselmi, direttore dell'Ansa, cui hanno partecipato Rosario Alessandrillo, Vannino Chilli, Sergio D'Antoni, Aldo Fumagalli, Roberto Pirza e Giuseppe Zadra.



Il lavoro dei relatori al convegno sull'Euro

La moneta unica porterà nella Penisola sviluppo e lavoro

(DAL NOSTRO INVIATO)

GENOVA — Euro può far rima con sviluppo e occupazione, soprattutto per l'economia italiana. E anzi il suo avvio coinciderà con una fase molto favorevole di crescita. Un'occasione d'oro per attrezzare il sistema Italia, investire in formazione, avviare il decollo del Mezzogiorno, sbloccare la creazione di nuovi posti di lavoro.

La visione positiva sulle possibilità dell'Italia di affrontare e vincere la sfida dell'euro è stata fornita ieri dalla giornata conclusiva del convegno su «L'Euro e le sue conseguenze per l'Europa, il sistema internazionale e l'Italia», organizzato dallo Iai assieme a Regione Liguria e Carige.

Perfino Marcello De Cecco, della Sapienza di Roma, ha rinfoderato il suo (con)geniale pessimismo sulle sorti dell'economia italiana. «Se lo Stato riesce ad affrontare l'emergenza della sicurezza nelle regioni meridionali — ha detto De Cecco — non è difficile preve-

dere un futuro positivo per l'industria italiana». E quel «se» a De Cecco non pare insormontabile. Serii dubbi, invece, ha sollevato per il terziario (dalla finanza all'ingegneria, dalla consulenza alle telecomunicazioni agli spettacoli), che sarà il vero polmone dell'occupazione.

Nella nuova corsa competitiva avviata dall'euro l'Italia partirà con il piede giusto, grazie al forte calo dei tassi di interesse reali, come ha ricordato José Luis Alzola, di Salomon Smith Barney; l'importante è adottare le corrette politiche dal lato dell'offerta. Un compito politicamente non facile, lo ha sottolineato Mario Baldassarri, pure della Sapienza, secondo cui l'Europa dovrà trovare in sé le energie della crescita e il rigore, premessa indispensabile dello sviluppo, do-

vrà avere un volto diverso da quello avuto finora: «Dio benedica chi ha fatto il risanamento finanziario — ha detto Baldassarri — altrimenti oggi avremmo un'inflazione al 6% e un deficit da 180 mila miliardi e discuteremmo di un crollo della produzione e dell'occupazione ma quel tipo di rigore adesso non basta più».

Occorre agire subito e rendere più efficiente il mercato del lavoro, ha avvertito Enzo Grilli, del Fmi, altrimenti al primo rallentamento dell'economia l'euro diventerà il capro espiatorio. Mentre Norbert Walter, della Deutsche Bank, ha messo in guardia contro l'offensiva dell'export asiatico che dovremo affrontare nel 1999, quando nel contempo il dollaro perderà quota a causa dell'aumento del deficit commerciale.

Non tutte le regioni italiane, però, sono ugualmente attrezzate per la sfida dell'euro. Rosario Alessandrello, consigliere incaricato di Confindustria per l'internazionalizzazione, ha girato il coltello nella piaga del dualismo affermando che da cinque regioni viene l'80% dell'export italiano. E Vannino Chiti, presidente della Conferenza delle Regioni, ha chiesto subito «un maggior ruolo delle Regioni» nelle politiche per lo sviluppo, senza però più soldi da spendere perché «il rigore deve rimanere il medesimo». Ma Fabrizio Onida ha avvertito che non bastano generiche politiche di promozione per rendere allettante un territorio agli investimenti dall'estero; questi ultimi in Italia incontrano una forte avversione culturale (e sono associati a «sconfitta», «conquista», «dominio» da parte dello «straniero»), mentre vanno considerati come «valorizzazione delle risorse nazionali».

L.P.

In vista del consiglio di domani

Sulla Banca Carige voci e smentite di scossoni al vertice

Alla vigilia del "direttorio" per l'esame del bilancio si è diffusa la voce delle dimissioni di due consiglieri e del presidente. Cuocolo: «Non mi risulta»

GENOVA - Week-end di passione per la Banca Carige. Alla vigilia della riunione del consiglio di amministrazione della Cassa di Risparmio di Genova e Imperia, convocato domani per l'approvazione dei dati di bilancio, sono rimbalzate voci di scossoni ai vertici dell'istituto che non hanno trovato, per ora, conferme da parte dello stesso presidente Fausto Cuocolo.

Negli ambienti finanziari si è diffuso il "boato" che, in occasione della seduta del "direttorio" di Banca Carige dedicata all'esame dei conti 1997, tre consiglieri di amministrazione dovrebbero rassegnare il mandato. Tra questi lo stesso presidente della "Cassa" genovese. In conseguenza delle dimissioni, sempre secondo le voci che si sono rincorse per tutta la giornata di ieri, il consiglio di amministrazione nella stessa seduta dovrebbe procedere alle sostituzioni.

«All'ordine del giorno non ci sono dimissioni di consiglieri, né tantomeno dimissioni del sottoscritto - ha riferito in serata a "Il Secolo XIX" il presidente della Carige Cuocolo - Al momento personalmente non ho neppure notizia di consiglieri che rimettano il loro mandato nel corso della prossima seduta del consiglio. La cosa non è impossibile dal punto di vista tecnico-giuridico, nel caso, ad esempio, che uno o più consiglieri volessero manifestare dissenso nei confronti dei risultati del bilancio, ma la ritengo molto improbabile».

Il mandato degli attuali quattordici consiglieri della Banca Carige è vicino alla scadenza. La "squadra" che ha governato

l'istituto chiude la sua "legislatura" con l'assemblea di approvazione del bilancio 1997. Le assise sono già state convocate per il 25 aprile prossimo in prima "seduta" e per il giorno seguente in seconda "chiamata". In quella occasione si chiuderà il triennio 1995-1998 dell'attuale consiglio presieduto da Cuocolo e si procederà al rinnovo degli organi sociali.

Quanto ai conti della Banca Carige al centro della riunione di domani, il 6 febbraio scorso a Milano durante il road show per presentare la seconda tranche dell'aumento di capitale da 230 miliardi di lire, riservata agli investitori istituzionali italiani ed esteri, il direttore generale

Giovanni Berneschi aveva diffuso un "check up" positivo dell'azienda di credito genovese. Il trend tratteggiato in quell'occasione indicava un utile in crescita del 15% rispetto agli oltre 90 miliardi del 1996. Era stata anche prevista la distribuzione agli azionisti di un dividendo di 500 lire a



Fausto Cuocolo

fronte delle 475 dell'esercizio precedente.

Nel corso del road show erano stati anche illustrati gli obiettivi che l'operazione di apporto di mezzi freschi alla Carige, coordinata dalla banca d'affari Merrill Lynch, è destinata a supportare: l'espansione della rete di sportelli, a prescindere dall'esito della battaglia ingaggiata dall'istituto genovese con la Banca Toscana per la Cassa di Risparmio di Savona. Nel piano di sviluppo figura, poi, l'obiettivo di elevare in un triennio il "Roe" della Carige (la remunerazione del capitale investito) dal 6 all'11%.

F. P.

A York lungo summit tra Ecofin e banche centrali sulle ammissioni. Nuovo round domani

Accordo sofferto sull'euro a 11

I governatori pronti a superare i dubbi sull'Italia

Il governatore di Bankitalia, Antonio Fazio ha sottolineato che sul rapporto Ime «non c'è ancora l'accordo di tutti i Paesi, anche se alla fine un'intesa sarà trovata»

ROMA - Alla fine anche la Bundesbank si farà una ragione della nascita dell'Euro allargato a 11 Paesi.

Ieri da York, dove si è svolto l'ultimo vertice dei ministri finanziari e dei Governatori delle banche centrali prima delle pagelle che arriveranno nei prossimi giorni dall'Istituto monetario e dall'Unione europea, sono infatti state confermate le voci secondo cui si sta lavorando all'ipotesi di arrivare alla partecipazione di 11 paesi all'Unione monetaria. Dando così per accertato che le preclusioni e i dubbi che si addensavano soprattutto sull'Italia per via del suo debito stratosferico sarebbero state superate. Anche se in serata, il governatore di Bankitalia, Antonio Fazio, ha dichiarato che «sul rapporto che l'Ime renderà noto mercoledì prossimo non c'è ancora l'accordo di tutti i Paesi». Fazio ha comunque aggiunto che «alla fine un'intesa sarà trovata». E in questo senso, si sono pronunciati praticamente tutti i partecipanti al vertice, che lunedì e martedì prossimi si ritroveranno a Francoforte, nella sede Ime, per apportare le ultime limature al documento che il 25 marzo sarà presentato ufficialmente dal presidente Ime, Wim Duisenberg.

Il più esplicito, ieri, è stato il ministro delle Finanze belga Philip Maystadt, che parla apertamente di 11 paesi ammessi. Usa una formula più criptica il commissario europeo, Yves-Thibault de Silguy, spiegando che «non ci saranno sorprese sui mercati». Un modo per dire che, avendo scommesso tutte le piazze finanziarie su un Euro a 11, questa sarà la griglia dei Paesi ammessi.

E anche gli euroscettici più accaniti, come il ministro finanziario olandese, Gerri Zalm, danno ormai semaforo verde, anche se non rinunciano a ripetere alcuni ammonimenti. «Mi auguro che si arrivi a un club delle monete largo e che il debito pubblico non impedisca all'Italia di partecipare. In questo senso, sarebbe meglio se si arrivasse all'approvazione del Documento di programmazione prima di maggio».

Un tema, quello del debito pubblico, che il governatore della Bundesbank, Hans Tietmeyer, preferisce invece non toccare. «Non abbiamo discusso di questo. Non so chi abbia parlato di mie specifiche preoccupazioni». In ogni caso, il banchiere tedesco si dice certo che «non ci saranno particolari turbolenze sui mercati dopo l'avvio della moneta unica». E fonti vicine al governo tedesco fanno sapere che anche Bundesbank avrebbe definitiva-

pi bassi» nella stesura del rapporto sull'Euro della prossima settimana.

In questo quadro l'Italia ringrazia, anche se la prudenza non viene del tutto meno. «Per sapere come sarà andata - ripete il ministro dell'Economia Carlo Azeglio Ciampi - bisognerà aspettare il 2 maggio. Con molta fiducia, ma bisognerà attendere quella data». Più esplicito il ministro degli Esteri, Lamberto Dini che, parlando da Berlino, si è detto certo che «i profeti del fallimento hanno avuto torto». Per Dini, l'ultimo esame vero sarà quello della prossima settimana dell'Istituto monetario: «Se li verremo promossi, nessuno potrà più impedire la partecipazione dell'Italia alla moneta unica».

Convegno sull'Euro a Genova. Nel corso della tavola rotonda conclusiva della due giorni di convegno su «L'Euro e le sue conseguenze per l'Europa, il sistema internazionale e l'Italia», ieri, il sottosegretario al Tesoro, Roberto Pinza, si è soffermato sul dibattito (e le polemiche) politiche che si è aperto, in Italia, a proposito della cosiddetta «fase due»: «C'è qualcuno - ha osservato Pinza - che non ha colto bene il significato della politica economica che si sta facendo, pensando che fosse una politica a tappe o di traguardo». Pinza ha anche sottolineato che in realtà «ci sono momenti in cui vengono fissati i parametri per passaggi futuri» e ha fatto riferimento al testo del nuovo documento di programmazione economica e finanziaria, che sarà anticipato al 15-20 aprile per poter essere messo il 3 maggio sul tavolo delle discussioni dei partners sull'ammissione alla moneta unica: «I binari sono già definiti» ha affermato il sottosegretario al Tesoro. «Dopo una brevissima stagione di due settimane in cui qualcuno ha parlato di fasi - ha poi aggiunto - non a caso nella giornata di ieri qualcuno ha parlato di patto di legislatura. Il vero parametro cui dobbiamo adeguarci è che la politica e i governi siano stabili».

Al convegno è intervenuto anche Enzo Grilli, direttore esecutivo del Fondo monetario internazionale (Fmi) che ha posto l'accento sulle questioni da affrontare nei prossimi mesi: «Superato il problema del consolidamento, per tutti ora si pone l'esigenza di affrontare le riforme strutturali». Per Grilli, il cammino da fare nel segno dell'integrazione europea è ancora lungo e la moneta unica non è il fine ma soltanto un mezzo.

IL CONVEGNO

Due giorni di discussioni al Ducale: gli italiani hanno già pagato tanto

L'Euro volge al pessimismo

ARRIVA l'Euro, sogno di sei anni di sacrifici, ma se qualcuno si aspettava un minuetto festoso d'accoglienza ballato in questi giorni nelle sale del Ducale, durante il convegno di primissimo piano sulla futura moneta unica, è rimasto deluso. Volge al pessimismo, la cartina tornasole impressa da due giorni di convegno — è terminato ieri — su "Euro e le sue conseguenze per l'Europa, il sistema internazionale e l'Italia" organizzato dallo Iai, l'Istituto affari internazionali. Non certo sull'importanza di esserci ma sulla reale capacità che potremo mettere in campo per essere pronti all'appuntamento, per governare a pieno la tigre.

«Ho notato — dice a chiosa Gianni Bonvicini, direttore dello Iai, l'Istituto di studi europeistici fondato da Altiero Spinelli nel '65 — un generale pessimismo. Il motivo è che questo paese ha compiuto grossi sforzi e sacrifici per sei anni, il doppio rispetto agli altri paesi europei».

E il rischio, ora, è proprio quello di trovarsi al bivio: «I partiti sono stanchi — continua Bonvicini — e hanno già

speso sul fronte dei sacrifici tutto il loro patrimonio politico. Eppure ora abbiamo davanti a noi alcuni nodi strutturali importantissimi. Occorrono riforme enormi, qui non si tratta più di tagliare sulla spesa ma di riformare l'amministrazione pubblica che non funziona, di rinnovare l'architettura istituzionale in modo che possa offrire governi stabili». «Non c'è più bisogno — continua — di chiedere sacrifici al-

la gente, oggi l'Euro offre opportunità per crescere. Ma bisogna che lo stato compia le riforme necessarie per trasformare queste opportunità in realtà di crescita. Altrimenti i vantaggi dell'Euro si vanificheranno subito, avremo due anni di boom e poi saremo fregati. Ripartirà l'inflazione, crescerà la disoccupazione...».

Uno scenario preoccupante, su cui si è districato questo convegno che ha riunito a Ge-

nova personalità di primo piano del mondo accademico, produttivo, istituzionale, finanziario e giornalistico; e che ha avuto venerdì pomeriggio l'intervento in videoconferenza del premio Nobel per l'Economia Franco Modigliani.

Al primo gennaio del '99, l'Euro sarà moneta attiva, anche se per tre anni sarà affiancata alle monete nazionali. Intervento per intervento, sono emersi i ritardi con cui l'Italia si avvicina all'appuntamento. Il più grave è forse quello nel sistema delle alleanze industriali, necessarie a reggere la concorrenza che sarà ancora più forte. E nella mentalità imprenditoriale, nella capacità di attrarre investimenti...



IAI

Istituto Affari Internazionali

L'Euro e le Sue Conseguenze per l'Europa, il Sistema Internazionale e l'Italia

Palazzo Ducale

Genova, 20-21 marzo 1998

Comunicato Stampa

A soli quattro giorni dalla pubblicazione delle valutazioni della Commissione di Bruxelles e dell'Istituto Monetario Europeo sullo stato di convergenza economica fra i Paesi dell'Unione candidati ad entrare nell'Euro, si terrà il 20 e 21 marzo a Genova un importante Convegno internazionale nelle sale di Palazzo Ducale. L'iniziativa è stata presa dall'Istituto Affari Internazionali di Roma in collaborazione con la Regione Liguria e con la Fondazione Carige.

Obiettivo dell'iniziativa, che tende fra le altre cose a sottolineare la volontà di Genova e della Liguria ad entrare nel circuito dei grandi dibattiti europei e internazionali, è quello di gettare lo sguardo al di là dell'Euro. Cominciare cioè a ragionare sulle conseguenze pratiche che deriveranno dalla decisione che i capi di stato e di governo dell'Unione Europea prenderanno il 2 maggio prossimo.

Il titolo del convegno è infatti "L'Euro e le sue conseguenze per l'Europa, il sistema internazionale e l'Italia".

Ad affrontare queste tematiche sono stati chiamati a Genova alcuni dei maggiori esperti italiani e stranieri. Tre le sessioni di base. La prima riguarda le conseguenze dell'Euro sull'economia europea e quindi anche sull'occupazione e la competitività del Vecchio Continente. Ad introdurla è stato chiamato un francese, Stefan Collignon, direttore della prestigiosa Associazione per l'Unione Monetaria in Europa con sede a Parigi. I rapporti fra l'Euro e il Dollaro, altro tema di cruciale importanza, saranno oggetto della relazione di Robert Mundell, della Columbia University, una vera autorità fra gli accademici americani di questioni europee. Infine quello che potrà succedere nel nostro Paese verrà illustrato da Marcello De Cecco, professore all'Università di Roma e commentatore della Repubblica. Nei vari panel si succederanno partecipanti

italiani, fra cui Antonio Pedone, Rainer Masera, Mario Baldassarri, Enzo Grilli, Paolo Onofri e stranieri da Daniel Gros a Norbert Walter da Loukas Tsoukalis a Hervé Carré. Al termine delle due mezze giornate del Convegno si terrà una Tavola Rotonda che si occuperà delle implicazioni pratiche sul cittadino derivanti dall'introduzione della nuova moneta. Ne discuteranno il sottosegretario al tesoro Roberto Pinza, responsabile del Comitato dell'Euro (fra gli sponsor dell'iniziativa), Rosario Alessandrello per la Confindustria, Vannino Chiti in rappresentanza delle Regioni Italiane, Sergio D'Antoni per i sindacati, Aldo Fumagalli imprenditore milanese, Giuseppe Zadra, direttore generale dell'Abi.

Al di là di queste sessioni generali due altri eventi di spicco contraddistinguono il Convegno sull'Euro. Il primo è un intervento che il Segretario Generale della Farnesina, Umberto Vattani, farà a nome dei suoi colleghi Mario Draghi, Roberto Nigido e Fabrizio Saccomanni sul rapporto da essi stilato, e non ancora pubblicato, al termine di una lunga peregrinazione nelle capitali europee per fare il punto dell'Euro e per spiegare ai nostri partners la posizione dell'Italia. Il secondo è la partecipazione in video-conferenza del premio Nobel, Franco Modigliani, che dall'Università del Massachusetts dialogherà sul tema Euro e occupazione, questione chiave per il futuro economico e politico dell'Unione.

A dirigere il dibattito un team di giornalisti in rappresentanza delle maggiori testate nazionali, Luca Paolazzi del Sole 24 Ore, Paolo Garimberti della Repubblica, Carlo Rossella della Stampa e Giulio Anselmi direttore dell'Ansa.



EMU Watch

No. 47

Fiscal sustainability – a nebulous term

The Maastricht Treaty requires potential EMU member states to have achieved a high degree of sustainable convergence. However, the debate about exact ratios – 3.0% of GDP for the deficit and 60% for general government debt – is too narrow. The same is true of focussing merely on fiscal ratios.

A budget position is considered to be sustainable if the debt ratio is constant over a given period. On this criterion, the potential member countries show a mixed picture: Finland and Italy did not make headway in stabilising their debt ratios until 1993/94, Austria's debt levelled out only in 1996. The debt ratios of a small group of countries are still rising.

The ageing of the population in almost all industrial countries illustrates that the ratios defined in the Maastricht fiscal criteria cannot fully reflect all budget risks. State pension systems, for example, especially those which operate on a pay-as-you-go basis, face huge outlays not reflected in the Maastricht criteria.

The convergence examination also has to take into account the scope and quality of the measures taken to consolidate government finances. If the cuts on the expenditure side of the budget mainly hit investment – as in Spain – this could have negative repercussions on economic growth. By adopting one-time measures – as in Italy – governments restrict expenditure or raise revenues for just one year.

The evaluation of the convergence efforts of potential EMU member countries naturally leaves great scope for discretion, especially since each country has taken a different route to improve its financial position.

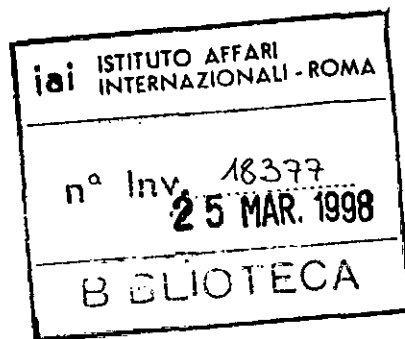
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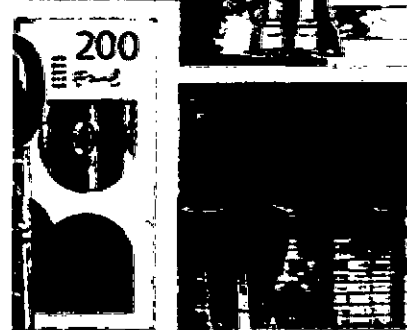
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Economics





Convergence Situation of Potential EMU Members

Convergence criteria:

1. The criterion on **price stability** shall mean that a Member State has a price performance that is sustainable and an average rate of inflation, observed over a period of one year before the examination, that does not exceed by more than 1 1/2 percentage points that of, at most, the three best performing Member States in terms of price stability. Inflation shall be measured by means of the consumer price index on a comparable basis, taking into account differences in national definitions.
2. The criterion on the sustainability of the government financial position shall mean that the Member States avoid excessive government deficits; in particular a) the ratio of the planned or actual **government deficit** to gross domestic product shall not exceed 3%, unless either the ratio has declined substantially and continuously and reached a level that comes close to the reference value; or, alternatively, the excess over the reference value is only exceptional and temporary and the ratio remains close to the reference value; b) the ratio of **government debt** to gross domestic product shall not exceed 60%, unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace.
3. The criterion on the convergence of **interest rates** shall mean that, observed over a period of one year before the examination, a Member State has had an average nominal long-term interest rate that does not exceed by more than two percentage points that of, at most, the three best performing Member States in terms of price stability. Interest rates shall be measured on the basis of long-term government bonds or comparable securities, taking into account differences in national definitions.
4. The criterion on participation in the **exchange-rate mechanism** of the European Monetary System shall mean that a Member State has respected the normal fluctuation margins provided for by the exchange-rate mechanism of the European Monetary System without severe tensions for at least the last two years before the examination. In particular, the Member State shall not have devalued its currency's bilateral central rate against any other Member State's currency on its own initiative for the same period.

	Inflation rate *			Budget balance as % of GDP**			Debt as % of GDP			Long-term interest rate*	ERM Band
	1996	1997	1998	1996	1997	1998	1996	1997	1998	12 months to Jan 1998	
Reference value	2.5	2.7	2.6	-3.0			60.0			7.9	
Germany	1.2	1.5	1.4	-3.4	-2.7	-2.7	60.4	61.3	61.7	5.6	± 15% ¹⁾
France	2.0	1.2	1.3	-4.2	-3.0	-3.0	55.7	58.0	57.8	5.5	± 15%
Italy	4.0	1.9	1.9	-6.7	-2.7	-2.6	123.8	121.6	119.4	6.7	± 15%
UK	n.v.	1.8	2.3	-4.9	-1.9	-0.6	54.7	53.4	50.8	7.0	free floating ²⁾
Spain	3.6	1.9	2.2	-4.4	-2.6	-2.4	70.1	68.3	67.5	6.3	± 15%
Netherlands	1.4	1.9	1.7	-2.4	-1.5	-1.8	78.0	72.1	70.2	5.5	± 15% ¹⁾
Belgium	1.8	1.5	1.1	-3.2	-2.1	-1.8	126.9	122.2	118.5	5.7	± 15%
Sweden	0.8	1.9	2.1	-3.6	-1.4	0.0	77.7	75.9	72.3	6.6	free floating ²⁾
Austria	1.8	1.2	1.0	-4.0	-2.5	-2.5	69.5	66.1	65.2	5.6	± 15%
Denmark	1.9	2.0	1.9	-1.6	0.7	1.2	66.7	64.1	59.7	6.2	± 15%
Finland	1.1	1.2	1.8	-2.6	-0.9	0.0	58.7	55.8	55.5	5.9	± 15%
Portugal	2.8	1.9	2.0	-3.2	-2.5	-2.5	65.6	62.0	61.5	6.2	± 15%
Greece	7.9	5.4	5.8	-7.5	-4.0	-4.0	111.6	108.7	106.5	9.9	free floating ²⁾
Ireland	2.1	1.2	2.7	-1.1	0.9	0.4	73.0	67.0	64.0	6.2	± 15%
Luxembourg	1.2	1.4	1.5	2.5	1.7	0.6	6.6	6.7	7.7	5.7	± 15%
Other European Countries											
Switzerland	0.8	0.5	0.4	-2.2	-2.7	-2.7	49.7	51.7	52.5	3.5	free floating
Norway	1.3	2.5	2.7	5.9	7.3	7.5	31.0	27.6	24.8	5.8	free floating

Criteria matched ³⁾

Sources: National authorities, DBR, EU Commission

Average inflation rate of the 'best' EU countries Sweden, Finland, Germany (1996): 1 %

Average inflation rate of the 'best' EU countries France, Finland, Ireland (1997): 1.2 %

Average inflation rate of the 'best' EU countries Austria, Belgium, France (1998): 1.1 %

Average long-term interest rate of the 'best' EU countries (Feb 1997/Jan 1998): 5.9 %

* period average; rates refer to the new EU-harmonized index of consumer prices (HICP) except Switzerland and Norway

** fiscal balance on national account basis (excluding public enterprises). Our forecasts do not reflect the status quo but are subject to economic policy changes

(1) Bilateral agreement between Germany and the Netherlands to retain ±2.25% fluctuation band

(2) These countries do not participate in the ERM

(3) For the budget criteria, the specified percentages are applied since flexible interpretation is a question of political judgement

Source: Eurostat, national authorities, DBR



Fiscal sustainability – a nebulous term

The public debate on the start of the European Monetary Union (EMU) in 1999 has focused heavily on whether or not the fiscal criteria can be fulfilled. This is mainly because the criteria represent a major hurdle for some important candidates for membership, e.g. Germany, France and Italy. With the debate frequently tending to concentrate on whether the individual countries have succeeded in bringing their deficits down to 3% of GDP in 1997, less attention has been paid to a more important criterion, "a high degree of sustainable convergence". But what does fiscal sustainability mean, and how can it be measured? This article analyses the fiscal criteria stipulated in the Maastricht Treaty. It then goes on to discuss the scope of, and the limits to, various concepts of fiscal sustainability. From these, it develops standards for measuring fiscal sustainability and applies them to potential EMU members.

What does fiscal sustainability mean?

What does the Treaty say on fiscal sustainability?

As a condition for entry into the third stage of monetary union, Article 109j of the Maastricht Treaty requires the Commission of the European Union (EU) and the European Monetary Institute (EMI) to examine whether would-be members have achieved a high degree of sustainable convergence. This will be gauged partly by an assessment of whether countries have a sustainable financial position, "apparent from having achieved a government budgetary position without a deficit that is excessive". Article 104c in conjunction with the corresponding Protocol specifies that, generally speaking, a budget deficit in excess of the reference value of 3% of GDP or a debt ratio of over 60% represents an excessive deficit.

A government position without a deficit that is excessive is required

A crucial aspect in the appraisal of potential members' fiscal policies, however, is that the European Council, acting on the recommendation of the Commission, will base its decision as to whether a country has an excessive deficit on an assessment of that country's overall situation. This means that even if a candidate fulfils the fiscal criteria, the Commission could still conclude that there is a risk of an excessive deficit. Its report will take into account a variety of factors, including the medium-term economic and budgetary position of each country as well as the level of government investment expenditure in relation to the deficit. Since these formulations in the Maastricht Treaty place the fiscal criteria in a wider perspective which focuses not just on "spot-on" ratios but on the overall fiscal situation, they leave room for interpretation. Above all, what exactly does it mean if certain debt and deficit levels in relation to GDP are considered to be unsustainable? First of all, such a conclusion is based on the idea of budgetary equilibrium over a number of years. Secondly, the search for such equilibrium stems from an implicit assumption that a budgetary imbalance could have negative economic consequences. This gives grounds for setting fiscal criteria.

An assessment of the country's overall situation is of importance

Debt has negative externalities

There are numerous arguments in government debt theory for limiting government debt over the long term. A crowding-out of private investment, a loss of economic efficiency, negative repercussions on growth, effects on the intergenerational distribution of wealth, and a



reduction in future budgetary scope are but a few. But despite their general validity, these arguments against excessive government deficits do not provide any specific justification for imposing fiscal criteria before and in EMU.

One of the reasons cited in favour of fiscal criteria is that, in a monetary union, high deficits or large government debt in individual member countries have negative externalities for other EMU countries. For one thing, heavily indebted countries may be tempted to inflate their way out of debt. Over an extended period, even a moderate rate of inflation can significantly reduce the real value of long-term government liabilities. Indebtedness is hence a risk to monetary stability in cases where governments are able to lean on the monetary authorities and have them soften their monetary targets. Excessive deficits can also increase the sovereign default risk and, in extreme cases, they may lead to the government becoming insolvent. In a monetary union this would force other countries to provide fiscal support. Knowing that this mechanism existed, some countries might digress from the path of fiscal rectitude at the expense of others, fully aware that they were living beyond their means. Such conduct on the part of individual countries would probably lead to higher real interest rates in the single currency bloc, and this could have negative effects on growth in EMU.

Finally, since the individual member countries will no longer have the option of taking monetary policy action, it would make sense for them to limit government debt in order to preserve their ability to take fiscal policy steps. Higher debt leads to greater interest and redemption burdens, which in turn limit fiscal scope and make it more difficult for countries to react flexibly, in the event of asymmetrical shocks for instance. However, this is nothing new since, in the Exchange Rate Mechanism of the EMS, a truly independent monetary policy is already, de facto, out of the question for some countries. As EMU approaches, though, there will be additional constraints on fiscal policy. The gradual harmonisation of the national tax systems within EMU, combined with growing tax competition as integration progresses and factor mobility increases, will tie the individual countries' hands even further. But if the scope to fund higher expenditure by hiking taxes is limited, there will be more incentive to engage in deficit financing.

Distrust of budgetary discipline led to rules

It was, in part, a lack of confidence that governments will indeed exercise budgetary discipline which led to the creation of institutionalised rules for the future EMU. For, the most reliable way of ensuring that the member states cooperate in observing fiscal discipline is through rules which are established and monitored centrally. By submitting to the rules, the potential member states also underscore their political will to create a monetary union. Besides setting upper limits for the budget deficit and government debt, the Maastricht Treaty contains other rules closely related to the fiscal criteria. For instance, it prohibits the European Central Bank (ECB) to grant credit to government bodies to finance their budgets (Art. 104). In addition, the so-called "no-bailout clause" stipulates that neither the Community nor individual member states shall be liable for the commitments of other government bodies.

Critics object that these rules render both strict adherence to the fiscal criteria and fiscal sustainability superfluous. In their opinion, the existence of an independent central bank precludes any risk of inflation

Large government debt might have negative externalities for other EMU countries

Digression from path of fiscal rectitude is to be avoided

Fiscal scope is to be maintained

The creation of institutionalised rules for the future EMU ...

... including the "no-bailout clause" ...

being used to wipe out government debt, and the no-bailout clause prevents unsustainable fiscal policies of individual member countries having direct negative spillover effects on other participants. However, an independent central bank must first prove its credibility, and the future will have to provide evidence that the no-bailout clause is indeed implemented in practice. Indeed, it is the Treaty's emphasis on fulfilment of the fiscal criteria and sustainable convergence which prepares the ground for tension-free observance of Articles 104 and 104b. The explicit budgetary rules are, in other words, intended to prevent the member countries from exploiting fiscal room for manoeuvre.

Debate about exact ratios is too narrow

In the Maastricht Treaty, a sustainable government financial situation is defined in terms of an excessive budget deficit and thus, by extension, by the reference values of 3% of GDP for the deficit and 60% for general government debt. At first glance, the chosen figures may appear arbitrary: 60% happens to be close to the average debt ratio in the EU for 1991 (61.7%). But a closer look at the long-term relationship between the debt and deficit ratios shows them to be consistently in line with the reference values if a nominal growth rate of 5% is assumed for the EU. It can be criticised, though, that the chosen average reference values need not necessarily represent equilibrium in the future and thus cannot be an optimal economic solution – even less so for the individual countries, as their economic structures can differ greatly.

Even if the fiscal reference values are accepted with these reservations, it is still not sufficient to debate whether the ratios must be met exactly. It is necessary to assess just how informative budget deficit figures actually are. The total budget deficit is not an entirely accurate reflection of the basic thrust of fiscal policy. The prime indicator is the structural deficit, i.e. the deficit after cyclical influences are eliminated, since – owing to the cyclical flexibility of budgets – fluctuations in the economic cycle can mask the real condition of the public finances. There are problems, however, in calculating structural deficits. Above all, it is difficult to measure production potential and capacity utilisation accurately. The unadjusted total balance may therefore be used, with reservations, as an indicator of the size of a country's financing gap. It provides information on the level of capital market borrowing and the remaining scope for discretionary action in fiscal policy. However, the reference value which is to be used in EMU includes normal cyclical fluctuations, implying that, in the medium term, the participating countries will have to reduce their structural deficits to well below 3%. The stability pact therefore obliges participants to maintain a virtually balanced budget, or even a budget surplus, over the medium term.

What normative guide is there to sustainability?

The difficulties in defining appropriate levels for deficits and government debt and in finding suitable yardsticks show that the debate about whether countries will achieve the ratios exactly is too narrow and that it is not sufficient to focus on the fiscal criteria alone. This shifts attention to a sustainable government financial position, based on the idea of budgetary equilibrium over a number of years. There are, however, differing definitions of a sustainable fiscal position, all of

... is intended to prevent the member countries from exploiting fiscal room for manoeuvre

Reference values rather arbitrary?

Total budget deficit is not an entirely accurate reflection of the basic fiscal thrust ...

... but calculating structural deficits is difficult

Attention shifted to a sustainable government financial position ...

which are based on normative standards. One idea common to all the definitions is that the sustainability of the government fiscal position is reflected in the solvency and ability of a country to meet its payment obligations. According to one relatively wide definition, a sustainable government financial position means a budgetary course which can be maintained over a longer period without the need to employ extraordinary financing or defensive measures (such as not honouring payment commitments, surprise inflation or retroactive taxation). However, this is relatively vague and cannot be used to establish theoretical limits for budget deficits or government debt – limits above which the risk of such measures would increase significantly. Adherence to this definition would merely ensure that the ECB was not impeded by "drastic" measures – however these might be defined – in its initial task of creating a credible monetary system.

Another definition – though also relatively wide – is based on the concept of the intertemporal budget constraint on the state, as an essential for the state's long-term solvency. If the intertemporal budget constraint applies, then the present value of all future expenditure must be the same as the present value of all future receipts. Ultimately, this means that the state cannot accumulate additional assets or debt. Present and future expenditure may only be financed from present or future receipts. But this concept does not impose narrow limits on fiscal policy: government deficits are compatible with the constraint as long as they are matched by surpluses in later periods. Since countries can point to this possibility, such a criterion, in its simplest form, cannot be considered much of a restriction.

... focusing on government solvency

The present value of all future expenditure must be the same as the present value of all future receipts

Long-term determinants of government debt

A formula based on this approach, however, shows up the long-term dynamic of government debt and identifies the main determinants. The change in the debt ratio in any given period is seen to be dependent on the primary deficit ratio,¹ the real interest rate and the real GDP growth rate (see box). But this relationship merely defines the development of government debt, it says nothing about the sustainability of the financial position. According to the so-called weak solvency condition, a budget position is considered to be sustainable if the debt ratio is constant over a given period. This is based on the idea that a constantly rising debt ratio could reach an upper limit which would be regarded by the financial markets as the limit of the government's solvency – though it would be practically impossible to determine such a limit theoretically. In order to fulfil the weak solvency condition, a country must – as long as the real interest rate is higher than the real GDP growth rate – register a primary surplus which prevents the debt ratio from rising any further. The size of the necessary surplus has to be determined theoretically on a case-by-case basis. Barring changes in other determinants, the higher the interest rate at which the government debt is serviced – i.e. the stronger the forces tending to push up the debt – the higher the primary surplus will have to be. A high existing debt ratio tends to increase the debt further (the debt trap). Similarly, the lower the rate of GDP growth, the greater the need to consolidate the financial position. These points show that an unsustainable budgetary development, as evidenced by a continually rising debt ratio, can be caused by the economic environment, i.e. a

Debt arithmetics

$$\Delta d_{t+1} = d_{t+1} - d_t = (r - y)d_t - s_{t+1}$$

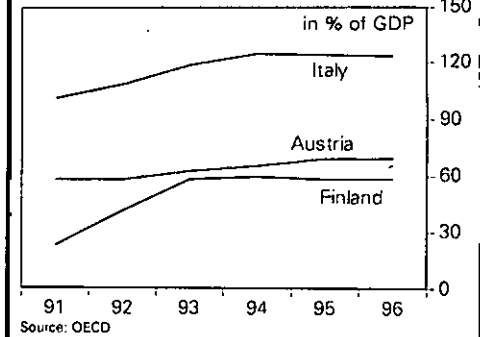
Δd_{t+1} = change in debt ratio

r = real interest rate

y = real GDP growth

s_{t+1} = primary deficit/GDP

Debt ratio



¹ The primary balance is the difference between the government's current receipts and current outlays (excluding interest payments).



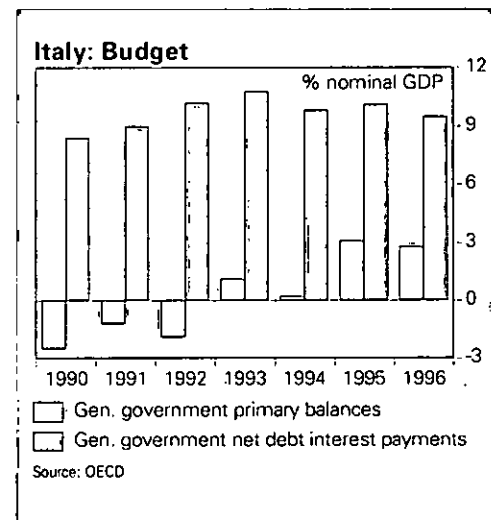
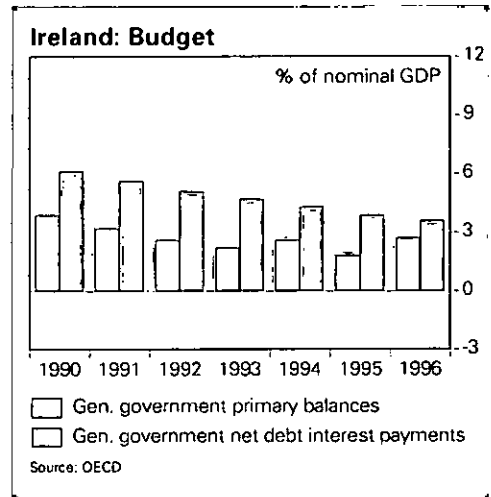
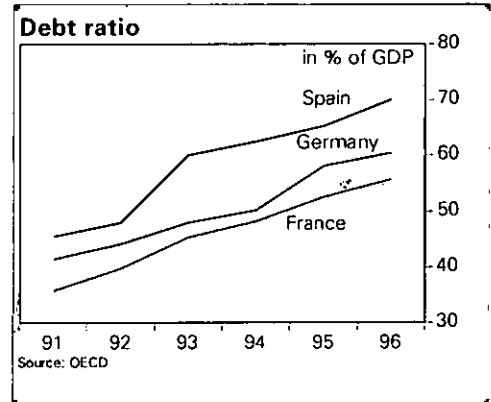
discrepancy between the real interest rate and the GDP growth rate, as well as by the direction of fiscal policy. The debate about "sustainability" must therefore pay greater attention to the long-term debt dynamics. The tendency to concentrate on the Maastricht deficit criterion leads to an overly narrow perspective.

An analysis of the change in the debt ratios of the individual countries over the past years gives some indication as to whether their fiscal course to date can be described as sustainable. Most of the prospective EMU members increased their debt ratio – some of them drastically – in the 1980s (Finland, Germany and France in the early 1990s). The policies pursued at that time can hence not be regarded as sustainable. In the late 1980s the ratios in Portugal, the Netherlands and Belgium began to stabilise, albeit at a very high level in two cases. Ireland is the only country which has reduced its debt ratio sharply, from over 110% in 1987 to barely 70% in 1997. Finland and Italy, by contrast, did not make any headway in stabilising their government debt ratios until 1993/94. Austria's debt only levelled out in 1996. The debt ratios of a small group of countries – France, Germany and Spain – are still rising. Applying the weak solvency condition, these countries would thus not satisfy the criterion of a sustainable government financial position.

In this context, the basic stance in fiscal policy can be deduced from the size of the primary budget balance. It shows the extent of a government's efforts to bring about a long-term reduction in its debt ratio. Since 1993, the primary balances of most prospective EMU members have tended to improve. However – and this tallies with the theoretical argumentation outlined above – the countries with rising debt ratios have, as a rule, registered negative primary balances and an increase in interest payments in relation to GDP. The relationship between real growth and real interest rates in these countries was also relatively unfavourable. Ireland's fiscal policy, on the other hand, was consistently aimed at stabilisation: it has run primary surpluses equal to 2-3% of GDP for a number of years. It was helped by falling interest payments and high real growth rates. Italy (since 1993) and Belgium have also turned in primary surpluses, but – with real interest rates declining in both countries – they have profited additionally from a decrease in interest payments in relation to GDP. The economic environment was less favourable than in Ireland, though. The success of the Netherlands in stabilising its debt ratio was also largely due to positive primary balances, while the net interest burden remained practically constant. In Portugal, by contrast, rapidly falling interest payments have helped to stabilise the debt ratio – the primary surpluses have been low since 1993. It has been the convergence of interest rates at a low level in the run-up to EMU and rising real growth rates which have helped Portugal move in the direction of a sustainable government financial position.

What guideline can be adopted in the future?

In the past, the debt ratios of the individual countries have been stabilised in different ways and to different degrees, as has just been seen. But what policies can be recommended for the future? That question has not been answered. In the short term, budgets can be assessed on the basis of the "primary budget gap", i.e. the difference between the primary surplus which would be required in order to stabilise the debt ratio and the (lower) actual or planned surplus. This concept gives some idea of the minimum fiscal action needed in order



to stabilise the debt ratio or – as required in the more restrictive EMU context – to reduce it to a certain reference value. Using this concept to formulate a general rule for future policy, it can be said that the primary balance – a function of the macroeconomic environment – must be of such a size that the debt ratio can be kept constant.

However, this does not answer the question of the level at which the debt ratio should be stabilised. It is questionable, to say the least, whether the present debt ratios of approx. 120% in the case of Italy and Belgium should be maintained if the economic repercussions are taken into consideration. In the run-up to EMU the level to be targeted is the Maastricht reference value, although it – as explained above – does not have the properties of an equilibrium value. It was based on the EU average at the time and thus represents an attempt to stabilise debt at an average level. But the resultant need for consolidation varies greatly from country to country. On the other hand, it would hardly be feasible in EMU to set theoretical equilibrium values for each of the member countries: it would be impossible to make them binding and they would not be politically acceptable as they would differ for each country. An important theoretical question regarding the concept of sustainability therefore remains unanswered. Finally, the model has its limits as it assumes a stable macroeconomic environment in the future and does not make allowance for any additional exogenous influences (e.g. demographic imbalances) which might undermine the stability of the debt ratio in the long term.

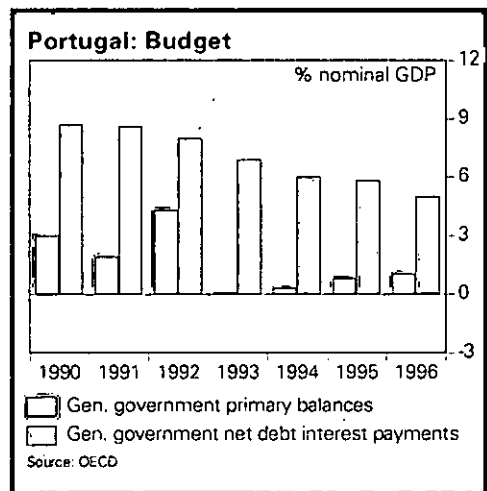
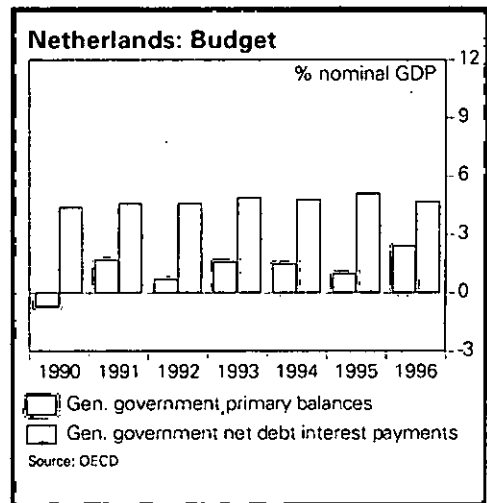
Demographics are neglected

The greying of the population in almost all industrial countries will present a growing problem for the public finances insofar as it leads to rising government payment obligations. In Germany, for example, the present demographic trend would have a direct impact on the budget if a rising overall tax ratio (taxes and social security contributions in relation to GDP) were to prompt the government to borrow in order to increase the federal transfer to the state pension system. Or if the greying population required additional government expenditure, on hospitals for example, that would also put a further strain on the public finances.

More significant than these factors, though, is the implicit payment obligation – not reflected in the explicit, securitised government debt – which arises as a result of a greying population. State pension systems, especially those which operate on a pay-as-you-go basis, face huge outlays which will lead to a reduction in benefits and/or an increase in the contributions to be borne by future generations. The economic implications of this "invisible debt" are similar to those of the explicit government debt, in that it places a heavier overall tax burden on individuals and companies in the future. This may lead to a loss of economic efficiency and hamper growth. Future pension entitlements could also diminish – a prospect which highlights two additional problems: equitable intergenerational distribution and political sustainability.

Generational accounting permits a long-term analysis

The demographic problem illustrates that the ratios defined in the Maastricht fiscal criteria cannot fully reflect all budget risks. Above all, they do not take (adequate) account of future entitlements resulting





from today's fiscal or social policy decisions, e.g. claims to state pension benefits. Assuming that the intertemporal budget constraint applies, short-term measures taken today will inevitably have consequences for future generations and require adjustments to be made in the long term. Generational accounting seeks to capture the effects of this intergenerational re-distribution.

This approach assumes that the system of taxation and social security contributions obtaining in the base year will continue to apply in the future, and extrapolates the present per-capita levels of levies and transfers on the basis of the rate of productivity growth. The net asset position of individual economic agents versus the state is shown by "generational accounts". All persons born in the same year are taken as a separate generational group and the present value of all levies and transfers expected during the life of each generation is entered in these accounts. The cost (in present value terms) of all payments not covered by the existing net assets of the state and the net tax payments of the generations now alive will have to be borne by future generations. These costs are calculated on the basis of a given future development of government expenditure. It is thus possible to compare the lifetime tax rate (i.e. the net tax burden in relation to gross income) of the generations alive today with that of future generations. The Bundesbank² has calculated that future generations in Germany will have to pay 140% more to the state in higher net taxes than those born in the base year 1996. It sees the demographic development in Germany and the currently unfavourable state of the public-sector budgets as the main reasons. This highlights the fact that current policy cannot be continued without shifting considerable burdens onto future generations. The IMF suggests that other European countries (Italy in particular, but Norway and Sweden, too) face a similar problem.³

Sustainability gap causes doubts

Another calculation indicates how large the reductions in state spending, or the increases in state revenues, would have to be today if future generations are not to have to bear a heavier burden than the generation born in 1996. To determine the so-called sustainability gap, it is assumed that the current system of taxation and social security contributions remains in force in the future, and the present value of future state expenditure is compared with that of the corresponding revenues. The Bundesbank found in its study that the sustainability gap, i.e. the volume of future expenditure not covered by future revenues, came to DEM 10,300 bn or 2.9 times the value of GDP. In order to close this gap through regular annual payments, there would have to be additional revenues or additional spending cuts each year equivalent to 6.3% of GDP (1996: DEM 225 bn). The longer the necessary adjustments were postponed, the greater the annual spending cuts or revenue increases would have to be. Going by these model calculations, it will take enormous adjustments to eliminate the net debt which the state is accruing through its current fiscal policy at the expense of future generations.

Future entitlements pose budget risks

Future generations in Germany will have to pay 140% more to the state in higher net taxes ...

... or the government faces a sustainability gap of DEM 10,300 bn

² See Deutsche Bundesbank, The fiscal burden on future generations – an analysis using generational accounting, Deutsche Bundesbank, Monthly Report, November 1997, Vol 49, No. 11, p. 17-30.

³ See Hagemann, R. P.; John, C.; The Fiscal Stance in Sweden: A Generational Accounting Perspective, IMF Working Paper 95/105 (November 1995).

These are very disquieting results as they cast doubts on the long-term sustainability of Germany's fiscal policy. But such calculations are unlikely to lead to a country being excluded from EMU. First of all, generational accounting has its limits. It cannot be used as a forecasting instrument since it merely extrapolates the status quo. The results depend very heavily on the assumed rate of productivity growth and the discount factor. The methodology also relies on highly simplified assumptions regarding the incidence of tax measures and it neglects the repercussions on the economy. Secondly, the results would have to be considered in a broader context. It would be necessary, for example, to examine whether the sustainability gap has narrowed – or perhaps even widened – since the Maastricht criteria were introduced. If it has widened despite the fact that the deficits have been reduced to the 3% reference value, then it could indeed be said that the budget may have been enhanced at the expense of future generations. Finally, the results would have to be compared with those for other countries to see whether the fiscal policies of other countries are also creating a burden for future generations. These findings would not reduce the dramatic burden which is going to pile up for future generations in Germany as long as the present system of taxation and social security contributions is retained. Despite this, it can be seen from the above criticism that generational accounting is not suitable as a politically binding exclusion criterion.

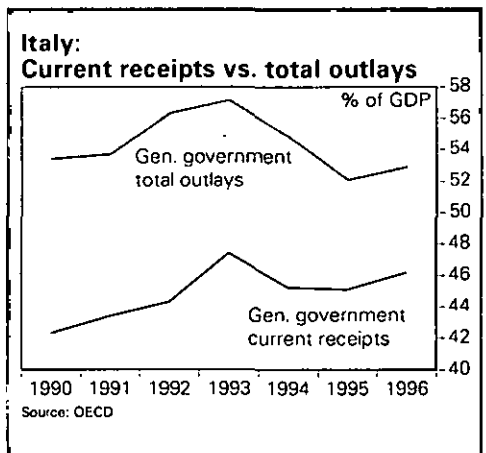
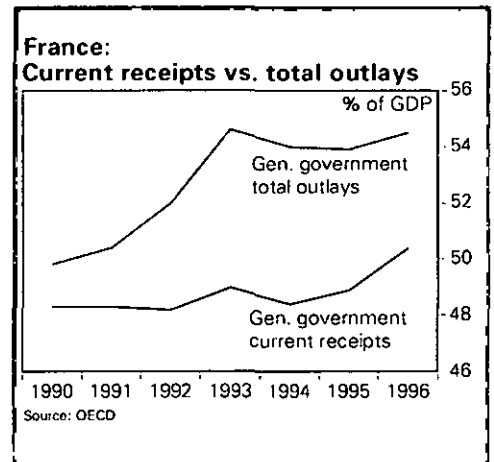
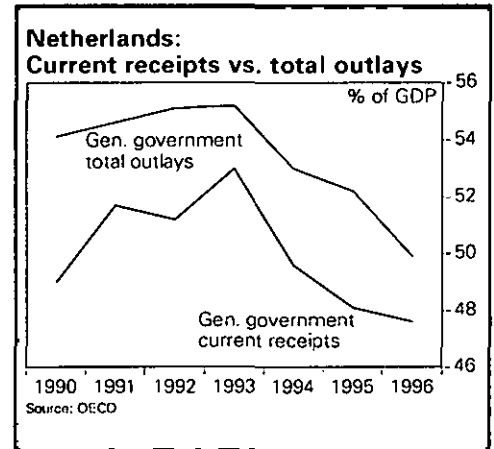
What about the qualitative aspect of sustainability?

In seeking to define fiscal sustainability, this article has concentrated so far on quantitative aspects. It has been found that it is extremely difficult to make predictions about future sustainability. The uncertainty inherent in forecasts for future financial flows, economic conditions and the policies future governments may pursue is a major handicap. The decision as to which countries will participate in EMU will therefore be based mainly on the scope and quality of the measures taken to consolidate government finances since 1991. These are an indication of the aspirants' determination and ability to put through reforms.

This approach implies that it is possible to make deductions about the future budgetary equilibrium in the individual countries from their progress with consolidation so far. It also focuses on the qualitative aspect of a sustainable fiscal policy – an aspect which has been neglected in the purely quantitative concepts examined above. The convergence examination in spring 1998 will thus be based on a combination of fixed rules, which are largely quantitative (e.g. the size of the general government deficit in relation to GDP), and discretionary scope, which is largely qualitative, as regards the question of sustainability. It is hence necessary to examine whether and to what extent the nature of fiscal consolidation in the past can serve as an indicator that the budgetary equilibrium will not suffer severe disruptions in the future. This analysis explicitly includes the impact on the economy as a whole. Here again, though, the question of an equilibrium base-level for future debt and deficit ratios is neglected.

Since the impact of consolidation measures is felt for only a limited period of time, conclusions drawn from current and past measures about the future development of revenues and expenditures can be used for only a short to medium-term analysis. The different institutional

Generational accounting merely extrapolates the status quo





environment in each prospective member country must also be taken into account. A variety of criteria can be used to assess past consolidation efforts.

How great is the influence of the state?

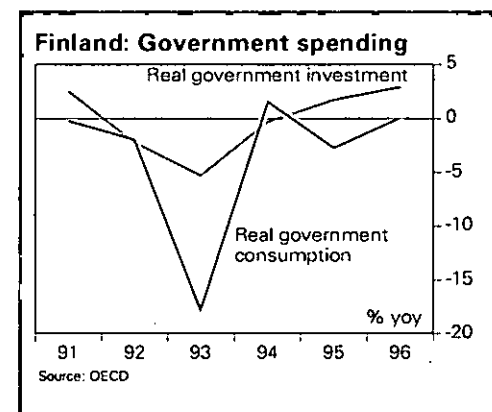
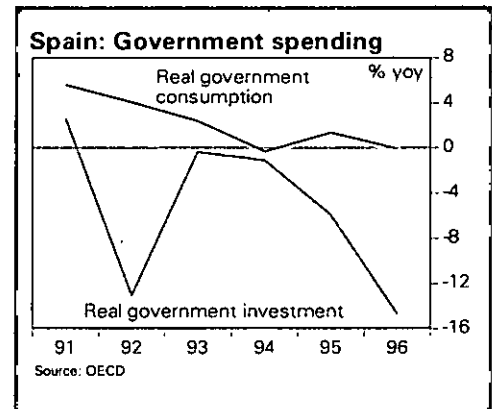
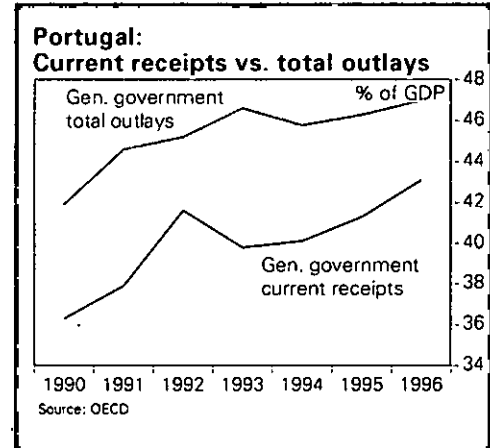
One aspect which needs to be examined is whether the decline in the deficit ratio was achieved by raising the revenue ratio while the spending ratio remained constant or perhaps even rose. That would be a cause for concern since a high or rising spending ratio indicates that a large proportion of resources is bound up in the government sector. In such circumstances a declining deficit ratio would not be evidence of a reduction in state influence on the economy. It would be better if public spending ratios declined while revenue ratios were kept constant or reduced.

In the early 1990s the ratio of government spending to GDP in the EU as a whole climbed faster than the revenue ratio, resulting in a rising deficit ratio. In 1994 and 1995, deficit ratios in the EU were reduced mainly by cutting spending ratios, but the trend turned in 1996. In that year deficits were mostly reduced by raising revenues rather than by cutting spending. In 1996 the Netherlands was the only candidate to lower its deficit ratio while pruning both its revenue ratio and its spending ratio. France, Italy and Portugal only managed to bring down their deficit ratios by hiking their revenue ratios strongly enough to overcompensate the rise in their spending ratios. The other EMU candidates registered rising revenue ratios and a (modest) decline in their spending ratios.

Is consolidation eating into investment?

Another important aspect is whether government expenditure is being cut by reducing investment or by lowering consumption. In the long term a fall in investment would tend to erode the value of a country's capital stock (the infrastructure), which could have repercussions on economic growth and thus probably also reduce the tax base. That would place constraints on future government budgets. Additional tax hikes to finance future state spending would then restrict consumption by later generations even further.

Data published by the European Commission show that in the period from 1991 to 1996 (with the exception of 1993) spending by EU governments on investment declined as a percentage of GDP, regardless of whether total spending rose or fell. In 1995 investment remained flat on average in the EU. Ireland alone has succeeded since 1993 in raising spending on investment in real terms while reducing its deficit ratio. Portugal, Belgium and the Netherlands cut their investment budgets once; in all other years they have risen in real terms. In Spain, on the other hand, the cuts on the expenditure side of the budget mainly hit investment, with the result that it plunged by almost 20% in total between 1993 and 1997. In Finland, Italy, Germany and France investment also decreased in real terms for several years in a row. By contrast, most of the potential members raised real government spending on consumption throughout the entire period. Italy, Spain and Finland were the only exceptions.





Creative accounting with one-time measures?

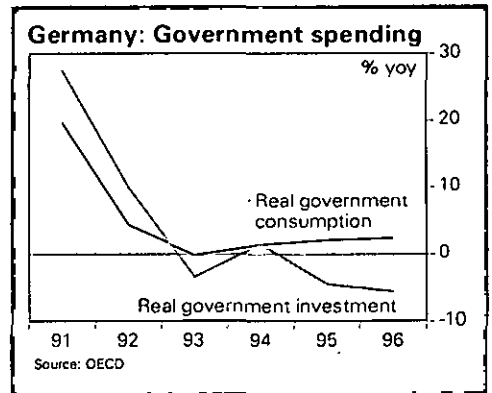
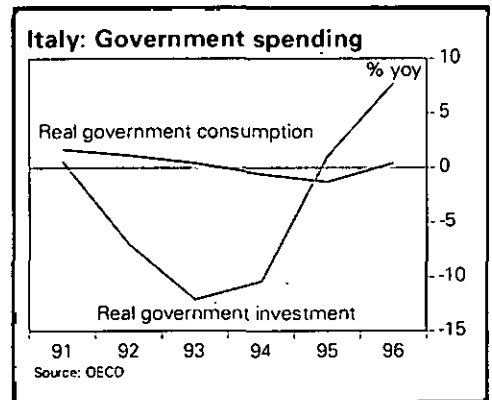
When assessing the sustainability of the government financial position it is also interesting to see whether one-time measures have played a role in consolidation. Since such measures would reduce spending or increase revenue for just one year, government borrowing would merely be postponed. Budget financing problems would not have been resolved. The same applies to the debt ratio. Receipts from the privatisation of government-owned companies knock the debt ratio down once, but they do not influence the long-term path (stock-flow adjustment).

While Portugal, for example, has not attracted attention by adopting one-time measures, Spain decided not to increase wages in the public sector in 1997 (but again in 1998). Instead of direct subsidies, loss-making public companies last year received loan guarantees, which could be utilised in coming years. Italy also took one-time measures, the most prominent being the so-called euro-tax, which is to generate ITL 5.5 tr (0.3% of GDP). The postponement of severance payments for retiring government employees reduced spending by ITL 2.6 tr (0.13% of GDP). Further one-time measures were taken in agreement with Eurostat. These examples are certainly not evidence of a sustainable reduction in the deficit ratio, but Italy has forestalled criticism here by setting ambitious fiscal targets for the future. In the years 1998 to 2000 its deficit-to-GDP ratios are to come to 2.8%, 2.4% and 1.8%, respectively.

How should fiscal sustainability in Europe be assessed?

The Maastricht Treaty stipulates that, in order to qualify for EMU, the candidates must be found at the convergence examination in 1998 to have achieved a sustainable government financial position. But economic models only permit fairly general statements about the long-term direction of public finances. According to the weak solvency condition, candidates must stabilise their debt ratios. Most have succeeded in doing this in the past few years. Spain, Germany and France are the only exceptions. However, the solvency condition focuses solely on the explicit government debt. An analysis based on generational accounting shows that the implicit government debt – due, for example, to the ageing population – will burden future generations in Germany with much higher life-time tax rates than the generation born in 1996. The present structure of the public budgets thus makes it doubtful whether they are sustainable – even if the reference values of the Maastricht Treaty are fulfilled. This is a disquieting prospect. On the other hand, the underlying assumptions are very narrowly defined and it is currently not possible to compare results for the individual candidates. So this analysis can hardly play a crucial role in the qualifying examination. In practice, it will be necessary to concentrate on a case-by-case assessment of past fiscal measures and future prospects. Qualitative evaluations which take into account the impact of past measures on the future economic growth path – and hence on tax revenues – will play an important part. Procedures of this kind naturally leave great scope for discretion, especially since each country has taken a different route to improve its financial position. Against this background, empirical observations show that the member states will have to do more if they are to comply with the spirit of the Maastricht Treaty.

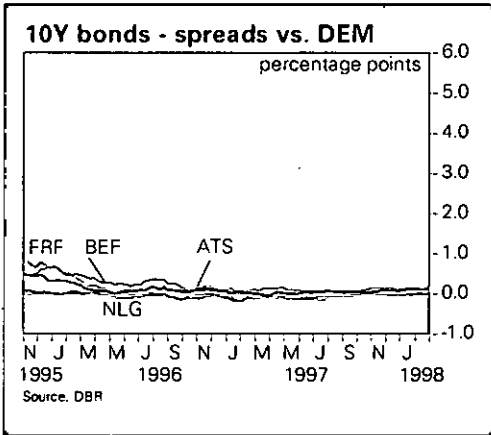
Antje Stobbe, Frankfurt, (69) 910-31847



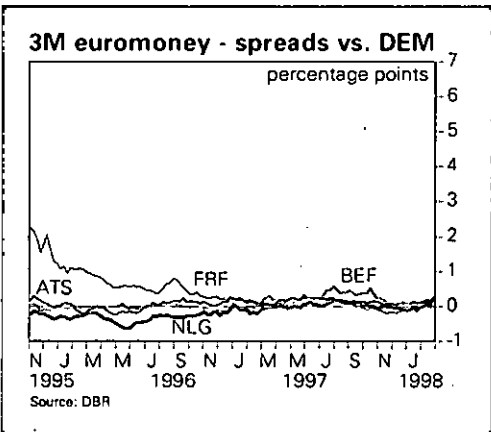
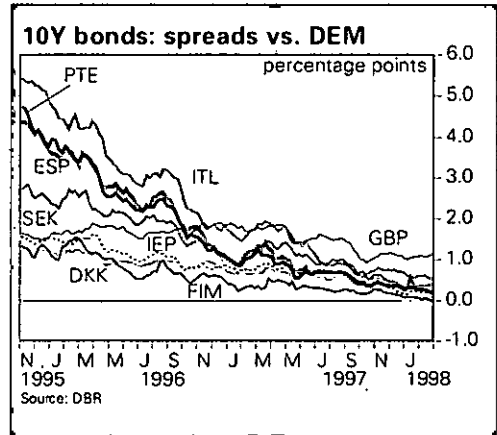
Great scope for discretion



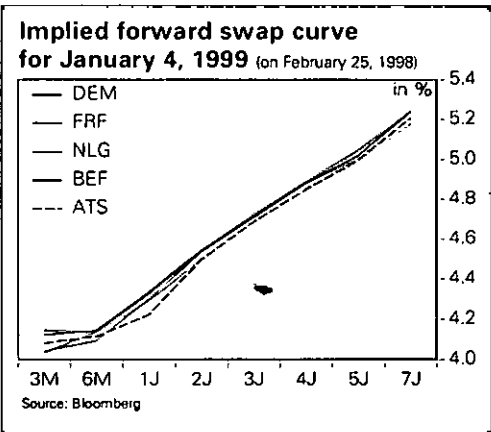
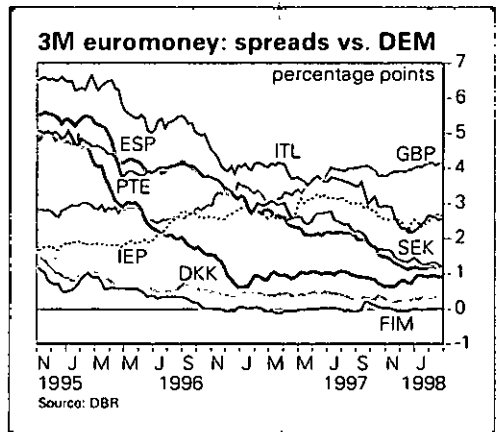
Financial markets' view of EMU



Convergence of capital market yields

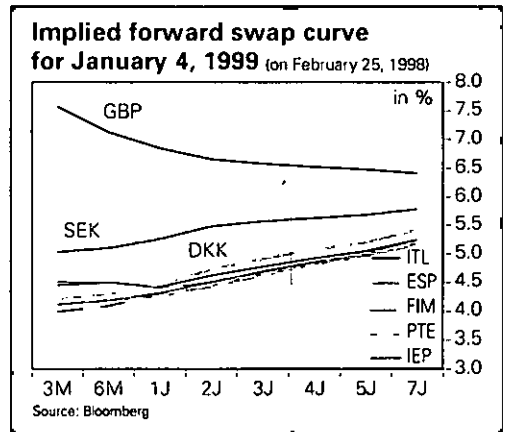


Convergence of money market rates

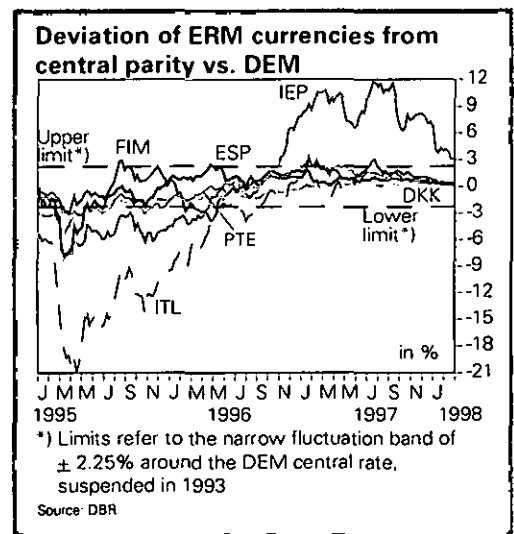
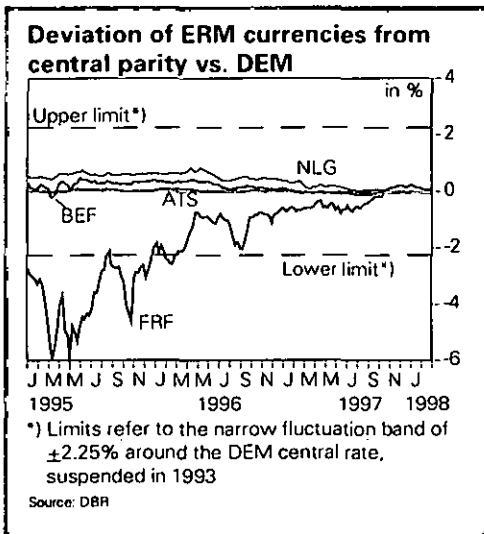


Convergence of interest-rate expectations

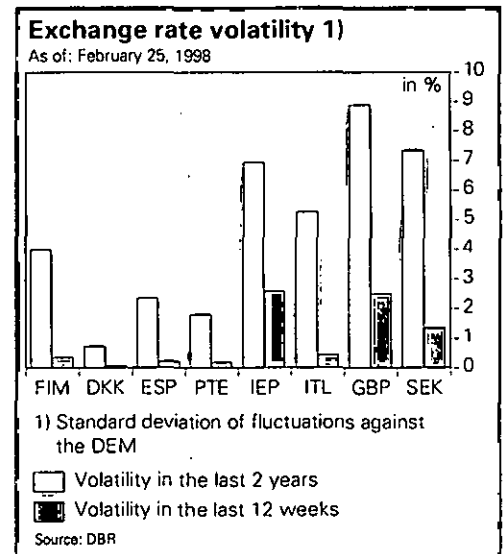
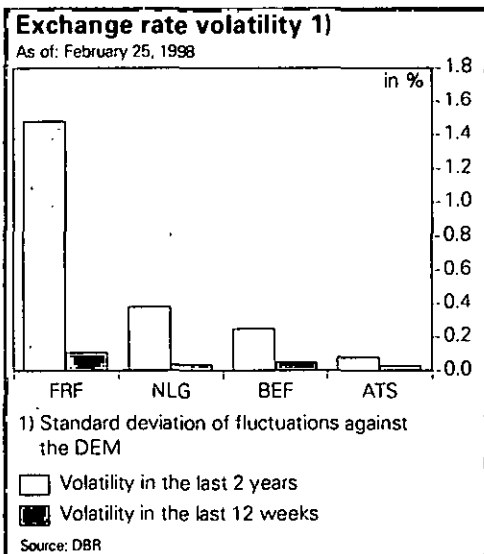
Market expectations for the yield curve on January 4, 1999, derived from the current swap curve. Being interbank rates, swap rates do not reflect different credit ratings, and should thus theoretically be fully congruent if markets expect the countries to enter EMU on January 1, 1999, and do not anticipate any changes in exchange rates before them.



Exchange rate stability



Exchange rate volatility



Real Estate Markets in Eastern Europe

Analyses and Forecasts 1997-2002
Warsaw • Budapest • Prague

Deutsche Bank Research and Deutsche Grundbesitz Management publish a comparative study of the Warsaw, Budapest and Prague property markets for the first time.

The political and economic transformation is proceeding differently in the states of central and eastern Europe. This process is far advanced in the countries Poland, the Czech Republic and Hungary. The increasing interest of international investors is shown by the high level of foreign investment in the capital city regions of these countries. Commercial properties are today earning yields into two figures, which is far ahead of what investors are earning in the west European property markets. With this in mind the analysts are investigating the locations **Warsaw, Budapest and Prague**.

The average growth in gross domestic product (GDP) in Poland over the last four years was at just over real 6 % considerably higher than in the Czech Republic (just over 3 %) and Hungary (just over 2 %). For 1998 the analysts expect a growth in GDP of 4 % in Hungary. Poland will remain in the lead with an anticipated 6 %, whereas the Czech Republic will continue to recover slowly from the 1997 financial crisis with an increase of 2.5 %.

Thanks to early adjustments made, job redundancies in Warsaw came to an end as early as 1992. The number of persons employed has risen considerably (+40 %) since then. In Prague too employment has increased since 1994, whereas the shedding of jobs was still underway in 1996 in Budapest. In Prague and Budapest there were 14 % and 23 % respectively fewer persons in employment in 1996 than in 1992. In all three cities the unemployment figures in 1997 are considerably below their respective national averages. The unemployment rate in Budapest and Warsaw is a half and a quarter respectively of the national average, which stands at 10.4 % in both countries. In Prague the figure of 1 % contrasts with that of 5 % for the Czech Republic as a whole, and in many sectors there is a shortage of labour.

At present initial yields for new office buildings in good locations in Warsaw amount to around 11 % to 13 %. In Budapest and Prague they are at a comparable level of between 9 and 12 %. The high level of yields in all three locations can be accounted for at present by the scarce supply. In the medium to long term the authors see the yields dropping perceptibly to west European levels.

Whereas in Warsaw and Budapest the level of rents for modern office space has declined since 1993 by about 15 % to around USD 45 to 50/m²/

Real Estate Markets in Eastern Europe

(continued)

month (DEM 78 to 87/m²/month) and DEM 40 to 45/m²/month respectively, top office rents in the city centre of Prague have remained constant at DEM 45 to 55/m²/month. In a pan-European comparison this means that Warsaw rents are exceeded only by those in London and Moscow. The analysts expect that within the period covered by their forecasts - as a result of the improving supply situation - top rents will go down in the three cities. The highest vacancy rate is in Budapest, where it stands at present at 12 %, compared with 4 % in Prague and 2 % in Warsaw.

The positive income prospects and an undersupply of modern selling space provide an incentive for international retail trading companies to invest in retail property in these three cities. As a result of still existing restitution problems in the city centres in some cases developers prefer to build centres in city fringe locations. In the medium term the authors expect rents to stabilise in central locations and to drop in peripheral ones as a result of increased supply. The residential market is characterised in all three countries by a split in quality and therefore price. The state-subsidised housing stock with fixed prices is mostly - compared with privately-financed housing - in poor condition.

The study is 31 pages long and available in English and German. The per-copy price is DEM 40.

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