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ECONOMIC CONTENT OF THE THREE STAGES TOWARDS E.M.U.

FIRST STAGE (ECO/FIN and relevant Committees)

The revised 1974 convergence decision will provide for :

- assessment and coordination - through recommendations - of the policy-mix (taking due account of the recommendations of the Committee of Governors);
- a new procedure for budgetary policy co-ordination, with quantitative guide-lines where appropriate and medium term orientations;
- multi-lateral surveillance of economic performance and policies, on the bases of macro-economic indicators and within the framework of the EMS. Where developments are judged as inadequate or prejudicial to Community objectives, these would trigger the endorsement at Community level of national corrective strategies; *in Community level* *Common*
- promotion, where felt appropriate, of concerted action of the Member States. *Recommendations* *to Council* *policy* *Recommendations*

SECOND STAGE (C.E.P.D.)

- setting of rules relative ^{to} to the size of budget deficits and their financing;
- adoption of medium term guidelines for key financial targets and economic programmes in the Member States;
- joint adoption of budgetary objectives, when felt appropriate, as part of a coordinated budgetary and economic policy;
- enlargement of resources for supporting the structural policies of the Member States and strengthening the Community investment programmes in the fields of research and infrastructures.

THIRD STAGE (C.E.P.D.)

- authority to impose specific constraints on national budgets when this is necessary to prevent imbalances that may threaten monetary stability;
- modulation of Community resources to supplement structural transfers to Member States or to influence the overall policy stance in the Community;
- modulation of the level of harmonized taxation rates;
- capacity to apply some form of conditionality to existing Community budgetary transfers and to Community loans (to be substituted ^{to} ~~to~~ the present medium term loans facility).

- *limitation to monetary financing?*