Chapter 1
Unemployment and recession

Since 1973 all countries of the European Community have experienced recession and rising unemployment. This chapter examines their impact on the Community and its member countries, assessing what has happened so far and what is likely to happen up to the mid-1980s.

The first part of the chapter relates rising unemployment to trends in labour supply as well as to changes in the rate of job creation. We shall show that since 1973 the Community would have needed something like 6 million new jobs to provide for the large generation of young people born in the 1960s. In the event the recession has caused a decline in the total number of jobs and unemployment has become a major problem in all member countries.

The second part of the chapter examines the impact of recession on real incomes and government finances. In most countries the growth of public services has been cut back and tax rates have been increased substantially in the face of rising government deficits. Nor has privately-financed expenditure been protected. On the contrary in most member countries growth in business investment and privately-financed consumption has come to a standstill.

1.1 Unemployment, employment and labour supply

The rise in unemployment in the Community since 1973 has been dramatic, particularly in the past two years. From 2½ million in 1973 recorded unemployment drifted up by about ½ million per year to reach 6 million in 1979. In the past two years it has increased by a further 3 million – ½ million each in Germany and France, 300 thousand in Italy, well over 1 million in the UK and ½ million in the smaller member countries. As a percentage of the labour force recorded unemployment was, in mid-1981, 5% in Germany, around 9% in France, Italy, Netherlands and Denmark, and about 11% in the UK, Belgium and Ireland. By 1985 we may expect a further increase of some 4 million, bringing the rate of unemployment up to 7% in Germany, 12% in most other countries and about 15% in the UK, Belgium and Ireland – a total of 13½ million recorded unemployment in the Community as a whole.

The main contribution to the rise in unemployment in the Community since 1973 has come, statistically, from an expansion of labour supply rather than from a fall in total employment.

But, as we shall see in the next section, the fall in employment has been sharp in some sectors and it would have been far greater overall if there had not been a reduction in the growth of output per worker. Overmanning has therefore increased at the same time as recorded unemployment.

Table 1.1 Recorded unemployment in the EEC

	1973	1979	1981e	1985p
				(millions)
Germany	0.27	0.88	1.28	1.78
France	0.39	1.35	1.84	2.92
Italy	1.00	1.65	1.93	2.88
Netherlands	0.11	0.21	0.39	0.64
Belgium	0.11	0.35	0.47	0.62
United Kingdom	0.62	1.39	2.55	4.09
Ireland	0.07	0.09	0.13	0.18
Denmark	0.02	0.14	0.23	0.32
EEC	2.60	6.06	8.83	13.44
		(per cent of labour force)		
Germany	1	3	5	7
France	2	6	8	12
Italy	5	7	8	12
Netherlands	2	4	8	12
Belgium	3	8	11	14
United Kingdom	2	5	10	16
Ireland	6	8	11	15
Denmark	1	5	9	12
EEC	2	5	8	12

The European Community: statistical definitions and sources

Except where noted, data in the text and tables are drawn from accounts presented in the Statistical Appendix, based principally on Eurostat publications.

EEC	Data are totals or averages for nine countries (Germany, France, Italy, Netherlands, Belgium and Luxembourg, United Kingdom, Ireland and Denmark).
Belgium	Data are for Belgium and Luxembourg combined.
Ireland Denmark	Data are estimated from incomplete and often conflicting sources.
1981^e	Data for 1981 have been estimated from incomplete indicators drawn from a wide variety of sources.
1985^p	Except where noted, data for 1985 are drawn from a base projection, extrapolating historical data on the assumption of broadly unchanged policies.
1975 PPS	Trade and national accounts data are measured in terms of the 1975 PPS, a standard of purchasing power intended to be constant both through time and across countries within the EEC. Data have been converted from current price, national currency values by dividing with national currency price deflators for total domestic expenditure (base 1975=1.00) and then multiplying by Eurostat 1975 purchasing-parity exchange rates. One 1975 PPS is on average for the EEC as a whole equivalent to a 1975 ECU or EUA (European unit of account) and, at market exchange rates, to 1.24 1975 US dollars. It is also approximately equivalent in buying power to a 1980 £ sterling. Note that data measured in this way represent estimates of real value (in the sense of purchasing power). They are not conceptually the same as 'volume' or 'constant price' data since they incorporate relative price changes.
Employment	Employment data refer to the total number of persons engaged including self-employed, unpaid family and part-time workers.
Value added	Value-added data include indirect taxes and subsidies, with a *pro rata* imputation of taxes on imports to production sectors.
Real income	Income is generally measured after all taxes and transfers. The real income of a country is defined as GNP at market prices less net unrequited transfers paid abroad, divided by the deflator for total domestic expenditure and converted to PPS at a purchasing-parity exchange rate.
Output	Output data, exceptionally, represent the volume of production by different sectors. Series for the economy as a whole are estimates of GDP at constant market prices.
Balance of payments	Trade and balance of payments data are on a national accounts basis with imports of goods measured cif. Domestic expenditure excludes consumption by non-residents and includes residents' consumption abroad. The balance of payments on current account is equal to the difference between real national income and total domestic expenditure.

Table 1.2 Trends of unemployment, employment and population in the EEC

	(millions)				(changes)	
	1955	1973	1981e	1985p	1955-73	1973-85p
Population	221.7	255.7	260.8	263.2	+34.0	+7.5
Children	51.5	60.3	53.3	50.7	+8.8	−9.6
Elderly	22.7	32.9	36.3	34.8	+10.2	+1.9
Population of working age	147.5	162.5	171.2	177.7	+15.0	+15.2
Employment	97.7	104.6	103.3	102.1	+6.9	−2.5
Recorded unemployment	3.7	2.6	8.8	13.4	−1.1	+10.8
Recorded labour force	101.4	107.2	112.1	115.6	+5.8	+8.4
	(per cent)					
Recorded labour force as % of population of working age	68.7	66.0	65.5	65.0	−2.7	−1.0
Recorded unemployment as % of recorded labour force	3.6	2.4	7.9	11.6	−1.2	+9.2

Note: Population projections based on *The economic implications of demographic change in the European Community: 1975-1995*. Report published by the Commission of the European Communities, Directorate-General for Economic and Financial Affairs, Brussels, June 1978.

The background: job-creation in the 1950s and 1960s

Table 1.2 sets the main trends of employment and labour supply in historical perspective. From the mid-1950s to 1973 the Community's labour force grew quite slowly. The total population increased by 34 million or 15% but much of the increase came from a boom in the number of children who were as yet too young to enter the labour force. The population of working age increased by 15 million or 10% and something like a half of this increase was due to immigration, particularly from Eastern Europe, Algeria and Turkey. Despite immigration, the labour force increased by a mere 6 million in 18 years. Several factors combined to hold down the numbers seeking work – earlier retirement, the expansion of higher education, extended years at school and the shift of rural families to the cities. Thus the success of employment creation in the 1950s and 1960s is not to be measured so much by the absorption of a small increase in total labour supply as by the redeployment of some 12 million workers leaving agriculture, coal-mining and, in France and the UK, the armed forces (see Table 1.3). Between 1955 and 1973 the number of jobs in manufacturing rose by 3 million, in construction by 1½ million, in market services by 8 million and in public (non-market) services by 5½ million – a grand total of almost 18 million additional jobs found over the 18-year period. It was this which kept unemployment down to between 1% and 3% in most parts of the Community up to the early 1970s. The rate of job creation was comparatively low in the UK which, however, did not have a large agricultural labour force to redeploy. It was low also in Ireland and Italy from which large numbers of workers left to seek employment elsewhere – in the USA, the UK, Germany, France and Belgium.

The need for job creation after 1973

Since 1973 the number of workers leaving agriculture has been comparatively small because the agricultural labour force had already contracted so much. Less than 2 million jobs would have been needed in the last eight years to accommodate falling employment in agriculture and coal-mining. On the other hand the labour force as a whole has started to expand rapidly as children born in the 1960s come of age. The process has been reinforced by rising participation rates among women (now having smaller families). Thus between 1973 and 1981 the recorded labour force rose by about 5 million – and it would have risen more if lack of jobs had not discouraged many people, the elderly and married women in particular, from seeking work. The expansion of

Table 1.3 Job creation 1955-73

	Fall in employment in agriculture and fuel and power	Increase in labour force	Reduction in unemployment	Jobs created in manufacturing, construction and services	
		(thousands)		(% of 1955 labour force)	(thousands)
Germany	2,552	1,835	800	5,187	20.7
France	2,756	2,131	–235	4,652	23.8
Italy	3,655	–1,044	908	3,519	16.2
Netherlands	263	751	–69	945	23.4
Belgium	326	349	5	680	18.4
United Kingdom	988	1,607	–375	2,220	9.2
Ireland	180	–78	–10	92	7.7
Denmark	161	329	45	535	26.4
EEC	10,881	5,880	1,069	17,830	17.6

the labour force will continue at much the same rate at least up until 1985, when there will be another 3 million looking for jobs. Only in the late 1980s will the fall in birth rates registered in the early 1970s stabilise the total population of working age.

The phenomenon of high birth rates in the 1960s was common to all member countries of the Community. At the peak, in 1964, the life-time fertility rate ranged between 2.5 children per woman in Germany and 3.3 children per woman in the Netherlands. In all countries, therefore, the potential labour supply is now expanding as the new generation comes of age. By 1985 the recorded labour supply will probably have risen by 10-12% in most member countries (see Table 1.4). Germany, exceptionally, has so far shown a fall in labour supply caused by early retirement and a reduction in the number of immigrant workers. The UK has recorded a comparatively small increase because, in the past two years, potential workers have been discouraged by the shortage of jobs from looking for work and therefore from registering as unemployed. Italy, at the other extreme, is experiencing a particularly rapid increase in its labour force as fewer people go abroad to find work, as migrant workers return and as participation rates rise in parts of the South.

Allowing for the small continuing decline in employment in agriculture, the cumulative number of new jobs needed to hold unemployment down to its 1973 level now amounts to about 7 million in the Community as a whole and will reach some 12 million by 1985. The rate of net job creation in manufacturing, construction and services would, therefore, have had to be the same since 1973 as it was between 1955 and 1973 – i.e.

Table 1.4 Labour force increases 1973-85^{p}

	Recorded labour force 1973	Changes 1973-81^{e}	Changes 1981^{e}-85^{p}	Increase 1973-85^{p}
		(millions)		(per cent)
Germany	26.92	–0.25	+0.29	0
France	21.70	+1.64	+1.09	13
Italy	20.66	+2.23	+1.19	17
Netherlands	4.79	+0.35	+0.16	11
Belgium	4.03	+0.33	+0.18	13
United Kingdom	25.65	+0.32	+0.36	3
Ireland	1.12	+0.08	+0.01	8
Denmark	2.36	+0.23	+0.12	15
EEC	107.24	+4.91	+3.42	8

Table 1.5 Labour supply and net job creation 1973-85p

	Increase in labour force plus fall in employment agriculture and fuel and power 1973-85p	Net jobs created in manufacturing, construction and services 1973-81e	1981e-85p	Shortfall in job creation 1973-85p	
	(millions)			(millions)	(% of 1973 labour force)
Germany	0.82	−0.71	0.01	1.52	6
France	3.47	0.72	0.23	2.52	12
Italy	4.08	1.74	0.46	1.88	9
Netherlands	0.58	0.11	−0.07	0.54	11
Belgium	0.57	0.01	0.05	0.51	13
United Kingdom	0.86	−1.50	−1.11	3.47	14
Ireland	0.17	0.06	−0.01	0.12	11
Denmark	0.40	0.04	0.05	0.03	13
EEC	10.93	0.47	−0.39	10.85	10

about 1 million per year. The distribution of those jobs between member countries would have had to be rather different from that before 1973 because earlier patterns of migration were no longer sustainable. Germany needed a far lower rate of job creation but Italy and Ireland needed a much higher rate than before.

In the event the net number of jobs created since 1973 in the Community as a whole has so far amounted to a bare ½ million, rather than the 7 million needed. It is very doubtful whether there will be any net job creation at all in the next few years. The main reason for the lack of jobs has been an extraordinary fall in manufacturing employment which has been continuous since 1974 and particularly intense in the past two years (see Table 1.6). Over 4 million jobs have been lost in manufacturing and a further 2½ million may easily be lost by 1985. 40% of the jobs lost so far have been concentrated in one country – the UK – and a further 30% in Germany. In both these countries total employment has therefore fallen substantially. In the Netherlands, Belgium and Denmark the loss of jobs in manufacturing has been large in relation to their size and total employment has barely risen.

Despite the recession, employment in services has continued to increase in all countries since 1973. In general the net increase in service jobs has amounted to between 6 and 9% of the labour force. In the UK, uniquely, employment in market services has fallen in the past two years, compounding the loss of jobs in manufacturing.

Overall, total employment in the Community has fallen slightly and the number recorded as unemployed has risen by more than the whole increase in the labour force.

Table 1.6 Job losses in manufacturing 1973-85p

	Reduction in manufacturing employment 1973-81e (millions)	1981e-85p (millions)	1973-85p (% of total 1973 labour force)
Germany	1.19	0.75	7
France	0.061	0.32	4
Italy	0.01	0.24	1
Netherlands	0.27	0.14	9
Belgium	0.28	0.10	9
United Kingdom	1.76	0.84	10
Ireland	0.01	0.02	3
Denmark	0.10	0.05	6
EEC	4.22	2.47	6

Table 1.7 The sectoral incidence of recession in the EEC

(growth rates, % per year)

	1955-73	1973-81[e]	change 1973-81[e] compared with 1955-73
Agriculture: output	2.1	1.0	−1.1
terms of trade	−1.1	−3.2	−2.1
Fuel and power: output	5.8	3.1	−2.7
terms of trade	−2.3	1.1	+3.4
Manufacturing: output	5.8	0.6	−5.2
terms of trade	−1.6	−0.7	+0.9
Construction: output	4.2	−1.2	−5.4
terms of trade	1.5	0.2	−1.3
Market services: output	4.8	2.6	−2.2
terms of trade	0.5	−0.4	−0.9
Non-market services: output	3.1	2.4	−0.7
terms of trade	2.6	0.7	−1.9
Whole economy: output	4.6	1.7	−2.9
terms of trade	0.0	−0.3	−0.3

Productivity and employment in the recession

The recession since 1973 has sharply reduced the growth of all major sectors of the economy with the exception of fuel and power. Most sectors have suffered a much slower growth in the volume of demand for their output as well as a deterioration in relative prices or terms of trade (see Table 1.7).

The manufacturing sector has been particularly hard hit because of the cyclical volatility of demand for its products. Between 1973 and 1975 manufacturing output fell by 5% in the Community as a whole and by 8½% in the UK. From 1975 to 1979 there was a partial recovery but output still rose by 2% a year less than before 1973. Since 1979 there has been another fall of 4% in manufacturing output in the Community as a whole with a 15% collapse in the UK. Even Ireland and Italy, in which manufacturing output grew rapidly (6-7% a year) during the 1975-79 upturn, experienced some fall in output in the 1973-5 and 1979-81 downturns. Overall, the growth of manufacturing output in the EEC has averaged only ½% a year since 1973; in the UK the level of manufacturing output has fallen by nearly 20%.

Although the growth of total output has been reduced by an average of 3% a year, the rate of change of total employment has fallen by less than ½% a year. Most of the reduction in output growth has been absorbed by a slowdown in the rate of increase in productivity which averaged 4-4½% a year between 1955 and 1973 and has fallen to less than 2% a year since 1973. The slowdown in productivity growth was substantial in the two largest sectors: in manufacturing it fell from 5-5½% to 2½% a year and in market services it fell from 3-3½% to 1½% a year (see Table 1.8).

Table 1.8 Growth in output, employment and productivity in the EEC

(growth rates, % per year)

	1955-65	1965-73	1973-81[e]	Change 1973-81[e] compared with 1965-73
Whole economy				
Output	4.7	4.6	1.7	−2.9
Employment	0.6	0.2	−0.2	−0.4
Output per head	4.1	4.4	1.8	−2.6
Manufacturing				
Output	6.0	5.5	0.6	−4.9
Employment	1.0	0.0	−1.8	−1.8
Output per head	4.9	5.6	2.5	−3.1
Market services				
Output	4.7	4.8	2.6	−2.2
Employment	1.5	1.3	1.1	−0.2
Output per head	3.2	3.5	1.5	−2.0

If the stagnation of output had not been accompanied by a slow-down in productivity growth, employment in all member countries of the Community would have fallen substantially. In most countries employment would by 1981 have been some 15% lower than it actually was and unemployment would have been two or three times more severe.

In manufacturing the reduction in productivity growth is primarily a phenomenon of excess capacity caused by the unexpectedly slow expansion of markets and sales. In nearly all member countries the fall in manufacturing employment, although large, has been cyclical and has moved in accord with behaviour in previous cyclical downturns. But if the recession persists the fall in employment may be intensified as companies seek a more permanent adjustment and as Governments withdraw temporary subsidies designed to limit the number of job losses.

The reduction in productivity growth in services is less easy to explain. Why did employment continue to rise almost uniformly, regardless of changes in the growth of output and value added? Unfortunately the phenomenon is most pronounced in the least identifiable parts of the service sector (generally labelled 'other services' in the available statistics). In distribution and transport, while productivity growth has slowed down markedly, this has not been enough to prevent a fall in employment growth; in 'other services' employment has continued to grow at about the same rate as it did before the recession. Without more investigation we remain very unsure about whether, and under what conditions, service employment will continue to increase in the future. The present level of employment in the Community appears somewhat precarious since it owes so much to a reduction in the growth of productivity, the causes of which are not fully understood.

1.2 Real incomes in the recession

We now turn to consider the consequences of the recession for real income and expenditure. Our concern here is not with how far financial policies have themselves aggravated or alleviated the recession (this will be discussed in Chapter 3) but simply to examine how government and private sector income and expenditure have changed in the recession.

As will be seen from Table 1.9, the slow-down in the growth of real national income since 1973 has been pronounced throughout the Community. In the original six member countries, real income has grown by almost exactly 3½ per cent a year less than in 1955-73, bringing growth rates down from 5% to 1½% a year. In the UK and Ireland the slow-down has been somewhat less – a little under 3% a year – as these two countries benefited, respectively, from North Sea oil and the Community's agricultural policy. In Denmark, real income growth has collapsed from 5% to a mere ½% a year.

The reduction in growth of real income in the Community is attributable in part to slower growth of output and in part to terms-of-trade losses caused primarily by the rise in world oil prices. As Table 1.10 shows, the terms-of-trade loss since 1973 has averaged under ½% a year for the Community as a whole (though up to 1% a year for countries other than the UK and Germany). But the principal cause of low real income growth has been the slow growth of output which has averaged between 1½% and 2½% a year in most countries as compared with 4½-5½% a year before 1973.

Given, also, what has happened to population growth, which has by no means been uniform across the Community, low growth rates have meant virtual stagnation of per capita real income in Denmark, Ireland and the UK. In Belgium and

Table 1.9 The slow-down in growth of real income

(growth rates, % per year)

	1955-73	1973-81[e]	change 1973-81[e] compared with 1955-73
Germany	5.1	1.7	−3.4
France	5.4	1.9	−3.5
Italy	5.2	1.6	−3.6
Netherlands	4.7	1.1	−3.6
Belgium	4.2	0.7	−3.5
United Kingdom	3.0	0.2	−2.8
Ireland	4.2	1.6	−2.6
Denmark	4.8	0.4	−4.4
EEC	4.6	1.3	−3.3

Table 1.10 Growth of output and real income per capita 1973-81[e]

(% per year)

	Output growth	Terms of trade and transfers	Income growth	Population growth	Growth of income per capita
Germany	1.9	–0.2	1.7	–0.1	1.8
France	2.4	–0.6	1.9	0.4	1.4
Italy	2.3	–0.6	1.6	0.5	1.1
Netherlands	1.9	–0.7	1.1	0.7	0.4
Belgium	1.4	–0.7	0.7	0.2	0.5
United Kingdom	0.1	0.1	0.2	0.0	0.1
Ireland	3.2	–1.6	1.6	1.5	0.0
Denmark	1.4	–1.0	0.4	0.3	0.1
EEC	1.7	–0.4	1.3	0.2	1.0

the Netherlands the per capita growth rate has averaged a bare ½% a year. Only in Germany, France and Italy has it been maintained at more than 1% a year.

There are risks that continued low growth in the Community as a whole could in future imply significant falls in per capita real income in some member countries. Neither the Netherlands nor the UK can count on rising production of natural gas and oil to sustain their position as in the 1970s. Ireland also is vulnerable because of its rapid population growth and because it can hardly expect to gain more than at present from the Common Agricultural Policy. It is quite likely that growth of per capita income will in future be confined to the more robust member countries while those which received 'windfall' gains in the 1970s suffer complete stagnation or absolute decline (see illustrative projections in Table 1.11).

Table 1.11 Projected growth of real income 1981[e]-85[p]

(growth rates, % per year)

	Real income	Population	Real income per capita
Germany	2.0	–0.2	2.2
France	2.4	0.4	2.0
Italy	2.1	0.4	1.6
Netherlands	–0.1	0.5	–0.6
Belgium	2.0	0.1	1.9
United Kingdom	–0.4	0.1	–0.6
Ireland	0.1	1.3	–1.2
Denmark	0.4	0.3	0.1
EEC	1.5	0.2	1.3

Trends in expenditure

In any one year the growth of total expenditure in the Community and individual member countries can and does exceed or fall short of the growth of real income, the discrepancy being reflected in the external balance of payments. After oil price increases reduced the Community's real income in 1974 and again in 1980, internal spending was on both occasions sustained at the expense of a widening balance-of-payments deficit. But discrepancies between growth of real income and growth of expenditure rarely persist for long because they would otherwise give rise to severe and increasing financial problems.

Taking the period since 1973 as a whole, therefore, the average growth of expenditure in the Community and in each member country has been reduced by almost exactly the same amount (just over 3% per year) as the growth of real income. Moreover, as Table 1.12 shows, the slow-down in growth of expenditure has impinged on governments and on private sectors alike.

The slow-down in growth of total expenditure was, however, super-imposed on differential trends between government and private spending which have existed since the 1950s. In particular social security and other transfer expenditure by governments has grown exceptionally rapidly because of the rising number of elderly people in the population and because of the need to improve standards of provision. This differential trend in favour of social security and other transfer spending has been reinforced since 1973 by the sharp rise in unemployment.

Up to 1973 government spending on goods and services, also, was rising as a share of total expenditure and income. This differential trend has now in general been eliminated. Nevertheless the pressure of social security and transfer spending has meant that total government expenditure has continued to grow some 2% a year faster than aggregate real income. One consequence has been a general expansion of government deficits. But

Table 1.12 The slow-down in growth of real income and expenditure in the EEC

	Share of 1973 real income (per cent)	Growth rate 1955-73 (% per year)	Growth rate 1973-81[e] (% per year)	Change 1973-81[e] compared with 1955-73
Real income	100.0	4.6	1.3	−3.3
Total expenditure	99.8	4.6	1.5	−3.1
Balance of payments	+0.2	—	—	—
Net government income	32.8	6.1	2.7	−3.4
Government spending goods and services	20.3	5.7	2.5	−3.2
social security and other transfers	14.1	7.2	4.7	−2.5
total	34.4	6.3	3.5	−2.8
Government financial balance	−1.6	—	—	—
Private income excluding government transfers	67.2	4.0	0.6	−3.4
Privately-financed expenditure	65.4	3.9	0.3	−3.6
Private financial balance	+1.8	—	—	—

this has only financed a small part of the growth in government spending. The remainder has come from a continuously rising net burden of taxes and social security contributions as a share of total real income. Within the context of a marked slow-down in aggregate income, the outcome has been a very low growth rate of private income (other than social security and transfer receipts) and a correspondingly low growth rate of privately-financed expenditure.

The situation has been similar in all member countries (see Table 1.13). Since 1973 government expenditure on transfers has grown by about 5% a year in all countries except Italy (3% a year) and Denmark (6% a year). Government expenditure on goods and services has shown more variation with average growth rates ranging from only ½% a year in the UK to 4% a year in Ireland and Denmark. Average net tax rates have increased everywhere, though least in Germany and most in

Table 1.13 Growth of government and private expenditure 1973-81[e]

(growth rates, % per year)

	Government expenditure on goods and services	Government expenditure on transfers	Privately-financed expenditure
Germany	2.9	4.5	1.3
France	3.3	5.5	0.5
Italy	3.2	3.1	0.8
Netherlands	2.3	5.9	0.1
Belgium	3.9	4.8	0.2
United Kingdom	0.6	4.9	−1.4
Ireland	4.0	4.7	2.0
Denmark	3.6	6.0	−2.3
EEC	2.5	4.7	0.3

the UK (see Table 1.14). Privately-financed expenditure has grown significantly only in Germany and Ireland and it has fallen sharply in the UK and Denmark.

Table 1.14 Net taxation* as a share of total income

(per cent)

	1973	1981[e]	Increase 1973-81[e]
Germany	35.8	36.1	0.3
France	34.9	39.7	4.8
Italy	26.0	30.3	4.3
Netherlands	41.3	46.7	5.4
Belgium	31.8	36.9	5.1
United Kingdom	29.3	35.2	5.9
Ireland	26.9	27.7	0.8
Denmark	41.3	43.6	2.3
EEC	32.8	36.5	3.7

* Total taxes plus social security contributions less subsidies and net interest payments.

If recession continues the dilemmas of governments will become more acute in the next few years, especially in member countries with stagnant or falling per capita income and with high and rising unemployment. Many governments are faced with the stark choice between maintaining standards of public provision and continuing to protect the under-privileged at the cost of further increases in already high tax rates, or seeking to restrain the tax burden at the expense of cuts in the quality of public services and in the real value of social security benefits, which would bear harshly on those who are already least well-off. In the Community as a whole maintenance even of post-1973 trends in public spending with broadly unchanged government deficits could well push up the average tax burden by another 10% (from 36% of income to 40% of income) over the next four years. In these circumstances there would be little scope for growth of privately-financed expenditure. Evidently, the dilemma will be still more acute in those countries with the most rapidly rising unemployment, especially if their aggregate real income declines.