

# The West German Law to Promote Economic Stability and Growth (June 8, 1967)

## Abstract

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To prevent future recessions, the Bundestag passed a law in 1967 to create the legal basis for informal cooperation between the government, employers, and trade unions. This law provided for fiscal policy measures to be taken in the event of a disturbance of the macroeconomic equilibrium.

## Source

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The Bundestag has passed the following law with the approval of the Bundesrat:

### § 1 (Economic Policy Requirements)

In their economic and fiscal measures, the Federation and the *Länder* [states] shall consider the requirements of general economic equilibrium. These measures shall be taken in such a way that they will, within the framework of the market economy, simultaneously help to stabilize prices, maintain a high level of employment, and achieve external balance, accompanied by steady and adequate economic growth.

### § 2 (Annual Economic Report)

(1) The Federal Government shall submit an annual economic report to the Bundestag and the Bundesrat in January of each year. This report shall contain:

1. Comments on the Annual Report of the Council of Experts according to the third sentence of § 6 (1) of the Law on the Appointment of a Council of Experts on Economic Development of 14 August 1963 (BGBl I, p. 685), as amended by the law dated 8 November 1966 (BGBl I, p. 633)
2. A survey of the Federal Government's economic and fiscal aims (annual projection) for that current year; this annual projection shall employ the same methods and take the same form as the national accounts, alternative accounts being used where necessary.
3. A survey of planned economic and fiscal policy measures for that current year.

[...]

### § 3 (Data as Guide for Concerted Action)

(1) If any of the aims referred to in § 1 are in jeopardy, the Federal Government shall provide data as a guide for simultaneous concerted action by territorial administrative entities, trade unions, and employers' associations in order to achieve the aims set out in § 1. These guiding data shall include, in particular, a survey of general economic conditions in light of the prevailing economic situation.

(2) The Federal Minister of Economics shall, upon the request of one of the parties concerned, explain the guiding data.

### § 4 (External Disturbances)

In the case of external disturbances of general economic equilibrium which cannot be corrected by domestic measures, except by impairing the aims set out in § 1, the Federal Government shall avail itself of all possible means of international coordination. Where this is insufficient, it shall use the available economic policy instruments in order to maintain external equilibrium.

### § 5 (Federal Budget; Counterbalancing Reserve)

(1) In the federal budget, the scope and nature of expenditures and of authorizations to enter into

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commitments affecting subsequent fiscal years shall be determined as necessary to achieve the aims set out in § 1.

(2) In the event of a rise in demand exceeding the economic potential, provision shall be made for extraordinary repayment of debts to the Bundesbank or for the allocation of funds to a reserve for counterbalancing cyclical fluctuations.

(3) Should general economic activity decline to such an extent as to place the aims set out in § 1 in jeopardy, additionally required funds shall, as a first step, be drawn from the counterbalancing reserve.

[...]

#### § 9 (Five-year Financial Plan)

(1) Federal budget management shall be based on a financial plan covering a five-year period. It shall indicate the scope and nature of probable expenditures and the possible means of covering such expenditures as related to the expected development of general economic potential, using alternative accounts where necessary.

(2) The financial plan shall be drawn up and substantiated by the Federal Minister of Finance. It shall be adopted by the Federal Government and submitted to the Bundestag and Bundesrat.

(3) The financial plan shall be adjusted each year to economic developments and shall be carried forward.

[...]

#### § 11 (Acceleration of Investment Projects)

Should general economic activity decline to such an extent as to place the aims set out in § 1 in jeopardy, the planning of suitable investment projects shall be accelerated in such a way that they can be implemented at short notice. The responsible federal ministers shall take all other measures necessary to speed up the placing of investment orders.

[...]

#### § 15 (Fund Transfer to Counterbalancing Reserve)

(1) In order to counter a disturbance of general economic equilibrium, the Federal Government may by means of an ordinance having the force of law and with the consent of the Bundesrat decree that Federal and *Länder* governments shall transfer funds to their counterbalancing reserves.

[...]

#### § 16 (Budget Management of Municipalities)

(1) Municipalities and associations of municipalities shall in their budget management take into consideration the aims set out in § 1.

(2) The *Länder* shall take appropriate action to ensure that the budget management of the municipalities and associations of municipalities responds to the requirements of general economic equilibrium.

#### § 17 (Obligation of Federation and *Länder* to Supply Information)

The Federation and the *Länder* shall supply each other with any information they require to implement a fiscal administration responding to economic requirements and to set up their financial plans.

[...]

#### § 19 (Limitation of Borrowing)

In order to avert a disturbance of general economic equilibrium, the Federal Government may, with the consent of the Bundesrat, decree by ordinance having the force of law a limitation to the borrowing of funds by the Federal Government, the *Länder*, the municipalities and associations of municipalities as

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well as by public special funds and functional administrative entities, even where such borrowing is otherwise authorized within the framework of budget regulations. Sentence 1 shall not apply to credits raised by municipalities, associations of municipalities or functional administrative entities to finance investment projects by those of their industrial enterprises that have no legal personality.

[...]

Source of English translation: Law to Promote Economic Stability and Growth, 8. June 1967, in *Federal German Budget Legislation. Foundations of a Uniform Fiscal and Economic Policy*. Translation prepared by the Language Service Division at the Federal Ministry of Finance. Bonn: Federal Ministry of Finance, 1988, pp. 147ff.

Source of original German text: *Bundesgesetzblatt* 1967 I, p. 582 ff; also reprinted in Christoph Kleßmann, ed., *Zwei Staaten, eine Nation. Deutsche Geschichte 1955–1970*. Göttingen, 1988, pp. 532–34.

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