



Fate,

A DOCUMENTARY HISTORY  
OF MONETARY AND FINANCIAL  
COOPERATION IN EUROPE  
1947-1974



Future.



Marc Dierikx (ed.)  
Mari Smits  
Loes van Suijlekom



Frédéric Clavert  
Elena Danescu  
Marco Gabellini

## **COMMON FATE, COMMON FUTURE**

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Cooperation in Europe, 1947-1974*



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Cover design by: Rozanne van Diggelen, Breda  
Printed by: Euro Mail BV, Den Haag

ISBN 9789052161808

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## Preface

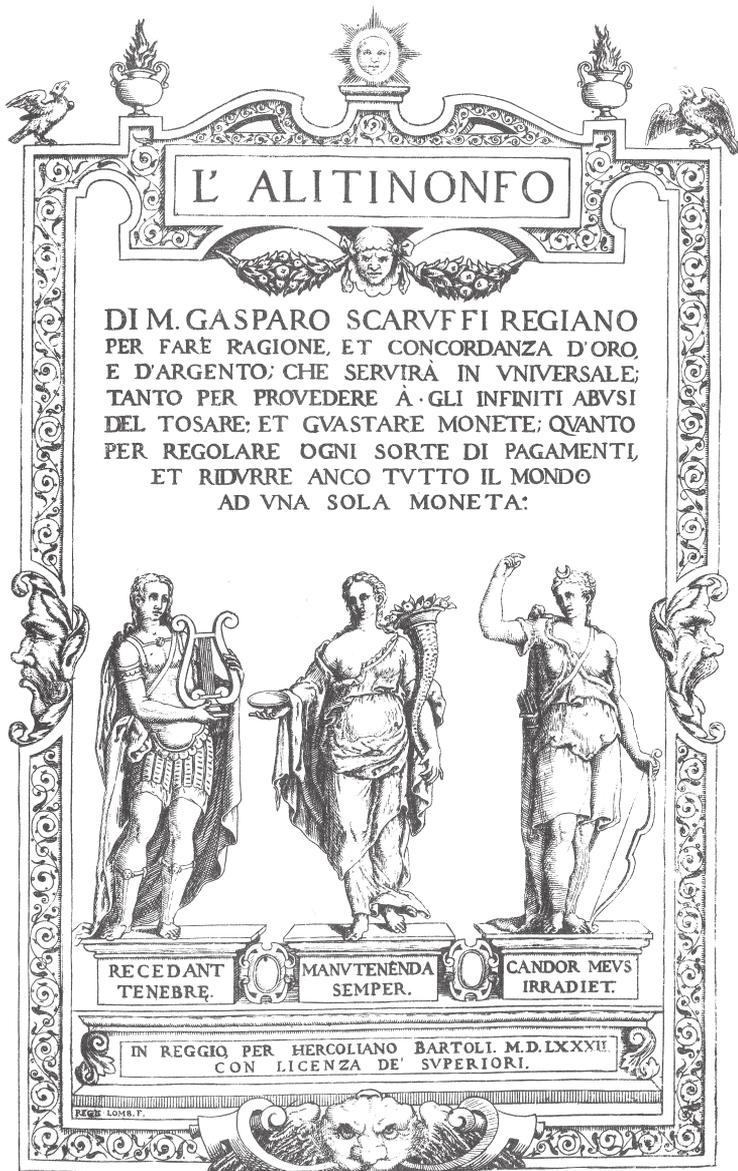
Monetary cooperation, in the sense of different political entities adopting or supporting a single coin or currency to foster trade and economic development, has had a long history in Europe. Its roots reach as far back as Roman times. In post-1945 Europe, ideas and reminiscences of such cooperative endeavours, notably those undertaken in the latter half of the 19th century, struck a chord. Recovering from the gravest conflict in history that had brought unprecedented suffering and devastation, more than a few European thinkers and policy makers regarded such unions as exemplary. The particular circumstances of the late 1940s formed the backdrop to renewed promotion of monetary cooperation in talks between nations that had, until recently, been at war with each other. An attractive prospect of a stable monetary island where badly needed economic reconstruction would profit from the abolition of barriers to trade beckoned on the horizon.

This book does not cover the entire ascent of ideas from the late 1940s to the creation of the euro area in 1999 and the euro's subsequent introduction as a common currency in 2002, but focuses on the exchanges that took place up to the adoption by the European Council, on 8 and 9 June 1970, of the basic plan for the achievement by stages of an economic and monetary union at the European level. This, after all, was the crucial turning point in the process moving from option to necessity. In December 2010 it found its wording in the stated conviction of the euro as our 'common fate', and Europe as our 'common future' – to quote the German Chancellor Angela Merkel before the German Parliament, on the eve of one of the summits to discuss the monetary crisis enveloping Europe since 2009. Her statement subsequently became one of the cornerstones of German policy in this respect.<sup>1</sup>

The recent crisis has highlighted the challenges and difficulties of financial and monetary cooperation in the European Union (EU). This publication seeks to contribute to the quality of the debate on this subject by offering a more historical perspective. Its contents will reveal that the basic issue to be resolved – how to organise effective monetary cooperation between ultimately sovereign states – has remained the same over time. To demonstrate this and shed light on various past approaches to overcome this fundamental dilemma, this book offers a selection of primary sources from the period after the end of the Second World War until 1973, when the important decisions to move towards adopting a single European currency had been taken. Together they provide an insight into the political and technical issues surrounding the process towards an economic and monetary union from the early days of European integration. Before moving to the core of the book, the selection of sources, this introduction will provide a short overview of monetary integration in Europe up to the end of the Second World War, as well as information on how the book is structured.

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<sup>1</sup> Angela Merkel: 'Der Euro ist unser gemeinsames Schicksal, und Europa ist unsere gemeinsame Zukunft', quoted in: *Die Welt*, 16 December 2010. See also: 'Wie und warum soll der Euro gestärkt werden?', at: [http://www.bundesregierung.de/Webs/Breg/DE/Themen/Euro/EFSFundESM/gruende\\_eurp/\\_node.html;jsessionid=177C633AB22AA0EDB01A6C78FB62DA53.s1t2#doc183204bodyText1](http://www.bundesregierung.de/Webs/Breg/DE/Themen/Euro/EFSFundESM/gruende_eurp/_node.html;jsessionid=177C633AB22AA0EDB01A6C78FB62DA53.s1t2#doc183204bodyText1) [accessed January 2012].



Cover of 'L'Altinonfo' by Gasparo Scaruffi (1582).

His book was one of the first which discussed the introduction of a universal currency in Europe.

## Monetary unions in the past

Transnational currencies and monetary unions in Europe go back to the times of the Roman Empire. As early as 45 BC, Julius Caesar introduced a monetary standard based on precious metals, particularly gold. This arrangement lasted for more than twelve centuries, with the Roman denarius, aureus, solidus, nomisma and besant as universal units of account in all parts of the empire. With the decline of the Roman Empire, coinage took on a more regional form, corresponding to the relative size of political unities in Europe. Expansive realms, such as that of the Carolingians, again introduced a more general coinage, the silver penny, the use of which lasted well into the Middle Ages. Yet with the growth of the economy, monetary requirements increased, especially as trade surpassed the boundaries of the polity that used the penny. In its place, a complex myriad of exchanges emerged, with the golden florin at its centre. In an effort to reintroduce uniformity, the Italian merchant and banker, Gasparo Scaruffi (1519-1584), published a book *l'Alitinfo* in 1582 (a name derived from the Greek meaning 'true light'). In this book he proposed the introduction of a universal mint, and the adoption of a uniform coinage throughout Europe, with the same shape, weight and name in every country, 'as if the world was one city and one monarchy'.<sup>2</sup>

Scaruffi's ideas did not extend beyond the printed domain. Actual trade in the modern age came to depend on 'bank money', as the renowned economist Adam Smith called it: coinage valued as bullion upon deposit at a trading bank, and given out in the shape of paper credits to pay for trade goods<sup>3</sup> – an elaborate system that gave rise to new ideas on common currencies.

In the second half of the 19th century an internationalization and liberalization of trade could be observed in Europe that created, as one author has written, 'conditions for monetary integration in a situation parallel to that of the Single European Market and the euro in the late 20th century'.<sup>4</sup> In this period three monetary unions were established that can be seen as the 'ancestors' of the current European Monetary Union: the German-Austrian Monetary Union or 'Wiener Münzvertrag' (1857), the Latin Monetary Union or 'Union Latine' (1865) and the Scandinavian Currency Union (1872).<sup>5</sup>

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<sup>2</sup> Gasparo Scaruffi Regiano, *l'Alitinfo. Per fare ragione et concordanza d'oro e d'argento, che servirá in universale, tanto per provedere a gli infiniti abusi del tosare, et guastare monete, quanto per regolare ogni sorte di pagamenti et ridurre anco tutto mondo ad una sola moneta* (Reggio: Hercoliano Bartoli, 1582), cited by: Robert A. Mundell, 'The sixth Lord Robbins Memorial Lecture: Reform of the international monetary system', in Robert A. Mundell, Paul J. Zak (ed.), *Monetary Stability and Economic Growth. A Dialog between Leading Economists* (Cheltenham/Northampton, 2002), 15.

<sup>3</sup> Adam Smith, *An Enquiry into the Nature and Causes of the Wealth of Nations* (London: Strahan and Candell, 1776), 211-212.

<sup>4</sup> Luca L. Einaudi, 'From the Franc to the "Europe": The Attempted Transformation of the Latin Monetary Union into a European Monetary Union, 1865-1873', *The Economic History Review*, New Series, 53, no. 2 (May 2000), 286.

<sup>5</sup> For 19th-century Monetary Unions, see: Robert J. Bartel, 'International Monetary Unions: The 19th Century Experience', *Journal of European Economic History* 3, no. 3 (1974), 689-704; Wim F.V. Vanthoor, *European Monetary Union Since 1848: A Political and Historical Analysis* (Cheltenham UK/Northampton USA, 1996).

Although these were all regional arrangements, plans for a larger monetary union were also discussed. The French government took the lead in this area, organizing an international monetary conference in Paris in 1867. All European nations sent representatives, as well as the Ottoman Empire and the United States. The meeting was chaired by Napoleon III's Vice-President of the State Council, Félix Esquirou de Parieu. Since all delegates (except the Dutch) voted in favour of the introduction of the gold standard, monetary coordination and the creation of an international coin, De Parieu summarized the final day of the conference by noting that 'the whole world agrees upon the benefits to be derived from monetary unity'.<sup>6</sup> Nonetheless the international conference did not lead to concrete results, and Parieu's plans for monetary integration, including his idea for the introduction of a European currency named 'Europe', were shelved.<sup>7</sup>

As opposed to the European, or even universal, monetary union as envisaged by Parieu, a German-Austrian Monetary Union did get established in the 1860s. This union was a result of the Austrian efforts to become part of the German Customs Union ('Zollverein') that promoted economic ties between the various Prussian and Hohenzollern territories in what subsequently became Germany. The monetary union, which was based on the silver standard, linked three currencies: the Prussian Thaler, the South-German Gulden and the Austrian Gulden. The union was not a success. Austria did not manage to make its paper money convertible into silver coins, as had been agreed. The treaty broke up in 1866 as a result of a war between Prussia and Austria.

The Latin Monetary Union (LMU) was based on the double standard (silver and gold) of France. After gaining political independence, Belgium adopted the French monetary system in 1832, which implied that the content and the value of the Belgian franc became equal to the French franc. After the political unification of Switzerland (1848) and of Italy (1861), the new nations also introduced the French monetary system. As France was the main trading partner for Belgium, Switzerland and Italy, the four countries decided to standardize their coinages so that they could circulate freely within the union. Three years later Greece joined this union.

The LMU started in unfavourable political conditions. In 1866 a war broke out between Italy and Austria, which forced Italy to issue inconvertible paper money and consequently block the outflow of Italian coins to the other countries of the union. In 1870 the same happened in France after the outbreak of the Franco-German War. The effects of this war on France's economy and status in the world also put a stop to French hopes to use the LMU as a lever towards a worldwide monetary system. More crucial were the difficulties in maintaining the double standard. The depreciation of silver eventually led to a suspension of silver coinage, effectively transforming the union from a bimetallic standard into a 'limping gold standard'.<sup>8</sup> In 1893 Italy decided to nationalize its subsidiary coins so that these could no longer be exchanged. Greece followed in 1908. The LMU came de facto to an end during the First

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<sup>6</sup> Report by Parieu cited by: Luca L. Einaudi, 'From the Franc to the "Europe"', 286.

<sup>7</sup> José Luís Cardoso, 'A Proposal for a "European Currency" in 1861: The Forgotten Contribution of Carlos Morato Roma', *History of Political Economy* 36, no. 2 (2004), 273-290.

<sup>8</sup> Angela Redish, 'The Latin Monetary Union and the Emergence of the International Gold Standard', in Michael D. Bordo, Forrest Capie, *Monetary Regimes in Transition* (Cambridge: Cambridge University Press, 1993), 68-85 [quoted p. 79].

World War, when the convertibility of paper money and later also coins was abolished. The union was not formally dissolved until 1927. This came about after Belgium announced its intention to resign from the treaty. Soon after that Switzerland announced the union to be dissolved.

Although the Latin Monetary Union existed for more than 60 years, con-temporary experts were not positive about its achievements. In 1901 the American economist Henry Parker Willis stated that the Union had proved to be a failure. 'Its history serves merely to throw some light upon the difficulties which are likely to be encountered in any international attempt to regulate monetary systems in common. From whatever point of view the Latin Union is studied, it will be seen that it has resulted only in loss to the countries involved.'<sup>9</sup>

The Scandinavian Currency Union (SCU) is sometimes described as the most successful of the monetary unions that came into being in the latter half of the 19th century.<sup>10</sup> It was the result of discussions on the reform of the monetary system in Denmark, Norway and Sweden in around 1860 in which two adaptations were suggested. First, the Scandinavian countries wanted to change their old silver-based currencies to a gold-based system and they wanted to replace their national coinages with a single Scandinavian denomination. Apart from this, there was discussion on whether the Scandinavians should become part of a larger European or global union.<sup>11</sup> Sweden negotiated on accession to the LMU but eventually pulled out for political and economic reasons.

In 1872 a joint commission was appointed by the three Scandinavian governments to look into the monetary question. On 18 December 1872 the countries signed an agreement. This was, however, rejected by the Norwegian parliament (mainly for technical reasons). Thereafter Denmark and Sweden signed a bilateral agreement on 27 May 1873. As a semi-dependent territory ruled by the Swedes, Norway inevitably joined the union in October 1875. The treaty meant the introduction of the gold standard and of a new common unit of account: the Scandinavian krone, or krona. The three countries not only adopted uniform coinage but later also signed agreements to make their banknotes freely convertible. The monetary policy of the three countries resided with the three central banks.

In 1905 tensions arose when the political union between Sweden and Norway came to an end and Norway became independent. The monetary policies of the three central banks started to diverge. Denmark's restrictive policy, which strengthened the domestic purchasing power of the Danish krone, resulted in the Swedish and Norwegian currencies finding their way to Denmark. The outbreak of the First World War and the end of the gold standards in the three countries sealed the fate of the Scandinavian Currency

<sup>9</sup> Henry Parker Willis, *A History of the Latin Monetary Union. A Study of International Monetary Action* (Chicago: University of Chicago Press, 1901), 267.

<sup>10</sup> See: Marcello de Secco, 'European Monetary and Financial Cooperation before the First World War', *Rivista di Storica Economica* 9 (1992), 67.

<sup>11</sup> Niels Kaergard and Ingrid Henriksen, 'Historical Experience with Monetary Unions: the Case of Scandinavia, 1875-1914', in Mark Baimbridge and Philip Whyman (eds.), *Economic and Monetary Union in Europe: Theory, Evidence and Practice* (Cheltenham UK/Northampton USA, 2003), 48. See also: Ingrid Henriksen and Niels Kaergard, 'The Scandinavian Currency Union 1875-1914', in Jaime Reis (ed.), *International Monetary Systems in Historical Perspective* (Basingstoke/New York: Palgrave Macmillan, 1995), 91-112.

Union. In August 1914 the convertibility of banknotes was suspended and in the subsequent years the exchange rate of Danish and Norwegian banknotes increasingly came under pressure due to a deterioration of their balances of payments. As a result, Sweden ended the parity agreement unilaterally. In the end the diverging growth rates in the Scandinavian countries brought about the collapse of the currency union. In 1924 the member states agreed that they could mint their own subsidiary coins, which would no longer be a legal tender in the partner countries. The end of the monetary union was never formally ratified, but the decision in 1931 to pursue the stabilization of exchange rates within the Sterling Bloc marked the formal end of the SCU.

### **Ideas for a European currency**

In the interwar years between 1919 and 1939 monetary cooperation in Europe largely disappeared. The Latin Monetary Union and Scandinavian Currency Union ceased to exist and only the (smaller) monetary union between Belgium and Luxembourg, the Belgium-Luxembourg Economic Union (BLEU), was formed in 1921. Nonetheless, some politicians, bankers and economists pointed out the case for monetary cooperation and, moreover, the introduction of a single European currency. Their pleas were more or less linked with the Pan-European Movement that was established in 1923 by the Austrian Count Richard Coudenhove-Kalergi. The objective of this movement was to unite all countries in Europe, except the Soviet Union and the United Kingdom, in one European federation where each country could retain its national sovereignty and identity. According to Pan-Europeanists' ideas, only the establishment of such a confederacy could prevent a new world war and the expansion of the Bolshevik Revolution.<sup>12</sup>

Although a European currency did not figure prominently in Coudenhove-Kalergi's political ideas, his economic expert Otto Deutsch presented a Pan-European Economic Programme in 1927 that included the formation of a Pan-European central bank and a Pan-European currency. In these plans, national currencies would still exist but their exchange rates would be linked with the European currency.<sup>13</sup> At the third Pan-Europa Congress in Basel in 1932 the German banker Hans Fürstenberg repeated Deutsch's proposals. A year later, a common European currency became part of the programme of the Pan-Europa Movement.<sup>14</sup> Although some leading European politicians were sympathetic to the ideas of Coudenhove-Kalergi and the Pan-Europa Movement (among them the French Minister of Foreign Affairs, Aristide Briand, and Konrad Adenauer, who was at that time Mayor of Cologne), they were at that time purely hypothetical.

The field of European politics in the interwar years was dominated by the bad relationship between France and Germany. The Treaty of Locarno (1925) that confirmed the territorial situation in Western Europe resulting from the

<sup>12</sup> Vanthoor, *European Monetary Union since 1848*, 53. See also Anita Ziegerhofer, *Botschafter Europas: Richard Nikolaus Coudenhove-Kalergi und die Paneuropa-Bewegung in den zwanziger und dreißiger Jahren* (Vienna: Böhlau Verlag, 2004).

<sup>13</sup> Otto Deutsch, 'Paneuropäisches Wirtschaftsprogramm', in: *Paneuropa* 3, Heft 1 (1927), 16.

<sup>14</sup> Ziegerhofer, *Botschafter Europas*, 96.

First World War created a spirit in which French-German relations could be normalized. This was made possible by the cooperative policies of the French Foreign Minister, Aristide Briand, and the German Foreign Minister, Gustav Stresemann. The peak of the improved international relations in Europe became visible in September 1929 at the Assembly of the League of Nations. On 5 September Briand presented a plan for a confederation of European nations, which he called a United States of Europe. Four days later, Gustav Stresemann also discussed the European issue:

‘Combien y a-t-il de choses, dans l’Europe actuelle, dans sa structure économique, qui paraissent extraordinairement grotesques! Il me paraît grotesque que l’évolution de l’Europe ait l’air de se faire, non en avant, mais en arrière. Et pourtant, regardez l’Italie. Qui de vous pourrait se représenter une Italie qui ne serait pas une, où des régions économiques indépendantes s’opposeraient l’une à l’autre et se combattraient mutuellement? De même, peut-on songer sans sourire à la situation de l’Allemagne avant le “Zollverein” (...) Si cela nous paraît aujourd’hui étrange, médiéval et désuet il existe cependant de nos jours, dans notre nouvelle Europe, bien des choses qui font une impression entièrement semblable.’<sup>15</sup>

Stresemann pleaded for the incorporation of the new states created after the Treaty of Versailles (1919) into a general economic system of Europe, which should also include monetary issues: ‘Où sont la monnaie européenne, le timbre-poste européen qu’il nous faudrait?’<sup>16</sup> However, these notions of Briand and Stresemann and the ‘Spirit of Locarno’ were soon forgotten. Stresemann died four weeks after his speech from a stroke; Briand died in March 1932.

The only truly international institution of monetary cooperation that was created in the interwar years was the Bank of International Settlements (BIS) in Basel. The BIS was founded in 1930 with the primary objective of securing reparation payments by Germany and was the first institutionalized form of cooperation between central banks. The BIS subsequently became and has remained an important instrument for securing financial and monetary stability in the world, operating as a bank for central banks.

### **Preparations for the post war period**

The Second World War provided the setting for a renewed focus on monetary integration on a global scale and stabilization of exchange rates. Discussions on the topic were held against the background of the Lend-Lease Agreement of 1941 that provided for American material assistance to the Allied war effort. To repay the costs incurred in this and other arrangements, adaptations of the international trade, financial and monetary systems appeared inevitable. In 1942 the British economist John Maynard Keynes first presented a plan for an International Currency (or Clearing) Union that he had been working on

<sup>15</sup> Société des Nations, *Journal Officiel. Supplément Spécial No.75. Actes de la Dixième Session Ordinaire de l’Assemblée. Séances Plénières. Compte Rendu des Débats* (Genève: Société des Nations, 1929), 67-71 [quote p. 70].

<sup>16</sup> Ibid.

since 1940. In the various drafts of the plan that circulated within the British Treasury, Keynes maintained that the authors of the Versailles Peace Treaty had neglected the economic reconstruction of Europe in their preoccupation with political frontiers and safeguards. It was important not to make the same mistake again.<sup>17</sup>

In his original plan, Keynes proposed to establish several currency unions. Within Europe he distinguished as possible regional currency unions the sterling area, the Germanic countries (including the Netherlands), the Scandinavian countries, the Latin Union, Central Europe and the Balkan Union. In the final version the proposal for regional currency unions was dropped. The basis of the Keynes Plan was to provide for a single currency union, designated as an International Clearing Union and based on inter-national bank money. This bank money, called *bancor*, was to be fixed in gold and accepted as the equivalent of gold in the British Commonwealth, the United States and all members of the Union for the purpose of settling inter-national balances. The par value of the national currencies was to be set in *bancor*. The fund of the Clearing Union, which was to contain 26 billion US dollars, would have the right to create new *bancors*. In Keynes' view, each country would be assigned a quota of loans from the fund, but debtors would face increasing penalties as they drew on their quotas.<sup>18</sup> A revised version of the Keynes Plan became the official British negotiating position on the all-important United Nations Monetary and Financial Conference in Bretton Woods in July 1944.

By contrast, the Americans presented a plan in 1943 devised in April of the previous year by Harry Dexter White, Director of Monetary Research and Special Assistant to the Secretary of the US Treasury. The White Plan put emphasis on monetary stabilization and envisaged the creation of a special, dedicated United Nations Stabilisation Fund. Initial subscription to the Fund was to amount to 5 billion dollars, to which each country would contribute a quota in gold and in its own currency. Support would be given to a deficit country by permitting it to sell its currency to the Fund in exchange for that of another member state. White proposed the introduction of the *unitas*, equal to ten US gold dollars, as the international unit of account in which countries would be required to declare their par value.<sup>19</sup>

Before the start of the Bretton Woods Conference, British and American negotiators reached a compromise on a joint statement on the establishment of an International Monetary Fund (IMF). The IMF agreement was mainly based on the White Plan, except that the Americans accepted that countries should have greater flexibility to set their own exchange rates, and to impose controls on capital movements. The IMF began its operations on 1 March 1947.

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<sup>17</sup> John Maynard Keynes 'First draft statement', 1 December 1940, in: Kenneth Dyson and Lucia Quaglia, *European Economic Governance and Policies, Volume I, Commentary on Key Historical and Institutional Documents* (Oxford: Oxford University Press, 2010). 56-57. John Maynard Keynes, 'Proposals for an International Currency (or Clearing) Union' [fourth draft], 11 February 1942, in: J. Keith Horsefield (ed.), *The International Monetary Fund 1945-1965. Twenty years of International Monetary Cooperation. Volume III: Documents* (Washington DC: IMF, 1969), 3-18.

<sup>18</sup> John F. Chown, *A History of Monetary Unions* (London: Routledge, 2003), 166-169.

<sup>19</sup> 'Preliminary Draft Proposal for United Nations Stabilization Fund and a Bank for Reconstruction and Development of the United and Associated Nations', April 1942, published in *Foreign Relations of the United States, 1942, Volume I, General* (Washington DC: Government Printing Office, 1960), 178-190. A revised draft d.d. 10 July 1943 was published in: Horsefield (ed.), *The International Monetary Fund. Volume III*, 83-97.

The Bretton Woods system established the US dollar as the world standard, linked to gold at a fixed price of 35 dollars per troy ounce. The dollar-based monetary system lasted until 1971, when the United States decided to leave the gold standard.

Parallel to the discussions on a world wide scale, the Belgian, Netherlands and Luxembourg governments in exile in London started discussions in the spring of 1943 on monetary cooperation and freedom of currency transfers in the post war period. Prior to the Benelux Customs Treaty of 5 September 1944 the three countries signed a monetary convention on 21 October 1943 that fixed the exchange rates of the Belgian-Luxembourg franc and the Dutch guilder in the interest of common trade.<sup>20</sup> According to the Belgian Finance Minister Camille Gutt, the main aim of the agreement was to prepare for and facilitate a general economic agreement to be concluded at a later stage: 'For too long now – since the end of the last war – countries have been caught in a vicious circle in which their economies would not prosper without a healthy currency, but their currency would not be stable without a prosperous economy. This vicious circle needs to be broken somewhere, and we have broken it in the financial sector. Incidentally, this is also what Keynes and White are each doing in the two plans with which you are familiar. But it goes without saying — for our bilateral agreement and for a wider international agreement — that we cannot stop once the financial sector has been organised, we need to carry on to the economic sector.'<sup>21</sup>

### **Developing monetary and financial cooperation after 1945**

The above developments indicate that monetary issues played a considerable role in thinking on post-war economic recovery, the period that forms the focus of this book. It was no surprise that talks on monetary integration coincided with reconstruction and started long before there was any question of the European Economic Community (EEC). The story as presented here starts in 1947, when five countries (Belgium, Luxembourg, the Netherlands, France and Italy) began negotiations on a draft agreement on monetary cooperation. It ends 25 years later with the Paris Summit of 19 to 21 October 1972, where the Heads of State or Government of the enlarged European Community reconfirmed their aim of creating an economic and monetary union within eight years.

The period in between comprises three stages. During the first ten years monetary cooperation meant the realization of convertibility between the national currencies of the 16 Western European countries that were members of the Organization for European Economic Cooperation (OEEC). As a result of these discussions, the European Payments Union (EPU) came into being in

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<sup>20</sup> Text of the Monetary Agreement between the Netherlands, Belgium and Luxembourg, 21 October 1943. *Tractatenblad van het Koninkrijk der Nederlanden* (1944) no. E76.

<sup>21</sup> Circular from the Belgian Foreign Ministry (2 November 1943) with the text of the speech of Finance Minister Camille Gutt, 21 October 1943, in: José Gotovitch (ed.), *Documents diplomatiques belges 1941-1960, De l'indépendance à l'interdépendance*. Tome I: *Le gouvernement belge de Londres 1941-1944* (Bruxelles: Académie royale de Belgique, 1998), 408. Translation by CVCE. This document is available on the CVCE website: [www.cvce.eu](http://www.cvce.eu).

1950. In 1950 Belgium, Luxembourg, the Netherlands, France, Italy and the Federal Republic of Germany started negotiations on the establishment of the European Coal and Steel Community (ECSC) and shortly afterwards they also opened negotiations on military, political and economic integration. During their talks on economic cooperation and the establishment of a common market, monetary aspects were also discussed. The second stage, 1958-1969, spanned the formative years of the EEC. During this period institutions such as the Monetary Committee (1958) and the Committee of Governors of the Central Banks (1964) were established. Discussions focused on monetary aspects of the implementation of the common market and on the common agricultural policy. The third stage covered in this book started with the presentation of the memorandum of the European Commission of 12 February 1969 (also called the Barre Plan) with the first proposals for the establishment of an economic and monetary union. A steering committee, set up in March 1970 and led by the Luxembourg Prime Minister Pierre Werner, worked out a plan for the realization of that union within ten years. The latter part of the book focuses on the discussions in and around the Werner Committee and the reactions to the Werner Plan after its presentation on 8 October 1970.

### **Acknowledgements**

This book is the first result of cooperation between the Huygens Institute of the History of the Netherlands (Huygens ING) in The Hague, and the Centre Virtuel de la Connaissance sur l'Europe (CVCE) in Sanem, Luxembourg. Both institutes provide online document collections regarding the process of European integration since 1945. This book is proof of the possibilities that present themselves when experts from different countries contribute to a single project: the team that made the book brought together researchers from the Netherlands, Luxemburg, France and Romania, divided over Huygens ING and CVCE. For this book, primary sources have been selected from the period after the end of the Second World War until 1973, at which point the decision to work towards a common European currency had been agreed upon by the Member States of the European Community.

In the pages that follow, several documents taken from the online resources of the CVCE and Huygens ING will be presented. These digital holdings have been assembled on the basis of research in the various official publications of the European institutions and in the archives of Dutch ministries, and include material from the Archives of the Council of the European Union and records held at the Historical Archives of the European Union as well as letters, manuscripts, notes and photographs from the private archives of the Pierre Werner family. The latter are featured here for the first time in an international publication. Huygens ING and the CVCE are very grateful to the Werner family, especially to Mrs. Marie-Anne and Mr. Henri Werner, for their permission to publish these documents and for their precious help and efforts in transcribing their father's handwritten notes.

We would also like to thank the institutions that made it possible for us to present documents and illustrations from their collections. In the first place we want to mention the Historical Archives of the European Union,

preserved at the European University Institute in Florence, and especially director Jean-Marie Palayret for his cooperation. In the Netherlands, we received generous cooperation from the National Archives and its reading room staff. In Luxembourg our gratitude also extends to Mr Jean Guill, Director of the Commission de Surveillance du Secteur Financier (Commission for the Supervision of the Financial Sector), to Maître Josette Elvinger, Barrister, and to Éditions Saint-Paul, Luxembourg. Mrs. Sylviane Le Roy, from the Numismatic Department of the Banque Centrale du Luxembourg, was kind enough to provide access to their collection and to the private collection of Luigi Anelli for the presentation of national banknotes, which are represented on the cover of this book.

Since it is beyond the scope of this publication to include all documents as a whole, excerpts have been selected in some cases. The complete versions of the documents can be found online on the CVCE and Huygens ING websites. To enable the reader to place the documents in their respective contexts and to establish links between them, introductory texts, footnotes and an overall chronology have been included. Finally, the selection will be followed by a conclusion that will take the story beyond 1973 as well as a brief chronology of the main events with respect to monetary and financial issues. A list of abbreviations in English and French and an index of personal names that occur in the book, including basic biographical data, conclude this work.



Ruined street in Hamburg, Germany in 1945.

After the end of the Second World War European cities and economies were devastated. The thinking on post war economic recovery coincided with the further developments of ideas on monetary integration.

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## Introduction to document 1

After the Second World War, all European countries suffered severe foreign trade problems, as national measures for reconstruction and the need to jump-start the economy called for protective barriers on imports. The feeble state of national financial systems, war debts and a general shortage of dollars constituted obstacles for the free convertibility of currencies. International trade generally was in crisis and European countries lacked hard currency necessary for dependable exchanges. Although the potential value of trade for the process of reconstruction was commonly realised, non-convertibility formed an obstacle.

To overcome impediments and enable at least some form of financing between countries, several trade and payment agreements were established in the immediate post war years, totalling more than 200 of these by the end of 1947.<sup>22</sup> These agreements were based on foreign-exchange controls, an inflexible system partly inherited from the 1930s. Moreover, such agreements were contrary to the spirit of the international monetary system outlined at Bretton Woods in 1944. This bilateral network in Western Europe aimed to deal with the issue of convertibility and the nonexistence of an international system for balancing payments. Nonetheless, predictions in 1947, when the IMF became operational, were that world trade might even come to a halt in the next twelve to eighteen months because of convertibility issues and shortages of hard currency.

In this situation the U.S. proposed the famous Marshall Plan for the economic reconstruction of Europe in June 1947. Washington pressed for the formation of a cooperative group of European countries, including the western occupation zones of Germany. Within weeks after the presentation of Marshall's ideas the British and French foreign ministers, following up on earlier calls for financial and economic collaboration, issued a joint communiqué inviting twenty-two European nations to send representatives to Paris to draw up a joint European Recovery Program.

In the following months the participants in the conference managed to agree to set up an Organization for European Economic Cooperation (OEEC) to tackle the crisis in economic reconstruction and trade. Sixteen countries joined.<sup>23</sup> The convertibility issue was key to the discussions. In September, directly after the close of the meeting in Paris, a Committee on Payments Agreements assembled in London to develop the plan further. The idea was launched to create a 'clearing pool' to facilitate trade. A draft agreement on monetary cooperation and the reorganization of financial transfers within Europe was set up between France, Italy, Belgium, Luxembourg and the Netherlands.

It was this meeting on which the Netherlands representative, Frans Keesing, reported in the document below. As Keesing noted at the time, the meeting's significance lay in this being the first attempt at European monetary

<sup>22</sup> William Diebold, *Trade and payments in Western Europe: A Study in Economic Cooperation, 1947-'51* (New York: Harper, 1952), 19; Gardner Patterson and Judd Polk, 'The Emerging Pattern of Bilateralism', in: *The Quarterly Journal of Economics* 62, no. 1 (1947), 118-142.

<sup>23</sup> Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom.

cooperation in the post war era. The final agreement was signed on 18 November in 1947. Later Bi-zone Germany (i.e. the combined American and British occupation zones) joined as a member, while eight other countries that took part in the European Recovery Program became 'occasional members'.<sup>24</sup>

Nonetheless, from the annual report of the Bank for International Settlements (BIS) over 1947-1948, it transpired that the results of the agreement remained limited, as member states were reluctant to accept automatic compensation of their balances. All the same, the BIS argued that the agreement should be considered useful:

'Although the volume of compensations arranged during the early months has not been considerable in itself, the scheme may be regarded as the germ of something more useful which may develop in the future, and its operation has, moreover, made it possible to gain a new insight into the working of the monetary system under the difficult circumstances of present-day Europe.'<sup>25</sup>

1.

**Note by Ministry Advisor (Frans Keesing) to the Netherlands Minister of Finance (Piet Liefinck) on Inter-European monetary Cooperation, 27 October 1947.**

National Archives of the Netherlands (The Hague), Archive of the Cabinet of the Prime-Minister (2.03.01), inv.no. 2707. Translation: Huygens ING, The Hague.

Between the 15th and the 25th of October a meeting took place in Paris on the reorganisation of financial transfers within Europe. This conference has provided more results than the previous meeting in London.

The countries that had already shown their intentions in London (Belgium-Luxembourg Economic Union<sup>26</sup>, France, Italy and the Netherlands), reached agreement on a draft-accord on monetary cooperation. I hereby send you the text of this accord and the accompanying Annex. I would like you to consider to discuss this draft in the REA<sup>27</sup> so that, if the REA agrees with the draft proposal, H.Ms. Ambassador in Paris<sup>28</sup> can sign the accord on behalf of the Netherlands government.

The following may serve as an explanation on this agreement. The four countries decided, when appropriate, to proceed to an automatic compensation of the balances they hold between them under their respective payment agreements, if and insofar as this exclusively causes a reduction of credits outstanding. They have furthermore left open the possibility to allow additional compensation that does not meet the above requirement, if the

<sup>24</sup> Austria, Portugal, Norway, Sweden, Denmark, United Kingdom, Greece and the French zone of Germany.

<sup>25</sup> Bank of International Settlements, *Eighteenth Annual Report, 1st of April 1947-31st March 1948*, 10. (Basle: Bank for International Settlements, June 14, 1948), [http://www.bis.org/publ/arpdf/archive/ar1948\\_en.pdf](http://www.bis.org/publ/arpdf/archive/ar1948_en.pdf) [accessed November 2011].

<sup>26</sup> Belgium and Luxembourg formed an Economic Union, abbreviated to BLUE or UEBL, since 1921.

<sup>27</sup> Council for Economic Affairs, sub-council of the Netherlands Council of Ministers (the Cabinet).

<sup>28</sup> Jhr. Mr. A.W.L. Tjarda van Starckenborgh Stachouwer.

parties involved in the compensation so agree. The delegations present in Paris requested the Bank for International Settlements in Basel to act as an agent in this regard. The representative of the BIS semi-officially stated that the Bank is willing to follow up this request.

To the agreement all countries can accede that are accepted as a member by the four signatory parties. It was communicated to the representatives of the other 16 countries present in Paris, that their accession will be appreciated. The cooperation of countries other than the four signatory parties is possible in two ways. They may join as a member, in case of which they accept all rights and duties of the accord, or they may announce that they would appreciate to participate in the compensation from time to time, in case of which they will have to grant ad-hoc permission to bring about a particular compensation. The representatives of Great Britain and Denmark have declared at the conference that their governments took great interest in the monetary cooperation planned here. It is to be expected that both countries, together with others, will grant their cooperation to the accord on the basis of one of the two arrangements discussed above.

Concerning the material significance of the accord the following can be said. In the present situation automatic compensation between the four participating countries is not possible. The possibilities of non-automatic compensation will need to be examined from month to month, based on the information that is provided at each time. The compensation options will increase as the number of participants increases. The report of the conference, which is to appear within a few days, also includes an Annex in which a few theoretical compensation options are drawn up.

From a formal point of view, this first attempt at inter-European monetary cooperation is to be considered, in my opinion, as important. The idea that in so many words lies behind this agreement, is that payments in gold and currencies between the participating countries need to be avoided as much as possible. The agreement offers a firm basis on which to build further. On the basis of the information that members and 'membres occasionnels' will share on a monthly basis, an insight in the European monetary situation can be acquired, something which is currently non-existent. The experience to be gained furthermore in the practice of compensation, may also indicate the road that leads to an expansion and a strengthening of that what has now begun for the first time.

DOCUMENT 1

**Addendum 1a**

**Projet de premier accord de compensation monétaire multilatérale**

Le gouvernement de la Belgique, agissant tant en son nom qu'au nom du gouvernement luxembourgeois, les gouvernements de la France, de l'Italie et des Pays-Bas, désireux de favoriser le développement des échanges entre les pays européens, et à cet effet d'établir entre eux, à titre de première étape, une coopération monétaire plus étroite, sont convenus de ce qui suit:

*Article 1er* - Les parties contractantes procéderont de la façon la plus large possible, dans les conditions indiquées aux articles suivants, à des opérations de compensation multilatérale entre les soldes résultant du fonctionnement des accords de paiement qu'elles ont conclus ou concluront entre elles.

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### Introduction to document 2-3

In the summer of 1949 it became clear that despite of the established payments agreement, intra-European trade remained limited and plans for further political and economic integration were slow to materialize.<sup>29</sup> The lack of progress worried policy makers in Washington. Under increasing pressure from Congress to produce concrete results in European integration the European Co-Operation Administration (ECA), installed to administer the Marshall plan, developed a proposal for a European monetary union.<sup>30</sup> This plan was the first of its kind after the Second World War. It proposed a European currency as well as the instalment of a European Central Bank.<sup>31</sup>

Since the plan required important transfers of sovereignty to prospective European institutions, the American Secretary of State, Dean Acheson, considered it unlikely that the American ideas would be acceptable.<sup>32</sup> In a telegram to the US embassy in Paris, sent on 19 October 1949, Acheson pointed out that: 'Rather we feel that the Europeans must themselves analyze the problems and develop the institutions to handle these problems, and that the US should confine itself, as in the case of ERP, to friendly advice and assistance. We should avoid committing ourselves to the public, the Congress, and the Europeans about such a definitive statement of the problem and its solution in order that failure by the Europeans to take this action will not appear to be a failure of US policy or a justification for discontinuing ERP aid.'<sup>33</sup> Eventually, Acheson was just in time to refrain ECA administrator Paul Hoffman from proposing the ECA-plans to the OEEC.<sup>34</sup>

On 31 October 1949 Hoffman addressed the OEEC in Paris, pleading for 'the formation of a single large market within which quantitative restriction on the movements of goods, monetary barriers to the flow of payments and, eventually, all tariffs are permanently swept away.'<sup>35</sup> He indicated that speed was of the essence, as the economic and financial support from the United States would be temporary. Not all goals needed to be achieved at once: 'there are other arrangements, some already in prospect, involving smaller groups of countries which, I am convinced, will also turn out to be steps toward the same objective.'<sup>36</sup> One of the arrangements Hoffman referred to was the Fritalux plan. This union between France, Italy and the Benelux was proposed earlier by the French Minister of Finance, Maurice Petsche, and the increasing pressure from

<sup>29</sup> Alan S. Milward, *The Reconstruction of Western Europe, 1945-51* (Berkeley: University of California Press, 1984), 282.

<sup>30</sup> Femke van Esch, *Mapping the Road to Maastricht: A Comparative Study of German and French Pivotal Decision Makers' Preferences concerning the Establishment of a European Monetary Union during the early 1970s and late 1980s* (Wageningen: Polsen & Looyen, 2007), 142.

<sup>31</sup> Milward, *The Reconstruction of Western Europe, 1945-51*, 297.

<sup>32</sup> Ibid.

<sup>33</sup> Telegram from Dean Acheson to the US Embassy in Paris, Washington, 19 October 1949. This document is available on the CVCE website: [www.cvce.eu](http://www.cvce.eu).

<sup>34</sup> Ibid.

<sup>35</sup> Statement by ECA Administrator, Paul Hoffman, at the 75th Council meeting Paris, 31st October, 1949 C (49)176 Or. Engl.. Paris: OEEC, 31 October 1949. This document is available on the CVCE website: [www.cvce.eu](http://www.cvce.eu).

<sup>36</sup> Ibid.

US congress at the end of 1949 gave the plans a new incentive.<sup>37</sup>

Document 2 offers an excerpt of a French memorandum, issued two weeks after Hoffman's speech. It discusses the plans for economic and monetary union in the framework of Fritalux. The document considers the need to coordinate economic and financial policies in order to reach an economic and monetary union. A European investment bank is also proposed, as well as regular meetings between Ministers of Finance and the Central Bank Governors. Although the document does not specifically refer to the issue, the French had, at an earlier date, proposed a system based on floating exchange rates, contesting the principle of fixed rates established at Bretton Woods.<sup>38</sup> The document also offers reflection on membership of the proposed union.

On invitation of France an expert conference was organized in Paris between the Fritalux-countries from 29 November till 9 December 1949 to discuss the plans for regional cooperation. The opinions diverged quite strongly between the five countries, but in the end the experts were able to draw up a report. Document 3 includes the excerpts that deal specifically with the monetary arrangements, including the establishment of a common reserve fund.

After the conference, the leader of the Italian delegation, Umberto Grazi, discussed the results at the British Foreign Office. In his opinion the proposals did not go far enough to satisfy the Americans.<sup>39</sup> Indeed, the plans stayed too limited according to the ECA and the organisation came with an initiative of its own in presenting the so called Bissell-Plan on 10 December 1949.<sup>40</sup>

## 2.

### **Memorandum presented by France (Hervé Alphand, French Ministry of Foreign Affairs) on economic and monetary cooperation in Western Europe, 14 November 1949.**

National Archives of the Netherlands (The Hague), Archive of the Ministry of Foreign Affairs, 1945-1954 (2.05.117), inv.no. 21443.

1. Dans une résolution en date du 2 novembre 1949 le Conseil de l'OECE<sup>41</sup> a reconnu qu'afin d'atteindre les objectifs contenus dans la Convention de Coopération Economique Européenne,<sup>42</sup> 'il pouvait être utile de prévoir une association économique et monétaire plus étroite sur le plan régional entre certains pays membres où les conditions requises auront déjà été réalisées.

<sup>37</sup> William Diebold, *Trade and Payments in Western Europe: A Study in Economic Cooperation, 1947-51* (New York: Harper, 1952), 142.

<sup>38</sup> During the conference this was a point of discussion. Point 3 in Document 3 reflects a compromise that leaves each country room for manoeuvre.

<sup>39</sup> Record of Conversation, 14 December 1949, Foreign Office UK (The National Archives, Kew, UK) inv.no. FO 371, 12728. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>40</sup> Milward, *The Reconstruction of Western Europe, 1945-51*, 314.

<sup>41</sup> Résolution relative à de nouvelles mesures de coopération adoptée par le Conseil le 2 novembre 1949. Archives Diplomatique (EU Europe, 1949-1955, Généralités) (Paris (La Courneuve)), inv.no. 110.

<sup>42</sup> This Convention, signed on 16 April 1948 by sixteen Western European Countries, was the basis of the Organization for European Economic Cooperation (OEEC/OECE).

Les dits arrangements devront être compatibles avec les possibilités plus larges que peut offrir l'action collective de tous les pays membres'. Le Conseil reconnaissait en outre 'qu'il peut être nécessaire pour les Gouvernements intéressés de confronter leur politique financière, économique, sociale et tarifaire et leur politique d'investissement en vue de réaliser la mise en harmonie qui s'avérerait nécessaire à une association économique et monétaire plus étroite'.

2. Le Gouvernement français, conformément à ces recommandations, estime qu'il convient d'examiner les possibilités de former un pareil Groupement régional en Europe Occidentale, A un premier stade, cette étude serait entreprise par les représentants de la France, de la Belgique, du Luxembourg, des Pays-Bas et de l'Italie? Il conviendra de décider s'il ne sera pas désirable d'inviter l'Allemagne occidentale à se joindre à ce premier Groupe. En raison des déclarations très nettes du Chancelier de l'Echiquier<sup>43</sup>, toute invitation de cette nature adressée actuellement à la Grande-Bretagne n'aurait pas de suite. Il est bien évident cependant que le Groupement resterait ouvert à tous les pays membres de l'OECE qui se déclareraient prêts à accepter d'y participer.

3. Entre les pays membres du Groupement, les échanges de marchandises, de capitaux et de services devraient être rendus progressivement aussi libres que possible. Toutefois, cette libération n'est pas un but en soi. Elle constitue le moyen de réduire les coûts de production et les prix, grâce à une meilleure spécialisation des activités industrielle et agricoles, à l'extension des marchés nationaux, de telle sorte que, le plus tôt possible, les pays membres puissent équilibrer leurs économies au plus haut niveau possible sans aide extérieure exceptionnelle.

4. La suppression des contingents et des contrôles des changes permettrait d'atteindre un pareil objectif. Mais, si cette suppression immédiate apparaît possible dans un certain nombre de cas, elle risque dans d'autres d'amener, des perturbations graves et un chômage étendu dans certains secteurs de l'économie des pays participants. Sa généralisation automatique semble impossible sous le régime politique démocratique qui est commun à tous les Etats participants au Groupement. Elle ne pourra donc être réalisée qu'en plusieurs étapes et en prenant un certain nombre de précautions dont le Délégué de la France a fait état devant le Groupe Consultatif de l'OECE le 29 Octobre 1949. Ces idées ont été reprises dans la Résolution du Conseil du 2 novembre.

5. Le présent Mémoire a pour objet, d'une part de préciser les conditions dans lesquelles une certaine coordination des politiques intérieures des différents pays membres devrait s'organiser afin que puissent être progressivement atteints les buts ci-dessus définis, d'autre part, de déterminer les mesures qui pourraient être prises entre les cinq pays dans la première phase du Groupement.

6. Le Gouvernement français estime que la libération des échanges ne pourra être rapidement et utilement réalisée que si des politiques économiques et financières des pays participants ne sont pas contradictoires. Sans doute ne

<sup>43</sup> The British Minister of Finance Richard Stafford Cripps.

s'agit-il pas de fondre toutes ces politiques dans un moule commun, mais nous ne parviendrons pas à unifier les économies des pays participants sans risquer de provoquer de graves désordres sociaux si certains éléments de base sont par trop divergents.

Le Gouvernement français a notamment en vue:

- a) l'élimination des pratiques discriminatoires (subventions, doubles prix, etc...) qui faussent le jeu normal de la concurrence.
- b) la mise en harmonie des politiques budgétaires et des politiques de crédit. Ces politiques doivent être telles que, d'une part, elles écartent l'inflation, que, d'autre part, elles contribuent à maintenir ou à promouvoir dans chaque pays un emploi optimum de la main d'œuvre nationale. Si un parallélisme suffisant n'existe pas dans ce domaine, l'équilibre de la balance des comptes serait compromis, les obstacles à la libération souhaitée des échanges et des paiements seraient multipliés.

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13. Conformément à la résolution du Conseil de l'OECE les pays membres doivent faire rapport à l'Organisation sur les progrès qu'ils auraient accompli dans la voie d'une association économique ou monétaire plus étroite entre eux. Il est prévu que dans les cas où cela sera possible, un premier rapport devrait être, soumis à ce sujet à l'OECE le 15 décembre 1949 au plus tard. C'est dire qu'il reste peu de temps pour accomplir ce premier pas dans la voie de l'intégration européenne.

Le Gouvernement français croit qu'il serait illusoire de vouloir cacher les difficultés de cette tentative et que le meilleur moyen est de les aborder de front, non pour faire de nouvelles recommandations ou de nouveaux rapports, mais pour prendre, dans chaque cas particulier, des dispositions concrètes.

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## 3.

**Report of the experts of Belgium (Maximilien Suetens), France (Hervé Alphand), Italy (Umberto Grazi), Luxembourg (Pierre Elvinger) and the Netherlands (Dirk Spierenburg) on the establishment of an economic and monetary association in Western Europe, 9 December 1949.**

National Archives of the Netherlands (The Hague), Archive of the Directorate-General of Foreign Economic Relations, Ministry of Economic Affairs (2.06.107.01), inv.no. 414.

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Chapitre II: *Dispositions Financières*

Les experts constatent qu'une association des efforts de leurs pays dans le domaine monétaire se recommande. Ils sont animés d'un même désir d'instituer des consultations permanentes entre eux en matière de politique financière et de taux de change en vue d'appliquer à cet égard des principes communs.

Tel étant le point de départ de cette association, il ne peut s'agir de créer une nouvelle zone ou un nouveau bloc monétaire de caractère plus ou moins autarchique. Il s'agit essentiellement d'instituer le mécanisme d'une coopération continue entre les pays membres dans le domaine monétaire. Cette coopération doit avoir un caractère durable; il ne saurait être question qu'elle prenne fin en même temps que les droits de tirage et l'aide Marshall. Elle ne doit nécessiter ni la création d'une institution internationale nouvelle, ni le recrutement de nouveaux fonctionnaires internationaux. Les consultations et décisions doivent pouvoir être prises au cours de réunions périodiques des autorités monétaires des pays membres; l'exécution des opérations qui requièrent l'intervention d'un organisme central sera confiée à la Banque des Règlements Internationaux agissant comme agent du groupe.

Dès maintenant, il y a lieu de définir les principes et les objectifs de la politique commune que les pays membres entendent suivre et de faire entrer dans les faits leur coopération par l'accomplissement d'un certain nombre de réalisations immédiates.

Les experts sont d'accord pour constater que la politique monétaire, budgétaire et de crédit de chacun des pays doit en toute hypothèse tendre à maintenir ou à réaliser l'équilibre de leur économie.

Sur la base d'une telle politique, l'action commune des pays devra s'exercer d'une part dans le domaine des taux de change de manière à rechercher le taux approprié à cet équilibre et, d'autre part, dans celui des mesures à prendre en vue de rapprocher leurs monnaies du stade de la convertibilité.

I – *Taux de Change:*

1. Le retour à l'équilibre de chaque pays dans ses relations économiques avec l'extérieur et le développement des échanges internationaux requièrent des taux de change appropriés. Dans le cadre des obligations que les pays membres ont contractées vis-à-vis du Fonds Monétaire International, les taux de change ne doivent pas être considérés comme immuables; des modifications peuvent devoir y être apportées s'ils ne permettent pas d'assurer l'équilibre envisagé. La recherche de taux appropriés présente dès lors pour l'ensemble des membres un grand intérêt et il est utile d'y procéder par une action

concertée et l'application de principes communs, même si les méthodes mises en œuvre pour y parvenir diffèrent.

2. Au cas où la modification des taux de change pratiqués par un des pays membres est nécessaire, il convient qu'elle soit réalisée avant que ce pays n'ait épuisé toutes les ressources dont il dispose dans ses relations avec les autres membres, sous peine de voir les échanges subitement entravés. Il est de l'intérêt de tous les membres que les ressources communes, en particulier le fonds de réserve dont il est question ci-après, ne soient pas absorbées par un déséquilibre durable.

Si un pays n'arrive pas à réaliser l'équilibre de son économie sur la base des cours de change en vigueur, l'adoption d'une parité correspondant à son niveau d'équilibre se fera plus aisément et d'une manière plus conforme à l'intérêt commun s'il précède à des ajustements modérés et concertés au lieu d'attendre le moment où une modification profonde et brutale devient inévitable.

3. Pour procéder à la recherche de taux de change appropriés, tout membre conserve la liberté, dans le cadre de son statut monétaire, de choisir entre le système consistant à déterminer des taux de change fixes pour toutes les monnaies et celui consistant à organiser sur son marché, suivant ses convenances propres, une cotation libre des changes.

Les accords de paiement entre les membres devront éventuellement être adaptés dans la mesure requise par l'adoption de cotations libres par certains d'entre eux.

4. En tout état de cause, il est nécessaire de conserver des parités homogènes à l'égard de l'ensemble des monnaies.

Toutefois, par exception à ce principe, et pour se rapprocher du niveau d'équilibre désirable, certains pays membres peuvent trouver utile de laisser, dans certaines limites et sous certaines réserves, fluctuer leur monnaie par rapport aux autres monnaies des pays membres de façon indépendante du cours de leur monnaie par rapport au dollar.

Il est nécessaire, dès lors, que les membres ne refusent pas cette faculté à ceux d'entre eux qui voudraient y avoir recours dans les conditions suivantes:

a) Chaque membre qui organise sur son marché la cotation des monnaies de tous les autres membres, doit intervenir pour que la dépréciation éventuelle de sa monnaie soit égale par rapport aux monnaies de tous les autres membres.

b) Les divergences ne peuvent avoir qu'un caractère limité dans leur amplitude et dans leur durée. Si elles perdaient ce caractère, le pays en cause devrait rétablir l'homogénéité des parités à l'égard de l'ensemble des monnaies étrangères.

En tout état de cause, les divergences ne peuvent dépasser 5% des parités par rapport au dollar.

Au cas où la hausse des autres monnaies par rapport à la parité du dollar atteindrait 5% pendant un minimum de 25 jours ouvrables sur une période de 35 jours ouvrables consécutifs, le cours officiel du dollar exprimé dans la monnaie dépréciée serait ajusté de manière à rétablir l'homogénéité des parités à l'égard de l'ensemble des monnaies étrangères.

c) Les autres membres ne peuvent intervenir pour contrecarrer les divergences de la monnaie du membre qui a organisé sur son marché la cotation libre, lorsque ces divergences de produisent dans les conditions indiquées ci-dessus. Il va de soi qu'ils peuvent intervenir sur ce marché pour empêcher la dépréciation de leur monnaie par rapport au dollar.

d) Aucun pays ne laissera sur son marché s'apprécier par rapport au dollar les devises des autres pays membres que pour autant qu'un tel mouvement soit justifié par l'évolution défavorable de sa balance des paiements.

5. Il est nécessaire que les pays membres se concertent régulièrement pour surveiller le fonctionnement des marchés des changes et examiner en commun les adaptations de parités qui seraient requises en vertu des principes adoptés. Cette action doit s'exercer à l'occasion des réunions périodiques des autorités monétaires des pays membres.

## II – Mesures Tendant à La Convertibilité des Monnaies

### A. – Multilatéralisation des paiements

1. Les pays membres accepteront automatiquement entre eux les compensations de deuxième catégorie remplissant les conditions suivantes:

a) La compensation est nécessaire pour éviter un dépassement de plafond bilatéral.

b) La compensation n'a pas pour effet d'augmenter une créance au delà de 80% du plafond bilatéral.

c) Le pays débiteur qui évite, grâce à la compensation, un dépassement de plafond bilatéral utilise un solde créditeur en monnaie tierce et non pas une marge de crédit dans cette monnaie.

Cette mesure pourra être mise en vigueur immédiatement sur la base de l'accord de paiements et de compensations entre les pays européens, par une simple déclaration des pays membres à l'Agent.

2. Les Experts reconnaissent l'intérêt que pourrait présenter la multilatéralisation des marges de crédit et des droits de tirage dans des conditions à déterminer. Cette multilatéralisation pourrait avantagement compléter l'utilisation des ressources du fonds dont il est question ci-après.

Ces questions doivent faire l'objet d'une étude technique immédiate qui donnera lieu à des propositions concrètes.

La mise en application éventuelle des résultats de cette étude pourra demander certains délais. La mise en application des autres recommandations du présent chapitre ne sera pas retardée pour autant.

3. Comme la position d'un pays dans le groupe ne doit pas nécessairement correspondre à sa position globale vis-à-vis du monde entier, les pays membres examineront dans un esprit de coopération les offres de monnaie de pays non membres qui pourraient contribuer à la réalisation d'un équilibre entre eux.

### B. – Constitution d'un fonds de réserve commun.

1. Pour faciliter la libération des échanges commerciaux et des paiements entre les pays membres, il est nécessaire d'instituer, avec la coopération de l'ECA un fonds de réserve commun alimenté par une aide initiale en dollars.

2. Les pays membres qui se trouvent dans une position débitrice ne pourraient recourir au fonds qu'après avoir utilisé les autres ressources prévues pour assurer les règlements entre les membres. En toute hypothèse, le recours au fonds serait organisé de façon à permettre à celui-ci d'exercer une action durable. Notamment tout recours au fonds provoquerait de plein droit une consultation immédiate entre les membres, tendant à déterminer les mesures à prendre pour rétablir l'équilibre du pays qui fait appel au fonds (y compris, le cas échéant, une modification de la parité de sa monnaie) et pour prévenir toute utilisation abusive des ressources du fonds.

3. La gestion du fonds serait confiée à la Banque des Règlements Internationaux agissant comme agent des membres du Groupe. Cette gestion serait exercée suivant les directives et délégations données à la BRI par les

pays membres réunis en comité, en conformément aux pratiques bancaires.

4. Les détails de fonctionnement du fonds, et notamment les conditions auxquelles sera subordonné le recours à ses ressources, devront faire l'objet d'une mise au point immédiate. Dès maintenant, il est possible d'énoncer à ce sujet les principes généraux ci-dessous.

5. Le recours aux ressources du fonds pourrait se faire:

- soit par emprunt à plus ou moins long terme, portant intérêt à des taux appropriés et éventuellement soumis aux autres conditions jugées nécessaires par le comité;
- soit par achat contre versement des monnaies de pays non membres considérés comme pouvant entrer dans la réserve commune;
- soit, à titre exceptionnel, par achat contre la monnaie nationale du pays acheteur, étant entendu que les sommes en monnaie nationale ainsi versées ne pourraient pas être remises sous forme de prêt à la disposition de ce pays;
- soit sous toute autre forme convenable admise par le comité.

6. Sous réserve de conditions à déterminer, tout membre qui recevrait un paiement en dollars fait par un autre membre à l'aide des ressources du fonds serait tenu si l'autre membre venait à disposer des moyens de paiement nécessaires dans un délai raisonnable, de restituer à celui-ci la part des ressources du fonds qu'il aurait reçue, de façon à le mettre en mesure de la restituer à son tour au fonds.

C. – *Assouplissement de régime des transferts.*

I. – *Paiements courants.*

1. Les paiements courants seront autorisés sans restriction entre les pays membres dès lors que les obligations correspondantes auront été régulièrement contractées.

2. Des progrès sensibles devront être réalisés afin de faciliter et d'accélérer ces règlements. A cet effet, les mesures suivantes seront mises en œuvre:

- a) Extension et mise en harmonie des listes de paiements courants figurant dans les accords en vigueur.
- b) Octroi par les organismes de contrôle dans chaque pays de larges délégations aux intermédiaires agréés pour tous les règlements ne soulevant aucune difficulté de droit ou de fait, et, en conséquence, limitation au strict minimum des cas où une autorisation préalable de l'organisme de contrôle est requise.
- c) Lorsqu'une autorisation préalable demeure exigée, suppression, s'il y a lieu, de tout délai entre la délivrance de l'autorisation et la délivrance effective des devises.
- d) Organisation de systèmes de transferts supprimant tout retard.

3. Les organismes de contrôle des pays membres renforceront la coopération permanente qu'ils ont déjà établie entre eux afin de régler rapidement les difficultés qui peuvent surgir dans la pratique quotidienne et de mettre en commun leur expérience en vue de la recherche d'assouplissements nouveaux.

II. – *Mouvements de capitaux.*

1. Le but à atteindre est de libérer le plus tôt possible tous les mouvements de capitaux entre les pays membres de façon à arriver à la convertibilité complète entre les monnaies de ces pays. Certains des pays membres ont déjà pris des mesures en ce sens, d'autres considèrent que la situation actuelle de leur balance des paiements ne leur permet pas encore d'envisager une libération totale.

Toutefois, la délégation néerlandaise estime qu'il convient de faire une distinction entre les mouvements de capitaux qui contribuent au

développement de saines relation économiques internationales et ceux qui exercent une influence perturbatrice.

2. Aussi bien, il ne parait pas, techniquement, indispensable que les pays membres adoptent dans ce domaine des mesures identiques et accomplissent au même moment les mêmes réformes. Néanmoins, les pays membres sont d'accord sur le programme minimum suivant, qui fera l'objet d'une application immédiate:

a) Les organismes de contrôle, dans chaque pays, autoriseront le libre rapatriement des capitaux nouvellement investis par les ressortissants des autres pays membres.

b) En ce qui concerne les avoirs anciens, de larges facilités seront données des à présent en vue de permettre leur cession entre résidents d'une même pays, leur utilisation à des dépenses diverses, ainsi que le passage d'une forme de placement à une autre.

c) Sous réserve de la situation de sa balance des comptes chacun des pays membres autorisera l'exportation des capitaux nationaux à destination des autres pays membres, chaque fois qu'il s'agira d'un investissement à but économique.

d) Chacun des pays membres adoptera une attitude libérale pour l'admission des investissements nouveaux en provenances des autres pays membres.

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In the framework of Marshall aid a first ship with coal arrives on 18 September 1948 in the harbor of Amsterdam, the Netherlands. The coal is to be used by the Netherlands Railway Company.

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## Introduction to document 4

Although the negotiations on the Fritalux/Finebel association continued after November 1949, the monetary arrangements proposed in this framework appeared to lose relevance after the ECA proposed its plan for a European Payments Union. This plan was an attempt to complement the liberalisation of trade between European countries with the establishment of convertibility and transferability of their currencies.<sup>44</sup> To boost trade, the members of the OEEC were, with some urgency, asked to consider replacing the network of bilateral agreements with a multilateral system. Time was running out: the existing intra-European Monetary Agreements, which were still partly of a bilateral nature and were in effect already considered outdated, would expire formally on 30 June 1950.<sup>45</sup>

Central to the ECA-plan was a multilateral clearing system in which all payments between the member countries would be settled automatically on a monthly basis. Although they resulted in a successful outcome, the negotiations on the payments union were riddled with obstacles. In February Britain brought the negotiations in an impasse because of concerns over the position of Sterling. Britain demanded large credit margins within the union and a reduced obligation to pay debts in gold. For Belgium, the only country with an expected surplus in intra-European trade, such a credit formula was unfavourable. In June the Belgian government even considered to step out of the negotiations altogether. Eventually an agreement was reached on 7 July and on 19 September 1950 the agreement to establish the European Payments Union (EPU) was signed.<sup>46</sup>

The EPU functioned as a clearing union. For every member state its balance of payments position was represented with reference to the other members of the union. These positions were settled on a monthly basis, expressed in a unit of account defined as 0.88867088 grams of fine gold, which was equivalent to one US dollar. Marshal Aid was used to make ad hoc credits available to countries with balance of payments problems. The debtor countries that made use of these credits became subject to 'multilateral surveillance' of the management board of EPU.<sup>47</sup>

The Belgian memorandum presented here as document 4 recalls the difficulties posed by such negotiations — particularly at a time when European states were in an extremely challenging economic and monetary position. The Belgian delegation had two prime concerns: to remedy the monetary crisis (by combating inflation or deflation) and trading difficulties (by restoring an overall balance); and to prevent the EPU from leading to trade barriers around Europe. Consequently, the Belgian delegation sought ways of enabling

<sup>44</sup> Horst Ungerer, *A Concise History of European Monetary Integration: From EPU to EMU* (Westport, CT: Quorum, 1997), 26.

<sup>45</sup> British memorandum on the future of intra-European payments, 15 December 1949. Historical Archives of the European Union (Florence, Villa Il Poggiolo. Dépôts, DEP), OECD, EPU/EMA 1. This document is available on the CVCE website: [www.cvce.eu](http://www.cvce.eu).

<sup>46</sup> Alan S. Milward, *The Reconstruction of Western Europe, 1945-51* (Berkeley: University of California Press, 1984); Robert Triffin, *Europe and the Money Muddle: From Bilateralism to Near-Convertibility, 1947-1956* (New Haven: Yale University Press, 1962).

<sup>47</sup> Ungerer, *A Concise History of European Monetary Integration*, 28.

European states to restore the convertibility of their respective currencies into US dollars, enabling the EPU to serve as a means of promoting free trade and transatlantic relations.

These goals were only partially achieved. In the following years, European countries started negotiations on the replacement of the EPU. On 5 August 1955 the 17 member states of the OEEC signed a treaty establishing a European Monetary Agreement (EMA), creating a European Fund for credit to member states with temporary balance of payments difficulties. A Multilateral System of Settlements that enabled international transactions in member currencies by offering interim financing was also set up. The EMA also encouraged settlements through foreign exchange markets.<sup>48</sup> The Agreement replaced the EPU on 27 December 1958.

#### 4.

##### **Memorandum presented by Belgium on the European Payments Union, 8 March 1950.**

Historical Archives of the European Union (Florence, Villa Il Poggiolo. Dépôts, DEP), OECD, EPU/EMA 8. © OECD.

A la lumière des échanges de vues qui ont eu lieu précédemment, des considérations exposées dans le document TFD/DL/1950/9/3ème Rev. et de la décision prise par le Conseil<sup>49</sup> en approuvant le chapitre 23 du Rapport Intérimaire<sup>50</sup> il est possible de dégager les principes qui doivent être à la base de la future 'Union Européenne des Paiements'.

Avant d'entrer dans le détail des considérations techniques il importe de réaliser l'unanimité sur ces principes qui devraient figurer en tête de tout accord international ayant pour objet la création d'une telle Union.

C'est dans ce but que la Délégation belge soumet le présent mémorandum et ses annexes afin qu'ils soient examinés et discutés par le Comité des Paiements.

Si l'unanimité peut être réalisée sur les conditions qui y sont mentionnées, le travail d'élaboration pourra être facilement poursuivi.

Au cas où des divergences de vues profondes apparaîtraient il conviendrait sans doute de soumettre celles-ci au Conseil afin qu'il puisse décider en connaissance de cause, trancher les points de désaccord éventuels entre experts et décider, s'il convient ou non de poursuivre la réalisation d'une Union européenne de Paiements entre tous les membres de l'OECE.

Il est bon de souligner dès à présent qu'il s'agit là d'une entreprise extrêmement délicate qui ne peut être poursuivie qu'à condition de réunir toutes les chances de succès.

Il ne s'agit plus de conclure un accord de paiements valable pour quelques mois mais de mettre sur pied un organisme durable, ayant une tâche bien définie à remplir et auquel des ressources extrêmement importantes aussi

<sup>48</sup> Kenneth Dyson and Lucia Quaglia, *European Economic Governance and Policies: Volume I: Commentary on Key Historical and Institutional Documents* (Oxford: Oxford University Press, 2010), 96.

<sup>49</sup> Council of the OEEC

<sup>50</sup> European Recovery Programme, Second Report of the OEEC (February 1950).

bien en or et en dollars qu'en monnaies des pays membres seront confiées.

La rédaction des statuts d'un tel organisme ne peut souffrir de malentendus. Ils doivent être mis au point avec précision dans un esprit de réelle coopération qui ne peut être véritablement productive que si un accord complet est réalisé sur les objectifs aussi bien que sur les moyens à mettre en œuvre pour les atteindre.

Le travail à accomplir est avant tout constructif, ce ne serait pas être constructif que de dissimuler les difficultés ou d'essayer de les reculer chaque fois qu'elles touchent à des questions qui sont vitales pour l'avenir même de l'œuvre entreprise.

### *Objectifs*

Les quatre objectifs principaux sur lesquels il importe d'être d'accord sont les suivants:

1. *L'objectif fondamental* immédiat doit être le rétablissement de l'équilibre financier interne et par conséquent externe de chacun des pays participant au système.

Reconnaître cet objectif c'est admettre que le système doit être conçu de telle manière qu'il agisse comme un fonds de stabilisation et contienne en lui-même les correctifs nécessaires permettant de lutter également contre l'inflation et contre la déflation.

2. *Le deuxième objectif* doit être de créer en Europe un système de paiement tel que loin de s'organiser en zone fermée à l'intérieur de laquelle les pays participants se consentiraient des avantages préférentiels, ils fassent au contraire individuellement et collectivement de nouveaux pas dans la voie de la convertibilité et de la suppression des discriminations à l'égard du dollar. Cet objectif peut être atteint par l'élargissement du marché intérieur, l'augmentation de la productivité, le maintien de la réalité des taux de change et le contrôle du pouvoir d'achat global à la capacité de production réelle.

La convertibilité sera atteinte progressivement par l'équilibre des finances internes qui commande l'équilibre de la balance des paiements.

3. *Le troisième objectif* doit être de permettre dès que possible une libération complète des échanges et des autres transactions courantes.

Une telle libération est évidemment fonction de l'équilibre interne qui repose sur l'élimination du pouvoir d'achat excédentaire.

Il ne sera peut-être pas possible de résorber partout en même temps l'excédent de pouvoir d'achat disponible.

Le système ne doit naturellement pas être un instrument pour financer ces excédents, il manquerait son but, mais il est concevable qu'il puisse servir à résorber l'excédent de pouvoir d'achat, là où il peut être résorbé sur la base d'un plan d'assainissement interne bien conçu et effectivement mis en application.

Le système doit aider ceux qui veulent s'aider eux-mêmes, il ne doit en aucun cas servir à financer des déficits lorsque rien n'est entrepris pour les enrayer.

4. *Le quatrième objectif* doit être la reconstitution des réserves des banques centrales qui sont indispensables pour maintenir la souplesse de tout mécanisme de paiement. De telles réserves doivent être défendues; aussi la création du nouvel organisme doit permettre non seulement de les reconstituer mais aussi de les défendre par les moyens monétaires classiques et non plus par la voie des contrôles physiques. Le système en lui-même est

une réserve centrale qui doit toujours être reconstituée, il ne peut être conçu comme un fonds destiné à s'épuiser.

*Conditions à remplir.*

Pour atteindre ces objectifs un certain nombre de conditions doivent être remplies.

Ces conditions peuvent être classées en regard de chacun des objectifs qu'elles visent à atteindre.

*Premier objectif: Stabilité financière interne.*

*Conditions:*

a) Le déficit structurel des pays membres doit être financé en dehors du système, soit par l'aide directe ou indirecte de l'ECA, soit par des transferts de capitaux en provenance de pays qui ont du capital exportable et utilisable.

La première règle doit donc être que les ressources du nouveau système ne peuvent normalement être utilisées pour le financement d'un déficit structurel et que dès lors les pays participants doivent s'engager, en agissant, s'il y a lieu, sur leur politique interne, à limiter leur déficit structurel aux ressources normales ou exceptionnelles dont ils peuvent disposer en dehors du système.

Ceci ne sera sans doute pas immédiatement possible dans tous les cas et par conséquent il est probable que certains pays devront avoir recours au système pour financer la partie résiduaire de leur déficit structurel. L'organisme doit être armé pour effectuer ce financement mais à condition qu'il ait lieu sous forme de prêts de stabilisation consentis à des conditions bien déterminées pour des montants limités et en fonction d'un plan de redressement financier préalablement accepté et suivi d'exécution.

L'aide apportée par l'organisme des paiements doit être active et reposer sur des mesures concrètes dont il doit être à même de suivre l'exécution et les effets, elle ne peut être passive car elle se bornerait alors à un financement automatique des déficits et constituerait un encouragement à leur maintien.

Ceci exclut toute automaticité dans l'octroi des crédits à moyen ou à long terme.

b) Pour rendre cette disposition effective et lutter ainsi contre l'inflation, sauf exception décidée à l'occasion de cas d'espèce, tout recours au crédit à moyen ou à long terme doit donner lieu à un versement en or dont la proportion doit aller en augmentant au fur et à mesure que les crédits sont utilisés.

De même et afin de constituer un contrepoids à une déflation éventuelle, les pays créditeurs ne pouvant être intégralement payés en or, seront appelés à fournir sous forme de crédits une proportion de leur excédent net.

c) De manière à permettre dans toute la mesure du possible les politiques d'investissement là où elles s'avèrent nécessaires, le système doit faciliter les mouvements de capitaux soit directement d'un pays membre à un autre, soit indirectement par son canal.

Ceci suppose entre autres que les créances dont l'organisme disposera sur ses débiteurs soient mobilisables et qu'elles soient consenties à des taux d'intérêt tels qu'elles puissent être effectivement réescomptées ou placées sur les marchés étrangers.

Cette disposition est également essentielle pour s'assurer que les interventions de l'organisme se font bien aux conditions réelles des marchés sur lesquels des capitaux sont disponibles qu'il est indispensable de respecter si on veut revenir aux réalités.

*Deuxième objectif: Eviter l'autarchie – Progresser dans la voie de la convertibilité et de la suppression des restrictions à l'égard du dollar.*

*Conditions:*

La suppression des restrictions à l'égard du dollar va de pair avec le retour à la convertibilité car il ne peut y avoir de véritable convertibilité qu'accompagnée de la suppression de ces restrictions.

Ce but sera atteint lorsque chaque pays aura réalisé son équilibre interne qui commande également l'équilibre de sa balance des paiements.

Sans doute pourra-t-il encore y avoir des difficultés à équilibrer à un niveau satisfaisant les besoins européens globaux en dollars, si la valeur des marchandises et des services que l'Europe souhaite obtenir de l'hémisphère occidental dépasse la valeur des marchandises et des services susceptibles d'être reçus par l'hémisphère occidental; mais au moins le problème sera-t-il ramené à des proportions raisonnables et à ses axes véritables. Il est en effet impossible d'y chercher un remède approprié tant que le déficit global envers l'hémisphère occidental est artificiellement gonflé à raison des déficits structurels qui sont le signe d'un déséquilibre interne dans le chef des pays participants, déséquilibre qui se manifeste tout naturellement par une pénurie apparente des monnaies fortes et plus particulièrement du dollar.

Tout en reconnaissant le problème il convient donc de le circonscire afin de pouvoir ultérieurement y apporter les remèdes qui conviennent (abaissement des entraves douanières aux Etats-Unis, transferts de capitaux en provenance des Etats-Unis, intervention des organismes internationaux tels le Fonds Monétaire International et la Banque Internationale pour la Reconstruction et le Développement etc...).

L'Europe doit faire le premier effort et se mettre en mesure d'acheter moins aux Etats-Unis et d'y vendre plus et cela non en recourant aux contrôles physiques qui sont toujours inopérants et provoquent une série de réactions secondaires qui aboutissent à fausser tout le mécanisme normal des prix et des échanges mais en créant des conditions propres à réduire spontanément la demande de produits américains et à augmenter naturellement l'offre de produits européens sur le marché américain.

A cet effet, il faut commencer par rendre les productions européennes métropolitaines aussi bien qu'originaires des territoires d'outre-mer et des territoires associés plus facilement accessibles au marché européen.

Pour cela il faut élargir le marché en supprimant les obstacles artificiels et en permettant à la concurrence de jouer pleinement afin que les prix des produits européens supportent la concurrence des produits américains.

L'action sur les prix peut être obtenue non seulement par la suppression des entraves (contrôles quantitatifs et tarifs douaniers) qui ont toujours pour effet de les hausser mais aussi par une augmentation de la productivité qui suppose une concurrence effective, l'abolition des mesures de protection et la suppression de toute inflation qui en créant du pouvoir d'achat supplémentaire mais fictif provoque une consommation supérieure à la capacité de production réelle et par conséquent un déséquilibre fondamental.

Il est possible et même probable qu'une telle action aura pour effet au début tout au moins, de réduire le volume des échanges européens, mais ce qu'ils perdront en volume ils le gagneront en qualité et en pouvoir de concurrence.

Le jour où le marché européen sera ainsi équilibré et aura amélioré sa productivité les exportations se dirigeront d'elles-mêmes vers les Etats-

Unis pour s'y échanger contre les produits américains nécessaires à une augmentation de la production et de la consommation européenne.

Pour arriver à ces résultats il faut avant tout que le nouveau système des paiements européens :

- a) permette la libre circulation des marchandises, l'échange libre des services et la libre migration des populations.
- b) permettre à chaque économie de se stabiliser au niveau de change qui est le sien, ce qui, dans certains cas, peut exiger une modification des parités de change actuellement en vigueur.
- c) permettre au pays qui cherche son niveau d'équilibre de l'atteindre progressivement dans un régime de liberté avec le minimum possible de heurts et d'inconvénients.

*Troisième objectif: Libération des échanges et des transactions courantes.*

*Conditions:*

Cet objectif n'est qu'une phase transitoire dans la recherche de l'objectif précédent.

Elle offre un caractère plus immédiat et plus concret. Pour l'atteindre il est essentiel du point de vue des paiements de remplir cinq conditions:

a. Tout pays doit pouvoir utiliser ses créances sur les membres du système pour apurer ses dettes à l'égard d'un autre membre.

Cette transférabilité totale des monnaies européennes entre elles est indispensable pour faire jouer la libre concurrence et éviter d'enfermer dans une manière arbitraire les courants commerciaux qui ne doivent être dominés que par les besoins à satisfaire dans le chef de l'acheteur individuel et la capacité de les satisfaire dans le chef du vendeur individuel.

b. Pour que cette transférabilité soit réelle, toute créance nouvelle doit pouvoir être utilisée dans le système. Dès lors, il faut abandonner la pratique des accords bilatéraux actuels qui veut qu'un pays créancier conserve inutilisé le montant de sa créance sur son débiteur.

Un créancier doit toujours avoir le droit de faire usage de sa créance pour acquitter ses propres dettes envers un autre membre du système.

Ceci ne veut pas dire que certains accords bilatéraux ne peuvent subsister dans la mesure où ils ne vicient pas le système c.à.d. dans la mesure où un créancier net consent un crédit supplémentaire à un débiteur net. Un tel crédit revêt alors la forme d'un transfert de capital de créancier net vers débiteur net et, loin d'être nuisible, est souhaitable pour autant que le créancier puisse y faire face sans mettre sa propre situation en danger.

Mais il va de soi que dans ce cas ces transferts de capitaux doivent être traités comme tels et ne peuvent, lorsqu'ils se dénouent, venir aggraver la situation du débiteur net ou du créancier net au détriment du système lui-même.

c. Les dettes existantes doivent être traitées de la même manière, elles ne peuvent venir encombrer le système du poids de leur arriéré si elles sont importantes.

C'est une question de montant, c'est aussi une question de déterminer la cadence à laquelle leur remboursement peut être raisonnablement effectué.

d. Il importe que chaque pays renonce à toute méthode inflationniste afin de ne pas augmenter artificiellement, à l'abri d'un cours de change fixe, ses besoins de consommation courante et de ne pas aspirer les marchandises

produites ailleurs qui trouveraient chez lui un marché plus facile et plus rémunérateur.

e. De la même manière il faut renoncer à toute politique déflationniste qui éloignerait un pays de son point d'équilibre.

*Quatrième objectif: Reconstitution des réserves de change.*

*Conditions:*

La reconstitution des réserves est indispensable pour donner à tout mécanisme de paiement la souplesse qui permet de corriger sans heurt les écarts par rapport à la position d'équilibre.

a. En laissant jouer normalement les mécanismes régulateurs, un pays dont les réserves augmentent accroît sa circulation, augmente le pouvoir d'achat disponible, agit à la baisse sur son taux d'intérêt, stimule des besoins nouveaux, relève les prix, encourage l'importation, éloigne les capitaux étrangers et bientôt retrouve une position d'équilibre.

Par contre, un pays dont les réserves diminuent retire du pouvoir d'achat, voit hausser son taux d'intérêt, provoque une tendance à la baisse des prix, encourage ses exportations et attire les capitaux étrangers, ce qui contribue à le ramener à sa position d'équilibre.

Pour obtenir ces effets il faut tout d'abord éliminer les contrôles physiques qui s'opposent aux adaptations, il faut trouver un niveau de change naturel, ne faire sciemment ni inflation ni déflation autre que celle qui résulte du mécanisme même du jeu des réserves.

b. Il faut une réserve à laquelle on puisse être sûr de pouvoir toujours recourir.

Elle sera constituée de toutes les monnaies des membres et d'un certain montant de dollars fournis par l'ECA.

Il est essentiel que les dollars fassent partie intégrante de la réserve car chacun doit pouvoir compter qu'ils seront là le jour où l'on pourrait en avoir besoin.

C'est la garantie des pays qui consentent des crédits et doivent être assurés de pouvoir mobiliser ces crédits s'il leur arrive d'en avoir besoin, c'est aussi la garantie pour les débiteurs que leurs créanciers pourront les aider et que l'organisme lui-même pourra le cas échéant mettre certains de ces dollars à leur disposition s'ils se trouvent dans des conditions propres à en justifier le besoin.

Il est essentiel que ces dollars de même que les crédits des membres restent à la disposition de l'organisme et ne doivent pas être dépensés dans un délai déterminé.

Il va de soi que l'ECA doit avoir un contrôle sur leur usage et à ce titre être associée aux décisions qui en détermineront l'emploi, mais ce serait une lacune grave dans le système si les dollars n'étaient pas versés à l'organisme dont ils constituent la garantie fondamentale.

c. Enfin cette réserve doit avoir une valeur stable et certaine, afin de pouvoir être incorporée dans les bilans des banques centrales sous forme d'une créance sur l'organisme des paiements; elle doit donc être exprimée en or, seul étalon des valeurs.

d. La réserve étant constituée doit être défendue c.à.d. que lorsqu'on y a recours elle doit être reconstituée.

Il ne peut s'agir de ressources dépensées à fonds perdus, ceux qui recourent au crédit de l'organisme doivent rembourser leurs prélèvements.

Les délais de remboursement peuvent varier selon l'objet des prélèvements et les conditions attachées à ceux-ci.

Des prélèvements effectués pour couvrir des découverts réputés saisonniers doivent être remboursés à court terme, tandis que des prélèvements effectués dans des conditions déterminées pour couvrir des déficits moins passagers ou même des déficits structurels peuvent être consentis pour des périodes plus longues.

Ce sont là des cas d'espèces pour lesquels l'automatisme ne se recommande pas et ne peut donc être érigé en règle.

e. De la même manière que la réserve commune ainsi constituée, pour garder son caractère, ne peut être dépensée pour couvrir automatiquement les déficits qui se présentent, il serait souhaitable que l'aide américaine donnée sous forme directe ou indirecte et non dépensée par les pays qui en bénéficient leur soit définitivement acquise sous forme de dollars qui viendraient renforcer leurs propres réserves individuelles.

Pour que les objectifs décrits ci-dessus soient atteints et que les conditions à remplir pour y parvenir puissent être réunies il est indispensable de confier la gestion du nouvel organisme à un nombre limité de personnes choisies pour leurs qualités propres et non en raison de considérations politiques.

Leurs décisions ne seront dictées que par des motifs techniques, elles seront prises dans le cadre des objectifs assignés à l'organisme.

Pour que ce Conseil dispose d'un pouvoir effectif, ses décisions seront sans appel et ne requerront pas l'unanimité.

Partant des considérations qui précèdent la délégation belge soumet ci-joints, pour étude et discussion par le Comité des Paiements, un projet de convention à intervenir entre tous les pays disposés à participer à une Union européenne des Paiements ainsi qu'un schéma des statuts de cette Union.



## Introduction to document 5

With the debate on how and when to liberalise international payments unsettled, the political situation in Europe changed in May 1950 with the oft discussed announcement by the French Foreign Minister Robert Schuman to work towards a community of participating nations to cooperate in the economic fields of coal and steel production. This initiative was closely linked to the area of finances and international transfers, as the plan was devised after American pressure for a somewhat spectacular effort, on the part of France, to publicly demonstrate its commitment towards economic cooperation in Western Europe.<sup>51</sup> Such a show of good intentions was linked to American promises of continued financial support for the reconstruction of the French economy. The German Chancellor Konrad Adenauer heeded the call for a European community for the production of coal and steel, anticipating that cooperation in this area would open the door to French support for his desire to regain full sovereignty over the Ruhr and Saar Areas<sup>52</sup> – core regions for the German economy that in 1950 remained under the supervision of the Allied occupying forces.

The story of the European Coal and Steel Community (ECSC) is well documented and has often been told. Although Schuman's call initially met with (various degrees of) scepticism, the European nations already involved in discussions on closer collaboration in the context of the OEEC, France, Belgium, the Netherlands, Luxembourg and Italy, subscribed to Schuman's initiative within a month, as the common good of non-competition between their coal and steel industries outweighed national reservations. The British hesitated and in the end distanced themselves from the plan, the intentions of which were also to test the waters for a close cooperation in a wider scope of areas, including finance, trade policy, and the establishment of a European Payments Union.<sup>53</sup> To lure the participants into the envisaged cooperation, institutional and practical issues – the instalment of a High Authority to supervise the activities under the plan – were addressed first.<sup>54</sup> The delegates then went on to tackle economic themes. The remaining political questions, such as the seat of the High Authority and its composition, were resolved last. With this, the ECSC Treaty was ready for signature on 18 April 1951, taking effect on 10 August 1952 for a period of fifty years.

The issues discussed in the context of the ECSC provided an extra

<sup>51</sup> Telegram Henri Bonnet (French ambassador, Washington) to Affaires Etrangères, 13 September 1949: Archives Diplomatique (Cooperation Economique, 1945-1966, CPE), Paris (La Courneuve), inv.no. 577. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>52</sup> Protocol German cabinet meeting, 12 December 1950: Politisches Archiv Auswärtiges Amt (Auswärtiges Amt (Berlin), inv.no. B20, 20. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>53</sup> Note (no. AK/eb) Affaires Etrangères to Jean Filippi (Ministère des Finances), 16 May 1950: Archives Diplomatique (Cooperation Economique, 1945-1966, CPE), Paris (La Courneuve), inv.no. 577. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>54</sup> Document de travail, établi par la délégation française, 24 June 1950: National Archives of the Netherlands (The Hague), Archive of the Ministry of Foreign Affairs 1945-1954 (2.05.117), inv.no. 18604. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

dimension to the matters of international payments and monetary cooperation beyond the duration of the Marshall Aid. The EPU was to act as a facilitator; but discussions on its institution were marred by differences in the financial situations of the participating nations. Belgium, which had emerged from the war in relatively better shape than its neighbours, refused to act as general creditor,<sup>55</sup> while the Netherlands were initially hesitant about the full liberalisation of trade that formed the backdrop to the EPU talks as such.<sup>56</sup> Nonetheless, a compromise was hammered out, with all OEEC members signing the EPU founding document on 1 July 1950, agreeing that accession to the payments union entailed recognition of the need for closer economic and financial cooperation. In the summer of 1950 several plans to this effect were brought forward. The Netherlands Minister of Foreign Affairs Dirk Stikker proposed to build integration on individual sectors of the economy, facilitated by a European Integration Fund. The Italian Budget Minister Giuseppe Pella, by contrast, built his plan on a common tariffs structure to boost internal trade between participating nations. And in an attempt to combine the sectoral approach of the Dutch with the Italian preferences for tariffs, the French Minister of Finance Maurice Petsche suggested using Stikker's fund as a European vehicle for investments that would raise its capital on the European private market and thus avoid drawing on the meagre foreign exchange reserves of the participating governments.<sup>57</sup> None of these plans received approval, yet discussions on cooperation beyond the area of coal and steel continued with proposals for a European Defence Community (EDC) and, as an outgrowth of this, a European Political Community (EPC). Both of which proved however to be too large inroads into the national sovereignty of the nations represented at the negotiating table and neither of which would come into being.

In the end the Benelux countries spearheaded the integration movement, by agreeing in 1952 to expand their cooperation to a durable economic union.<sup>58</sup> By the same token, the three nations were in favour of strengthening the EPU and its possibilities to establish convertible currencies. During this period of intensive European negotiations the German Vice-Chancellor and Federal Minister for Marshall Plan Affairs, Franz Blücher, commented on the role of the EPU. France had not yet rejected the European Defence Community (EDC) and European talks were still under way on agriculture.

Although the outlook for European integration appeared particularly encouraging, monetary shortcomings were becoming increasingly apparent. From the point of view of Blücher the EPU could only be an intermediate step, before going further, for these European Communities would only

<sup>55</sup> Letter Dirk Stikker to Willem Drees, 16 June 1950: National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02) inv.no. 458. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>56</sup> Minutes Council for Economic Affairs (Netherlands Cabinet), 1 July 1950: National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02), inv.no. 572. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>57</sup> Alan S. Milward, *The Reconstruction of Western Europe, 1945-51* (Berkeley: University of California Press, 1984), 448-449.

<sup>58</sup> Memorandum on Economic Union with Belgium and Luxembourg, 27 December 1951: National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02), inv.no. 476. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

work properly with a steady flow of currency between member countries. Furthermore, Blücher wanted European initiatives to fit into the context of world trade and advocated a free-market approach, with an end, above all, to national subsidies for transactions in raw materials. He particularly emphasised the financial consequences of such subsidies, notably with respect to the balance of payments. In this text, represented here as document 5, Blücher advocates financial and monetary stability, in line with a doctrine which was still new at the time: the social market economy.

## 5.

### **Speech by the German Federal Minister for Marshall Plan Affairs (Franz Blücher) on the European Payments Union, 8 August 1952.**

Franz Blücher, Europäische Zahlungsunion eine Übergangslösung, in: *Bulletin des Presse- und Informationsamtes der Bundesregierung* (Bonn: Deutscher Verlag), 8 August 1952, No. 108, p. 1035. Translation/ ©: CVCE, Sanem.

The European Coal and Steel Community will soon become operational. The European Defence Community is also likely to start work soon. Although the negotiations on the creation of a European agricultural union are still at an early, preparatory stage, here too there are a number of signs that it is likely to come into being in the not too distant future. All these European communities can function perfectly in the economic field, however, only if the conditions for the smooth settlement of transactions between the contracting parties are met.

The European Payments Union can indeed serve this purpose well, yet it remains a transitional and partial solution. Although unfortunately some contracting parties could only bring themselves to decide to prolong it by one year from 1 July 1952, many nevertheless intend to work tirelessly during that one year of prolongation to create the conditions for making European currencies convertible.

Taking the view that certain technical improvements will not necessarily suffice to ensure that the Payments Union can function properly, the Council of the Organisation for European Economic Cooperation (OEEC) in Paris recently laid strong emphasis on the fact that safeguarding member countries' internal financial stability is an important precondition for the necessary balance of payments equilibrium. To that end, it has set up an international group of outstanding scientific and economic experts who have now submitted a report on this cardinal question. It is to be welcomed that in their deliberations the experts started from the assumption of a constantly growing economy and rising production, and that they laid great emphasis on the strong influence of the expected US economic trend on European economies — especially on member countries' balance of payments and financial policy.

Over the past few days, a small group of seven European ministers, together with representatives of America and some of these experts, has discussed the findings of that report. I joined these experts as representative of the Federal Republic, in full agreement with the Minister for Economic Affairs<sup>59</sup>

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<sup>59</sup> Ludwig Erhard

and the *Bank deutscher Länder*.<sup>60</sup> The experts stressed in particular how important a healthy monetary and credit policy is for internal financial stability and balance of payments equalisation. Monetary policy and financial policy should indeed be coordinated in such a way as to ensure that they supplement each other's stabilising effects. Any undue emphasis on individual, unilateral measures must definitely be avoided. What is also needed, however, is very close coordination of the objectives that the member countries and associated countries want to set for their economic and financial policy. I therefore regard it as an important task of the OEEC Council to contribute to achieving this by all the means at its disposal.

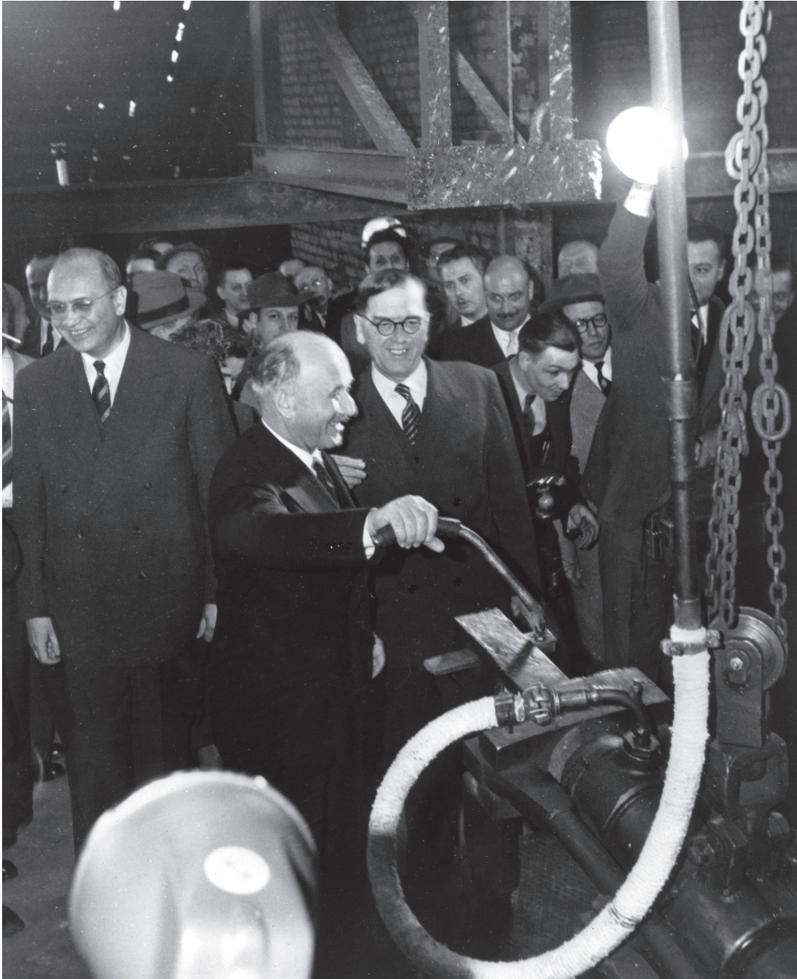
I agree with the experts that one important condition for restoring convertibility is to stock up the currency reserve in European countries. In the OEEC, every means of building up European currency reserves will have to be considered, whether in relation to European or American trade policy issues, international capital movements or even closer international cooperation among central banks. Prompted by some of the comments set out in the reports at hand, I drew particular attention during these Paris talks to the need to stabilise raw materials markets and to the matter of subsidies, because in my view both questions are closely connected with the return to convertibility.

Experience since Korea has shown that price movements in raw materials markets can have undesirable, disruptive effects on the external economic relations of the individual countries. This is a worldwide problem, one which extends beyond the geographical competence of the OEEC. Even so, we should consider within the OEEC whether we should not endeavour, jointly with other organisations, to improve the stability of the raw materials markets in order to reduce any undesirable repercussions on balances of payments. Subsidies are a burden on national budgets and, as a result, they often impair financial stability, distort the price and cost structure and, consequently, also affect balances of payments. Regardless of whether the subsidies are designed to influence the cost of living or freight rates, or whether they relate to imports or exports, a policy of subsidies can often do substantial damage. The subsidies system is often applied in international competition and results in individual states trying to outdo one another in the granting of subsidies, thereby placing an unnecessary burden on their budget and balance of payments. I therefore believe that international cooperation to remove unnecessary subsidies is desirable, not least in the interest of stabilising balances of payments and facilitating the convertibility of currencies.

In their report, the experts pointed out that currency exchange rate changes might be inevitable in individual cases. Here, we should not forget that a change in the currency exchange rate is always bound to produce as many disagreeable results at home as in external economic relations, that it must be considered only as a measure of last resort, in a sense as the keystone of a comprehensive stabilisation policy. In this respect, it seems worth pointing out that the endeavours of each government to bring about not just stability but an internationally fair price and cost level by applying an appropriate economic and financial policy deserve priority over any consideration of possible rate adjustment and should be given international support.

<sup>60</sup> Founded on 1 March 1948 in the British and American occupation zones in Germany. On 21 June 1948 the bank introduced the Deutsche Mark in the three Western occupation zones in Germany. In 1957 the BDL merged with the central banks of the German states to the Deutsche Bundesbank.

It was pleasing to find that both the international experts and the ministers who took part in these discussions in Paris broadly agreed on the required principles for a healthy monetary and financial policy and the need for close international cooperation in this field. In my view, there is hardly any other task in the field of international economic cooperation that is as urgent and crucial for the future as the common endeavour to create all the necessary conditions for restoring genuine convertibility between European currencies. This will have a determining influence on relations with the dollar area and the entire sterling system. This reform is the only way to achieve genuine economic integration.



On 30 April 1953 Jean Monnet symbolically opened the steel markets between the Six at a steel mill in Belval (Esch) Luxemburg on the opening ceremony of the European Coal and Steel Community.

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### Introduction to document 6-8

On 10 September 1952 the Ministers of Foreign Affairs of the six ECSC-countries decided to work towards the realization of a European Political Community (EPC) to give the ECSC and the proposed European Defence Community (EDC) a constitutional basis. The Ministers decided that an Ad Hoc Assembly, composed of members of the ECSC-Assembly, should prepare the groundwork for the proposed Political Community. In The Hague, the newly appointed Minister of Foreign Affairs, Jan Willem Beyen, was one of the advocates of integration. Whereas his predecessor Dirk Stikker focused on sector by sector economic integration, Beyen favoured a policy that went beyond this. He stated that in his opinion general economic integration was not possible without political integration.<sup>61</sup>

In December 1952 Beyen sent a memorandum to his colleagues to consider giving the future EPC a significant economic dimension by setting up a non-sectoral single market within which goods could move freely under the guarantee of a supranational authority. In February 1953 he launched additional proposals and mentioned the realization of a common market as one of the main goals of the future Political Community. Beyen's proposals for economic integration and a common market are usually indicated as the Beyen Plan. The plan was not received favourably, especially not by France. According to the French Foreign Minister Georges Bidault the Dutch free trade plan was too ambitious; France didn't want to proceed along the path of supranational cooperation.<sup>62</sup> Moreover, the other ECSC members objected to the absence of monetary clauses and measures to coordinate economic policy.<sup>63</sup> Nonetheless, at their conference in Rome on 24 and 25 February, the Ministers decided to give experts the instruction to study the Dutch proposals.

On 9 March 1953 the Ad Hoc Assembly presented a draft treaty of the EPC to the Council of Ministers. The proposals included only a few aspects of the Dutch plan. Although the realization of a common market was mentioned, it didn't offer a view on a customs union. Prior to the conference of the Council of Ministers on 12 and 13 May 1953, Beyen sent a second memorandum to his colleagues on the desired economic integration. This time his ideas received more support. At his proposal the Ministers decided to organise a governmental conference of the six countries in Rome to negotiate a draft treaty. During the conference, held from 22 September to 10 October 1953, not only pure economic questions were on the agenda.

Document 6 contains the Dutch proposals, put forward in the Economic Commission of the Conference to insert a measure of coordination of monetary policy into the common market for reasons of stability.

Document 7 then focuses on Belgian proposals, presented after the Conference, to give the European Community not only economic but also monetary competences to realise a common market for the movement of goods and capital on the short term.

<sup>61</sup> Wim H. Weenink, *Johan Willem Beyen, 1897-1976: bankier van de wereld, bouwer van Europa* (Amsterdam/Rotterdam: Prometheus, 2005), 321-322.

<sup>62</sup> Ibid., 330.

<sup>63</sup> Duco Hellema, *Neutraliteit en vrijhandel. De geschiedenis van de Nederlandse buitenlandse betrekkingen* (Utrecht: Spectrum, 2001), 183.

As shown in document 8, the Commission of Experts, assembled in Paris in January 1954, affirmed once again the proposals on economic and monetary integration, but at that time discussions on the statute of the EPC were overshadowed by the uncertainty whether France would ratify the EDC treaty.

6.

**Declaration by the Netherlands Delegation to the Economic Commission of the Conference for the European Political Community (Rome) concerning the relation between the common market and the coordination of monetary politics, 26 September 1953.**

National Archives of the Netherlands (The Hague), Archive of the Cabinet of the Prime-Minister (2.03.01), inv.no. 2690.

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La délégation néerlandaise exprime volontiers son point de vue sur la définition allemande de la relation entre le marché commun et la coordination de la politique monétaire.

Le marché commun est, par définition, la libre circulation des marchandises et des services et – dans son sens le plus complet – des capitaux et des personnes. C'est alors l'abolition des frontières économiques. Mais rien n'est dit en ce qui concerne les politiques internes.

Il est parfaitement possible – du point de vue théorique – qu'un marché commun soit établi et maintenu entre deux Etats qui poursuivent des politiques financières très différentes.

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A présent, il y a lieu d'examiner la déclaration allemande.<sup>64</sup> Elle dit qu'une politique coordonnée est 'eine Voraussetzung', une présupposition du marché commun. Je crois avoir montré que cette déclaration est trop absolue et va trop loin. Mais est-ce-que cette coordination est utile? Tous devront être d'accord qu'elle est vraiment très utile.

L'expérience de l'Organisation pour la coopération économique européenne nous a montré qu'il y a danger qu'un Etat membre poursuive une

<sup>64</sup> The German delegation declared that the monetary and financial policies of the member states have to be harmonized according to the following principles: 1) every inflationary policy of the member states should be avoided, particularly budgetary measures, 2) one should seek a balance of payments without trade restrictions and without discrimination, 3) it is necessary to ensure a system of credits and payments that ensures full convertibility among the six countries, at least in the movement of goods and services. Furthermore, quantitative restrictions and tariffs have to be reduced progressively, and at the end to be abolished, as well as measures should be taken to the gradual establishment of a common system of customs and trade to third countries, Aide mémoire de la Délégation Allemande sur les mesures à prendre pour réaliser le marché commun (CIR/CE/Doc. 5), 26 September 1953. National Archives of the Netherlands (The Hague) Archive of the Cabinet of the Prime-Minister (2.03.01), inv. no. 2690. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

politique inflationniste, perde des devises en grande quantité, et ne choisisse pas une politique consistant à sauvegarder la libéralisation existante, mais impose de nouvelles restrictions quantitatives.

La faiblesse de l'OECE réside en ce que les Etats membres ont le droit de décider en dernier instance eux-mêmes s'ils vont imposer des restrictions quantitatives. Alors pour assurer un marché commun, il sera nécessaire d'avoir des obligations définitives des Etats membres quant à l'abolition des tarifs et des restrictions quantitatives, alors que les clauses de sauvegarde devront être administrées par la Communauté. En ce cas, quand un Etat membre éprouve des difficultés résultant d'une inflation interne, cet Etat aura à choisir lui-même entre déflation, dépréciation ou d'autres mesures qui ne perturberont pas le marché commun.

Il est clair que cela sera facilité par une politique de stabilisation et par la coordination des politiques des Six. La délégation néerlandaise a exprimé sa conviction sur ce point dans l'article D de son projet de dispositions économiques. Elle attache grande importance à cette coordination. Mais elle ne peut pas partager l'opinion que c'est une présupposition du marché commun.

#### **Addendum 6a**

#### **Minutes of the third session of the Economic Commission held at Friday 25 September 1953 at 16.30 p.m.**

La Commission approuve le procès-verbal de sa deuxième séance (CIR/CE/PV.2).<sup>65</sup>

Elle entame alors l'examen détaillé du problème des attributions économiques sur la base du questionnaire préparé par le Président<sup>66</sup> (CIR/CE/Doc. 3) après que celui-ci eut fait observer qu'il ne s'agit que d'un document travail qui n'a rien de définitif tant en ce qui concerne sa formulation que son contenu.

#### *1. Objectifs économiques généraux de la Communauté Politique.*

Sous les réserves indiquées ci-dessous, les Délégations sont d'accord en principe pour définir comme suit les objectifs généraux:

- 'promouvoir, en harmonie avec l'économie générale des Etats membres l'expansion économique, l'accroissement de la production, le développement de l'emploi et le relèvement du niveau de vie et concourir ainsi au progrès des œuvres de paix.'

1. Etant donné que les objectifs de la Communauté visent l'intégration, non plus seulement d'un secteur économique déterminé, mais de toute l'économie des Etats participants, l'opportunité de maintenir dans le texte les mots : '...en harmonie avec l'économie générale des Etats membres...' est mise en question. Certaines Délégations estiment que cette phrase doit être maintenue pour des raisons d'ordre psychologique. D'autres délégations estiment, au contraire, que la Commission, organe technique, ne peut donner une présentation de caractère politique à ses conclusions.

<sup>65</sup> Meeting at Wednesday 24 September 1953 at 16.00 p.m.

<sup>66</sup> Eugenio Prato (Italy).

2. La Délégation française estime que le mot 'promouvoir' devrait être remplacé par un mot tel que 'faciliter' ou 'favoriser', car il a un sens trop fort et risque de préjuger la solution des problèmes institutionnels.

Au contraire, la délégation belge est d'avis que si les objectifs généraux pouvaient avoir une influence sur l'applications du Traité, un terme plus fort, tel que 'réaliser' devrait être préféré.

D'autres délégations pensent que le mot 'promouvoir' doit être maintenu car il correspond à l'idée de progrès qu'implique l'établissement de la Communauté Européenne et qu'il y a lieu de s'en tenir aux termes utilisés par le projet de l'Assemblée 'ad hoc' -

II. *Moyen pour atteindre ces objectifs: établissement progressif du marché commun.*

Les délégations sont d'accord que, pour atteindre les objectifs généraux mentionnés ci-dessus, il est nécessaire d'établir progressivement un marché commun, tout en évitant par des mesures appropriées, les perturbations qu'une telle réalisation pourrait provoquer dans l'économie des Etats membres. (Les mesures de sauvegarde feront l'objet d'un examen ultérieur).

III. *Définition du marché commun:*

Les délégations prennent position à l'égard du texte soumis par le Président, selon lequel le marché commun est fondé 'sur la libre circulation des marchandises, des capitaux et des personnes'.

1. Il est admis que le texte doit aussi prévoir la libre circulation des 'services'.

2. La délégation française entend préciser que la libre circulation des marchandises ne peut être considérée que comme l'objectif final du marché commun, car, dans l'immédiat, il pourrait être nécessaire de protéger contre une concurrence trop vive certaines industries non essentielles.

En ce qui concerne la libre circulation des capitaux, la délégation française, tout en reconnaissant que celle-ci pourrait faciliter le fonctionnement du marché commun, estime qu'il est possible de concevoir un marché commun où une telle liberté de circulation ne serait pas complète.

Quant à la libre circulation de personnes, la délégation française ne croit pas que, dans les circonstances actuelles, le problème des excédents de main d'œuvre puisse être résolu dans le cadre trop limité de l'Europe des Six. Il s'agit là d'un problème commun à résoudre par des solutions étudiées en commun et auxquelles d'autres pays devraient concourir. La délégation luxembourgeoise rappelle que l'admission sans réserve de ce principe susciterait une vive inquiétude dans son pays, en raison de la faible étendue de son territoire et de sa structure économique et sociale.

3) La délégation allemande considère que le texte présenté devrait être complété de la manière suivante :

'La réalisation de ce but final présuppose une politique économique et financière orientée selon des principes analogues, laquelle aurait en particulier pour effet d'assurer la stabilité financière interne des Etats membres'.

Il est entendu que la discussion sur ce point sera reprise au cours de la prochaine séance, qui est fixée au samedi de 26 septembre 1953, à 10 heures.

## 7.

**Modifications proposed by the Belgian Ministry of Economic Affairs on the articles of the projected statute of the European Political Community regarding economic powers, 30 October 1953.**

Collection R.T. Griffiths (Leiden University).

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*Article 82*(ancien article 82 modifié)

1. La Communauté a pour mission de réaliser progressivement, entre les Etats membres, un marché commun fondé sur la libre circulation des marchandises, des capitaux et des personnes.

2. Pour autant que les objectifs mentionnés au premier alinéa ne soient pas atteints par les lois et règlements des Etats membres, la Communauté est chargée d'assurer la coordination :

1) *de la politique monétaire en matière de:*

- a) réglementation et taux de l'escompte tels qu'ils sont établis par les Banques Centrales,
- b) obligations réglementaires ayant une incidence déterminante sur le coût du crédit dans les Etats membres,
- c) conditions d'emprunt des pouvoirs publics,
- d) plafond des avances des Banques Centrales à leur trésorerie nationale.

2) *de la politique de change par:*

- a) le contrôle de la modification des taux de change.
- b) la création éventuelle d'un fonds commun des réserves de change des pays de la Communauté, en vue d'effectuer par son intermédiaire, les règlements avec les pays non membres ou avec les organismes de paiements dont feraient partie les Etats membres de la Communauté,
- c) la détermination des conditions auxquelles doivent s'effectuer les paiements d'un pays membre par l'intermédiaire du fonds commun, au cas où la situation de ce pays vis-à-vis de ce fonds serait gravement déséquilibré.
- d) la fixation des mesures à prendre en vue d'assurer la complète liberté des mouvements de capitaux au sein de la Communauté.

3) *des finances publiques:*

- a) en matière de politique fiscale au cas où les mesures fiscales des Etats membres faussent gravement le jeu normal de la concurrence à l'intérieur du territoire de la Communauté
- b) en matière d'équilibre budgétaire au cas où des déséquilibres graves des budgets nationaux ou des budgets des pouvoirs subordonnés troublent les rapports économiques entre les Etats membres.

4) *de la politique économique:*

- a) dans la mesure où les dispositions prises par les organes nationaux responsables en matière de mode de formation des salaires directs et indirect et des prix et en matière de subventions et avantages divers ayant une incidence

directe sur les prix, font obstacle au jeu normal de la concurrence à l'intérieur du territoire de la Communauté,

b) dans les cas où soit des mesures discriminatoires décidées par des entreprises privées ou publiques, soit des pratiques restrictives de celles-ci aboutissant à la répartition ou à l'exploitation des marchés, soit, en général, des abus de la puissance économique faussent gravement le jeu normal de la concurrence à l'intérieur du territoire de la Communauté et sont contraires à l'intérêt général de celle-ci,

c) en matière d'accès aux activités économiques des personnes physiques et morales de la nationalité des Etats membres de la Communauté, lorsque la réglementation en cette matière est contraire à l'intérêt général de la Communauté et en particulier entrave l'interpénétration des intérêts privés au sein de celle-ci,

d) lorsque les lois ou les règlements des Etats membres régissant les actes de commerce ou les statuts des sociétés commerciales sont contraires à l'intérêt général de la Communauté et en particulier entravent l'interpénétration des intérêts privés au sein de celle-ci.

5) *de la politique de libération des échanges :*

en vue d'aboutir à:

a) l'abolition, à l'intérieur du territoire de la Communauté, des droits d'entrée ou de sortie, ou des mesures ayant un effet équivalent ainsi que des restrictions quantitatives,

b) parallèlement, à l'unification des droits, restrictions et mesures susdits, applicables aux transactions avec les pays non membres, à l'exclusion de toute augmentation des droits extérieurs au delà de la moyenne actuelle.

6) *du développement économique de la Communauté,* par la promotion d'activités publiques ou privées dont le Parlement européen aurait reconnu l'importance au point de vue de l'intérêt général de la Communauté.

La Communauté est compétente pour soit faire les propositions, soit émettre les recommandations, soit prendre les mesures nécessaires à cet effet, conformément aux conditions fixées aux articles 10, 55, 84, 85 et 86.

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*Article 86 (nouveau)*

Dans le cadre de la compétence donnée à la Communauté en vertu de l'article 82, paragraphe 2, alinéa 1, en matière de coordination de la politique monétaire, les attributions reconnues au Conseil exécutif européen par l'article 85 sont exercées, sur avis conforme du Conseil des Ministres nationaux, par un Conseil monétaire européen composé des gouverneurs ou Présidents des Banques Centrales des Etats membres, présidé par un membre du Conseil exécutif européen, disposant du droit de veto.

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## 8.

**Interim report of the Economic Commission to the Executive Committee of the Commission for the European Political Community, 22 January 1954.**

Collection R.T. Griffiths (Leiden University).

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*III. Réalisation et maintien du marché commun*

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b. *Coordination des politiques économique, financière, sociale et monétaire*

21. Toutes les délégations sont d'accord pour confirmer le principe énoncé dans le Rapport de Rome<sup>67</sup> (page 24):

'Les Etats membres se doivent de pratiquer une politique économique, sociale et financière (monnaie, budget, crédit) compatible avec les exigences de la formation du marché commun et avec son fonctionnement régulier.'

et pour le compléter de la manière suivante:

'Ces politiques doivent faire l'objet d'une coordination.'

Le Comité procédera ultérieurement à un examen détaillé des domaines dans lesquels la coordination devra être opérée.

22. Toutes les délégations considèrent que cette coordination des politiques économique, etc. des Gouvernements des Etats membres doit être assurée parallèlement à la libération dans les domaines des marchandises, capitaux, services et personnes.

23. Il a été constaté qu'un certain degré de coordination découlera nécessairement des mesures de libération envisagées, mais que ce degré ne pourra suffire. C'est pourquoi toutes les délégations, confirmant les points de vues exprimés à Rome (Rapport page 36), sont d'accord pour prévoir des consultations qui devraient avoir lieu aussi souvent que nécessaire. Au cas où ces consultations seraient inopérantes, les délégations sont d'accord pour confier une certaine compétence d'étude, d'avis et d'initiative à la Communauté.

Certaines délégations estiment, en outre, indispensable que, dans des cas bien délimités dans le Traité, la Communauté intervienne par voie de recommandations ou même de décisions.

La délégation luxembourgeoise considère que toute décision ou recommandation à caractère obligatoire devra recueillir l'avis conforme du Conseil de Ministres, qui, dans des cas particulièrement importants, devra statuer à l'unanimité.

Le Comité n'a pas épuisé la discussion des aspects institutionnels de ce problème. Il se propose d'y revenir à un stade ultérieur. En attendant, les délégations allemande, belge et italienne ont rappelé leurs déclarations contenues dans le Rapport de Rome (pages 37, 38 et 39 respectivement).

<sup>67</sup> Conference for the European Political Community, 22 September-9 October 1953, Report to the ministers of Foreign Affairs, (9 October 1953), p. 23. National Archives of the Netherlands (The Hague), Archive of the Cabinet of the Prime-Minister (2.03.01), inv. no. 2689. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

DOCUMENT 6-8

24. Dans le cadre de la discussion sur les questions de coordination, le Comité s'est trouvé d'accord pour prévoir la possibilité d'interventions de la Communauté en vue d'assurer la réalisation de travaux publics d'intérêt européen ou de promouvoir la recherche scientifique.

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### Introduction to document 9-10

From 1950 to 1954, there was a period of euphoria in the building of a united Europe. The year 1954 was a dramatic one. In Paris a Commission of Experts continued to work on economic and institutional aspects of the EPC. Four countries (the Benelux and Western Germany) had ratified the EDC treaty, yet it was still uncertain whether France as initiator of the EDC would ratify. The unstable internal political situation in France gave power to political forces that advocated national interests, sovereignty and protectionism instead of free trade. Short lived French governments became more and more dependent on political forces, like the Gaullists, who wanted to renegotiate the EDC treaty. The French defeat in Indo-China at Dien Bien Phu in May 1954 culminated in a new political crisis that brought Pierre Mendès-France into power. He wanted to adapt the treaty drastically before sending it to the National Assembly. At a meeting of the Ministers of Foreign Affairs of the six in Brussels, 19 August 1954, the other ministers refused to renegotiate. Mendès-France then brought the EDC-treaty before the National Assembly, which on 30 August 1954 decided not to consider it. Developments appeared to come to an abrupt end and the EDC as well as the EPC were declared dead.

This crisis in European integration was to be short-lived, however: Germany was incorporated into the Western European defence system a few months after the EDC idea was dropped. Several advocates of European integration sought ways to relaunch the ideal. The revival led to the opening of negotiations on a field which, unlike that covered by the ECSC, was general in scope: the aim was no longer integration in a particular sector, but general integration through the establishment of a Common Market. While the Belgian Foreign Minister Paul-Henri Spaak and the chairman of the High Authority of the ECSC Jean Monnet were working on a plan to establish a new community institution concerned with the peaceful use of nuclear energy, the Netherlands minister Johan Willem Beyen was looking for new ways to reintroduce his ideas on establishing a customs union. In April 1955 Beyen and Spaak agreed to work on a joint memorandum in cooperation with their Luxembourg colleague Joseph Bech. This Benelux Memorandum of 18 May 1955 called for greater economic integration in Europe, particularly in the areas of transport, energy, and the peaceful use of nuclear power. The memorandum was presented to France, Italy and West Germany on the eve of the Conference of Foreign Affairs Ministers in Messina, Italy, which was scheduled on 1 and 2 June 1955. At the Messina Conference the six ministers decided to give a committee of experts under presidency of a leading politician the instruction to draw up a report on the feasibility of a common market and a nuclear energy union. Spaak became its president.. The Spaak Committee not only discussed the realization of a customs union, but also necessary steps towards monetary integration.

Document 9 presents a letter to the Netherlands Cabinet in which Beyen stressed that control over monetary measures was only conceivable in a fully integrated political community. The Spaak report, presented to the Foreign Ministers on 21 April 1956, also mentioned the possibility of monetary unification.<sup>68</sup> This was the first time monetary unification featured at the highest political level since the presentation of the Bissell Plan of 1949.

<sup>68</sup> This document is available on the CVCE website: [www.cvce.eu](http://www.cvce.eu).

During the Venice Conference of 19 May 1956 the Foreign Ministers of the ECSC accepted the Spaak report and decided to start negotiations concerning the establishment of a European common market and a European Atomic Energy Community. During the negotiations at the Val Duchesse Palace in Brussels, France proposed the erection of a dedicated Monetary Committee in the context of the creation of a common market. The French memorandum is represented as document 10. It draws attention to a risk, namely that the economic aspects — which would be European — and the monetary aspects — which would be national — would pull in different directions. Separating the economic from the monetary aspects could lead to price distortions within the Common Market, thereby warping the objectives of free movement of goods and capital, free trade and healthy competition. Such a risk could impede the establishment of the Common Market. What was more, in the Common Market any major monetary decision by one country would have consequences for the other members. Lastly, too wide a disparity between the balance of payments in the various Common Market Member States could make a common external tariff unsustainable. The memorandum thus drew attention to the close interaction that would take place between the Common Market and the Member States' currencies.

9.

**Attachment to the letter of the Netherlands Ministers of Foreign Affairs (Joseph Luns and Jan Willem Beyen) to the Netherlands Council of Ministers on the report of the Commission on the Common Market, 31 October 1955.**

National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02), inv.no. 517. Translation: Huygens ING, The Hague.

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*Title III* Concerning the enforcement of balance of payments equilibrium.

The committee asserts that maintaining the balance of payments equilibrium is an essential condition for the establishment and proper functioning of the common market. The obligation for this must be accepted as a general principle. To enable the participating countries to pursue this as best as possible, the report suggests a number of facilities of monetary, technical and institutional nature. What is proposed is the possibility of short term credit to a partner country in trouble, as well as the establishment of a number of bodies of permanent consultation.

These bodies shall, in the final period in which quantitative restrictions will according to the majority no longer be permissible on account of balance of payments difficulties, provide instructions if necessary, and possibly even take decisions with regard to measures aimed at restoring the balance of payments equilibrium. With respect to the transition period, there is a consensus that appeals to further restrictions should still be possible.

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**Addendum 9a****The Study Conference in Brussels, 14 October 1955.**

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The re-introduction of quantitative restrictions based on balance of payments difficulties is, indeed, in itself undesirable, *even in the transition period*, in particular because balance of payments difficulties can be used all too easily as a pretext for protectionist restrictions, despite safeguards such as pre-advice by the IMF. Meanwhile, a country that gets into acute balance of payments difficulties can make the *temporary* introduction of quantitative restrictions difficult – as has already been suggested by us in the scheme of the Beyen-plan<sup>69</sup> – but one cannot prohibit this overture by the community, unless one offers the possibility to help the country in question conquer its acute difficulties through credit aid. Here the overall rule applies, that the community must not have powers to impose or prohibit measures unless the community can share in the responsibility for the consequences of the imposition of this ban. This rule also applies to the case of persistent balance of payments difficulties or its opposite, i.e. persistent balance of payments surpluses.

The question whether one should and can give the community the competence to control its members in the field of monetary policy in the final stage, is closely related to this. Full control, extending to specific measures that a country should take to bring an end to the undesirable situation, is only conceivable in a fully integrated political community. Control over the whole range of measures (credit policy, consumption and investment restrictions, changes in exchange rates), in other words concerning the tendency and the efficacy of a monetary adaptation *program* is conceivable without full political federation, but acceptable only, if the community can use the weapon of discriminatory credit granting. In this context it is not to be overlooked that balance of payments difficulties will still be of a general nature, and that in the case of such difficulties quantitative restrictions towards all countries would be wielded. This does not apply to the granting of credit within the community, but in fact to the provision of additional monetary reserves. The task of the community would resemble that of the IMF, rather than that of the EPU or the European Fund.<sup>70</sup> There is no doubt that, during the transitional period, there is no place for such a task (including the use of the inseparable credit weapon) next to IMF and EPU. In the final period, the situation is different. Once a genuine economic community will be established, the community can no longer escape its responsibility for the monetary position of its members vis-à-vis countries inside and outside the community. It is of course not yet possible to define what this would imply in detail in due course, because the degree of amalgamation of the community that will be achieved at the end of

<sup>69</sup> On 11 December 1952, the Netherlands minister of Foreign Affairs, Jan Willem Beyen, presented to his fellow ministers of Foreign Affairs of the ECSC a plan to give the proposed European Political Community a significant economic dimension by setting up a non-sectoral single market within which products would be able to move freely under the guarantee of a supranational authority. National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02), inv.no. 485. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>70</sup> The proposed European Fund is part of the European Monetary Agreement (EMA), signed at 5 August 1955, which intended to replace the European Payments Union (EPU).

the transitional period, cannot be foreseen. Between an actual 'pooling' of all monetary reserves of the members with a full control of the community over monetary policy of the members on one hand, and a system of instructions, the compliance to which is a condition for credit aid on the other hand, lie intermediate possibilities the acceptability of which depends on the extent to which the community is fused together. Neither is the term 'directive' clear-cut, as it may refer to a greater or lesser extent to parts of the adaptation plan. Furthermore, one cannot know now which monetary organizations will exist in the broader context at that time and how effectively they will work. The existence of the best-performing monetary organization in a broader context does not remove the responsibility of the community for the monetary health of its members in the final phase. Even in a situation of general convertibility and with a smoothly operating IMF it remains the responsibility of the community that the community – or one of its members – will not get into monetary difficulties. Yet operations of other organizations in the monetary field do have significance for the measure of help that the community should provide to one of its members, since said aid is additional to what that member, possibly with moral support from the community, will be able to get from the IMF or from any other body.

In conclusion, the following can therefore be said:

- a) Re-introduction of quantitative restrictions on the grounds of acute balance of payments problems can, in the transitional period be made difficult, but cannot be completely prohibited, or be made completely dependent on the consent of the community. As regards fundamental balance of payments difficulties in the transitional period, the community can only make recommendations, and as a sanction to disregarding these recommendations, only work with the admission to the other countries of certain countermeasures, to be agreed in consultation with the community.
- b) In the final period quantitative restrictions should no longer be needed. This presupposes that the country that has acute balance of payments difficulties, will have sufficient credit support available, either on the part of other bodies, or on the part of the community, to overcome temporary balance of payments difficulties. In the final period, the community is responsible for the monetary position of its members. It must therefore be in a position to give instructions to those members, and following those instructions issue credit support, also in currencies other than those of the community, if the reserve position of a member (including the possibility to obtain credit from another side) is insufficient to bridge the period needed for the appropriate measures to take effect. How strict instructions shall need to be, and in connection therewith, how extensive the possibility of discriminatory credit aid from the community should be, cannot yet be determined.

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## 10.

**French memorandum to the Discussion Group for the Common Market of the Intergovernmental Conference on the Common Market and Euratom, concerning the institution of a monetary committee, 15 october 1956.**

Historical Archives of the European Union (Florence, Villa il Poggiolo), European Community Institutions Collection. ECSC Special Council of Ministers. Negotiations on the Rome Treaties, 1955-1957, CM3/NEGO, inv.no. 142: ECSC Special Council of Ministers. Negotiations on the Rome Treaties, 1955-1957. © European Union.

La délégation française a suggéré que, dans le cadre de l'institution du marché commun, il soit procédé à la création d'un Comité Monétaire. Le présent mémorandum a pour objet d'exposer les motifs de cette suggestion et de préciser selon quelles modalités ce Comité pourrait fonctionner.

*1.- Exposé des motifs*

L'objectif essentiel du Projet de Traité instituant le marché commun est d'éliminer les obstacles qui s'opposent à la libre circulation des marchandises entre les six pays et de créer, entre les entreprises de la Communauté, les conditions d'une véritable concurrence. Dans ce but, le Projet de Traité prévoit une action commune des Gouvernements des six pays dans le domaine de la réglementation des échanges de marchandises et des services, des mouvements de capitaux et de la circulation des travailleurs. Il impose également diverses obligations aux Etats, en ce qui concerne d'autres formes de leur intervention dans la vie économique. Mais les Gouvernements conservent leur entière souveraineté dans de nombreux domaines, et, en particulier, dans un de ceux qui ont les incidences les plus marquées sur les données économiques : celui de la monnaie.

Le développement d'une liberté de plus en plus grande dans les échanges de marchandises et de services, dans les mouvements de capitaux et dans la circulation des hommes à l'intérieur d'une Communauté dans laquelle les systèmes monétaires nationaux demeureront autonomes, risquerait de soulever de graves difficultés si les politiques monétaires suivies par les différents pays membres n'étaient pas étroitement coordonnées.

Il convient en effet de remarquer, en premier lieu, qu'à l'intérieur d'un pays donné, l'évolution de la situation monétaire a une action déterminante sur le niveau des prix, et, par conséquent, sur les conditions de la concurrence entre les entreprises nationales et les entreprises étrangères; c'est d'elle également que dépend pour une part l'évolution de la balance des paiements. Des évolutions divergentes dans la situation monétaire interne des différents pays membres risqueraient de fausser rapidement le jeu de la concurrence à l'intérieur du marché commun et d'entraîner, pour certains d'entre eux, des difficultés de balance des paiements. Quelle que soit l'efficacité des mesures de compensation, des procédures d'aide mutuelle et des clauses de sauvegarde qui seront prévues par le Traité, il se pourrait que les troubles entraînés par de telles divergences viennent entraver la réalisation du marché commun.

En second lieu, l'intercommunication de plus en plus étroite des économies des six pays rendra l'évolution de la situation monétaire de chaque pays de plus en plus dépendante de l'évolution de celle des cinq autres. Les décisions prises par les autorités monétaires de l'un quelconque des membres de la Communauté auront des incidences sur la situation monétaire dans les

autres pays. Toute mesure importante, qui serait prise par ces autorités sans souci des répercussions qu'elle pourrait avoir dans les autres pays, serait susceptible d'apporter, dans les échanges de marchandises et les mouvements de capitaux, des désordres de nature à compromettre la stabilité monétaire à l'intérieur des autres pays.

Il y a lieu, d'autre part, de rappeler que le marché commun ne sera pas isolé du monde extérieur. Le Projet de Traité prévoit, en ce qui concerne les rapports avec les pays tiers, l'institution d'un tarif extérieur commun et l'harmonisation des politiques commerciales. Mais l'orientation du commerce extérieur ne dépend pas seulement de la réglementation douanière et de la politique commerciale; le statut externe de la monnaie a également sur cette orientation une influence très importante. Les six pays ne pourraient parvenir à constituer une véritable unité du point de vue du commerce international si leurs régimes de changes étaient trop dissemblables. Les autorités nationales auront donc à rapprocher et à harmoniser constamment leurs régimes de changes.

Enfin, il n'est pas contestable que, dans l'œuvre de réalisation du marché commun, la libération progressive des mouvements de capitaux doit tenir une place importante; il n'est pas douteux non plus que l'harmonisation des conditions dans lesquelles les entreprises des six pays pourront recourir au crédit constituera un des éléments de la réalisation d'une concurrence équitable. Or la réglementation des mouvements de capitaux et celle du crédit sont inséparables de la politique monétaire. Les Etats membres ne parviendront à atteindre leurs objectifs dans ces deux domaines que s'ils réussissent à instaurer une étroite coordination de leurs politiques monétaires.

Telles sont les principales raisons pour lesquelles, dans le domaine de la monnaie, les Etats membres devront, tout en conservant leur souveraineté, harmoniser constamment leurs politiques. Les modalités de réalisation de cette harmonisation ne sauraient faire l'objet de règles précises fixées à l'avance dans le Traité. La politique monétaire est en évolution permanente et doit être à chaque instant adaptée aux conditions de la conjoncture. Seule, dans ce domaine, une confrontation permanente et réciproque de leurs politiques, permettra aux six Etats membres d'instaurer entre eux une coopération efficace. C'est afin d'assurer cette confrontation permanente que la délégation française a suggéré la création d'un Comité Monétaire.

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### Introduction to document 11-13

In its memorandum on a Monetary Committee<sup>71</sup>, the French delegation pointed to a range of currency-related problems raised by the establishment of a Common Market. These problems were addressed in the Treaty of Rome that established the European Economic Community, as shown in document 11.

The overall principle was set out in Article 104: Each Member State shall pursue the economic policy necessary to ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while ensuring a high level of employment and the stability of the level of prices.

Echoing this ambitious provision, Article 105 to 109 laid down the procedures for monetary cooperation with a view to making compliance with Article 104 easier to achieve. These provisions displayed a weakness which the EEC subsequently attempted to overcome: although the Common Market was established at the European level, with Community institutions (the Commission in the first instance) to establish and safeguard it, monetary policy remained a national matter. These articles showed a determination to establish cooperation between the Member States and their central banks. The Commission and the Monetary Committee received an advisory role. The establishment of monetary integration was as such not mentioned in the treaty. Nonetheless, particularly under Article 108, the Commission and the Monetary Committee were able to play an important part. The few articles on monetary policy contrasted with the great detail provided on how the Customs Union was to be set up, in several stages, from 1 January 1959.

Presented here as document 12, the address by Walter Hallstein to the members of the Monetary Committee was delivered against a background of uncertainty on two fronts. Firstly, 1958 was a time when the Community institutions were being set up and the balance between the Council of Ministers, the Assembly and the Commission had not yet been defined. Secondly, France, since two days before under Prime Ministership of Charles de Gaulle, was in a state of political crisis. Moreover, De Gaulle was a fierce opponent of integration as such. He said very little about the Rome Treaties and deliberately left people in the dark as to his intentions. It is probably to this second point that Walter Hallstein alluded briefly when mentioning 'events which we are now seeing unfold' (below).

Hallstein's speech was that of a President of the Commission well aware that the institution he ran had no power in certain areas, including monetary policy. To dispel these doubts, Hallstein relied on political will and optimism, convinced as he was that the Member States would realise that the Common Market was in their interests and that they would therefore take the necessary budgetary and monetary steps to preserve it. It appears likely that although he was thinking of all the Member States, Hallstein was implicitly alluding to the prevailing doubts as to De Gaulle's attitude. He closed by reviewing the role of the Monetary Committee: its members must be independent experts who use their reports as a means of pointing to the best steps to be taken to get the Member States to coordinate their monetary policies in such a way as to ensure that the Common Market functions properly. Finally, Hallstein surveyed

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<sup>71</sup> See document 10.

the provisions of the Treaty which related to the Committee. He urged its members to say what they thought, even if it meant uttering 'unpleasant truths'. The Commission, through the voice of its first President, thereby hoped that the Monetary Committee would play a major part.

The EEC treaty was not the only European accord to deal with monetary policy. In parallel to the setting up of the fledgling European Community, the EMA<sup>72</sup> replaced the EPU in 1958. As German minister Franz Blücher had announced,<sup>73</sup> the EPU was only a transitional solution. With the entry into force of the EMA, European currencies — in particular those of the Six and the United Kingdom — became convertible, albeit each to a different extent depending on the country. In that sense, the application of the gold standard stipulated by the Bretton Woods agreements became a reality in a large part of non-Communist Europe. It served to make it easier to set up the Common Market.

A few weeks after the currencies had become externally convertible the first annual report of the Monetary Committee was released. It was divided into two chapters: one on the activities and role of the Monetary Committee, and one on national monetary situations and the consequences of convertibility. The report was highly topical, as some of the Member States had drastically overhauled their monetary policies in connection with convertibility. France, for example, adopted a monetary reform plan and lifted restrictions on trade at the end of 1958, once the institutions of the Fifth Republic had been established.

Although the report, shown here as document 13, welcomed the move to liberalise monetary policies and bring them closer together, the Monetary Committee called for the reduction of the continuing disparities in the convertibility. For the committee, the first moves to convertibility were excellent news, yet it thought that things should be taken further. It also stressed the need for continuous monetary cooperation between the Member States: if monetary policies would diverge, the progress achieved with respect to currency convertibility and trade liberalisation would be put at serious risk.

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<sup>72</sup> See introductory text to document 4.

<sup>73</sup> See document 6.

## 11.

**Articles 104 to 109 of the Treaty establishing the European Economic Community (Treaty of Rome), 25 March 1957.**

*Treaty establishing the European Economic Community and connected documents* (Luxembourg: Publishing Services of the European Communities) [s.d.].

*Article 104*

Each Member State shall pursue the economic policy necessary to ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while ensuring a high level of employment and the stability of the level of prices.

*Article 105*

1. In order to facilitate the attainment of the objectives stated in Article 104, Member States shall coordinate their economic policies. They shall for this purpose institute a collaboration between the competent services of their administrative departments and between their central banks. The Commission shall submit to the Council recommendations for the bringing into effect of such collaboration.

2. In order to promote the co-ordination of the policies of Member States in monetary matters to the full extent necessary for the functioning of the Common Market, a Monetary Committee with consultative status shall hereby be established with the following tasks:

— to keep under review the monetary and financial situation of Member States and of the Community and also the general payments system of Member States and to report regularly thereon to the Council and to the Commission; and

— to formulate opinions, at the request of the Council or of the Commission or on its own initiative, for submission to the said institutions

The Member States and the Commission shall each appoint two members of the Monetary Committee.

*Article 106*

1. Each Member State undertakes to authorise, in the currency of the Member State in which the creditor or the beneficiary resides, any payments connected with the exchange of goods, services or capital, and also any transfers of capital and wages, to the extent that the movement of goods, services, capital and persons is freed as between Member States in application of this Treaty. Member States hereby declare their willingness to free payments beyond the extent provided for in the preceding sub-paragraph, in so far as their economic situation in general and the situation of their balance of payments in particular so permit.

2. To the extent that exchanges of goods and services and movements of capital are limited only by restrictions on payments connected therewith, the provisions of the Chapters relating to the abolition of quantitative restrictions, to the freeing of services and to the free movement of capital shall, for the purposes of the progressive abolition of such restrictions, apply by analogy.

3. Member States undertake not to introduce as between themselves any new restrictions on transfers connected with the invisible transactions listed in Annex III to this Treaty. The progressive abolition of existing restrictions shall

be effected in accordance with the provisions of Articles 63 to 65 inclusive, in so far as such abolition is not governed by the provisions contained in paragraphs 1 and 2 or by the Chapter relating to the free movement of capital.

4. Member States shall, where necessary, seek agreement concerning the measures to be taken in order to enable the payments and transfers mentioned in this Article to be effected. These measures shall not adversely affect the attainment of the objectives laid down in this Chapter.

*Article 107*

1. Each Member State shall treat its policy with regard to exchange rates as a matter of common interest.

2. If a Member State alters its exchange rate in a manner which is incompatible with the objectives laid down in Article 104 and which seriously distorts the conditions of competition, the Commission may, after consulting the Monetary Committee, authorise other Member States to take for a strictly limited period the necessary measures, of which it shall determine the conditions and particulars, in order to deal with the consequences of such alteration.

*Article 108*

1. Where a Member State is in difficulties or seriously threatened with difficulties as regards its balance of payments as a result either of overall disequilibrium of the balance of payments or of the kinds of currency at its disposal and where such difficulties are likely, in particular, to prejudice the functioning of the Common Market or the progressive establishment of the common commercial policy, the Commission shall without delay examine the situation of such State and the action which, in making use of all the means at its disposal, that State has taken or may take in conformity with the provisions of Article 104. The Commission shall indicate the measures which it recommends to the State concerned to adopt.

If the action taken by a Member State and the measures suggested by the Commission do not prove sufficient to overcome the difficulties encountered or threatening, the Commission shall, after consulting the Monetary Committee, recommend to the Council the granting of mutual assistance and the appropriate methods therefore.

The Commission shall keep the Council regularly informed of the situation and of its development.

2. The Council, acting by means of a qualified majority vote, shall grant mutual assistance; it shall issue directives or decisions laying down the conditions and particulars thereof. Mutual assistance may take the form, in particular, of:

(a) concerted action in regard to any other international organisations to which Member States may have recourse;

(b) any measures necessary to avoid diversions of commercial traffic where the State in difficulties maintains or re-establishes quantitative restrictions with regard to third countries; or

(c) the granting of limited credits by other Member States, subject to the agreement of the latter.

Furthermore, during the transitional period, mutual assistance may also take the form of special reductions in customs duties or enlargements of quotas, for the purpose of facilitating the increase of imports from the State

in difficulties, subject to the agreement of the States by which such measures would have to be taken.

3. If the mutual assistance recommended by the Commission is not granted by the Council or if the mutual assistance granted and the measures taken are insufficient, the Commission shall authorise the State in difficulties to take measures of safeguard of which the Commission shall determine the conditions and particulars.

Such authorisation may be revoked and such conditions and particulars may be amended by the Council acting by means of a qualified majority vote.

#### *Article 109*

1. Where a sudden crisis in the balance of payments occurs and if a decision, within the meaning of Article 108, paragraph 2, is not immediately taken, the Member State concerned may provisionally take the necessary measures of safeguard. Such measures shall cause the least possible disturbance in the functioning of the Common Market and shall not exceed the minimum strictly necessary to remedy the sudden difficulties which have arisen.

2. The Commission and the other Member States shall be informed of such measures of safeguard not later than at the time of their entry into force. The Commission may recommend to the Council mutual assistance under the terms of Article 108.

3. On the basis of an opinion of the Commission and after consulting the Monetary Committee, the Council, acting by means of a qualified majority vote, may decide that the State concerned shall amend, suspend or abolish the measures of safeguard referred to above.

## 12.

### **Speech by the chairman of the European Commission (Walter Hallstein) to the constitutive session of the Monetary Committee, 3 June 1958.**

Historical Archives of the European Union (Florence, Villa il Poggiolo), European Community Institutions Collection, EC. EEC and Euratom Council of Ministers, CM2 1958, inv.no. 613: Opening sitting of the Monetary Committee. © European Union.

Messieurs, les paroles de bienvenue que je me permets de vous adresser au nom de la Commission de la Communauté Economique Européenne sont plus qu'une simple formule de politesse.

L'intégration européenne ne se fera pas d'une façon mécanique, à la suite de quelque processus automatique et mystérieux. Elle ne se fera pas non plus par des alignements spontanés et répétés de la politique des divers Etats.

L'intégration doit se faire plutôt par étapes, elle doit devenir une réalité par le détour de notre Union douanière. Aussi pour atteindre cet objectif est-il nécessaire que la libération du trafic des personnes, des capitaux et des services entre nos six pays aille de pair avec la coordination de la politique économique et monétaire des Etats membres.

C'est le Traité qui délimite en l'occurrence les responsabilités. La Commission a entre autres pour tâche de veiller à ce que l'abaissement des tarifs douaniers intérieurs et l'assouplissement des contingentements soient effectués dans les délais prévus. Elle présente au Conseil des propositions en

vue d'harmoniser les impôts indirects et les impôts sur le chiffre d'affaires. Tout en faisant usage du droit de décision dont elle dispose dans certains domaines, ainsi que du droit spécial de proposition dans d'autres cas, la Commission recommande au Conseil les méthodes pour l'harmonisation des dispositions juridiques et administratives nécessaires à la création du marché commun.

Il importe toutefois de souligner ici même que la compétence de la Commission ne s'étend pas à certains domaines importants que les Etats se sont réservés. Les dépenses publiques tout comme les impôts, le système des crédits et les investissements demeurent du ressort des Gouvernements nationaux.

En outre, chaque Etat membre fait la politique économique qui lui paraît nécessaire pour garantir l'équilibre de sa balance générale des paiements et pour maintenir la confiance quant à sa monnaie nationale.

Au stade de l'intégration que vient d'atteindre aujourd'hui notre Communauté, il existe par conséquent une division des compétences entre les nouvelles institutions et les Gouvernements nationaux. D'autre part, le Traité prévoit diverses liaisons entre nos institutions afin d'éviter le risque de mesures contradictoires. Dans le domaine de la politique conjoncturelle, les Etats membres se consultent entre eux et consultent la Commission. Afin de coordonner leur politique économique, les Etats organisent une collaboration entre leurs services administratifs compétents et leurs Banques d'émission. Enfin, votre Comité monétaire, Messieurs, est chargé de promouvoir la coordination des politiques des Etats membres en matière monétaire dans toute la mesure nécessaire au fonctionnement du Marché Commun.

La santé économique d'une nation se reflète d'une façon très marquante dans sa monnaie. De temps à autre l'on peut s'attendre à quelque accès de fièvre qu'il s'agit de combattre; ceci exige une vigilance constante tant dans le domaine des diagnostics que dans celui de la thérapeutique. Jusqu'à ce jour, Messieurs, vous étiez appelés à agir dans vos pays. A présent, votre art et votre science feront leurs preuves dans un champ beaucoup plus vaste et à des conditions qui ne seront pas toujours faciles, comme les événements dont nous sommes les témoins semblent le démontrer.

Permettez-moi de vous dire que c'est en raison même de l'autonomie dont dispose chacun des pays membres dans les domaines les plus importants de la vie que le succès de la Communauté dépend de notre volonté politique. Les difficultés et les obstacles auxquels nous nous heurterons à l'avenir seront surmontés par nous pourvu que nous soyons décidés à parvenir coûte que coûte au but. Vous pouvez compter entièrement sur la Commission et sur sa volonté inébranlable de remplir la tâche qui lui est assignée.

La volonté politique de créer l'Europe se fortifiera comme je le crois de plus en plus avec le temps. Il n'existe pour aucun de nos 6 pays d'autre solution acceptable que celle du Marché Commun. Par un mouvement irréversible nous sommes conduits vers de nouvelles formes de la vie économique, lesquelles ne manqueront pas de provoquer des changements profonds dans le comportement de chaque Etat, même dans les domaines où celui-ci aura conservé son autonomie. L'intégration graduelle limitera en fait l'initiative des Etats. Pour le domaine de votre compétence, cela signifiera, Messieurs, que l'inflation ou la déflation survenant dans un pays deviendra tout autant un problème d'intérêt commun que la politique d'un Etat en matière monétaire.

Il en ressort que chacune des parties du Marché Commun est intéressée à ce que la situation financière et économique des autres parties demeure aussi

saine que possible. D'autre part, chaque Etat doit plus que jamais prendre soin de maintenir l'équilibre de son budget, et une monnaie saine, puisque la circulation des capitaux sera rendue libre à l'intérieur de la Communauté. Cependant, Messieurs, un budget équilibré n'est pas un but en soi mais il est absolument nécessaire pour permettre d'atteindre les objectifs permanents de notre Communauté. Le développement harmonieux de la vie économique dans l'ensemble de la Communauté, une expansion économique constante et bien équilibrée, une stabilité plus grande et un relèvement plus rapide des conditions de vie, - tels sont les buts visés par le Traité.

La vitesse de notre progrès sera conditionnée sans doute, en partie, par les moyens financiers dont pourra disposer la Communauté. Sous ce rapport, le marché commun ne peut pas accomplir des miracles. Il ne conduira pas ceux qui y participent d'un jour à l'autre, et sans grand effort, à une nouvelle richesse, facilement acquise. Tout au contraire, il exigera des moyens multiples et variés. Les entreprises devront subir des charges financières considérables en s'adaptant aux conditions d'une concurrence plus étendue. En outre, les Etats devront fournir des capitaux au fonds social européen et à la Banque européenne des Investissements.

De même, devront-ils créer un Fonds de développement pour les pays et territoires d'outre-mer.

En regardant le problème en face, nous ferons preuve d'un sens robuste des réalités et d'un optimisme solide. Quoi qu'il en soit, la mise est digne de tous vos efforts. Avec l'autorité que vous confèrent vos fonctions importantes et votre expérience, vous aussi, Messieurs, contribuerez activement à la réussite d'une entreprise comme il n'en existe pas d'autres ni en Europe ni dans le monde entier. Abstraction faite de vos rapports avec les deux représentants de la Commission de la Communauté Economique Européenne, vous êtes des experts indépendants. Vous vous êtes réunis afin de coordonner la politique monétaire des Etats membres dans la mesure nécessaire afin de parvenir à l'objectif visé, c'est-à-dire, pour déterminer les conditions indispensables pour le fonctionnement satisfaisant du marché commun. Rarement un organisme consultatif s'est vu investi d'une responsabilité aussi grande. Certes, votre Comité ne dispose pas du pouvoir de décision. Cependant, son avis sera d'un poids considérable. Aucune initiative ne sera prise en matière de coordination des politiques monétaires sans que vous ayez été entendus préalablement, et il n'est guère probable que le Conseil ou la Commission s'écarte sur des points importants de vos conclusions.

Je voudrais donner ici un bref aperçu du vaste champ de vos activités: Votre tâche est la suivante: vous devez présenter au Conseil et à la Commission régulièrement des rapports sur la situation monétaire et financière des Etats membres et de la Communauté ainsi que sur le régime général des paiements des Etats membres. Vous devez formuler des avis soit à la requête du Conseil ou de la Commission soit de votre propre initiative, à l'intention de ces Institutions (Art. 105).

D'autres consultations sont prévues, à savoir:

- la Commission consultera le Comité monétaire lors de la suppression progressive de toutes les restrictions aux mouvements des capitaux entre les Etats membres (Art. 69).
- la Commission consultera le Comité monétaire en adressant aux Etats membres des recommandations en vue de réduire autant que possible les restrictions en matière de mouvements de capitaux et des paiements courants

afférents à ces mouvements (Art. 71).

– le Comité sera entendu lorsque la Commission devra décider des mesures de protection prises par un Etat membre dans le domaine des mouvements des capitaux. (art. 73)

– si un Etat membre procède à une modification de son taux de change qui ne répond pas aux objectifs de l'art. 104, la Commission peut, après consultation du Comité monétaire, autoriser d'autres Etats membres à prendre, pour une période strictement limitée, les mesures nécessaires pour parer aux conséquences de cette action. (art. 107)

– en cas de difficultés dans la balance des paiements d'un Etat membre, la Commission vous consulte avant de recommander au Conseil le concours mutuel et les méthodes appropriées, si l'action entreprise par un Etat membre ne paraît pas suffisante pour aplanir les difficultés ou menaces de difficultés rencontrées. (art. 108)

– enfin, si, en cas de crise soudaine dans la balance des paiements, l'Etat membre intéressé a pris, à titre conservatoire, les mesures de sauvegarde nécessaires, le Conseil peut sur l'avis de la Commission, et après consultation du Comité monétaire, décider, en statuant à la majorité qualifiée, que l'Etat intéressé doit modifier, suspendre ou supprimer les mesures de sauvegarde susvisées. (art. 109)

Vous avez le droit, Messieurs, de vous faire entendre chaque fois que vous le jugez utile. Je suis persuadé que nous profiterons maintes fois de vos considérations judicieuses et que vous aiderez activement à fixer une ligne d'orientation qui permettra de joindre aux nécessités urgentes de l'expansion économique l'équilibre financier et un degré d'emploi élevé. Il vaut mieux prévenir que guérir, dit le proverbe. Dans un monde soumis à une évolution rapide, la Communauté se fie à votre vigilance afin de pouvoir éviter les récifs que vous verrez de loin. Rarement les choses s'arrangent d'elles-mêmes, et si c'est parfois le cas chez l'individu, cela ne se produit jamais dans les Communautés, qu'il s'agisse de Nations ou de fédérations de peuples.

N'hésitez pas, je vous en prie, de parler d'un ton ferme ni de dire, le cas échéant, des vérités désagréables. Vous pouvez formuler vos avis sans ambages; ceux-ci, en effet, ne sont pas destinés à servir de sujet de commentaires à l'opinion publique. Ils ne sont adressés qu'au Conseil exclusivement et à la Commission, afin que les deux puissent en faire usage.

Votre clarté et votre fermeté seront mises au service d'un idéal commun, à savoir de la construction d'une Communauté florissante de peuples qui sont décidés à subir entièrement les conséquences de l'intégration.

C'est aujourd'hui une formule banale que de dire que le Traité qui se trouve à l'origine de la Commission de la Communauté Economique Européenne est un Traité cadre. Son contenu, c'est-à-dire la substance future de notre Communauté, devra être créé constamment par une discipline librement acceptée par la certitude que nos pays comportent plus d'éléments communs que d'éléments qui les séparent; en un mot, par le désir raisonné d'atteindre l'objectif visé.

Je voudrais terminer, Messieurs, en exprimant l'espoir que votre travail deviendra l'un des appuis importants du nouvel édifice européen et en formulant le vœu que votre collaboration au service de nos peuples, réunis sous le signe d'une Communauté pacifique et fraternelle, obtienne le succès qu'elle mérite et que nous tous désirons.

13.

**First report on the activities of the Monetary Committee of the EEC, 28 February 1959.**

Historical Archives of the European Union (Florence, Villa il Poggiolo), European Community Institutions Collection, EC. EEC and Euratom Council of Ministers, CM2. 1959, inv.no. 598: Report of the Monetary Committee. © European Union.

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*Section II: Conséquences de la convertibilité des monnaies européennes*

23. Le 27 décembre 1958, les six Etats membres de la Communauté Economique Européenne, de concert avec le Royaume-Uni, ont pris l'initiative de réaliser la convertibilité externe de leurs monnaies; en conséquence, conformément à la clause spéciale de terminaison de l'accord établissant l'UEP, cette dernière, a été mise en liquidation et l'Accord monétaire européen, signé au mois d'août 1955 par tous les pays membres de l'OECE, est aussitôt entré en vigueur.

24. Au point de vue technique, le passage à la convertibilité externe a pris la forme d'une suppression des distinctions qui subsistaient entre les 'comptes transférables' et les 'comptes convertibles'. Grâce à l'UEP, les monnaies des pays membres étaient transférables dans une large zone, plus étendue que la zone OECE. Par ailleurs, les comptes transférables de certains pays pouvaient être cédés sur les marchés libres des changes de pays tiers et convertis en dollars, avec de très légères différences de taux. Ainsi le passage à la convertibilité représente l'aboutissement d'une évolution progressive.

25. Le champ d'application des mesures de convertibilité n'est toutefois pas le même pour tous les pays de la Communauté.

Tout d'abord, l'extension géographique de la zone de convertibilité varie selon les pays: certains ont, en effet, conservé d'assez nombreux accords de paiements bilatéraux alors que d'autres n'en ont plus qu'un nombre très limité.

Par ailleurs, en ce qui concerne les résidents des différents pays, les réglementations des changes définissent d'une manière plus ou moins large les transactions commerciales et financières autorisées.

C'est ainsi que l'Allemagne, l'Italie et le Benelux avaient déjà un niveau élevé de libération de leur commerce avec les pays de l'OECE et la zone dollar; la France, en même temps qu'elle établissait la convertibilité externe de sa monnaie, a libéré largement ses échanges avec ces deux groupes de pays.

26. De même, les Etats membres avaient déjà progressivement assoupli ou supprimé les restrictions aux mouvements de capitaux.

Ainsi, en Allemagne, tous les contrôles à l'exportation de capitaux avaient été supprimés depuis septembre 1957 alors que, pour les importations de capitaux, ne subsistent qu'un petit nombre de restrictions, de portée limitée.

En Union économique belgo-luxembourgeoise, l'existence d'un marché libre des changes, sur lequel les transactions financières sont effectuées sans contrôle et sans intervention des autorités monétaires, a pratiquement été réalisé, depuis plusieurs années, la convertibilité du franc belge pour ces transactions.

En Italie également existe un marché libre des changes pour les opérations financières, mais les contrôles ont été maintenus en ce qui concerne les résidents.

Aux Pays-Bas, les mouvements de capitaux restent en principe assujettis à des autorisations spéciales, qui sont d'ailleurs libéralement accordées, notamment dans le secteur du commerce des titres, dont une très importante partie a été libérée moyennant des licences générales.

En France, les avoirs en capital des non-résidents viennent d'être libérés, le régime des valeurs mobilières a été assoupli mais les investissements directs à l'étranger des résidents demeurent subordonnés à autorisation.

27. Comme la convertibilité externe n'était pas compatible avec les règles de l'UEP, en particulier avec le système de crédits automatiques, les pays membres de l'OECE avaient conclu, en 1955, l'Accord monétaire européen, pour définir les modalités de la coopération monétaire européenne après le passage à la convertibilité.<sup>74</sup>

L'AME comporte l'institution d'un fonds européen de 600 millions de dollars qui peut accorder des crédits ad hoc, à deux ans d'échéance au maximum aux pays membres qui éprouvent des difficultés temporaires dans leur balance globale des paiements.

Par ailleurs, en vertu du nouveau système multilatéral de règlements, les créances acquises dans la monnaie des pays membres de l'AME par d'autres pays membres, sont désormais susceptibles d'être réglées intégralement en dollars dans le cadre de la compensation mensuelle; en fait, la quasi totalité des opérations s'effectue au jour le jour sur les marchés des changes.

28. Dans l'opinion du Comité, les mesures de convertibilité et l'entrée en vigueur de l'AME appellent, du point de vue du fonctionnement du Marché commun, les commentaires suivants:

a) L'adoption par les pays membres d'une attitude commune à l'égard du problème de la convertibilité externe des monnaies aura pour effet de faciliter la réalisation des objectifs du Marché commun et les rapports avec les pays tiers.

b) L'Accord monétaire européen, comme auparavant l'UEP, permet d'assurer la liberté des transferts entre les Etats membres du Marché commun.

c) Les mesures de convertibilité ne sont pas de nature à entraîner, du moins dans un proche avenir, de modifications importantes dans les courants échanges, aussi bien entre les pays du Marché commun qu'entre la Communauté et les pays tiers.

d) Les indications données précédemment sur le degré de convertibilité interne auquel sont parvenus les pays du Marché commun montrent que des différences subsistent dans les niveaux de libération atteints pour les transactions, les services et les capitaux. Le Comité souhaite que ces différences soient réduites par l'assouplissement progressif et le rapprochement des régimes de changes.

e) L'établissement de la convertibilité externe et la suppression des crédits automatiques ne peuvent, de l'avis du Comité, que renforcer la nécessité, pour les pays du Marché commun, de maintenir la stabilité financière et monétaire, facilitant ainsi la réalisation du Marché commun. Une coopération étroite des Etats membres s'impose dans le domaine monétaire. Si les pays adoptaient des politiques divergentes, il pourrait en résulter des tensions de nature à mettre en danger les progrès réalisés en matière de convertibilité des monnaies et de

<sup>74</sup> Note in text: 'Les pays de la Communauté, à l'exception de la France, sont créanciers de l'Union au moment de la liquidation de cette dernière. Des négociations bilatérales vont intervenir pour fixer les conditions de remboursement des créances et des dettes, et notamment leur durée d'amortissement.

libération des échanges. La coordination des politiques monétaires est donc indispensable pour permettre un développement économique régulier des pays de la Communauté, tout en maintenant la stabilité interne et externe de leurs monnaies.

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On the occasion of the signing of the Rome Treaties on 25 March 1957, Paul Henri Spaak, the Belgian Foreign Minister, is pictured in front of a statue of the foot of the Roman emperor Constantine the Great.

The Rome Treaties provided a 'footprint' for further developments on monetary integration in Europe.

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## Introduction to document 14

The Treaty of Rome provided for the establishment of a Common Market at the end of a transitional phase in three stages (Article 8 of the Treaty). This transitional period of a maximum of twelve years was to enable the gradual formation of a customs union and a common external tariff for the Six. The period was divided into three stages of four years, with a series of actions to be completed in each stage. This system of three stages allowed for a gradual reduction in customs tariffs, as described in Article 14 of the Treaty.

In October 1962, the Commission published an Action Plan for stage two of the transition. The Action Plan referred to a monetary union to be set up in stage two and completed in stage three, though without impinging on the sovereignty of the EEC's Member States. The plan was a response to a resolution passed by the EEC Parliamentary Assembly calling for the establishment of a 'federal' system linking the Member States' central banks with a central institution responsible for a common monetary policy.

Both the Action Plan and the Assembly resolution came about in a particular context: the international monetary system was under scrutiny, particularly since the American-Belgian economist Robert Triffin had formulated his famous dilemma in 1960. Triffin stated that if the international monetary system was to function, the United States had to have a deficit in its balance of payments so that the global community could be supplied with international means of payment; yet this very deficit would erode the confidence of economic agents in the dollar, the international reference currency. Therefore the need for reliable international means of payment would paradoxically lead to a loss of confidence in the reference currency.<sup>75</sup> Indeed, the international monetary system had been under pressure for several years. In response, a Gold Pool had been set up in 1961. The EEC addressed the issue in its own context, preparing for the establishment of a common agricultural policy (CAP) which stipulated that agricultural prices should be fixed in a common unit of account. This provided a stimulus to increased monetary cooperation in the EEC.

Chapter VIII of the Action Programme, presented here as document 14, dealt with monetary policy. Its content was heavily influenced by Robert Marjolin, the French former Secretary-General of the OEEC and now Vice-President of the European Commission. The Chapter traced the basic arguments for a monetary union: it should protect Europe from currency fluctuations, help it free itself from the tutelary guidance of the dollar and speed up the process of European unity in general.<sup>76</sup>

Reaction from the Council of Ministers to these proposals fell short of the aspirations set out in the Action Programme. Even so, the programme led to the setting up of the Committee of Governors of the Central Banks of the Member States by the EEC Council on 8 May 1964, at the same time as the Budgetary Policy Committee and the Medium-Term Economic Policy Committee.

<sup>75</sup> Robert Triffin, *Gold and the Dollar Crisis*. (New Haven: Yale University Press, 1960).

<sup>76</sup> Pierre Du Bois, *Histoire de l'Europe monétaire 1945-2005: Euro qui comme Ulysse...* (Paris: Presses Universitaires de France, 2008), 40 ff.

14.

**Memorandum of the European Commission on the Action Programme of the Community for the Second Stage, 24 October 1962.**

Brussels: Publishing Services of the European Communities, 1962. © European Communities.

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CHAPTER VIII: *Monetary policy*

127. The two preceding chapters have shown how the Community must move towards the establishment of one single centre for economic policy. Nevertheless, such a co-ordination of national policies, leading to their being eventually merged into one, would be incomplete, and therefore possibly ineffective, if no comparable action were undertaken in the field of monetary policy, that is to say with regard to the rules which govern the creation and movement of money in the member countries. Though monetary policy now no longer plays the same almost exclusive leading part as at various times in the past, it still has an important contribution to make to the general equilibrium – if only to act as a brake on an economy threatened by inflation.

128. But monetary policy is of vital importance to the Common Market from another point of view. From the end of the transition period on, if not even sooner, economic union will involve fixed rates of exchange between Member States with very narrow limits on the variations allowed. Any major modification would so much upset the trade of countries no longer protected by any customs barrier, and, because of the guaranteed Community intervention price for grain and other basic agricultural products, would cause such sudden changes in prices of farm products and therefore in farm incomes also, that the Common Market itself could be imperilled.

These fixed rates of exchange are the very essence of a monetary union for, when they are firmly guaranteed by appropriate institutions and methods, it is a matter of indifference to the citizens of any Member State whether they hold assets in one particular Community currency or another. The progressive merging of the short- and long-term economic policies will certainly help considerably in achieving this, but it would not be sufficient if it were unsupported by specific action in the monetary field.

129. Also, the six Community countries are members of a worldwide monetary system based on gold and on two major reserve currencies. This is not the place to discuss the merits of the system, but it may be said without exaggeration that it makes for a certain fragility calling for constant action if undue strains are to be avoided. The Community will be all the more able to act effectively in this direction as it will function as a single unit; the emergence of a European reserve currency would considerably facilitate international monetary co-operation and a reform of the present system.

130. It will be noted in this context that what is at stake here is not only the stability of the world monetary system but also the cohesion of the Common Market, which would inevitably be deeply affected by serious monetary difficulties even if these primarily concerned countries outside the Community. The Treaty makes provision for a common commercial policy but not for a common monetary policy; this is an obvious gap which needs to be bridged.

131. The programme which the Commission proposes to adopt in this field is set out below. The Commission will formulate the necessary proposals and in so doing it will constantly draw on the advice of the Monetary Committee which, in recent years, has proved itself to be one of the most important Community institutions so much so that the Commission would like to see its terms of reference and authority extended even further. Clearly, the entry of the United Kingdom into the Community will profoundly alter the nature of the monetary problem as it presents itself to the Member States and the institutions of the Community today. The Commission is nevertheless convinced that the ideas expressed above will lose nothing of their cogency and importance.

132. (1) Since the inception of the Community the Commission has derived great benefit from numerous consultations with the Governors of the Central Banks of the Common Market countries who, moreover, regularly meet under the auspices of the Bank for International Settlements. Nevertheless the Commission believes that it would be useful for all concerned if the Community's specific monetary problems – and general monetary problems as seen from the Community angle – were kept under constant review by a council composed of the Governors of the Banks of Issue of the Community countries in so far as these matters fall within the competence of the Central Banks. Provision could be made for a Committee of Deputies.

For questions within the ambit of both Central Banks and Governments, meetings would be arranged under the auspices of the EEC Council with the Ministers of Finance or Economics and the Governors of the Central Banks in attendance. Unofficial meetings of the same group of persons would continue to be held, as has been the case since 1959. The Monetary Committee would prepare the decisions of the Ministers and Governors.

133. (2) Important monetary decisions would be discussed in advance in one of the bodies referred to above. This would apply in particular to any major decision affecting the creation of money in one of the Member States; changes in Bank Rate or other short-term rates, minimum reserves, rediscount quotas, open market policy, and so on. Prior consultation would also apply in cases where a Central Bank makes an advance to the State or in case of changes in the rate of exchange between one Community currency and the others, a contingency which cannot be ruled out altogether during the transition period.

The Commission is fully aware of the delicate nature of this proposal in view of the need to observe the strictest secrecy. It nevertheless believes that such prior consultation would be possible if – in the most important cases – it involved only one person per country, one representative of the Commission and one secretary.

Flexible procedures can be worked out. In cases to be carefully determined it might be sufficient – in order that consultation may be said to have occurred – for one country to discuss with its partners and the Commission the general direction of its monetary policy and the measures it proposes to take within a specified period provided that the information was precise and the time-limit relatively short. In other cases, where less important decisions are involved, a procedure of prior information might suffice and an exchange of views would take place only at the request of another country or the Commission.

134. (3) The system of prior consultation, which could be organized by mid-1963, will naturally develop – for the same questions – into a system of recommendations which the countries other than the one taking action would address to it on their own account whenever they deemed necessary. The Monetary Committee has, in fact, already launched out on this road.

135. (4) With regard to external monetary relations the Commission accepts the view of the Monetary Committee that recourse by any Member State to the facilities offered by the International Monetary Fund must necessarily be preceded by consultations within the Community. The Commission feels, generally speaking, that a common position should be worked out on all important decisions in international institutions whether they concern Member States or non-member countries. It also feels that there is need to harmonize the policies of the Central Banks on reserve currencies, on which the present international monetary system largely rests. Lastly, it is of the opinion that the Member States should work out a common position regarding the present monetary system and any reforms that might be contemplated.

Of the recommendations set out in the preceding paragraph the first three could be immediately applied; the discussion of the last, which has already begun in the Monetary Committee, should be terminated before the end of 1963. The policy of the Central Banks with regard to the reserve currencies could be covered by a gradual programme of harmonization which, would also be drawn up in 1963.

136. (5) An intergovernmental agreement should lay down now the extent of the obligations which each country was prepared to accept with regard to mutual aid under the Treaty, without such prior agreement in any way prejudging the question of whether the Member State in difficulty fulfils the conditions under which aid is to be given. But, if an affirmative decision were given on this latter point, the maximum credits which Member States had committed themselves to make available would be known in advance. These credits should represent a certain proportion of the gold and foreign exchange reserves held by each of the Community Central Banks, so as to take into account changes which might occur in the international liquidity situation of any Member State.

137. (6) As the objectives indicated in this and the preceding chapters are attained, the movements of capital still prohibited or restricted will have to be liberalized as explained in Chapter 1.

Monetary policy measures are closely relevant to public finance policy. The confrontation of the budgets of the Member States to which reference is made in the chapter on development will provide an opportunity for a review of problems arising from the volume of public expenditure, possible deficits and methods of financing.

138. This then is the progress which the Commission considers both feasible and necessary in the field of monetary policy during the second stage of the build-up of the Common Market. It will round off the progress already made in budget policy (see above). It will be noted that nothing here proposed detracts from the right of the Member States and of the Banks of Issue to take, after the consultation provided for, any steps they consider best in the national interest. However, the institutions will have been set up and the procedures tested which will make it possible to go further and to advance from the co-ordination to the centralization of decisions.

The establishment of the monetary union could become the objective of the third stage towards the Common Market. The Community Ministers of Finance or of Economics, meeting in the Council, would decide on the conditions to be laid down at the appropriate time: the total volume of the national budgets and of the Community budget, and the general conditions for financing them. The Council of the Governors of the Banks of Issue would become the central organ of a federal type banking system.

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Through its Action Programme, the European Commission wanted to appeal to 'the public arena'.

The public arena became visible during the manifestations taking place in the margins of European negotiations. In 1953, during the Conference of Foreign Ministers of the ECSC in Baden-Baden a cardboard reads a plea in German which can be translated as: 'Unite Europe at last!'

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## Introduction to document 15

The European Commission's memorandum on the Action Programme for the second stage of integration called for intergovernmental consultations in the first half of 1963. In The Hague several ministries, including Foreign Affairs, Finance, Economic Affairs, but also Agriculture, had an interest in European integration, including the monetary plans that the Commission proposed.

Interdepartmental coordination was therefore necessary in order to establish a unitary position on the Action Programme on the basis of which to enter negotiations in Brussels. The establishment of interdepartmental coordination on European policy in the Netherlands can be characterized by a 'turf battle' between the Ministry of Economic Affairs and the Ministry of Foreign Affairs, in which each department strove to define its competences as broadly as possible.<sup>77</sup> After a reorganization in the mid-1950s the coordination of the position of the Netherlands concerning European integration issues was assigned to the newly established Directorate-General European Cooperation of the Ministry of Foreign Affairs. This arrangement was to the detriment of the Ministry of Economic Affairs, which favoured its own Directorate-General Foreign Economic Relations as the central policy making institution.<sup>78</sup> Despite protests, the new arrangement was approved in the Council of Ministers.

Yet Minister of Economic Affairs Jelle Zijlstra received a 'consolation prize'. He became chairman of the interdepartmental Coordination Committee for European Integration and Association issues (CCEIA, referred to in The Hague as CoCo).<sup>79</sup> This Coordination Committee was installed on 20 June, 1956.<sup>80</sup> It was administered by the Ministry of Foreign Affairs, which from the early 1970s also took over the chair in the person of the Secretary of State for Foreign Affairs.<sup>81</sup> CoCo met regularly. Its conclusions were sent as policy recommendations to the Council of Ministers for final approval.

Document 15 shows that the Action Programme was welcomed by the Netherlands and that an early interdepartmental reflection on the Dutch position was considered beneficial, both for the discussions in Brussels and for justification towards Parliament. The note supported the idea of the Commission's role in consulting national experts. The Commission was thus acknowledged as an actor in monetary policy and although the Action Programme would not lead directly to monetary union, it did form a step towards this goal. In subsequent years three new committees on monetary policy were established in which the Commission would take a seat.<sup>82</sup>

<sup>77</sup> Hans Labohm (ed.), *De Waterdragers van het Nederlandse Europabeleid: terugblik op 40 jaar DGES* (Den Haag: Sdu, 1997), 2.

<sup>78</sup> *Ibid.*, 16.

<sup>79</sup> *Ibid.*

<sup>80</sup> Internal memorandum Ministry of Foreign Affairs, 20 June 1956: National Archives of the Netherlands (The Hague), Collection Van der Beugel (2.21.183.08), inv.no. 5. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>81</sup> Burger, E., Groen, P. L. en Steenhuis, J. *Gedane Buitenlandse Zaken: Een Institutioneel Onderzoek naar het Beleidsterrein Buitenlands Beleid, Ontwikkelingssamenwerking en het Ministerie van Buitenlandse Zaken 1945-1990 [1994]*, (The Hague: Rijksarchiefdienst/Ministerie van Buitenlandse Zaken, 2000), 139.

<sup>82</sup> Ivo Maes, 'The Ascent of the European Commission as an Actor in the Monetary Integration Process in the 1960s', *Scottish Journal of Political Economy* 53, no. 2 (2006) 234.

## 15.

**Communication of the Netherlands Ministry of Foreign Affairs to the Interdepartmental Coordination Committee on European Integration and Association Issues on the Action Programme of the Commission, 25 April 1963.**

National Archives of the Netherlands (The Hague), Archive of the Cabinet of the Prime-Minister (2.03.01), inv.no. 2894. Translation: Huygens ING, The Hague.

On 25 October 1962 the EEC Commission proposed a working program to the Council of Ministers<sup>83</sup> that it wishes the Community to implement in the coming years. As Mr. Hallstein explains in his introductory letter, the Commission composed this memorandum in first instance at the request of the European Parliament for its deliberation at the Colloquium of 21 and 22 November 1962 on the theme 'the goals of the Community during the phase corresponding to the second stage of the transition period of the common market'.

The Commission offers in its memorandum a more or less developed overview of the goals to be pursued; it accentuates the coherence between the customs union of the Six that has already been developed significantly, and the economic union – with a common policy in several sectors – that is still in its infancy. Particularly in the area of common policy the Treaty of Rome almost exclusively describes principles. A sketchy elaboration of these principles has now been written in the Action Program.

Because, given the recent experiences, the development of a common policy belongs to the hardest tasks of the Community, it can be considered as a point of victory that the member states are timely confronted with the development of this policy on the basis of some concrete ideas, as the Commission sees this. Furthermore, the member countries are offered a complete picture of the problems they will face in the further construction of the Community.

On the basis of the above, the initiative of the Commission can in general be assessed as useful. Both government and public administration have received guidelines in this program towards future proposals to be expected from the Commission; they can prepare on these matters, test their own views and already decide on the general direction of policy of the Netherlands, which will also benefit interdepartmental coordination.

This 'pre-message' of the Commission also means that Parliament has the opportunity to interrogate the Government on the basis of this on its general ideas concerning the EEC-policy; already the Second Chamber has asked questions about the content of the Action Program during the current debate on various budget chapters.<sup>84</sup> Hence it is also important that the Government reflects on its position regarding the main ideas of the document.

The Netherlands Government has always pursued a strict application of the EEC-Treaty and has been willing, where this seemed necessary and fair, to bring the necessary sacrifices. In principle the Netherlands will also be willing to cooperate in further initiatives of the Commission to carry out the Treaty. Furthermore, the Netherlands shall be willing to adopt a positive approach to

<sup>83</sup> See document 14.

<sup>84</sup> *Handelingen der Staten-Generaal*, Tweede Kamer, 1962-1963, add. 6900, ch. V, no. 11, 5. See: [http://ressourcesgd.kb.nl/SGD/19621963/PDF/SGD\\_19621963\\_0000393.pdf](http://ressourcesgd.kb.nl/SGD/19621963/PDF/SGD_19621963_0000393.pdf) [accessed February 2012].

activities of Community that are based on an extensive interpretation of the EEC-Treaty, as long as they, in the Dutch understanding, benefit the formation of the common market and fit Netherlands policy as outlined after the break-up of negotiations with the British.<sup>85</sup>

The Commission-document will thus have to be examined and tested to the criteria established by the Government and to the articles that have, in part, been included in the EEC Treaty on the insistence of the Netherlands (such as for example article 25 EEC).

Some general remarks and objections can already be explicated. If here a critical tone shines through, this by no means suggests a negative judgement of the program, which without doubt includes a lot of valuable elements.

1. As already suggested above, it can in general be observed that the Commission has given a broad interpretation to the Treaty. Without undue attention to its suggestion to expand European integration to fields other than socio-economic policy – foreign policy, defence and the cultural cooperation are mentioned specifically – the chapters on the economic, social and monetary policy may be identified as topics on which ... [LINE MISSING]. There is no mention in the Treaty of a monetary union as mentioned explicitly by the Commission – although possibly necessary as a closing element of the common market.

2. Striking is the political character of the Commission document. It has clearly been written for the Parliament, for publicity, for the public arena and therefore misses on several points the more nuanced approach, which is needed with an eye to general agreement of the Council. That this is also not the intention of the Commission may be demonstrated further.

The over-simplified approach is particularly notable in the following points:

a) The activities, which the Commission plans to undertake in the short run and which are to result in Council decisions, are of a quantitative nature to the extent that it will be difficult for the Community to complete them. The Commission should therefore have set priorities for those problems and proposals that are in short term essential for the further extension of the common market and that can be dealt with in a swift and orderly fashion making use of the manpower available. It should be recalled that the work is already likely to become too much for the institutes of the EEC. Moreover it should be noted for the record that the Commission document is by no means confined to the second stage, despite the title of the program.

b) Another aspect of the ambitious tendency of the document is the way in which it insists on the establishment of a common policy and a common legislation in a number of areas, while the Treaty only provides for coordination and harmonization of the policies in the member states, respectively an adjustment of legislation. Here it has to be noted however, that although the Commission assumes a common policy in certain areas, it speaks of coordination and harmonization in the development of these ideas.

c) As an aside it can be noted that not all chapters in the Commission document include original ideas and proposals. The chapter on agriculture does not include anything new, while the content of the section on transport is also known and even outdated on certain points.

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<sup>85</sup> On 9 August 1961 the United Kingdom applied for accession to the EEC. After a year of negotiations between the six EEC countries and the UK, the French president Charles de Gaulle vetoed the British application during a press conference on 14 January 1963.

3. A very important issue that deserves special attention, is how the targets of this action program are influenced by the possibility that in due course other European countries might join the Community. The Commission's proposals regarding the completion of the customs union are apparently conceived in light of the current number of members of the Community. It seems likely, that this part of the program may be difficult to accept for future accession countries. The Community should particularly take this aspect into account.

4. As is known, the opposition between Minister Erhard and Mr. Hallstein formed the 'pièce de résistance' at the Colloquium of the European Parliament. It may perhaps be said that a certain lack of proper appreciation of the concepts used has confused the debate and has focused it too much on whether or not the plans of the Commission were of a high-handed nature. It is however certain that it is an important question in which direction the EEC shall develop itself, particularly in those areas where the Treaty does not specifically proposes a future common policy. Will the Member States be willing to transfer more competences to the supranational body in Brussels – like the Commission appears to wish – or shall they only sparsely want to cede their sovereignty and confine to coordination of positions and harmonisation of their respective national policies?

With regard to the procedure to be followed, and by way of conclusion, the following may serve. From the part of Commission-officials it was heard furtively that the Commission will not discuss the document as such in the Council. It is not unlikely that the Commission has acknowledged that such a document, written for publicity, is not a suitable basis for discussion in the Council. For this reason, it appears not to serve the Dutch interest to provoke a discussion on this case in Brussels at this point, although a discussion in the Council on the long-term-problems could be helpful.

Apart from that what happens in Brussels, it would however be advantageous for a well coordinated Netherlands' policy to make a careful study of, and decide on a position on, the most important proposals indicated in the proposals, as far as these offer sufficient basis for this.

To this end, interdepartmental consultation, based on the attached outline by the Directorate-General of the BEB<sup>86</sup>, resulted in a draft in which the main ideas of the EEC Commission are addressed per chapter and in most cases commented on briefly. In accordance with a decision of the Coordination Committee for European Integration and Association Issues, the Council of Ministers might further indicate which topics in the present action program are eligible for a more in-depth study by working groups of the Coordinating Committee.

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#### VII and VIII. *Economic and Monetary Policies*

In the introduction it has already been noted that a judgement of these chapters in particular will also be affected by the degree of commitment of the member states to contribute to the construction of an economic union, a commitment which, at least from the Dutch side, will also be decided on by the new situation. Such a construction entails also that from the pre-eminently nationally implemented economic and monetary policies, tasks will

<sup>86</sup> Directorate-General of Foreign Economic Relations of the Netherlands Ministry of Economic Affairs

be coordinated and that it will perhaps also be required to transfer certain competences to community institutions.

When one takes note of the ideas of the Commission, one may acknowledge that the Commission's policy rightly puts consultation between competent national experts and the Commission in the foreground. It also attaches greater future weight to the existing consultation bodies on economic and monetary policies.

It does not seem fair to accuse the Commission of statism and dirigisme on the grounds of its pursuit to make economic policies communal. Mr. Hallstein has rightfully pointed out in the European Parliament that the interventions of the Community will be quantitatively less than those of the separate states, while on the other hand not the economic subjects but the states themselves are already limited in their activities because of the Treaty of Rome. These limitations do not serve any purpose than to guarantee the freedom that is anchored in the Treaty.

It will therefore be for a large part dependent on the level of common intervention in the economic life of the Community, which might justify such an accusation. It is however not possible to express an opinion on these matters at this point.

One can easily come to draw an incorrect picture of the plans of the Commission if one assumes that these are to be achieved during the second phase. In several paragraphs it becomes clear that attaining the end goal of the Commission plans is only foreseen after the end of the third phase. The Commission also clearly states that the measures of monetary policy are a necessary complement to the progress that should be made in the area of coordinated budget policy.

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Monetary compensatory amounts were for the first time introduced in August 1969.

French price levels remained the same despite changes in the exchange rate of the franc. For this Italian farmer it meant a loss of income and a reason to join the manifestation of European farmers in Brussels.

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## Introduction to document 16-18

On 24 June 1963 the European Commission presented to the Council proposals<sup>87</sup> to strengthen monetary and financial cooperation within the EEC. These proposals were a further concretion of the Action Plan of 24 October 1962.<sup>88</sup> This document made clear that in pursuance of article 105 of the Rome Treaty the Commission should submit recommendations to the Council for bringing into effect the collaboration in the economic field.<sup>89</sup> The proposals resulted on 8 May 1964 in several Council decisions in the monetary and financial fields: the establishment of the Committee of Governors of the Central Banks, cooperation in the field of international monetary relations and extension of the competence of the Monetary Committee, consultations on changes in parity between currencies, and the establishment of a Budgetary Policy Committee.<sup>90</sup> As demonstrated, the Netherlands supported this approach, although the Ministry of Finance was doubtful whether the national governments would put their draft budgets up for discussion in Brussels or adhere to its results.<sup>91</sup>

According to the EEC Treaty the common market was to be extended to agriculture and trade in agricultural products. The realisation of a common agricultural policy (CAP) was the spearhead of the ability of the European Commission to organise such a policy. On 30 June 1960 the Commission, under president op Walter Hallstein and vice-president Sicco Mansholt, who was responsible for agriculture, presented its first proposals to the Council of Ministers. These proposals were meant to lead to a market based on the free movement of agricultural products within the EEC. This common market would be divided by product with prices being progressively unified and guaranteed. On 14 January 1962, following the first marathon negotiations on European agriculture, the Council of Ministers approved the Commission's proposals on the organisation of common markets for cereals, pork, fruit and vegetables, wine, eggs and poultry. Agreement was also reached on the establishment of a schedule to extend the CAP to dairy products, beef, veal, sugar and other measures to assist trade within the Community, and the establishment of the European Agricultural Guidance and Guarantee Fund (EAGGF) to finance operations of the CAP. Following up on this policy, Mansholt presented measures to the Council of Ministers in December 1963 to establish a common price level for cereals for 1964 and 1965.

Document 17 demonstrates how the CAP became intertwined with monetary policy. The Dutch Director-General of European Cooperation Karel Hartogh points out that there were monetary aspects to the proposals for common prices for agricultural products as they will bind the exchange rates of the member states closer together. A crucial question was which unit of account would be used to fix the common prices. In 1965 the Monetary

<sup>87</sup> Kenneth Dyson and Lucia Quaglia, *European Economic Governance and Policies: Volume I: Commentary on Key Historical and Institutional Documents* (Oxford: Oxford University Press, 2010), 138-139. This document is available on [http://ec.europa.eu/economy\\_finance/emu\\_history/documentation.htm](http://ec.europa.eu/economy_finance/emu_history/documentation.htm).

<sup>88</sup> See document 14.

<sup>89</sup> See document 11.

<sup>90</sup> Dyson and Quaglia, *European Economic Governance and Policies*. Vol. I, 140-143.

<sup>91</sup> See document 15.

Committee presented two formulas: using the EPU unit of account<sup>92</sup> or a unit of account based on the weighted average of the currencies of the member states. A Dutch working group of senior officials preferred a weighted average but an agreement on The Hague's point of view could not be reached. Document 18 shows that two years later, the disagreement still existed.

16.

**Report by the Directorate for Foreign Monetary Transfers of the Netherlands Ministry of Finance on the proposals of the European Commission to strengthen monetary and financial cooperation within the EEC, 7 August 1963**

National Archives of the Netherlands (The Hague), Archive of the Cabinet of the Prime-Minister (2.03.01), inv. no. 2895. Translation: Huygens ING, The Hague.

In a letter dated 24 June, the President of the EEC Commission<sup>93</sup> has brought proposals to the Council of the EEC to strengthen monetary and financial cooperation within the EEC. These proposals present a further concretization of the ideas that the Commission has developed in its Action Plan for the Second Stage. The proposals comprise the following:

1. Establishment of a Committee of Governors of the Central Banks of the EEC;
2. Extension of the competence of the Monetary Committee to the monetary relations of the members of the Community with third countries and other international institutions;
3. Obligatory consultation in case of mutual parity change;
4. Establishment of a budgetary policy committee.

Regarding these proposals the following may be observed. First and foremost it is to be noted that the proposals appear quite acceptable in general.

*Ad 1. Founding of a Committee of Governors of the Central Banks of the EEC.*

Article 105 of the EEC Treaty<sup>94</sup> holds that the Member States of the EEC, in order to coordinate their economic policy – focused on balance of payments equilibrium, high level of employment and a stable price level – establish a collaboration between their central banks. In practice, this cooperation has so far taken place in the Monetary Committee and on the occasions of the scheduled meetings of directors of European central banks in the context of the Bank for International Settlements in Basel. In the Monetary Committee one of the two members per Member State is nominated by the Central Bank; this also applies to his deputy. Both are, however, appointed in their personal capacity and are completely independent: in a formal sense they do not speak on behalf of the central banks, even if they are, like in the Dutch case, vice president and deputy director of the bank. In the Basel framework the Governors of the Central Banks act themselves; this assembly is not limited to the Six and though separate informal discussions between representatives of the Six are of course possible if the need is felt from time to time, the situation is

<sup>92</sup> See introduction to document 4.

<sup>93</sup> Walter Hallstein.

<sup>94</sup> See document 11.

not quite satisfactory. For that reason, the Central Bank Governors themselves are taken in with the idea to institutionalize these consultations.

In general, one of the European Commissioners will participate in the consultations, while the Chairman of the Monetary Committee may also be invited. The European Commission has the right to call for an emergency meeting of the Committee of Governors. Its powers are limited to exploratory discussions on monetary developments in the Member States and central bank policy in connection therewith; the Committee itself therefore has no power to decide.

The Commission proposals do not provide for the possibility to issue any advice as a result of the exchange of views in the Committee, either to the Commission or to the Council of Ministers. Any proposal for such authority would probably meet with French opposition, given the dependency of the French central bank on the French Government. Nonetheless it appears desirable to allow the Governors to make their views known on certain developments and problems. If it would not be possible to establish this right as such, then it may be considered to grant them the authority to issue a written report to the Council and to the Commission at least once a year, as is also done by the Monetary Committee. The phrase '*at least* once a year' does not rule out the possibility that, if the Committee contends that 'the situation makes this necessary', or if the Commission calls for an emergency meeting when 'the situation requires this according to the Commission', the Committee reports ad hoc on 'the state' or 'the situation'. The term 'report' allows, if so desired, that some suggestions can be made to cope with 'the state', respectively 'the situation', in other words it includes the possibility of an advice, without creating obligations. The release of the report to the Council and to the Commission enables these two community agencies as well as individual Member States to continue to take the initiative. It is therefore proposed that the Netherlands will try to bring about a provision in the decision that the Committee of Governors must produce a written report on its activities to the Council and the Commission at least once a year.

#### *Ad 2. Extension of the competence of the Monetary Committee.*

The Monetary Committee has been established in the EEC Treaty itself (Article 105, second paragraph) to coordinate the monetary policies of the Member States to their full extent, which is required to promote the functioning of the common market. Its task is thus effectively limited to the internal problems of the Community. In practice this has not proved sufficient, and the Monetary Committee has therefore frequently dealt with problems that affect the relations of the members of the Community with third countries and other international institutions. The proposal of the Commission seeks to legalize this activity. This thrust of the proposal can be fully accepted.

Nonetheless, there are some questions on the draft proposal. The main difficulty is that the proposal does not assume competence for consultation, but an obligation to do so. This is certainly correct insofar as concerns the use by a member country of the EEC of the resources of the International Monetary Fund. An appeal to the IMF is indeed in a sense competitive with the 'mutual assistance' as intended in art. 108 of the EEC Treaty. Compulsory prior consultation creates no difficulties with respect to the overall functioning of the international monetary system provides, if limited to key decisions and positions of the EEC Member States. There is room for doubt regarding the

participation of one or more Member States of the EEC in important measures to grant aid to third countries, as these cannot be taken (a) directly by the national monetary agencies, but also (b) by international bodies. In case (b) the competence of the representatives of the EEC countries in the organs is likely to be at risk, so a requirement for prior consultation is best avoided. In case of direct support by the national monetary authorities this complication does not occur and thus no objection against this needs to exist.

The three cases mentioned just now, were in the proposal of the Commission expressly indicated as possibly leading to key decisions and opinions. Not quite clear is whether *all* decisions and positions in these three cases mentioned are to be qualified as important, and would thus give rise for prior consultation, but this point is not of great importance, since the interpretation that leads to broad competency, is also acceptable.

The listing of the three cases in the Commission proposal is, however, not exhaustive, which entails that in principle a consultation requirement would also exist for not specifically defined cases. This now seems undesirable, especially since non-acceptance of a consultation *requirement* leaves consultation *competence* without prejudice in cases where this might specifically be called for.

It is therefore concluded that the formal extension of the powers of the Monetary Committee, as proposed by the Commission, may be agreed on, except for the words 'in particular' and 'either directly or through international bodies', which preferably should be deleted. The question arises whether the proposed legal form is sufficient and whether the obligations of Member States for consultation by the Council in a separate decision should not first be adopted unanimously.

#### *Ad. 3. Consultations in case of parity change.*

Article 107 of the EEC Treaty stipulates that each Member State treats its exchange rate policy as a matter of common interest. The revaluation of the German Mark in March 1961 showed how unsatisfactory and fundamentally unacceptable it is, when one of the partners in the EEC places the other countries of the Six before a fait accompli of a parity change. It therefore appears correct that prior consultation is mandatory. This concerns both the case in which one or more of the Member States independently initiates a parity change, such as Germany in 1961, as well as the case in which a parity change in another country, either Member State or third country, is followed in whole or partially.

Another thing is that the achievement of a satisfactory consultation procedure with regard to the obvious requirements of secrecy and speed of action, presents a particularly difficult case. For now, the Commission does not go no beyond the suggestion that, in such a case, the Monetary Committee will be consulted for advice on an appropriate procedure; the Monetary Committee shall then report to the Council and to the Commission and the Commission shall subsequently put further proposals before the Council. Indeed, this appears to be the appropriate way to resolve the procedural problem.

#### *Ad. 4. Establishment of a budgetary policy committee*

The EEC Commission believes that, in view of the repercussions of budget policies of the Member States on the economic development of the Community as a whole, it is desirable that a budgetary policy committee studies the

outlines of national budgets at the early stage of preparing these. The work of this Committee should be coordinated by the Commission and synchronized with those of the Monetary Committee and the Short Term Economic Policy Committee.

The formation of a Committee as proposed above can be agreed on. Besides the monetary policy in the narrow sense, the size of the budget deficit and the method of financing the economy and the balance of payments are of great significance. Furthermore, it appears to the Netherlands especially important that the spending, tax policy and the loan policy of the governments in the other EEC countries will be incorporated into a policy aimed at a balance between savings and investment, in such a manner that no serious disturbances of the balance of payments or capital markets are caused through public finances. Attention must also be paid to the finances of smaller public bodies.

The proposal of the EEC Commission appears to place consultations on budget policy in particular in the context of short term economic policy and to that end to focus the consultation phase on the adoption of budgets.

It must be recognized that in the consultation on the economic budgets – which will largely take place before the adoption of the national budgets – it will be difficult to completely ignore the outlines of future budget policy, because of the impact on the overall development in the coming years. It appears, however, that the EEC Commission reaches too high, if it considers that national governments shall be willing to put draft national budgets up for discussion in Brussels and that this debate will have a real impact on the final design of these budgets. One can only anticipate that the general economic situation, as it may emerge from the discussion on the economic budgets, will also be taken into account in the final decision making process at the national level.

To realise the above mentioned improvements in the handling of the budget as an instrument of economic and structural policy, this consultation is not an indispensable condition. The objective can only be achieved gradually and for this the best method is regular exchange of views on the policies in individual countries.

To assess both the economic impulses of the budget as well as the structural elements, it will be necessary to deepen the understanding of the main components of the budgets. Of course this does not by any means entail an equalization of the different expenditure categories. However, the budgetary committee might promote comparability by taking the lead in the group of technicians who are already dealing with this.

In the discussion on the structural aspects of the budget the general fiscal policy needs to be taken into account too. In this regard, the addition to the Committee of an official involved in the formation of fiscal policy appears desirable.

The EEC Commission rightly states that the work must be closely coordinated with that of the Monetary Committee and the Short Term Economic Policy Committee. After all, the likeliness of duplications cannot be excluded. Cooperation might thus be shaped in such a way that if in the opinion of one of the afore mentioned committees, the solution of certain specific issues should be sought in budgetary practices, the budget committee can further develop this solution.

If the above considerations are taken into account in drafting the tasks of

the budgetary policy committee that is to be created, it appears likely that the Netherlands will be able to agree to proposal of the EEC Commission.

17.

**Memorandum of the deputy-chief of the Directorate for Economic Cooperation of the Netherlands Ministry of Foreign Affairs (Rob van Schaik) on the monetary aspects of the agricultural proposals, 17 February 1964.**

National Archives of the Netherlands (The Hague), Archive of the Ministry of Foreign Affairs, 1955-1964, (2.05.118), inv. no. 22014. Translation: Huygens ING, The Hague.

At the last meeting of the Coordination Committee, Mr. Hartogh pointed out that the agriculture proposals that are currently under discussion also have an important monetary aspect that deserves further consideration. Other members of the Coordination Committee have scarcely responded to this. Perhaps it deserves consideration on your part to raise this issue anew, because the monetary implications may prove to be of great political importance in themselves. After all, there is a chance that the acceptance of common grain prices will accelerate the harmonization of monetary policy – with all due political consequences.

The crux of the problem is that the obligation of common prices for agricultural products will bind the exchange rates of the six Member States more closely together. Indeed, one must assume that prices should remain common in the case of devaluation or revaluation by Member States. If prior agreement on these matters were not to come about, consultation between the six Member States would need to take place to establish at what level the common price should be set after exchange rate adjustment. Assuming, however, that the countries that have not followed the exchange rate adjustment will not be prepared to make price adjustments for their agricultural products, it appears likely that the country which adjusts its exchange rate must adjust prices correspondingly. This implies, for example, that if a country has devaluated, prices for agricultural products for which a common price level exists should probably be increased.

As more products will resort under the common agricultural price policy, a larger proportion of the farming population will receive an almost automatic increase in income resulting from the price increase after a devaluation. It has to be considered probable that, once an important part of the agrarian population shall enjoy such an automatic augmentation in income, the rest of the agrarian population will insist on this too, followed by workers in industry. Like an oil spill incomes will swell in a very short time, with the result that the effect of devaluation will largely be neutralized. The only way in which the monetary authorities of a Member State would be able to pursue an effective exchange rate policy under these conditions, would be if the six Member States will commonly adapt their exchange rates.

If nothing would be agreed on this issue in Brussels, one has to assume that they will be decided in due course on an ad hoc basis. It is possible that the devaluating country will try to get the other Member States to participate in the devaluation first, it is also possible that after devaluation negotiations will take place in which the country involved will try to achieve a certain price

decrease of the other countries, as opposed to its own moderate price increase.

I wonder whether such an ad hoc approach is actually preferable and whether it would not be better to determine now, that changing the exchange rate is henceforth a matter of common consultation, and that the country that wishes to adjust its exchange rate will be responsible for the price adjustment resulting from this. In this way one is able to avoid negotiations on the establishment of a new grain price, which appears undesirable in itself given the ensuing uncertainty. Moreover, one restrains the country that wishes to adjust exchange rates, which, especially when devaluation is at stake, appears to be of importance because this provides an extra incentive to prudent monetary policy. If exchange rates were to become riveted together in this fashion, this would amount to a first step on the issue of monetary policy, which the European Commission initially proposed first to take the end of the transitional period, when common agricultural prices will have been established (Action Program of the Commission of October 1962).<sup>95</sup> Now that common grain prices will probably come about sooner, it appears likely that the Commission itself will in due course come with a new proposal for accelerated introduction of a Community exchange rate policy. Presumably, Mr. Marjolin will not put this forward just yet, so as to prevent increasing opposition against the grain proposals.

The consequences of an early common exchange rate policy for monetary policy and for common policies in other areas of economic policy are as yet difficult to predict. While devaluation and revaluation are tools to be used exceptionally, it would nonetheless mean that a new instrument to defend the balance of payments escapes national control. As you know, trade protection measures to protect the balance of payments can already not be taken any longer, while developments in the area of wage and price policy have shown that our autonomy in that area actually has in fact also become limited. In defence of the balance of payments, national authorities still have access to fiscal and monetary instruments such as the discount rate, but one may still maintain some doubts about whether we will in all cases be able to ensure that the balance of payments can be defended by these means.

Of course it is possible to play on the 'seen it coming' in this still uncertain situation. However, given the expected pressure on our balance of payments in the future, one wonders whether we would not have an interest to raise these aspects too in Brussels on the occasion of the grain price proposals.

I note that this is obviously not just a balance of payments problem. Even if the conclusion would be that in the interest of a sound monetary policy of the six Member States and in the interest of the position of our balance of payments, we should insist on accelerated harmonization of monetary policy, then the political consequences must also be faced. This would, after all, present an element of integration entailing that the countries would become even more interdependent. The advantage of this is that this occurs as part of the Community and not on a strictly intergovernmental basis; the disadvantage is that we have to leave England and other European countries outside the EEC even further behind.

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<sup>95</sup> See document 14.

18.

**Interdepartmental note by the Directorate for Foreign Monetary Transfers of the Netherlands Ministry of Finance to the Ministry of Foreign Affairs on the agricultural accounting unit, 15 June 1967**

National Archives of the Netherlands (The Hague), Archive of the Ministry of Foreign Affairs, 1965-1974, (2.05.313), inv. no. 14304. Translation: Huygens ING, The Hague.

*A. Commission proposal.*

The EEC Commission has put before the Council a proposal concerning the establishment of the agricultural accounting unit. The proposal has the following characteristics.

- a. The value of the unit shall, apart from specified exceptional events in monetary matters, remain unchanged; this principle entails that if the currency parity of a Member State or of a minority of Member States is changed, the agricultural prices expressed in national currencies should only be changed in those Member States in which the currency parity is changed.
- b. The value of the unit will automatically be changed:
  - in case of simultaneous and uniform change in the currency parity in all Member States, in the same direction and to the same extent as the currencies of the Member States;
  - in case of simultaneous change in the same direction but with currency ratios of Member States varying in degrees, in the same direction and to the same extent as the least altered currency.
- c. If several Member States simultaneously change their currency parity, the value of the unit may be changed by the Council, after a proposal from the Commission, by unanimous vote.
- d. The country that would wish to reduce the impact on farm incomes of 'isolated' devaluation, might do so, with authorization by the Commission, through a special tax (not tied to agricultural products) on the additional revenue resulting from the devaluation.

Regarding the effect on the prices, one may rely on subsidy techniques that can temporarily and decreasingly reduce the burden for consumers of the increase in prices as expressed in national currency.

*B. Advice of the Monetary Committee*

In its opinion of March 5, 1965, the Monetary Committee has proposed two formulas to the Council.

- a. The 'EPU' accounting unit<sup>96</sup>, in which a change in currency parity in all Member States entails a change in the value of the accounting unit to the same extent as the least altered currency.
- b. The weighted accounting unit, in which each change in the currency parity of each Member State can, in principle, entail reassessment of the accounting unit according to the accepted weighting procedure.

An example of weighting given by the Monetary Committee is attached to this note as an annex.

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<sup>96</sup> See introduction to document 4.

*C. Treatment in the Coordinating Commission.*

In the meetings of 24 March 1965 and 23 June 1965 the agricultural accounting unit has been subject of discussion. In the latter meeting, the following conclusion of the Working Group on the definition of the agricultural unit was presented to the Coordinating Commission:

– The working group reached agreement on the desirability that, when dealing with the issue of the accounting unit for agricultural prices, the Dutch take the position in the EEC Council that definition as a weighted average of the currencies of six Member States is the most appropriate solution. In principle, this system is also adequate if only one of the Member States changes the value of its currency's. The Netherlands can however follow common opinion if other countries only wish to adopt the system if at least two member states change their parity.

This conclusion was not endorsed by the Coordinating Commission.

*D. Assessment of the Commission proposal.*

The proposal of the Commission is presented as a compromise between on the one hand the stability of the 'EPU' accounting unit, which might prove too rigid, and on the other hand the instability flowing from the automatism of the 'weighted' unit, which could disrupt the functioning of the common agricultural policy. The concession to the weighted unit is, however, that the Council will be able to change unanimously the value of the unit if *several* member states simultaneously change their currency parity. 'Several' is probably to be defined as three to five. The national measures in case of isolated parity changes (tax on additional income from devaluation, consumer subsidies) are regulations that may prove attractive in a weighted unit as well.<sup>97</sup>

An initial discussion of the Commission proposal took place in the financial working group in Brussels on 12 June 1967. Here it was found that five delegations were willing to accept the proposed system. The Netherlands spokesman has expressed a formal reservation, but has made a plea à titre personnel for a weighted unit. His statement has not led to positive reactions.

*E. Netherlands position.*

Interdepartmental consultation at the senior official level has not resulted in complete agreement. There is agreement on the following issues:

- a. In case of simultaneous and uniform change in the currency parity of all Member States, the value of the accounting unit shall be changed in the same direction and in the same degree.
- b. In case of change of the currency parity of one Member State, the value of the accounting unit shall not be changed.

As to the other cases of change of currency parity the following positions exist.

*Agriculture & Fisheries and Economic Affairs:*

- c. In all other cases of change of the currency parity, the Council shall, on a proposal of the Commission, in a short term (2 or 3 days after the change) determine the value of the accounting unit. In case of simultaneous,

<sup>97</sup> Note in text: If the Benelux countries devalue by 20%, the price level of agricultural products in EPU accounting unit will go up by 25%; in the weighted accounting unit a rise of the agricultural price level will still be over 21% if the Benelux weight amounts to 15%.

unidirectional but not uniform change in the currency parity of all Member States, the value of the accounting unit shall, by decision of the Council, be changed to at least the same extent as the least altered currency.

*Foreign Affairs:*

c. In all other cases of change of currency parity, it shall be determined by Council decision which changes are to be made in the value of the accounting unit. In expectation of this decision a situation ought to be created which least impedes the freedom of the Council to take a decision.

*Finance:*

c. In all other cases of change of the currency parity, the value of the accounting unit is to be determined by weighing. The Council may, on a proposal from the Commission, within .... weeks after the change determine the value of the accounting unit anew. It should be considered whether a change of prices, expressed in the accounting unit, is not preferable above the change of the value of the unit itself.

Since agricultural prices will be expressed in accounting units as per 1 July, it is of importance that a Dutch position will be established in the short term.

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## Introduction to document 19-20

In 1968 the international monetary system was stretched to its limits and it was becoming increasingly difficult for the European currencies to maintain parity with the US dollar. In November 1967 the United Kingdom had devalued the pound. The future of the international monetary system established at Bretton Woods was clearly in doubt. In France, General de Gaulle seemed to want a return to the gold standard. Pierre Werner, Prime Minister of Luxembourg, advocated a Community action programme to solve monetary problems.<sup>98</sup> Raymond Barre, then Vice-President of the Commission, was in favour of a Community-wide solution, though not as far-reaching as the one proposed by Werner, nor indeed like the plan outlined by Robert Marjolin in the 1962 Action Programme.<sup>99</sup>

In December 1968, a few months after the projected end of the transitional phase to the Common Market, the European Commission outlined its views on monetary policy. The text, presented here as document 19, was mainly drafted by Raymond Barre. It started by emphasising the monetary shock the Community had just suffered: a wave of speculation had affected the French franc and the German mark, exerting respectively downward and upward pressure. This followed the unrest in the spring of 1968, with industrial action and demonstrations in Europe and the rest of the world.

Realising the importance of the economic climate for the development of the Common Market, the Commission called for greater cooperation and coordination between Member States on economic policy, in particular to maintain exchange parity between their currencies. At the same time it suggested that states should enhance the coordination of their monetary policy via a Community monetary mechanism, given that it was impossible for existing international mechanisms to be any more effective than they already were. However, the Commission was vague about the content of this mechanism, only specifying that it should be part of an international framework and not impede enlargement of the Common Market.

In line with its document of December 1968, the Commission submitted a second memorandum on the coordination of economic policies and monetary cooperation to the Council of Ministers on 12 February 1969. Commonly known as the Barre Plan, this document was adopted by the Council of Ministers on 17 July 1969.

The purpose of the memorandum, presented here as document 20, was to promote the convergence of the economic policies of the Member States and to initiate monetary cooperation by means of a 'Community mechanism', previously cited but not described in December. The Commission proposed a short-term monetary support mechanism, medium-term financial assistance, and a change in parity subject to agreement by the other Member States. It also suggested the option to discard fluctuation margins — set by the International Monetary Fund — between European currencies.

<sup>98</sup> Pierre Du Bois, *Histoire de l'Europe monétaire 1945–2005: Euro qui comme Ulysse...* (Paris: Presses Universitaires de France, 2008), 45.

<sup>99</sup> See document 14.

19.

**Memorandum by the European Commission on the policy to be pursued in the Community to tackle the current economic and monetary problems, 5 December 1968**

Historical Archives of the European Union (Florence, Villa il Poggiolo). European Community Institutions Collection, EC. EEC and Euratom Council of Ministers, CM2, 1968, inv.no. 444. © European Union.

Au moment où le Conseil examine les problèmes conjoncturels de la Communauté, celle-ci vient de subir un choc d'une grande gravité.

Alors que l'activité économique y avait retrouvé au cours de l'année 1968, après le ralentissement qui avait caractérisé les deux années précédentes, un dynamisme nouveau, alors qu'en dépit des pertes importantes de production encourues en France à la suite des grèves de mai et de juin, le produit brut en termes réels augmentait au taux de 5,5 %, la Communauté a connu des bouleversements monétaires qui ont ébranlé une fois de plus l'ordre monétaire international. Mais - et cela est nouveau dans les relations internationales de paiements - ces bouleversements ont eu pour origine un dérèglement à l'intérieur même du Marché Commun, provoqué par une vague de spéculation d'une ampleur rare affectant principalement le Deutsche Mark et le Franc français.

Ainsi sont apparus en toute clarté certains problèmes qui commandent le développement ultérieur de la Communauté, en même temps que se manifestait l'importance que revêtiront au cours de 1969 l'évolution conjoncturelle des pays membres et les politiques qu'ils mettront en œuvre.

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*IV. Les enseignements de la crise récente*

1. Le premier enseignement de la crise que vient de traverser la Communauté est la nécessité absolue d'une meilleure coordination des politiques économiques des Etats membres. Cette coordination est essentielle si l'on veut que la stabilité des parités de change entre leurs monnaies ne se trouve pas directement menacée. Au stade de développement actuel du Marché Commun, des modifications de parité comporteraient de graves répercussions sur la mise en œuvre des politiques communautaires, en particulier de la politique agricole, augmenteraient l'incertitude des agents économiques, affecteraient sans doute durablement les perspectives d'expansion économique des pays membres et mettraient en péril leur interpénétration progressive. Il convient donc de prendre toutes les mesures nécessaires pour prévenir une telle éventualité.

De ce point de vue, un renforcement rapide de la coordination des politiques économiques à court et à moyen terme apparaît fondamental. Celle-ci doit viser à définir en commun, de manière plus précise, les objectifs de croissance et de stabilité interne et externe. Elle doit permettre de fixer les grandes lignes des orientations à suivre et d'arriver à un accord sur les actions à mettre en œuvre tant à l'échelon national que sur le plan communautaire. Une telle coordination, nécessaire en toutes circonstances, se justifie plus encore dans les périodes difficiles, comme celle que la Communauté traverse

actuellement, si l'on veut éviter de mettre en cause les progrès déjà réalisés et faire en sorte que les mesures prises dans les divers pays membres ne se contrecarrent pas, mais soient au contraire modulées de façon à obtenir un résultat optimum. L'absence d'une concertation suffisamment étroite et menée en temps opportun conduit inévitablement à des tensions à l'intérieur de la Communauté et, par suite d'une orientation trop discordante des politiques nationales, à des pertes de croissance; le rétablissement de l'équilibre nécessite en effet le plus souvent l'alignement de tous les pays sur la politique nationale la plus restrictive.

Pour obtenir cette meilleure coordination des politiques économiques, il importe moins de créer des institutions ou des procédures nouvelles que de recourir effectivement aux instances communautaires existantes, d'utiliser les procédures déjà établies et de procéder à des consultations préalables sur les grandes options de la politique économique des Etats membres ou sur les décisions importantes à prendre dans le domaine économique et financier. A cet égard, on doit noter que les procédures de consultation existantes n'ont pas été suivies avec toute l'efficacité désirable dans la période ayant immédiatement précédé la crise récente. Certes, la rapidité des événements a soulevé certaines difficultés, mais il est regrettable que les consultations communautaires aient eu lieu seulement au moment où la solution aux problèmes posés était déjà recherchée dans un cadre international plus large et qu'en particulier le Comité Monétaire n'ait pu se réunir comme la Commission l'avait demandé.

Selon l'article 103 § 1 du Traité de Rome : 'les Etats membres considèrent leur politique de conjoncture comme une question d'intérêt commun. Ils se consultent mutuellement et avec la Commission sur les mesures à prendre en fonction des circonstances'. Il serait paradoxal qu'au moment où les circonstances rendent ces consultations particulièrement nécessaires, l'impression soit donnée que cette disposition du Traité est tenue pour désuète ou périmée.

2. Si l'efficacité de la coordination des politiques économiques exige en premier lieu que les Etats membres aient la volonté de se concerter selon les procédures déjà prévues, le succès de cette entreprise repose également sur la mise en place d'un mécanisme de coopération monétaire entre ces Etats.

La Commission considère, depuis quelques années déjà, que les progrès effectués dans l'interpénétration des économies des Etats membres rendent souhaitable la création d'un tel mécanisme. C'est avec une particulière insistance qu'au cours de l'année 1968 elle a attiré l'attention - notamment celle du Conseil et du Parlement européen — sur la nécessité de plus en plus pressante de tirer des dispositions de l'article 108 du Traité de Rome<sup>100</sup> des conséquences pratiques conduisant à la mise en place d'un système permanent de concours mutuel dans le domaine monétaire. La Commission a même, dans les instances plus particulièrement concernées, fait des propositions à cet égard. Les développements qui se sont produits au cours de cette année ont montré que cette attitude n'était ni déraisonnable ni inopportune.

Certes, comme par le passé, il a été possible à un Etat membre en difficulté de faire appel aux concours nécessaires dans un cadre plus large que celui de la Communauté. Mais ni les possibilités offertes par le Fonds Monétaire International, ni la mise en œuvre d'accords de swap n'ont permis jusqu'ici de prévenir les crises successives du système monétaire international ni la crise récente au sein de la Communauté. Toutes les améliorations qui pourront

<sup>100</sup> See document 11.

être apportées aux mécanismes de la coopération monétaire internationale dans un proche avenir, quelque nécessaires et souhaitables qu'elles soient, risquent de n'être pas suffisantes en l'absence d'une coordination effective des politiques économiques des pays participants.

Or, une telle coordination peut s'effectuer au sein de la Communauté, d'autant plus qu'elle est l'un des objectifs fondamentaux fixés par le Traité de Rome. Il s'agit pour la Communauté de prévenir efficacement les bouleversements plutôt que d'en corriger les effets après qu'ils se soient produits. L'intégration de fait croissante des économies des pays du Marché Commun, la rapidité actuelle des communications, l'amélioration des techniques de gestion financière et le nombre de plus en plus élevé d'entreprises exerçant leur activité au-delà des frontières nationales, multiplient les possibilités de voir se développer, pour des motifs divers et parfois imprévisibles, des mouvements considérables de capitaux. Ceux-ci ne trouvent pas nécessairement leur origine dans la situation économique des pays membres ou dans les politiques suivies par eux.

C'est pourquoi la coordination de ces politiques, au sein d'un ensemble tel que la Communauté, ne peut revêtir toute son efficacité que si elle prend appui sur un mécanisme propre à cette Communauté, qui soit permanent et souple et permette aux Etats membres, après que les grandes options de l'action économique aient été discutées en commun, de poursuivre les politiques adéquates sans que des accidents de parcours ne les remettent en question.

Ainsi seulement pourrait-on épargner à la Communauté l'apparition de situations dans lesquelles un Etat membre, faisant appel à l'article 109, prend des mesures de sauvegarde apportant des perturbations au fonctionnement du Marché Commun. Celles-ci, dans la mesure où elles constituent une enfreinte durable à la libre circulation au sein de la Communauté, risquent, comme l'a déjà souligné le Comité Monétaire, de compromettre gravement la réalisation d'une des conditions essentielles du succès de l'entreprise communautaire, c'est-à-dire la conviction de la part des agents économiques que les progrès accomplis dans ce cadre sont irréversibles.

La Commission souligne que le mécanisme envisagé ne saurait en aucun cas constituer un moyen permettant à un des Etats participants de poursuivre une politique de facilité qui s'écarterait de la ligne tracée en commun. Etabli pour faire face aux nécessités propres de la Communauté, ce mécanisme ne saurait, par ailleurs, constituer un obstacle à l'élargissement de celle-ci : il ne préjuge en rien la solution de ce problème. Enfin, il devrait pouvoir s'insérer dans les mécanismes plus larges de la coopération internationale.

Les perturbations intervenues en 1968, les risques accrus qui en résultent pour 1969 et qui pourraient compromettre l'avenir même de la Communauté, amènent la Commission à attirer une fois de plus l'attention du Conseil sur la nécessité de ne plus différer une prise de position claire sur les problèmes qui viennent d'être évoqués.

Telles sont, de l'avis de la Commission, les orientations de politique conjoncturelle susceptibles d'être poursuivies au sein de la Communauté pour faire face aux problèmes économiques et sociaux qui se posent à elle au cours de l'année 1969.

La Commission souhaite que le Conseil, après en avoir délibéré, les approuve et invite les Etats membres à prendre les mesures nécessaires pour rendre leur politique économique conforme à ces orientations.

La Commission se propose par ailleurs de présenter au Conseil, d'ici le 15 février 1969, des propositions concrètes au titre des articles 105 et 108 du Traité de Rome, en vue de la création d'un mécanisme communautaire de coopération monétaire. Conformément à l'article 105 du Traité, elle recueillera l'avis du Comité Monétaire sur ce point.

## 20.

### **Memorandum by the European Commission to the Council on the coordination of economic policies and monetary cooperation within the Community, (Barre Memorandum), 12 February 1969.**

*Bulletin of the European Communities*, March 1969, supplement 3/69. (Luxembourg: Office for Official Publications of the European Communities, 1969). © European Union.

On 5 December 1968 the Commission submitted to the Council a Memorandum 'on appropriate policy in the Community on current economic and monetary problems'.<sup>101</sup> In accordance with the conclusions of this Memorandum, the Council, at a meeting on 12 December 1968, 'recognized the need for fuller alignment of economic policies in the Community and for an examination of the scope for intensifying monetary cooperation'. The object of the present Memorandum is to clarify the Commission's position on these two points.

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### *III. Measures needed*

As recalled in Chapter I, the Commission has on several occasions in the past suggested what should be done to strengthen the Community's economic and monetary cohesion. It reaffirms, in particular, the content of its Memorandum of February 1968.<sup>102</sup> However, in its view, the present situation calls for the urgent concerting of the medium-term economic policies, fuller concerting of the short-term economic policies, and Community machinery for monetary co-operation.

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### *C. Community machinery for monetary co-operation*

24. The machinery which the Commission wishes to see set up should ensure short-term monetary support and allow medium-term financial assistance for a Member State. For this purpose, an agreement would be concluded between the member countries to set up a system which would work as follows:

<sup>101</sup> See document 19.

<sup>102</sup> *Mémoire sur l'action de la Communauté dans le domaine monétaire* (présenté par Raymond Barre, Vice-président de la Commission des Communautés européennes, à la Conférence des Ministres des Finances des 26 et 27 février 1968). An excerpt of this document is published in: Kenneth Dyson and Lucia Quaglia, *European Economic Governance and Policies: Volume I: Commentary on Key Historical and Institutional Documents* (Oxford University Press, 2010), 151.

25. Short-term monetary support

- (i) Each participant country would undertake to make available to the others funds not exceeding a given ceiling;
- (ii) An agent could be appointed for the technical implementation of the provisions of the agreement;<sup>103</sup>
- (iii) Any participant country could activate the system by simply applying to the other countries taking part in the agreement; the amount of each participant's debt to the others following the application of the system would not be allowed to exceed a certain ceiling;
- (iv) The ceilings for amounts committed and borrowed would be fixed by agreement between the participants;
- (v) Any sum applied for by a participant country would be financed by the others in proportion to each country's share in the total amount committed or still available, less the ceiling of the commitments of the deficit country. However, at the request of one of the participant countries, the agent, with the agreement of the others and within the limits of each one's commitment ceiling, could alter the proportions fixed;
- (vi) A participant country could not be obliged to contribute to a financing operation within the system if he were himself in debt with the system;
- (vii) Any use of the system by a participant country should be followed as soon as possible by consultation in the appropriate Community bodies. The purpose of this consultation would be to determine, in the light of an examination of the situation in the country aided, the measures called for by this situation from both the country concerned and the other member countries. Failing an agreement on the steps to be taken by the deficit country, this country may not be indebted to the system for more than three months. If agreement is reached, the short-term aid could be renewed for a fixed period or medium-term financial assistance could be granted, according to the situation in the deficit country.

26. Medium-term financial assistance

- (i) If the examination procedure set in motion by use of the system under the conditions set out in Paragraph 25 above were to lead subsequently to the conclusion that the situation in the country in question required a medium-term loan, the Commission would recommend the Council, after consulting the Monetary Committee, to grant such a loan.
- (ii) The conditions under which this medium-term assistance would be granted would be determined by the resources which could be mobilized in the medium term from more extensive sources than the EEC, and by other circumstances.
- (iii) Considering among other things the terms of sub-paragraph b) above, it is not necessary to stipulate ceilings for borrowing, as it is for the machinery described in Paragraph 25. It would, however, be advisable to establish ceilings for commitments contributed to the operation of this machinery, and these ceilings would be valid for a limited period and subject to revision.

27. The general outlines of this machinery, which have just been described, are in accordance with the principles which the Commission follows in the monetary field:

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<sup>103</sup> Note in text: An *ad hoc* agreement could be concluded for this purpose with the BIS.

1) A close link should be established between a stronger co-ordination of the economic policies and the implementation of Community machinery for monetary co-operation.

2) At the Community's present stage of development, monetary co-operation between Member States needs to be consolidated on the lines indicated in the Treaty of Rome.

3) The machinery for Community monetary co-operation is not a substitute for machinery for international monetary co-operation, but, in the form in which it is designed, it can fit into the international machinery without difficulty. In particular, it in no way affects the member countries' obligations to international monetary institutes.

28. Finally, the Commission points out that in studying the problems facing the Community in the economic and monetary fields, and in seeking solutions to these problems, it has taken into consideration the possibilities of the Community being enlarged.

The proposals submitted by the Commission would not impede on enlargement of the Community, and therefore could not be considered undesirable in this respect. The concerting of the economic policies, consultation procedures, and machinery for monetary co-operation can be very useful 'welcoming structures', and would in any case be even more necessary to an enlarged Community than to a Community of Six.

#### *Conclusion*

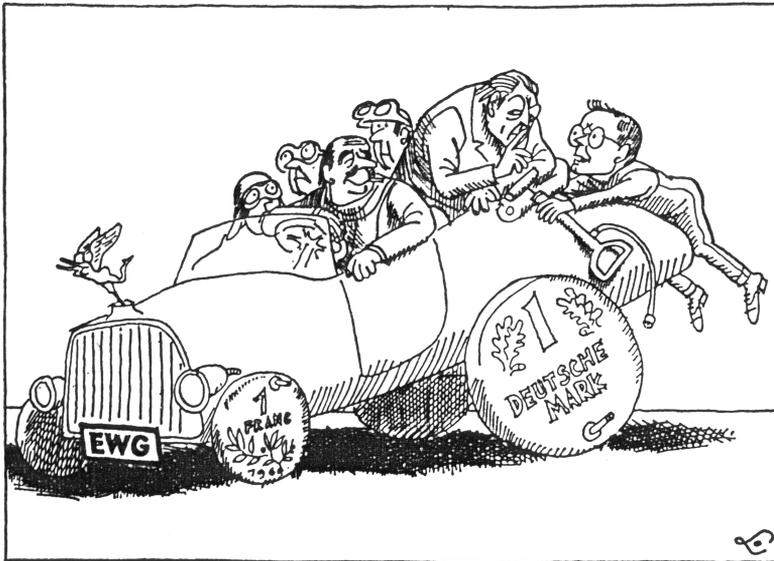
The Commission asks the Council to:

(i) Hold a discussion at the beginning of autumn 1969 on the prospects in the member countries in the next few years for the trend of production, employment, prices, the equilibrium of the balance of current payments and the equilibrium of the overall balance of payments.

(ii) Adopt a decision, the draft of which is annexed to this memorandum, on consultations over short-term economic policy.

(iii) Decide before the end of the transitional period to set up machinery for monetary co-operation in the EEC along the lines indicated above.

The Commission hopes that when the Council examines these proposals it will bear in mind the lessons learnt from recent events, and the ever-more inexorable progress of the Community.



SZ-Zeichnung: E. M. Lang

In this cartoon Ernst Maria Lang illustrates the monetary instability that was the result of the exchange rate fluctuations within the EEC at the end of the 1960s.

On 10 August 1969, the French franc was devaluated and on 24 October the German mark was re-valued by 9.29 %, this disparity especially had its effect on the price levels of the agricultural products that were part of the Common Market.

© Ernst Maria Lang



### Introduction to document 21-23

The summer of 1969 brought further disorder in the international money markets. Although the Barre Plan<sup>104</sup> was adopted in July 1969, with support from figures such as Valéry Giscard d'Estaing, serious questions had yet to be settled.<sup>105</sup> The leaders of the Six did not see eye to eye on the goals of economic and monetary policies, and the practical modalities of the mechanism had not been defined.

The Dutch position on the Barre Plan was mixed. While the proposals on harmonization and coordination of economic policies received support, the Ministry of Finance was negative in its opinion on the short term and medium term support mechanisms. As a compromise, a short term support mechanism, to be maintained by the central banks, appeared acceptable.

Nonetheless debate ran high, with plans floated by Belgium and Germany, and discussion papers by Jean Monnet and Robert Triffin who inspired the German plan and promoted the idea of a European reserve fund. With devaluation of the French franc without prior consultation in August, and revaluation of the German mark a few months later, matters became increasingly complicated.

It was hoped that the Hague Summit, scheduled for 1 and 2 December 1969, would herald a new departure in European integration. The agenda included the common agricultural policy, enlargement of the Communities and the prospects of further progress for the Common Market. On the second day the Heads of State or Government addressed monetary issues. Thanks to a compromise between France and Germany, the final declaration of the summit noted that the Six would investigate the possibility of setting up a European reserve fund, supported by Germany, and above all convened a committee that was to develop a plan by stages to create an economic and monetary union. Document 22 includes the text of the final communiqué of the Hague Summit. A month later, on 2 January 1970 the central banks of the EEC members decided to establish a short term support mechanism.

Documents 21 and 23 exemplify the lines of thinking at the Netherlands Ministry of Finance in 1969 and 1970 regarding the proposals of the European Commission on the coordination of economic policy and monetary cooperation within the EEC. In the Dutch view there was little or no need for a medium term support mechanism and an EEC mechanism would have to be additional to the existing IMF facilities.

<sup>104</sup> See document 20.

<sup>105</sup> Pierre Du Bois, *Histoire de l'Europe monétaire 1945–2005: Euro qui comme Ulysse...* (Paris: Presses Universitaires de France, 2008), 47.

21.

**Note by the Directorate for Foreign Monetary Transfers of the Netherlands Ministry of Finance concerning the memorandum of the European Commission on the coordination of economic policies and monetary cooperation in the Community, 25 June 1969**

National Archives of the Netherlands (The Hague), Archive of the Ministry of Foreign Affairs, 1965-1974, (2.05.313), inv. no. 14311. Translation: Huygens ING, The Hague

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9. *Conclusions*

The first part of the memorandum can broadly be accepted, namely the proposals for closer harmonization of policy in the medium term and closer coordination of short term economic policies. Some questions however remain open, a.o. with regard to the desirability and possibility of greater coordination of budget policy and regarding the legally binding obligation of prior consultations as set out in a Council decision.

The judgment on the second part, namely the proposals for a mechanism for monetary cooperation, has to be considerably less favourable; this unfavourable opinion applies more to the support mechanism for the short term than that for the medium term. The conclusion cannot be other than that the Commission, with its proposal for a mechanism and given the existing facilities and channels, has launched a largely redundant plan, the purpose of which, as far as it is to prevent monetary crises, cannot be achieved through financial means and, as far as this is to avoid safeguard measures *ex art. 109*,<sup>106</sup> is not under all circumstances healthy from the point of view of policy. The proposal can in fact hamper accession issues. It should be seen as a forced attempt, after the political and economic-monetary friction within the EEC during the past year, to revitalize the European integration process. Against the background of the general political objectives to be pursued by the EEC, the proposal is in this sense objectionable since it seeks regional isolation in an area – the international monetary relations – which is of a global nature and for which there are international operating institutions in place (IMF). These institutions engage in competition without gaining a certain progress from which the region benefits directly and the world indirectly, as is the case with European economic integration as a whole.

For the above reasons, the Commission's proposal for a 'mechanism' should in first instance be approached very cautiously from the Dutch side. It is known that the EEC partners, except France, are cautious too; they will show this forthright, or will possibly give a somewhat neutral opinion with a number of unattainable conditions attached.

In the spirit of the compromise a common declaration of intent by the central banks of the EEC-countries might be envisaged to (continue to) assist each other in case of difficulties with short term credit, instead of a system of short term support facilities between the states. As regards medium term

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<sup>106</sup> See document 11.

facilities, a Council decision needs to be aspired on credit ceilings for 'conours mutuel' that are provided in the framework of art. 108.<sup>107</sup> These ceilings should be ratified by the Parliaments in order to provide the governments with a more effective decision making power in every case art. 108 is invoked. It should however be put on record in this Council decision that this internal EEC facility cannot be drawn upon before recourse has been made to the IMF; the EEC credits should only be used in case of additional needs, after the IMF facilities have been used, or possibly parri passu with the IMF. The conditions should not interfere with those of the IMF. In this context, the ceilings should be low.

A call should be made for a further elaboration and concretization of the various proposals by the Commission. Moreover, the various Committees shall be required to give further advice on certain parts of the memorandum: in particular the Committee of Governors on the short term mechanism and the Medium-Term Economic Policy Committee on the policy objectives.

Finally, it appears undesirable for the Council to approve the draft Council decision on 17 July. Neither should the memorandum as a whole be approved; although certain parts are broadly acceptable, serious objections continue to exist on other issues.

## 22.

### **Final communiqué of the Summit of Heads of State and Governments in The Hague, 2 December 1969.**

*Membership of the European Communities: Implications for Ireland*, Laid by the Government before each House of the Oireachtas, April 1970. (Dublin: The Stationery Office, 1970). © The Stationary Office.

1. On the initiative of the Government of the French Republic and at the invitation of the Netherlands Government, the Heads of State or Government and the Ministers for Foreign Affairs of the Member States of the European Communities met at The Hague on 1 and 2 December 1969. The Commission of the European Communities was invited to participate in the work of the Conference on the second day.

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3. Looking back on the road that has been traversed, and finding that never before have independent States pushed their co-operation further, they were unanimous in their opinion that by reason of the progress made the Community has now arrived at a turning point in its history. Over and above the technical and legal sides of the problems involved, the expiry of the transitional period at the end of the year has therefore acquired major political significance. Entry upon the final stage of the Common Market not only means confirming the irreversible nature of the work accomplished by the Communities, but also means paving the way for a united Europe capable of assuming its responsibilities in the world of tomorrow and of making a contribution commensurate with its traditions and its mission.

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<sup>107</sup> Ibid.

4. The Heads of State or Government therefore wish to reaffirm their belief in the political objectives which give the Community its meaning and purport, their determination to carry their undertaking through to the end, and their confidence in the final success of their efforts. Indeed, they have a common conviction that a Europe composed of States which, in spite of their different national characteristics, are united in their essential interests, assured of its internal cohesion, true to its friendly relations with outside countries, conscious of the role it has to play in promoting the relaxation of international tension and the rapprochement among all peoples, and first and foremost among those of the entire European continent, is indispensable if a mainspring of development, progress and culture, world equilibrium and peace is to be preserved.

The European Communities remain the original nucleus from which European unity has been developed and intensified. The entry of other countries of this continent to the Communities – in accordance with the provisions of the Treaties of Rome – would undoubtedly help the Communities to grow to dimensions more in conformity with the present state of world economy and technology.

The creation of a special relationship with other European States which have expressed a desire to that effect would also contribute to this end. A development such as this would enable Europe to remain faithful to its traditions of being open to the world and increase its efforts in behalf of developing countries.

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8. They reaffirmed their readiness to further the more rapid progress of the later development needed to strengthen the Community and promote its development into an economic union. They are of the opinion that the integration process should result in a Community of stability and growth. To this end they agreed that within the Council, on the basis of the Memorandum presented by the Commission on 12 February 1969<sup>108</sup> and in close collaboration with the latter, a plan in stages should be worked out during 1970 with a view to the creation of an economic and monetary union. The development of monetary co-operation should depend on the harmonisation of economic policies.

They agreed to arrange for the investigation of the possibility of setting up a European reserve fund in which a joint economic and monetary policy would have to result.

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<sup>108</sup> See document 20.

## 23.

**Position paper by the Directorate for Foreign Payments of the Netherlands Ministry of Finance on the medium term EEC-support mechanism according to the Barre Plan, 15 January 1970.**

National Archives of the Netherlands (The Hague), Archive of the Ministry of Foreign Affairs, part 3, 1965-1974 (2.05.313), inv.no. 14314. Translation: Huygens ING, The Hague.

*1. Introduction.*

One of the four components of the proposals by the European Commission dated 12 February 1969 (Barre Plan)<sup>109</sup> concerns the establishment of a medium term support mechanism. On 10 May 1969, the Monetary Committee issued an opinion on this.<sup>110</sup> On the part of the Ministry of Finance a note on the Barre Plan was issued on 25 June 1969 regarding the preparation of the Dutch position.<sup>111</sup> For more general considerations on the Barre Plan and on the medium term mechanism in particular reference is made to this note. On 17 July 1969 the EEC Council has issued the following conclusions: 'Le Conseil a donné mandat au Comité monétaire de faire rapport au Conseil et à la Commission sur les modalités d'exécution d'un système de concours financier à moyen terme, compte tenu de l'avis du Comité monétaire lui-même et des observations présentées à ce sujet par le Comité des Gouverneurs des Banques centrales'.<sup>112</sup>

With emphasis it should be pointed out that the Council at that point did *not* speak out in favour of the introduction of a medium term mechanism. The Council has not taken any decision in this regard.

In the following, the most important aspects of this medium term mechanism will be discussed; particular attention will be paid to those points on which differences of opinion exist or may arise and for which proposals have been made that differ from the Dutch opinions on the matter. It is desirable that the Netherlands will maintain the positions regarding these essential points that are advocated in this note at the Council meeting of 26 January.<sup>113</sup>

<sup>109</sup> See document 20.

<sup>110</sup> 'The Committee welcomes the Commission's initiative, which should make a valuable contribution to the development of economic and monetary co-operation and therefore to the more harmonious development of the Community.' Annex 1 of the *Eleventh Report on the Activities of the Monetary Committee*, Brussels, 15 May 1969, see: [http://aei.pitt.edu/1299/1/11th\\_monetary.pdf](http://aei.pitt.edu/1299/1/11th_monetary.pdf) [accessed December 2011].

<sup>111</sup> See document 21.

<sup>112</sup> Council Decision of 17 July 1969 on co-ordination of the short-term economic policies of the Member States (69/227/EEC).

<sup>113</sup> For the Netherlands, a mechanism to the amount of one billion dollars was acceptable, with a Dutch participation of one hundred million dollars. France and Italy, possible debtors, as well as the Commission suggested an amount of around three billion dollars. See point 10 of this document, which is available on the Huygens ING website [www.europadocs.eu](http://www.europadocs.eu)

2. *Need for an internal EEC-mechanism?*

The Commission holds that there is great need for such a medium term EEC mechanism. Yet the economic need for this has not been proven by anyone. Whereas the EEC countries must have sufficient credit facilities as well, these are already available in a wider context (IMF). The IMF facilities are efficient and comprehensive. This means that the introduction of an internal EEC mechanism would mainly be based on non-economic, meaning political, considerations. Furthermore, it follows, that if introduction were decided, the size can be relatively small (see also paragraph 10).

Nonetheless it is correct to base a possible medium term EEC mechanism on art. 108 of the Treaty.<sup>114</sup> This article mentions a 'concourse mutuel' between states, not between the central banks. The Commission believes that art. 108 is at present not effective because for each loan a time-consuming parliamentary approval must be obtained ad hoc in the Member States; instead of this the Commission rightly seeks a kind of permanent authorization – to certain limits – for national governments to cooperate in the Council to a concours mutuel in the form of loans.

3. *Relationship with policy coordination*

From the Netherlands side it must again be stressed that the second part of the Barre Plan (including the medium term mechanism) should be based on the first part (harmonization of the policy objectives in the medium term, and coordination of economic policies in the short term). Achievement of this first part is thus a prerequisite for the introduction of support mechanisms. On the other hand it cannot be maintained that the support mechanisms would be necessary to achieve sufficient policy coordination.

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12. *Conclusion.*

For an internal medium term EEC mechanism there is little or no need from an economic-financial point of view. Were this to be established nonetheless, then the Netherlands should only agree in the Council after an acceptable settlement will have been reached on a number of contentious issues. This mainly concerns the following. The IMF facilities are to remain untouched. The right of ad hoc withdrawal from participating as a creditor (Art. 108, 2, c: 'opting out') must be maintained. The EEC mechanism should, if it wants to be of any significance, be additional towards existing facilities (IMF). An obligation to give priority to the EEC mechanism (first drawing on the EEC, then possibly on the IMF) is unacceptable; priority has to be sought for the IMF (EEC mechanism complementary) or a mandatory parallelism (simultaneously drawing on EEC and on IMF); if necessary, a formula is acceptable that at this point no general obligation will be established but that this is to be decided ad hoc. The policy requirements of EEC drawings should not be more flexible than

<sup>114</sup> See document 11.

those the IMF. The liquidity of the claims should be assured (right of transfer by the creditor who gets in trouble himself and also the creation of practical opportunities to do so); nonetheless, due to the limited nature, an internal EEC mechanism can never give a guarantee of sufficient liquidity as well as supplementarity. The size of the mechanism should be relatively small.

If the central banks do not want and cannot finance the claims on the system which their own member states obtain, due to insufficient liquidity, credits should in effect also be funded from the treasuries. In light of the budgetary difficulties in most Member States the practical possibilities of a functioning EEC mechanism of some size, would be very low in such a case.



During the summit in The Hague on 1 and 2 December 1969 more than 2000 young people from all kinds of associations and countries gathered around the governmental buildings where the meetings of the European leaders were scheduled. A Dutch newspaper, *De Volkskrant* of 2 December 1969, described the sphere in The Hague at the time of the summit as a chaotic and noisy 'European party'.

Before they could enter the negotiations, the European Ministers were overthrown with 'a shower of European idealism' that most certainly made their ears beep. Moreover, radical German students laid themselves down on the square in The Hague to keep the politicians from entering the building. The mounted police needed to take tough measures in order to clear the way.

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## Introduction to document 24-25

At the Hague Summit of December 1969<sup>115</sup> the decision was taken to work out a plan for the realisation of an economic and monetary union in phases. In one of the subsequent meetings the Council of the EEC had to take a decision on how to proceed. Apart from the Barre Plan,<sup>116</sup> there were plans of the Belgian minister Jean-Charles Snoy et d'Oppuers, the German minister Karl Schiller and the Luxembourg minister Pierre Werner.<sup>117</sup>

Document 24 allows the reader at a glance the points of view on the four plans on economic and monetary integration as presented in Paris by the Finance Ministers on 23 and 24 February 1970. They agreed that an ad hoc group, consisting of the chairmen of five committees in the economic-monetary sector, together with a representative of Luxembourg and the European Commission, should report back to them.

Document 25 exemplifies that in the view of the Netherlands Ministry of Foreign Affairs the achievement of monetary union implied a clear strengthening of the supranational element in European cooperation. The work of the ad hoc group should therefore take place under supervision of the Council and not within any intergovernmental circle. The realisation of an economic and monetary union could only be possible with adequate allocation of powers to Community bodies.

### 24.

#### **Report of the 34th meeting of the Ministers of Finance of the European Communities in Paris, 23 and 24 February 1970 by Jan Willem Vredenberg van der Horst, Netherlands Ministry of Finance.**

National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02), inv.no. 990. Translation: Huygens ING, The Hague.

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#### *5. Prospects for European monetary cooperation.*

The starting point of the considerations was paragraph 8 of the communiqué of the Hague Summit (1 and 2 December 1969)<sup>118</sup> which states that the Council, in close cooperation with the Commission, shall elaborate a plan in 1970, with the aim to implement an economic and monetary union in phases. About the content and scope of such a plan several concepts<sup>119</sup> exist already, namely on the part of West Germany, Belgium, Luxembourg and the European Commission. During the discussions on the plan it became clear that there is general agreement on the goal of a monetary union. However, opinions diverge on the pace of implementation and about the priorities that should apply to each separate phase. At the meeting two tendencies emerged,

<sup>115</sup> See document 22.

<sup>112</sup> See document 20.

<sup>117</sup> A summary of the four plans can be found in document 26.

<sup>118</sup> See document 22.

<sup>119</sup> See document 26.

described by Minister *Giscard d'Estaing* as careful and constructive (the German and Dutch ministers), respectively courageous and constructive (the Belgian and Luxembourg ministers). In the view of the former monetary union shall be the final piece of full coordination of economic policies and can therefore be realized only in a later phase of the integration process. According to the second group, the monetary integration process will have to begin already during the first phases. The French minister joined this view. The view of the Commission, though not yet put into writing, is that monetary cooperation should take place parallel to the coordination of economic policy.

Minister *Snoy et d'Oppuers* gave a brief explanation of the Belgian 'Plan de solidarité monétaire européenne en trois étapes 1971-1978'.<sup>120</sup> He stated that in the current situation divergences in economic development of Member States may occur from which monetary tensions may arise that may frustrate the functioning of the common (especially agricultural) market. In addition, the international monetary cooperation has thus far developed outside the Community around three nuclei: the IMF, the major reserve currencies, and the Euro-dollar market. A requirement for further European integration is therefore a strengthening of monetary solidarity within the EC. This is not conceivable without an extensive convergence of economic policies and without homogeneity in the functioning of the economies of the Member States.

This will entail significant changes in the institutional relationships, such as the creation of community agencies with the necessary powers in the field of economic policy (especially the budget and income policy), the establishment of a Community monetary system (by analogy with the Federal Reserve System) with its own executive, having the Community act as an autonomous (monetary) unit in its relations with the outside world. For the realization of the plan three phases are provided in which mutual cooperation in various areas will become progressively more obligatory. As regards the monetary relations between the Member States, it is proposed that in the first phase the margins for exchange rate fluctuations will be reduced and in the second phase will be eliminated completely; a fixed mutual parity shall exist and a uniform rate against the U.S. dollar. Next follows the third stage with joint management of the common foreign exchange reserves. Yet the Belgian plan is not a tight schedule, but is open to changes, such as the number of phases concerned.

The German 'Stufenplan zur Verwirklichung der Wirtschaft und Währungsunion in der EWG'<sup>121</sup> is also based on the decision of the Hague summit. Minister *Schiller* noted that the formulation of the plan was mainly motivated by the idea in paragraph 8 of the Hague communiqué that 'the development of monetary cooperation should be based on the harmonization of economic policies'. The plan therefore lays emphasis on coordination of economic and counter cyclical policy as a condition for a harmonized monetary policy. An important pragmatic principle that gives a high degree of flexibility to the plan is that the transition to the next stage will occur only when the

<sup>120</sup> The Belgian Plan was published on 27 January 1970. This document is available on [http://ec.europa.eu/economy\\_finance/emu\\_history/documentation.htm](http://ec.europa.eu/economy_finance/emu_history/documentation.htm). Document 26 contains a summary.

<sup>121</sup> The German Plan was published on 12 February 1970 in: *Tagesnachrichten des Bundesministeriums für Wirtschaft*, 27 February 1970, no. 6122. This document is available on [http://ec.europa.eu/economy\\_finance/emu\\_history/documentation.htm](http://ec.europa.eu/economy_finance/emu_history/documentation.htm). Document 26 contains a summary.

essential conditions for the previous phase have been met. This is to be agreed in the Council. According to the German plan, the conditions for a greater convergence of the objectives of economic policy over the medium term and for harmonization of the short term economic and financial policies have to be created in the first phase. At the end of the phase the moment of take-off is achieved for realization of indicated common objectives in a second phase, in which the support mechanism for the mid-term proposed by Commissioner Barre may also become operational. At the end of this period (about 1974-1975), the harmonization of economic policies must be advanced to such a degree that fundamental imbalances between Member States can no longer occur. The third phase is the transition to an economic and monetary union and is characterized by a progressive gradual institutionalization of Community elements built into the economic policy and the monetary and credit policy. In this phase the monetary system should be transformed into a kind of Federal Reserve System, the exchange rate margins be reduced and the mechanism for mutual assistance in the medium term be developed into a common reserve fund. In the fourth ('Elyseeian') phase, the beginning of which is thought to be around 1978, the economic and monetary union should be completed by the transfer of all '*notwendige*' powers to community agencies, by allocating the Committee of Governors of central banks the status of a European central bank council, by the introduction of fixed and guaranteed rates between Member States and by the creation of a European currency. Minister *Schiller* argued that the development of a 'Stufenplan' ought to be entrusted to an ad hoc Committee appointed by the Council, which could consist, for example, of the chairmen of the five EC committees,<sup>122</sup> an expert from the Commission and a representative of Luxembourg. He urged a speedy decision by the Council so that the committee will be able to present the results of his research before the Council debate on the economic situation in the summer of this year.

Minister *Colombo* also saw the harmonization of economic policies as a necessary condition for the strengthening of the monetary cooperation. Such requires a political unification of Europe, a development that will lead to major institutional changes. Emphatically, he argued that a reduction of the exchange rate margins is possible only if the objectives of economic policy over the medium term are sufficiently harmonized. He was able to imagine that it may be effective to maintain the flexibility of exchange rates in a transition phase. The problem of reducing the so-called band width between the currencies of the EC countries and the relationship to the U.S. dollar should in his opinion be more closely examined.

During the meeting, Minister *Werner* handed his colleagues the text of a study on the prospects of a monetary union ('l'Europe on route vers l'Union Monétaire').<sup>123</sup> The main idea here is that monetary integration could take place in seven phases, in conjunction with the development of coordination and harmonization of economic and counter-cyclical policy. Characteristic of these proposals is that already in the first stage there is a strong emphasis on monetary cooperation. Thus, even before the first phase deployment of

<sup>122</sup> *Note in text*: 'Monetary Committee, Short Term Economic Policy Committee, Budgetary Policy Committee, Medium-term Economic Policy Committee, Committee of Governors of Central Banks.'

<sup>123</sup> The Luxembourg Plan was published on 23 February 1970. This document is available on [http://ec.europa.eu/economy\\_finance/emu\\_history/documentation.htm](http://ec.europa.eu/economy_finance/emu_history/documentation.htm). Document 26 contains a summary.

special drawing rights<sup>124</sup> within the mechanism for mutual assistance in the medium term is to be considered; in the second phase, the exchange rate margins between the EC countries should be reduced, and in the third stage a European accounting unit be entered. By a further gradual institutionalization a European reserve fund could emerge in the seventh stage. To realize these plans a period of 7 to 10 years is considered. Minister *Werner* believed that a phase plan should be sufficiently flexible to allow possibly new acceding candidate members to participate without any major difficulties.

Minister *Witteveen* deemed it necessary that apart from the technical aspects the political implications of the plans, inspiring in themselves, be considered further. Otherwise there is a danger that the ambitious targets will not be achieved. He pointed out that the divergence of economic variables between the Member States must give way to a convergence, if progress in monetary integration is to be made. He furthermore thought it advisable to indicate modest objectives for each stage and in coordinating policy to determine to what is necessary to achieve this. The proposals on budgetary policy in the Belgian plan for the first phase go beyond necessity. For a union it is essential to have a certain degree of consensus on the size of the budget deficit and on financing arrangements, with a view to the effect on the aggregate demand. Yet other aspects of budget policy, such as the relationship between consumption and investment expenditure and the ratio between direct and indirect taxes do not require a similar approach. Political decisions regarding credit policy and the appeal of public bodies to the capital market should ultimately be made by community agencies. The centralization of the responsibility for the European currency requires political unification and institutional extension of the Community, while the function of the European Parliament must also be addressed. All these issues require further consideration. The German *Stufenplan* appealed to minister *Witteveen* particularly because of its realistic nature, especially the principle that the transition to a next stage is conditional on the achievement of the objectives in the previous stage. He then pointed to the relationship between the gradual liberalization of the money and capital markets advocated in the plan for the first Stufe, and the coordination of budget policy. A balanced development of capital markets also depends on public savings, the size of which hitherto varies in the Member States. In the second phase the plan provides for a coordination of interest rates and of credit policy of the Member States. It should also be studied to what extent the interest rate policy is aimed at the balance of payments equilibrium or on achieving national objectives. The relationship between governments and central banks (the degree of independence of the latter) is also an issue that requires further study. Minister *Witteveen* agreed to the procedure for consultations to continue in an ad hoc committee, in which he wishes to include the vice-chairmen of these committees. This committee might on occasion instruct the EC committees to study possible sub-problems.

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<sup>124</sup> The special drawing rights (SDR's) were created at the annual meeting of IMF in Rio de Janeiro in September 1967 with the purpose to provide in the growing need of international liquidities besides the U.S. dollar. The original value of a SDR was initially defined as equivalent to 0.888671 grams of fine gold—which, at the time, was also equivalent to one U.S. dollar. After the devaluation of the dollar in 1971 and the abolishment of the convertibility of the dollar in gold, the value of the SDR was redefined as a basket of the 16 most important currencies in the world (nowadays 5).

Minister *Giscard d'Estaing* regarded monetary integration as a guide for the further development of the common market. He was aware that this should be accompanied by a greater coordination of economic policies. In his view monetary integration leads to an identity of the Community itself which may have significance for monetary cooperation in a global context. Like the Belgian and Luxembourg ministers he gave a high degree of priority to the creation of mechanisms for common monetary policy. In particular, he advocated the creation in the first phase of a system of mutual assistance in the medium term. To ensure sufficient liquidity of the claims on this support mechanism, he recommended the deployment of special drawing rights of the Member States. Furthermore, the French minister declared himself in favour of a reduction, respectively elimination, of the band width for fluctuations in the communal exchange rates, even if the widening of exchange rate margins are considered in relations with third countries.

The EC Commission will soon inform the Council about her thoughts regarding the strengthening of monetary cooperation within the Community. In anticipation, Mr. *Barre* reported that the formation of an economic and monetary union is expected to take a period of 8 to 10 years. In his opinion, a phase plan should not have a rigid character and should not too incorporate too much detail. Also, a transition from one phase to another should not to be tied to too formal requirements. The development of an economic union will have to proceed symmetrical to that of a monetary union; both can be mutually stimulating. The thoughts of the Commission go towards an integration process in three-stages. In the first phase (1970-1971), the Council Decisions of 26 January<sup>125</sup> should be put into practice. In particular, the proposed mechanism for mutual financial assistance could play a role, possibly involving special drawing rights. Furthermore, it should be examined what measures are necessary for further liberalization of payments and capital movements. In this phase coordination within the Monetary Committee and the Committee of Governors might be enhanced. In the second phase (1972-1975), the cooperation in various fields (including tax harmonization) could be developed in parallel. Moreover, a reduction of exchange rate margins (e.g. by 50%) might be invoked and a European accounting unit for financial transactions within the Community introduced. After 1976 it should be considered whether there exists a sufficiently solid basis to complete the monetary union. At that point a Community monetary authority should be created, the remaining exchange rate margins be eliminated, a common reserve fund be formed, and a solution be found to a division of the powers of the national and Community bodies.

Minister *Schiller* observed differences of opinion between the Commission and the German *Stufenplan*. He objected to the Commission fixing certain periods. The pragmatic approach of the German plan is more flexible, in this the *Stufen* are indicated qualitatively, but not bound to time periods. Another objection is that the Commission introduces monetary elements at a (too) early stage. Especially with regard the support mechanism for the medium term the danger of 'überstrapazieren' [overloading] exists. Objectionable is also that the Commission proposal already presents a European accounting unit in the second phase. The German plan gives priority to convergence in the real sector and takes up harmonization in the monetary field only at a later stage. The

<sup>125</sup> On 26 January 1970 the Council agreed on a draft decision concerning the special consultation procedure which formed an integral part of the short-term monetary support system to be implemented by the Central Banks of the Community.

German minister advised not to make the phase plan too complicated by also involving tax harmonization – like the Commission proposes – which he felt unnecessary for a monetary union.

Minister *Witteveen* seconded the statement made by Minister Schiller and defended a cautious, realistic, but constructive approach to the plans that have been submitted. Against the idea of the Commission to link the special drawing rights in the first phase to the financial assistance mechanism, he submitted that in such a case the Member States might block part of their reserves in advance in order to possibly make their claims on the mechanism liquid later on. Furthermore, any amalgamation of foreign exchange reserves, which can only take place in the final stage, should not be restricted to the special drawing rights, but apply to all components of the foreign exchange reserves to avoid the impression that the SDR's were a reserve asset of a lesser sort. The Minister challenged the statement of his French colleague that in the Council meeting of July 1969<sup>126</sup> a decision has already been taken on the medium term support mechanism. At that point only an instruction for further consideration was issued to the Monetary Committee, while the time of entry into force was left open entirely.

All ministers appeared to be able to agree on the procedure that the Council will be advised to convene an ad hoc committee for a closer examination of the various proposals and ideas on the creation of a monetary union. This committee will report to the Council before this will convene for its summer meeting for its usual short term economic policy debate.

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<sup>126</sup> See document 23: 'On 17 July 1969 the EEC Council has issued the following conclusions: (...). With emphasis it should be pointed out that the Council at that point did *not* speak out in favour of the introduction of a medium term mechanism'.

25.

**Position paper by the Netherlands Ministry of Foreign Affairs for the Interdepartmental Coordination Committee on European Integration and Association Issues on the procedure for the development of a plan for an economic and monetary union, 26 February 1970.**

National Archives of the Netherlands (The Hague), Archive of the Ministry of Foreign Affairs, 1965-1974 (2.05.313), inv.no. 14315. Translation: Huygens ING, The Hague.

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The Netherlands position on this matter may be based on the following considerations.

1. In accordance with the decision of the Summit,<sup>127</sup> the work should be undertaken within the framework of the Council and not in any intergovernmental set-up. Given the French plea on the Summit for intergovernmental cooperation in the economic and monetary field, there is reason to emphasize this point. Intergovernmental cooperation is divergent to the final goal of economic and monetary union. It would therefore also be incorrect to place the elaboration of a plan for such a union in an intergovernmental perspective.
2. As formulated at the Summit, the development of monetary cooperation has to be based on the harmonization of economic policies. The required study will therefore not be limited to monetary integration, but will also relate to the entire field of social-economic policy.
3. The achievement of an economic and monetary union is only possible with allocation of adequate powers to Community bodies. Against the loss of national control over economic and monetary policy instruments, is to be put the creation of Community competences and instruments to enable a decisive policy. This implies a clear strengthening of the supranational element in European cooperation, which will have to be linked to a strengthening of the powers of the European Parliament as well. These essential political aspects shall require the necessary attention in the study that is to be conducted.

Based on the above considerations, the following can be said about the procedure proposed by the Ministers of Finance of the Six.

The required community nature of the study implies that the Council commissions to undertake the study and that the result, after the usual preparations, shall be submitted to the Council. A prior amendment by the Ministers of Finance does not fit into this arrangement. If the Ministers of Finance want to provide comments on the concept, there should be no objection to that. These comments may then be incorporated into the evaluation by the Council.

<sup>127</sup> The Hague Summit, 1-2 December 1969, see document 22 for the final communiqué.

As regards the proposed composition of the group that will be commissioned to develop the plan, this meets the desideratum of a composition that can give sufficient weight to the various elements of economic policy. The political elements mentioned above under 3, will get special attention of the Permanent Representatives.

Given the construction proposed by the Ministers of Finance in which the representatives of the member states are linked to the presidencies of the various committees, it will, however, not be easy to ensure that the views of Member States on all relevant aspects, including the political, of the very complex material will be fully taken into account. In addition, it will be intricate to effect major amendments after the group has released its study. If the Council will adopt the proposal, special care needs to be taken to ensure representative and expert input of the Member States even during the preparation of the study.



## Introduction to document 26

Between the Hague Summit<sup>128</sup> and the beginning of the Werner Committee's work, the Belgian<sup>129</sup>, German<sup>130</sup> and Luxembourg<sup>131</sup> Governments published their proposals for the implementation of an economic and monetary union. The three documents, named after the figures behind them — the Snoy Plan, the Schiller Plan, and the Werner Plan (also known as the Luxembourg Plan) — were debated at the Council of Finance Ministers meeting in Paris on 24 February 1970.<sup>132</sup>

On 18 March 1970 the EC Commission published a comparative table summarising the three government proposals as well as the plan put forward by the EC Commission.<sup>133</sup> There were four areas of interest: the coordination of economic policies, the capital market, fiscal matters and monetary matters. The institutional aspect, referred to in only vague terms in these plans, was not analysed.

These four plans set the timeframe for the full achievement of an economic and monetary union at 8 to 10 years. Although the plans differed as to the number of steps required, the length of these steps and the order in which they should be carried out, two fundamental stages figured in all the plans. After a preparatory phase, to last up to 1975, the plans delineated a final phase, during which the Community structures required for the smooth operation of an economic and monetary union were to be set up.

The EC Commission identified two main positions: firstly the Luxembourg Plan, which represented the most purely 'monetary' approach.<sup>134</sup> As its chief alternative, the Commission indicated the Schiller Plan, which emphasised more strongly the role of the action to be taken in the various fields of economic policy and did not provide for automatic transition from one stage to the next, requiring instead a Council decision each time. The other plans fell somewhere in between.

Although his personal view tended towards the monetarist perspective, Pierre Werner carried out his mission as chairman of the ad hoc group, managing to secure agreement on an approach that incorporated both economic cooperation and monetary cooperation, as crystallised in the final text of the Werner Plan.

<sup>128</sup> See document 22.

<sup>129</sup> The Belgian Plan was published on 27 January 1970. This document is available on [http://ec.europa.eu/economy\\_finance/emu\\_history/documentation.htm](http://ec.europa.eu/economy_finance/emu_history/documentation.htm).

<sup>130</sup> The German Plan was published on 12 February 1970 in: *Tagesnachrichten des Bundesministeriums für Wirtschaft*, 27 February 1970, no. 6122. This document is available on [http://ec.europa.eu/economy\\_finance/emu\\_history/documentation.htm](http://ec.europa.eu/economy_finance/emu_history/documentation.htm).

<sup>131</sup> The Luxembourg Plan was published on 23 February 1970. This document is available on [http://ec.europa.eu/economy\\_finance/emu\\_history/documentation.htm](http://ec.europa.eu/economy_finance/emu_history/documentation.htm).

<sup>132</sup> See document 24.

<sup>133</sup> Commission Memorandum to the Council in the Preparation of a Plan for the Phased Establishment of an Economic and Monetary Union, 4 March 1970. *Bulletin of the European Communities, Supplement no. 3 (1970)*. This document is available on [http://ec.europa.eu/economy\\_finance/emu\\_history/documentation.htm](http://ec.europa.eu/economy_finance/emu_history/documentation.htm).

<sup>134</sup> For a short statement on the differences between the monetarist and economist positions, see the introduction to document 44.

26.

**European commission, comparative tables concerning the four plans for the achievement by stages of an economic and monetary union, 18 March 1970.**

Family Archives Pierre Werner. © European Union.

*I. Coordination des politiques économiques*

*Plan Werner*

*1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

Celle-ci est déjà en cours de réalisation. Son premier aspect est la consultation réciproque et obligatoire sur certaines opérations à caractère monétaire ou d'économie générale. Cependant il faut tendre vers des actions concertées, conçues à titre préventif. L'Exécutif du Marché Commun a proposé des procédures plus développées dans le Plan Barre qui comporte deux volets de coordination économique.

- a) En tout premier lieu il propose de renforcer la coopération des politiques économiques courantes grâce à des consultations préalables.
- b) En second lieu, il s'agit de renforcer la coordination des politiques économiques à moyen terme, c'est-à-dire de rendre les objectifs compatibles entre eux en matière de production, d'emploi, de salaires, de balance de paiements pour ne citer que les plus importants. Ces objectifs devraient permettre de préciser le programme de développement économique des pays membres au cours de la prochaine période quinquennale.

*2<sup>ème</sup> étape*

Corrélativement il faudra perfectionner les programmes économiques globaux dont le principe a été admis par le Conseil des Ministres dans sa séance du 26 janvier 1970.<sup>135</sup>

*2<sup>ème</sup> phase, 1976-1980*

...

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<sup>135</sup> On 26 January 1970 the Council agreed on a draft decision concerning the special consultation procedure which formed an integral part of the short-term monetary support system to be implemented by the Central Banks of the Community.

### *Plan Belge*

#### *1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

Au cours de la première étape, la collaboration reste volontaire. Le Conseil des Ministres qui définirait les objectifs généraux de politique économique serait habilité à adresser des recommandations aux gouvernements nationaux. Ces recommandations porteraient notamment sur les différents aspects de la politique budgétaire: volume global du budget et rythme de son augmentation, répartition des dépenses publiques entre investissements et consommation, rapport entre le financement par l'impôt, le recours à l'emprunt – dont le financement monétaire –, importance respective des impôts directs et des taxes indirectes – harmonisation des législations fiscales et parafiscales. La politique des revenus serait progressivement harmonisée. Le budget supranational comprendrait les recettes et les dépenses afférentes aux activités déjà mises en commun.

#### *2<sup>ème</sup> étape*

Dans la deuxième étape, les recommandations seraient remplacées par des directives. La collaboration volontaire ferait place à une coopération obligatoire et l'exécution des directives serait contrôlée par les institutions communautaires. Le budget supranational serait progressivement étendu.

[*Sans spécification d'étape: Instauration au niveau de la Communauté de mécanismes fonctionnant comme des stabilisateurs économiques, ou de façon discrétionnaire, qui corrigent les défauts de la répartition spontanée des revenus et des capitaux]*

#### *2<sup>ème</sup> phase, 1976-1980, 3<sup>ème</sup> étape*

Mise en place d'organes communautaires dotés de pouvoirs requis pour la poursuite d'une politique économique unique. Ces organes définiraient les objectifs communs et seraient habilités à prendre des mesures nécessaires pour les atteindre. La politique économique devrait s'appuyer notamment sur une action budgétaire et une politique de revenus définies au niveau communautaire. Les organes communautaires seraient habilités à arrêter et à exécuter le budget de la Communauté, et ce dernier serait élargi progressivement. Les organes communautaires seraient habilités à établir le cadre général à l'intérieur duquel les Etats membres devraient administrer leur propre budget.

### *Plan Schiller*

#### *1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

1. Poursuite de la concrétisation et de l'harmonie des objectifs de politique économique à moyen terme sur la base du *Mémorandum de la Commission sur les orientations globales à moyen terme de la politique économique dans la Communauté* du 15 décembre 1969<sup>136</sup> et de l'avis du Conseil des Ministres du 26 janvier 1970. Les objectifs à moyen terme devraient être examinés annuellement par le Comité de politique économique à moyen terme.

<sup>136</sup> Supplément au *Bulletin des Communautés Européennes*, no. 2, 1970.

2. Pour la réalisation de ces objectifs harmonisés, il faudrait recourir à:
  - 2.1. Application renforcée du processus de consultations décidé le 17 juillet 1969<sup>137</sup> en ce qui concerne des mesures importantes de politique économique à court terme.
  - 2.2. Elaboration par la Commission d'un rapport économique annuel à présenter au début de chaque année. Le rapport devrait rendre compte de l'état de la coordination et de l'harmonisation, des divergences existantes ou qui risquent de surgir par rapport aux objectifs à moyen terme. Il devrait contenir en outre des propositions concernant des recommandations au sujet de la politique économique, monétaire et budgétaire des Etats partenaires pour l'année courante (au regard de la régulation globale de la demande). A la base des recommandations, il faudrait présenter en outre des objectifs quantitatifs que la Communauté chercherait à réaliser au cours de l'année. Les mesures proposées dans le rapport économique de la Commission devraient constituer une base pour les recommandations du Conseil aux Etats membres. Le Conseil devrait également faire usage des compétences qui lui sont conférées par l'art. 103 du Traité CEE
  - 2.3. Examen et amélioration de l'ensemble des instruments de politique conjoncturelle et budgétaire dans la Communauté. L'objectif devrait être de donner à l'ensemble des instruments nationaux – en les complétant éventuellement – une forme telle qu'ils atteignent un degré d'efficacité comparable.
  - 2.4. Harmonisation renforcée des politiques nationales de structure sur base du 2e programme de politique économique à moyen terme.
3. Les conditions nécessaires et les fondements techniques pour le diagnostic à court et moyen terme des évolutions économiques dans la Communauté devraient être améliorées par:
  - 3.1. la poursuite énergique des travaux en vue d'harmoniser et d'améliorer les statistiques conjoncturelles dans la Communauté.
  - 3.2. le développement du système d'indicateurs d'alerte.
  - 3.3. Une meilleure harmonisation des projections nationales grâce aux informations de base plus riches destinées à remplir le système de comptes macroéconomique uniforme de la Communauté et grâce à l'uniformisation des périodes prévisionnelles mises à jour annuellement.

#### *2<sup>ème</sup> étape*

1. Pour soutenir les efforts en vue d'aligner la politique économique de façon accrue aux objectifs communs à moyen terme les mesures suivantes pourraient être prévues:
  - 1.1. Recommandations du Conseil relatives à l'orientation macroéconomique des budgets nationaux.
  - 1.2. Décisions de politique conjoncturelle plus nombreuses et plus étendues suivant l'article 103 du Traité CEE.
  - 1.3. Introduction de consultations relatives aux plans de financement à moyen terme des Etats de la CEE.

#### *2<sup>ème</sup> phase, 1976-1980, 3<sup>ème</sup> étape*

1. La collaboration en matière politique économique et budgétaire devrait être intensifiée et complétée par l'incorporation d'éléments communautaires.

<sup>137</sup> Council Decision of 17 July 1969 on co-ordination of the short-term economic policies of the member states (69/227/EEC). See also document 23.

Il s'agirait notamment de:

- 1.1. L'harmonisation des objectifs à moyen terme devrait être complétée et approfondie sur base des expériences acquises à ce moment afin d'arriver à un rapprochement encore plus poussé des priorités nationales.
- 1.2. Parallèlement, il faudrait dans le domaine de la politique structurelle, contribuer par des mesures adéquates à ce que la structure économique soit améliorée dans la Communauté et ainsi son rendement s'en trouvera accru.
- 1.3. Pour la réalisation des politiques économiques dans la Communauté, les compétences encore manquantes devraient être accordées à la Communauté. En même temps, on pourrait passer aux décisions de la majorité dans des domaines importants de la politique économique, budgétaire et monétaire (par ex. pour les lignes d'action pour les plans de financement à moyen terme et pour les postes des budgets nationaux importants pour la conjoncture).

#### *4<sup>ème</sup> étape*

1. Transfert de toutes les compétences nécessaires dans le domaine de politique conjoncturelle, budgétaire et monétaire aux organes communautaires.

#### *Plan de la CEE*

##### *1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

- a) Adoption, à la fin de 1970, du 3<sup>ème</sup> programme économique à moyen terme, comportant des orientations chiffrées et des actions structurelles, ainsi que des procédures permettant sa mise en œuvre, en liaison avec la politique conjoncturelle.
- b) Coordination plus efficace des politiques conjoncturelles, grâce notamment à la mise en œuvre d'un système d'indicateurs d'alertes.
- c) A partir de 1971, confrontation annuelle au niveau des ministres des finances, des projets de budgets nationaux.
- d) Elaboration d'orientations à moyen terme en matière de politique budgétaire.

##### *2<sup>ème</sup> étape*

- a) Définition en commun des lignes directrices de la politique économique globale en vue d'orienter les décisions à prendre dans les divers domaines.
- b) Examen de l'évolution économique de la Communauté par référence aux orientations chiffrées à moyen terme et recours à 'des projections glissantes' pour la mise à jour de ces orientations.
- c) Mise en œuvre des actions structurelles prévues au 3<sup>e</sup> Programme de politique économique à moyen terme.
- d) Fixation en commun des orientations de la politique conjoncturelle en vue notamment d'assurer leur conformité aux orientations à moyen terme de la Communauté.
- e) Définition en commun des orientations de politique budgétaire en ce qui concerne les grandes masses budgétaires et les modalités de financement du solde des budgets.
- f) Recours par les Etats membres à des instruments homologues de politique budgétaire en vue de favoriser une meilleure régulation conjoncturelle de l'économie de la Communauté.
- g) Examen régulier, dans le cadre d'une procédure de concertation avec les partenaires sociaux et les autres organisations représentatives de la vie

économique et sociale des grandes orientations économiques, fiscales et monétaires et des décisions auxquelles ils sont plus particulièrement intéressés.  
*2<sup>ème</sup> phase, 1976-1980, 3<sup>ème</sup> étape*

1) Attribution aux institutions communautaires des pouvoirs nécessaires pour assurer le bon fonctionnement de l'union économique et monétaire.

## *II. Marche des capitaux*

### *Plan Werner*

Devraient être réexaminés à ce dernier égard et harmonisés dans la mesure du nécessaire:

- Les régimes fiscaux des placements internes et des placements à destination ou en provenance des autres pays membres, de même que les différences dans le traitement fiscal des divers types de placements.
- Le régime particulier de certains circuits de financement, afin que s'atténue la rigidité actuelle des cloisonnements internes des marchés.
- Les réglementations qui limitent les placements ouverts aux investisseurs institutionnels.
- La réglementation des changes portant sur les mouvements de capitaux.

### *Le marché des euro-devises*

Pour ce qui est de l'évolution spontanée, il faut relever qu'au cours des dernières années s'est formé au sein des pays de la Communauté un réseau de transactions que l'on peut légitimement qualifier de marché des capitaux européen. Il s'agit des relations qui se sont nouées à la faveur du développement des émissions d'emprunt en euro-devises. Ce marché a ses caractéristiques propres et n'a pas manqué d'évoluer à la suite de la suppression de l'apport de capitaux frais en provenance des Etats-Unis. Il a tendance à s'euro-péiser davantage, tout en restant trop dépendant des Etats-Unis quant aux taux d'intérêt.

En ce moment il importe d'en retenir les techniques et les enseignements. En effet, ce marché résulte d'une collaboration étroite d'institutions financières de diverses nations, utilisant au mieux de l'intérêt de leurs mandants les instruments et les cadres juridiques offerts par les pays de la Communauté. Par ailleurs, il n'est pas irréaliste de constater que le succès de cette première forme de marché européen est dû en partie à l'utilisation d'une devise qui, par rapport aux monnaies nationales, faisait fonction en fait de monnaie de compte. En ce sens l'Euro-dollar<sup>138</sup> nous montre la voie à suivre. Les investisseurs internationaux recherchent le dénominateur européen commun, qui pourrait être l'unité de compte enfin consacrée.

### *Les exigences d'un marché européen des capitaux*

L'harmonisation des dispositions fiscales relatives aux sociétés de capitaux et aux valeurs mobilières joue également un rôle dans le développement équilibré du marché commun. Il ne faut cependant pas méconnaître les implications parfois fort complexes d'une action de rapprochement qui doit rester conforme à l'objectif d'interpénétration du marché européen, ainsi qu'au principe d'ouverture et de liberté qui sont à sa base. Sa structure doit

<sup>138</sup> Time deposits denominated in U.S. Dollars in European banks.

aussi éviter de favoriser la fuite des capitaux en dehors de la Communauté. L'élimination des causes de double imposition doit être poursuivie.

Sans doute faut-il envisager également une coopération plus étroite entre les autorités de tutelle des marchés de capitaux des pays membres aux fins d'assurer de meilleures conditions d'équilibre entre les marchés nationaux subsistants.

#### *Plan Belge*

##### *1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

Les législations et réglementations nationales régissant les statuts des intermédiaires financiers, le fonctionnement des marchés de fonds et les organes de contrôle seraient rapprochées.

##### *2<sup>ème</sup> étape*

De même seraient unifiées les réglementations régissant le statut des intermédiaires financiers, le fonctionnement des marchés de fonds et les organes de contrôle.

##### *2<sup>ème</sup> phase, 1976-1980, 3<sup>ème</sup> étape*

La circulation des capitaux ne pourrait se heurter à aucun obstacle.

#### *Plan Schiller*

##### *1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

Parallèlement, le marché des capitaux et le marché monétaire de la Communauté devraient être progressivement libéralisés. Depuis 1962, aucun progrès n'a été réalisé dans ce domaine. En effet, c'est justement un marché des capitaux libéralisé et efficace qui exercerait des effets particulièrement positifs sur le processus d'intégration. Le Conseil devrait recevoir aussi vite que possible des propositions de la Commission, pour une libéralisation effective au sens de l'article 67 du Traité CEE<sup>139</sup>. L'accent devrait d'abord être mis sur la libéralisation dans le domaine des effets négociables.

#### *Plan de la CEE*

##### *1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

- a) Adoption d'une 3<sup>ème</sup> directive tendant à accroître l'interpénétration des marchés financiers des Etats membres.
- b) Création auprès du Comité monétaire d'un groupe ad hoc chargé de consultations régulières sur les mouvements de capitaux à l'intérieur de la Communauté.
- c) Adoption de mesures d'harmonisation fiscales portant sur les intérêts, les dividendes et la structure des impôts sur les sociétés.

<sup>139</sup> '1. Member States shall, in the course of the transitional period and to the extent necessary for the proper functioning of the Common Market, progressively abolish as between themselves restrictions on the movement of capital belonging to persons resident in Member States and also any discriminatory treatment based on the nationality or place of residence of the parties or on the place in which such capital is invested. 2. Current payments connected with movements of capital between Member States shall be freed from all restrictions not later than at the end of the first stage.'

*2<sup>ème</sup> étape*

- a) Elargissement progressif de l'accès des pays membres aux marchés des capitaux de leurs partenaires.
- b) Harmonisation des réglementations régissant le statut des intermédiaires financiers, et notamment des investisseurs institutionnels, ainsi que le fonctionnement des Bourses de valeurs.
- c) Recours, dans des conditions à déterminer, à une unité de compte communautaire pour l'émission et la circulation de titres de crédit utilisables sur les marchés monétaires et financiers de la Communauté.

*2<sup>ème</sup> phase, 1976-1980, 3<sup>ème</sup> étape*

- 5) Réalisation de la libre circulation des capitaux au sein de la Communauté.

*III. Domaine fiscal*

*Plan Werner*

*cf. Tabl. II*

Devraient être réexaminés à ce dernier égard et harmonisés dans la mesure du nécessaire:

- les régimes fiscaux des placements internes et des placements à destination ou en provenance des autres pays membres, de même que les différences dans le traitement fiscal des divers types de placement.

Harmonisation des dispositions fiscales relatives aux sociétés de capitaux et aux valeurs mobilières

*Plan Belge*

*cf. Tabl. I*

1<sup>er</sup> étape, 2<sup>e</sup> al:

'Importance respective des impôts directs et des taxes indirectes - harmonisation des législations fiscales et parafiscales'

*cf. Tabl. I*

2<sup>e</sup> étape :

'les recommandations seraient remplacées par des directives'

*cf. Tabl. I*

3<sup>e</sup> étape, 5<sup>e</sup> al. :

'des organes seraient habilités à établir le cadre général à l'intérieur duquel les Etats membres devraient administrer leur propre budget'

*Plan Schiller*

*cf. Tabl. I*

1 étape §2.2 et 2.3

2 étape §1.1 et 1.3

3 étape §1.3

4 étape §1.

### *Plan de la CEE*

#### *1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

- a) TVA: généralisation de cet impôt et adoption d'un programme pour le rapprochement de ses taux.
- b) Adoption d'un programme d'harmonisation en matière d'accises.

#### *2<sup>ème</sup> étape*

- a) Harmonisation progressive des taux de la taxe à la valeur ajoutée.
- b) Harmonisation progressive des accises.
- c) Harmonisation du régime fiscal visant à promouvoir certaines espèces de placement.
- d) Harmonisation de l'impôt sur les sociétés en ce qui concerne la structure et l'assiette.

#### *2<sup>ème</sup> phase, 1976-1980, 3<sup>ème</sup> étape*

- 5) Abolition des frontières fiscales.

### *IV. Domaine Monétaire*

#### *Plan Werner*

#### *1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

L'un des problèmes ardues soulevés par le concours financier à moyen terme, est celui de la liquidité des créances constituées au sein du système communautaire. Peut-on entrevoir que ces créances ne sont qu'un prolongement de crédits monétaires, qu'ils garderont, grâce à des procédés appropriés de réversibilité, leur caractère de facilités monétaires ou de trésorerie? Ou bien s'agit-il de prêts d'Etat à Etat, de créances relativement immobilisées, ce qui leur conférerait un caractère budgétaire? La réponse à cette question est importante, non seulement quant à la nature des moyens à mettre en œuvre, mais aussi quant à la clef de répartition à appliquer entre les partenaires.

Grâce à un système de réversibilité et de garantie de liquidité, il serait souhaitable d'incorporer le concours mutuel au système des relations monétaires internationales.

Cela pourrait se concevoir au cours de cette première étape par une affectation partiellement communautaire des DTS (Droits de Tirage Spéciaux)<sup>140</sup> sur le Fonds Monétaire International.

Cette affectation pourrait avoir lieu soit à titre de garantie de liquidité, attachée aux créances résultant du concours à moyen terme, garantie soit directe (par un nantissement formel), soit indirecte (par une renonciation aux tirages pendant la durée du prêt). De telles formules préluderaient à une gestion ou une mise en commun des DTS. On se rend compte de l'importance de ce premier pas en vue de la création d'un futur Fonds de réserve.

<sup>140</sup> The special drawing rights (SDR's) were created at the annual meeting of IMF in Rio de Janeiro in September 1967 with the purpose to provide in the growing need of international liquidities besides the U.S. dollar. The original value of a SDR was initially defined as equivalent to 0.888671 grams of fine gold—which, at the time, was also equivalent to one U.S. dollar. After the devaluation of the dollar in 1971 and the abolishment of the convertibility of the dollar in gold, the value of the SDR was redefined as a basket of the 16 most important currencies in the world (nowadays 5).

### *2<sup>ème</sup> étape*

Au cours de la seconde étape, les Six devraient s'accorder sur la mise sur pied d'un mécanisme ou d'un arrangement réduisant les fluctuations des taux de change entre partenaires, en assurant une évolution de plus en plus synchronisée des cours des monnaies des Six par rapport au dollar.

Par ailleurs, on devrait procéder à une confrontation des instruments de création et de circulation monétaires, c'est-à-dire des instruments de crédits admis ou utilisés par les banques centrales. Une concertation des volumes et des procédés de crédit des banques centrales devrait être recherchée dans la mesure seulement où l'exigent les impératifs coordonnés de la politique économique à moyen terme, de la maîtrise de la conjoncture, ainsi que de l'orientation générale des politiques budgétaires.

### *3<sup>ème</sup> étape*

Cette troisième étape serait caractérisée par la définition d'une unité de compte européenne, dont l'usage resterait d'abord facultatif et pragmatique.

Le mérite de cette proposition est qu'elle permettrait de promouvoir la fixité des parités des monnaies nationales. Ensuite elle permettrait de favoriser une plus grande interpénétration des marchés des capitaux européens et le développement d'un marché financier européen autonome. La monnaie de compte commune a l'avantage de rendre possible le placement simultané d'emprunts sur plusieurs marchés financiers en éliminant les principaux risques de change. A cet effet, il faudrait supprimer les restrictions juridiques à l'usage de la clause d'unité de compte dans les contrats.

Un titre de voyage européen libellé en unités de compte et créé éventuellement par un accord interbancaire mettrait l'homme de la rue en présence d'un instrument pour effectuer des paiements directs dans les hôtels, les restaurants ou les magasins dans tous les pays membres, ce qui ne sera pas sans retentir favorablement sur la mentalité européenne.

### *4<sup>ème</sup> étape*

Dans une quatrième étape, il faudrait prévoir que les changements de parité fussent soumis, non plus à des consultations, mais à des procédures d'approbation communautaire, suivant des modes de vote à définir.

### *2<sup>ème</sup> phase, 1976-1980, 5<sup>ème</sup> étape*

Au cours d'une cinquième étape, les partenaires des Communautés Européennes devraient unifier les concours financiers à court et à moyen terme entre eux en créant un organisme communautaire, le Fonds de coopération monétaire européen géré par un organe directeur à définir. Les modalités de fonctionnement de cet organisme, de concours monétaire seraient élaborées par la Commission sur proposition des instances compétentes (banques centrales, comité monétaire). Les comptes de cet organisme communautaire seraient tenus dans l'unité de compte européenne.

### *6<sup>ème</sup> étape*

Lors de la sixième étape, l'action du Fonds de coopération monétaire européen serait étendue à certaines catégories de crédits à court terme consenties par la Communauté à des institutions ou des pays tiers dans le cadre des relations monétaires internationales.

Le Fonds de coopération monétaire européen permettrait d'accélérer l'harmonisation des politiques économiques et donnerait aux Six un poids accru dans les négociations monétaires internationales. Une de ses sections pourrait se concevoir également comme instrument de financement dans le cadre d'accords commerciaux communautaires.

Pour faciliter ces opérations, les banques centrales des six pays membres confieraient la gestion d'une partie de leurs réserves en or et en devises à ce fonds dans l'ordre suivant : DTS en leur totalité : 100 %; devises et or jusqu'à des pourcentages à définir (par exemple 25 % et 15 %).

#### *7<sup>ème</sup> étape*

Dans une dernière étape à plus ou moins long terme, le Fonds de coopération monétaire européen serait transformé en un Fonds de réserve européen, en étendant largement ses compétences. Ce Fonds de réserve pourrait accepter sous des conditions restant encore à définir, des dépôts libellés en unités de compte de tiers et accorder des crédits à court terme en dehors de la Communauté.

Conformément au plan du professeur Triffin, patronné par le comité Monnet,<sup>141</sup> les banques centrales détiendraient sous forme de dépôts une proportion déterminée de leurs réserves monétaires globales. Les dépôts seraient libellés en unités de compte.

Les dépôts seraient entièrement liquides et convertibles pour le règlement de tous déficits éventuels à l'extérieur comme à l'intérieur de la Communauté.

Centralisation définitive de la politique monétaire et substitution d'une monnaie européenne, de compte et de circulation, aux monnaies nationales.

#### *Plan Belge*

##### *1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

Les autorités monétaires nationales ne pourraient prendre les décisions importantes qui sont de leur compétence, qu'après avoir consulté le Comité des Gouverneurs des Banques centrales, qui lui-même pourrait se voir adresser par le Conseil des Ministres, des recommandations portant sur l'orientation générale de la politique de la monnaie, du crédit et des changes.

Les marges de fluctuation actuelles seraient progressivement réduites, et aucune variation de la parité monétaire officielle vis-à-vis des pays membres de la Communauté ne serait admise que de commun accord, sur la base d'une déclaration du Conseil.

Dans les organisations monétaires internationales, les pays de la Communauté adopteraient une attitude commune, définie par le Conseil, sur proposition du Comité monétaire.

Développement progressif des concours mutuels.

##### *2<sup>ème</sup> étape*

Le Comité des Gouverneurs devrait approuver au préalable les principales

<sup>141</sup> Comité d'Action pour les États-Unis d'Europe. Established in 1955 in Paris by Jean Monnet as a lobby organisation for further international cooperation within Europe. Members of the Committee were representatives of the larger political parties and non-communist trade unions in the member countries of the EEC. The Action Committee was dissolved in May 1975.

décisions prises au niveau national et son action se développerait dans le cadre des directives qui lui seraient données par le Conseil des Ministres.

Les marges de fluctuation entre les monnaies européennes seraient supprimées; une parité absolue au comptant serait établie et la cotation vis-à-vis du dollar serait uniformisée.

Pendant cette étape, une unité de compte communautaire serait définie et, pendant une période transitoire, les prix, les revenus, les actifs financiers, les contrats seraient exprimés à la fois en monnaie nationale et en cette unité de compte communautaire.

Développement progressif des concours mutuels.

#### *2<sup>ème</sup> phase, 1976-1980, 3<sup>ème</sup> étape*

La troisième étape serait caractérisée par la suppression définitive de toute possibilité de modification de parité entre les devises des pays membres et, en fin de compte, par leur remplacement par une monnaie commune.

Les concours mutuels feraient place à la gestion commune de l'ensemble des réserves de change.

La mise en place d'un système monétaire communautaire analogue au système fédéral de réserve. Celui-ci grouperait les banques centrales actuelles, dont l'action serait orientée et surveillée par un exécutif monétaire européen. Ce dernier approuverait le maniement des instruments monétaires habituels, comme le taux d'escompte, l'open market, la fixation de coefficients de structure, l'encadrement du crédit, les modes de mobilisation et d'autres encore. Il gérerait les réserves de change de la communauté, établirait la réglementation de change commune, interviendrait sur le marchés des devises et assurerait la liaison avec les organismes internationaux. Il serait aussi compétent pour l'octroi de crédits aux Etats nationaux. Ce système monétaire mènerait son action dans le cadre de directives émises par les organes communautaires compétents et serait contrôlé par ceux-ci.

La constitution de la CEE en entité autonome vis-à-vis du reste du monde. La Communauté adhérerait en tant que telle aux diverses institutions internationales, dont l'action se meut sur le plan monétaire et financier. Les relations entre les Etats membres de la Communauté seraient soustraites au jeu des mécanismes internationaux. Elles constitueraient désormais des rapports inter-régionaux semblables à ceux qui existent à l'intérieur d'un même pays.

#### *Plan Schiller*

##### *1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

4. Dans le domaine de la politique monétaire, on pourrait prévoir:
  - 4.1. Application du mécanisme de soutien à court terme par les banques nationales pour des difficultés temporaires des balances de paiements. Une procédure de consultations devrait être appliquée en cas d'utilisation des crédits.
  - 4.2. Décision quant au mécanisme de soutien à moyen terme, en cas de déséquilibre de balance des paiements en vue de la création ultérieure d'un fonds européen de réserve. L'octroi de crédits devrait être lié aux engagements en matière de politique économique. Avec de tels engagements, ce mécanisme de soutien à moyen terme pourrait contribuer à l'harmonisation effective des objectifs à moyen terme.

4.3. Renforcement de l'harmonisation et des consultations dans les domaines de la politique monétaire et du crédit qui sont d'un intérêt commun pour les pays de la Communauté. A cet égard, on devrait arriver à une collaboration aussi étroite que possible entre les Gouverneurs des banques centrales et le Conseil. En particulier on devrait chercher à atteindre:

- des mesures concertées des Etats membres dans les organismes monétaires internationaux sur la base de la déclaration du Conseil du 8 mai 1964.<sup>142</sup>
- utilisation de crédits internationaux à moyen terme en cas de difficultés de la balance de paiements, uniquement après des préconsultations à l'intérieur de la Communauté.
- renforcement des consultations en matière de politiques nationales des taux d'intérêt et du crédit au sein du Comité monétaire et du Comité des Gouverneurs des Banques centrales.

#### *2<sup>ème</sup> étape*

2. Dans le domaine de la politique monétaire, on devrait prévoir :
- 2.1. intensification de l'harmonisation réciproque au sein du Comité des Gouverneurs des Banques centrales et du Comité monétaire en vue d'harmoniser les politiques nationales des taux d'intérêt et de crédits.
  - 2.2. mise en vigueur du système de soutien à moyen terme en cas de déséquilibre des balances de paiements.

#### *2<sup>ème</sup> phase, 1976-1980, 3<sup>ème</sup> étape*

2. Dans le domaine de la politique monétaire, on pourrait établir ce qui suit :
- 2.1. Passage progressif à une sorte de 'Federal-Reserve-System'.
  - 2.2. Diminution des marges de fluctuation entre les monnaies des pays de la Communauté en vue de leur suppression.
  - 2.3. Les parités monétaires ne peuvent être modifiées qu'avec l'accord (éventuellement qualifiée) des partenaires de la Communauté.
  - 2.4. Développement du mécanisme de soutien à moyen terme en cas de difficultés des balances de paiements vers un fond de réserve pour la Communauté. Progressivement, une partie des réserves monétaires devrait être transférée à ce Fonds de réserve.

#### *4<sup>ème</sup> étape*

Dans cette étape, l'union économique et monétaire pourrait être achevée en liaison avec un développement correspondant des instances communautaires. A cet égard, le principe de subsidiarité devrait prévaloir.

1. transfert de toutes les compétences nécessaires dans le domaine de politique conjoncturelle, budgétaire et monétaire aux organes communautaires.
2. développement du Comité des Gouverneurs des Banques centrales vers un Conseil européen de Banque centrale, qui déciderait à la majorité
3. instauration des taux de change fixes et garantis entre les Etats partenaires de la Communauté.
4. instauration d'une unité monétaire européenne.

<sup>142</sup> Council Decision of 8 May 1964 on co-operation between Member States in the field of international monetary relations (64/301/EEC). This document is available on the EUR-Lex-website [eur-lex.europa.eu](http://eur-lex.europa.eu).

*Plan de la CEE*

*1<sup>ère</sup> phase, 1970-1975, 1<sup>ère</sup> étape*

- a) Mise en place du mécanisme de concours financier à moyen terme, comportant une utilisation des DTS.
- b) Concertation au sein du Comité des Gouverneurs des Banques centrales sur les politiques de crédit des Etats membres.
- c) Application systématique des procédures permettant une prise de position commune des Etats membres au sein des organismes monétaires internationaux.
- d) Au cas de modifications éventuelles du système des changes sur le plan international, établissement de règles uniformes pour la communauté en tant que groupe et maintien des marges actuelles de fluctuation des monnaies des pays membres.

*2<sup>ème</sup> étape*

- a) Au début de 1972, limitation à 1% des écarts de cours au comptant entre les monnaies des pays membres et mise en œuvre d'une politique d'intervention concertée des Banques centrales sur le marché des changes.
- b) Elaboration par le Comité des Gouverneurs des Banques centrales des lignes directrices de la politique du crédit en conformité avec les orientations de la politique économique générale au niveau de la Communauté.
- c) A partir de la nouvelle allocation des Droits de tirages spéciaux (1973), mise en place d'une gestion commune des DTS alloués aux Etats membres.

Les changements de parité ne pourraient être exclus, mais devraient être considérés comme un moyen ultime décidé en commun.

*2<sup>ème</sup> phase, 1976-1980, 3<sup>ème</sup> étape*

Création d'un Conseil des Gouverneurs des Banques Centrales en vue de la mise en place d'un système communautaire des Banques Centrales.

Mise en place d'un Fonds Européen de Réserve, alimenté par une fraction croissante des réserves des pays membres, et soumis à l'autorité du Conseil des Gouverneurs.

Elimination en deux étapes des marges de fluctuation des monnaies des pays membres et fixation des parités.



<b>1ère phase, 1970-1975</b>	<b>Plan Werner</b>	<b>Plan Belge</b>
Coordination des politiques économiques	Mise en œuvre du mémorandum de la Commission du 12 février 1969.	Recommandations puis directives par le Conseil sur les grandes masses de budget et sur les méthodes de financement. Budget supranational pour activités mises en commun, puis progressivement à étendre.
Marché de Capitaux	Ouverture progressive du Marché de capitaux; harmonisation fiscale nécessaire dans ce but. Coopération plus étroite entre les autorités de tutelle du marché de capitaux.	Rapprochement, puis unification des réglementations régissant le statut des intermédiaires financiers, le fonctionnement des marchés de fonds et les organes de contrôle.
Domaine fiscal	Harmonisation des dispositions fiscales relatives aux sociétés de capitaux et aux valeurs mobilières.	Harmonisation des législations fiscales et parafiscales.
Domaine monétaire	Attitude commune et action concertée dans le domaine monétaire international. Application des mécanismes de coopération monétaire. Affectation partiellement communautaire, puis gestion ou mise en commun des DTS. Réduction des marges de fluctuation entre les six Etats membres. Concertation dans le domaine de la politique du crédit. Définition d'une unité de compte pour utilisation progressive, notamment en matière de marché des capitaux. Titre de voyage libellé en unité de compte. Modification des parités soumises à l'approbation des autorités communautaires.	Consultations préalables, puis approbation préalable au sein du Comité des Gouverneurs en ce qui concerne la politique de la monnaie, du crédit et des changes. Réduction progressive pour arriver à l'annulation des marges de fluctuation entre les monnaies des pays neutres. Décision de commun accord en matière de taux de change. Adoption d'une attitude commune dans les organisations internationales. Définition d'une unité de Compte communautaire.

Plan Schiller	Plan de la CEE
<p>Mémorandum du 12 février 1969 Rapport économique annuel de la Commission sur la politique économique à suivre. Amélioration des instruments et des statistiques. Puis, recommandations sur l'orientation globale des budgets nationaux. Activation de l'article 103, consultations sur les budgets pluriannuels.</p>	<p>Mémorandum du 12 février 1969 Coordination, puis définition en commun des lignes directrices de la politique économique globale à court et à moyen terme, avec une application particulière dans le domaine budgétaire en ce qui concerne les grandes masses et les modalités de financement. Examen annuel de l'évolution de la Communauté Instruments homologués dans le domaine budgétaire. Concertation avec les partenaires sociaux.</p>
<p>Libéralisation progressive du marché de capitaux, en commençant par les effets négociables.</p>	<p>Ouverture progressive du marché des capitaux. Harmonisation fiscale nécessaire dans ce but. Création d'un groupe ad hoc pour assurer une consultation sur les mouvements de capitaux.</p>
<p>Harmonisation implicitement visée dans le cadre de la concertation de la politique budgétaire.</p>	<p>Généralisation de la TVA, puis rapprochement des taux. Harmonisation de l'impôt sur les sociétés pour l'assiette et la structure. Harmonisation progressive des accises.</p>
<p>Application des mécanismes de coopération monétaire. Renforcement des consultations en matière de politique de crédit et des taux d'intérêt. Action concertée au sein des organismes monétaires internationaux, utilisation de crédits internationaux soumise à préconsultation.</p>	<p>Application de mécanismes de coopération monétaire avec une utilisation des DTS. Consultation puis définition des lignes directrices en matière de politique du crédit au sein du Comité des Gouverneurs. Application systématique de procédures permettant une prise de position commune au sein des organismes monétaires internationaux. Maintien dans l'immédiat, puis première réduction de marge de fluctuation entre les monnaies des Etats membres. Mise en place d'une gestion commune des D.T.S. alloués (1973). Changements de parité décidés de commun accord.</p>

<b>2ème phase, 1976-1980</b>	<b>Plan Werner</b>	<b>Plan Belge</b>
Coordination des Politiques économiques		Mise en place d'organes communautaires dotés des pouvoirs requis pour la poursuite d'une politique économique unique.
Marché de Capitaux		Libre circulation des capitaux
Domaine fiscal		
Domaine monétaire	Centralisation définitive de la politique monétaire. Création du Fonds de coopération monétaire européen dont les compétences seraient progressivement élargies pour arriver à un Fonds européen de réserves.	Suppression définitive des modifications du rapport de parité entre les monnaies des pays membres. Gestion commune de l'ensemble des réserves de changes. Mise en place d'un système monétaire communautaire analogue au système fédéral de réserve. Constitution de la CEE en entité autonome monétaire vis-à-vis du reste du monde.
	Substitution d'une monnaie européenne de compte et de circulation, aux monnaies nationales.	Monnaie commune.

<b>Plan Schiller</b>	<b>Plan de la CEE</b>
Rapprochement plus poussé des objectifs de politique économique. Décision à la majorité dans les domaines de la politique économique, budgétaire et monétaire, puis transfert de toutes les compétences nécessaires dans ces domaines aux organes communautaires.	Attribution aux instances communautaires de pouvoirs nécessaires pour le bon fonctionnement de l'union économique et monétaire.
	Réalisation de la libre circulation de capitaux au sein de la Communauté
	Abolition des frontières fiscales
Passage progressif à une sorte de Federal Reserve System. Elimination progressive des marges de fluctuation. Modification des parités d'abord soumises à l'accord des pays partenaires, puis instauration des taux de change fixes. Développement du mécanisme à moyen terme vers un fonds de réserve auquel serait progressivement transféré les réserves monétaires nationales. Développement du Comité des Gouverneurs vers un Conseil européen de Banque Centrale.	Création d'un Conseil des Gouverneurs des Banques Centrales. Mise en place d'un fonds de réserve alimenté par une fraction croissante des réserves nationales. Elimination des marges de fluctuation restantes entre les monnaies des pays membres et fixation irrévocable des parités.
Instauration d'une unité monétaire européenne.	Les conditions seront remplies pour la création d'une unité monétaire européenne.



Pierre Werner, principal architect of the plan that bore his name, was one of Luxembourg's prominent politicians of the postwar era. He is pictured here on the left, together with Rolf Dahlgrün and Johan Witteveen at a meeting of the European Finance Ministers on 25 January 1965.

Born to Luxembourgish parents on 29 December 1913 in Saint-André, France, he completed studies in Law and Political Science in Paris (1934–1937) and was awarded a PhD in Law in Luxembourg in 1938. He started his professional career as a lawyer in Luxembourg in 1938 before joining the Banque Générale du Luxembourg in 1939. That year he married Henriette Pescatore († 1984), with whom he had five children: three sons and two daughters. In 1945, he entered the Ministry of Finance and was appointed as Banking Supervisory Commissioner and Government Adviser, posts he held until 1949. Werner's tasks also included international financial cooperation within the framework of the Benelux, the IMF, and the World Bank. In 1953, he became Minister for Finance and the Armed Forces in the government of Joseph Bech. After the elections in 1959, Werner was appointed Prime Minister and Finance Minister, a post he held until 1974.

Werner served four times as Prime Minister, withdrawing from politics in 1984 to be awarded the title of Honorary Prime Minister. He died in Luxembourg on 24 June 2002.

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## Introduction to document 27

Immediately after the inaugural meeting held on 20 March 1970 in Luxembourg, the members of the ad hoc group were invited to draft a note, each according to his particular area of expertise and in his capacity as chairman of one of the EEC committees, describing the measures envisaged to achieve economic and monetary union. The group agreed that when drafting these contributions, to be discussed at the second committee meeting scheduled for 7 April 1970 in Brussels, the chairmen would not be obliged to consult their respective committees.

On 3 April 1970, Gerard Brouwers, Chairman of the EEC's Short-term Economic Policy Committee, drafted a confidential document entitled 'La méthode de réalisation d'une union économique et monétaire, vue dans l'optique de la politique conjoncturelle', which he submitted to the other members of the Werner Committee. This document, presented here as document 27, indicated the main priorities with regard to the establishment of a homogeneous common market for which short-term economic policy would serve as an instrument for optimum, balanced growth.<sup>143</sup>

As progress continued to be achieved in policy harmonisation (budgetary policy, fiscal policy and structural policy), the possibility that Community policy might be exercised by a central authority would have to be examined. At this stage national responsibilities in the area of short-term economic policy would need to be transferred to the Community. This would have considerable repercussions at the institutional level, as well as for monetary and income policy.

If a Community of growth and stability were to be established, it was vital for the Community's objectives to be clearly defined. A prior consultation procedure was to be organised to this end. This would also contain a 'system of indicators' that would be able to identify points of divergence, delays and exceptions and would be accompanied by appropriate instruments for analysis, notably in the areas of statistics and forecasting. The countries would be able to agree on the creation of political instruments for direct action by means of specific legislation on stability<sup>144</sup> (aiming for price level stability, a high level of employment, a reasonable external economic balance and steady economic growth) or practices directly linked to the economic climate as part of a comprehensive structural policy.<sup>145</sup> All short-term economic policy instruments had to be harmonised, including budgetary and monetary policy instruments. With regard to budgetary policy, the main matter at hand was the short-term economic impact of the volume of deficits and their financing. Freeing up the circulation of capital could only really progress once

<sup>143</sup>The common aims in the area of growth and development were specifically mentioned in the *Proposals from the Commission to the Council concerning the third programme for medium-term economic policy*, Commission of the European Communities, COM 189/70.

<sup>144</sup>Inspired by the German 'Stabilitätsgesetz' ('Gesetz zur Förderung der Stabilität und des Wachstums der Wirtschaft' – Law to Promote Stability and Growth of the Economy) of 8 June 1967.

<sup>145</sup>Based on the budgetary philosophy in the Netherlands, whereby action in the fields of both expenditure and taxation would serve either to moderate or to incentivise, according to changing economic circumstances, and would be part of a comprehensive structural policy.

harmonisation had reached a sufficiently advanced stage.

Once the process of harmonisation had been concluded, the economic union could be completed by a monetary union, involving a further transfer to Community level of responsibilities in the area of short-term economic policy. Should the monetary aspect be implemented more quickly, 'or even imposed as a matter of course', the transfer of some monetary responsibilities to the Community could occur more rapidly. Measures to be considered in this field were a narrowing of the current exchange margins, the adoption of fixed exchange rates and/or the creation of a Community reserve fund. Given the fact that the narrowing of exchange margins would not improve the possibility of harmonising short-term economic policies, the early adoption of completely fixed exchange rates would be reasonable.<sup>146</sup>

Regarding the early creation of a Community reserve fund, Brouwers believed that this measure 'would reduce the room for manoeuvre of an effective national policy. The main question that we need to address is whether, and in what conditions, the Community can make up for this loss of freedom to act.'

In conclusion Brouwers adopted a nuanced economist position, emphasising that monetary integration without effective economic harmonisation beforehand was inconceivable. Monetary integration could only make progress if it were able to contribute to the successful realisation of economic union, and must take into account relations between the Community, third countries and the IMF in the monetary field.

Brouwers maintained this approach for the duration of the ad hoc group's work, insisting on the need for a prior coordination of economic policies, but he eventually agreed to the consensus on an approach that incorporated both the coordination of economic policies and monetary integration, a fundamental principle of the Werner Plan.

## 27.

**Note by the President of the Short-Term Economic Policy Committee of the EEC (Gerard Brouwers) to the Werner Group on the method for the realization of an economic and monetary union, 3 April 1970.**

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1. L'instauration d'une union économique et monétaire est étudiée ci-après essentiellement du point de vue de la politique conjoncturelle, ce qui ne permet évidemment pas de faire justice à tous les aspects du problème, mais il paraît utile d'établir de la sorte une certaine classification.

2. La Communauté a pour objectif la constitution d'un marché homogène qui offrirait les conditions nécessaires à une croissance optimum équilibrée. Le rôle spécifique de la politique conjoncturelle consiste à veiller à l'équilibre interne et externe de ce Marché commun.

Au stade actuel, qui est celui de l'achèvement de l'union douanière et de la naissance de l'union économique, cette politique consiste à réaliser l'équilibre

<sup>146</sup>Brouwers also warned against the adoption of fixed exchange rates, given that, in the event of fundamental imbalances of payments, the forced acceleration of the integration process may result in a movement of disintegration.

interne et externe des Etats membres. La somme des équilibres des pays partenaires signifie aussi l'équilibre de la Communauté dans son ensemble.

Vu l'état de dépendance croissante où se trouvent les économies nationales par suite des progrès de l'intégration dans la Communauté, il y a lieu de coordonner étroitement l'application des politiques conjoncturelles centrées sur l'équilibre nationale. Les décisions de juillet 1969 et de janvier 1970<sup>147</sup> concernant la fixation au niveau communautaire des objectifs à moyen terme, ont déjà contribué dans un domaine important à orienter le schéma fondamental vers la coordination. Quelle que soit toutefois son importance, celle-ci ne représente qu'un premier pas. En effets l'instauration d'une politique conjoncturelle optimum dans la Communauté ne demande pas seulement une coordination et un réajustement constants des instruments nationaux de la politique conjoncturelle mais exige aussi que les instruments employés soient aussi homogènes et efficaces que possible. C'est la seule manière d'assurer que la politique conjoncturelle de la Communauté soit mise en œuvre au rythme requis et avec toute l'efficacité souhaitable. Ce but peut être atteint grâce à l'harmonisation de la politique économique ou, autrement dit, par l'instauration de l'union économique, étape qui ferait suite à celle de l'union douanière. L'harmonisation des politiques économique ne favorise pas seulement d'une manière générale l'intégration et, partant, la création du Marché commun homogène, mais en conduisant à l'uniformité des instruments de politique conjoncturelle, elle permet l'application d'un politique de conjoncture harmonisée qui, par l'ajustement précis des équilibres nationaux, assure aussi efficacement que possible l'équilibre de la Communauté dans son ensemble.

Il n'y a pas lieu de faire une distinction rigoureuse entre la phase de la coordination et celle de l'harmonisation puisque celles-ci peuvent largement coïncider. L'élaboration d'une politique harmonisée (politique budgétaire, politique fiscale et politique de structure, par exemple) demandera vraisemblablement beaucoup de temps. Si cette harmonisation doit être entreprise sans retard, elle ne pourra toutefois être réalisée que graduellement, si bien que, du point de vue des étapes, elle fera suite à la coordination des politiques.

3. A mesure que progressera l'harmonisations, on pourra examiner l'utilité et la possibilité de l'exercice de la politique communautaire par une autorité centrale. C'est à ce stade que se situe le transfert des compétences nationales en matière de politique conjoncturelle à la Communauté. Ce transfert de compétences aura toutefois des répercussions appréciables sur le plan institutionnel. Cela ne signifie pas nécessairement que tout doit être centralisé et appliqué uniformément, mais ce devra être le cas pour les éléments essentiels de la politique budgétaire etc.

*Un tel transfert de compétences ne doit à aucun prix avoir pour effet d'affaiblir l'efficacité de la politique suivie par les partenaires associés dans le Marché commune. Cette efficacité doit au contraire en être renforcée ou tout au moins être préservée dans sa totalité.*

4. D'importantes étapes peuvent encore être franchies sur la voie de la coordination et de l'harmonisation. Les moyens de le faire consistent, d'abord, à définir de façon plus précise les objectifs communautaires, et ensuite, à

<sup>147</sup> Council of the EEC on 22/23 July 1969 and on 19/20 January 1970.

ménager une place plus importante au système des clignotants y rattachant la procédure de consultation préalable. En troisième lieu, il convient de conférer une plus grande signification à la procédure de consultation préalable et à la responsabilité réciproque. Enfin, il importe de poursuivre l'affinement des instruments d'analyse par les mesures appropriées en matière de statistiques et de prévisions.

Les pays pourraient peut être s'entendre sur la création d'instruments politiques permettant une action plus directe. Plusieurs pays se sont dotés dans ce but d'une législation spéciale, dont le 'Stabilitätsgesetz' en Allemagne occidentale constitue un exemple.

Il s'agit essentiellement de pouvoir exercer, aussi bien dans le domaine des dépenses que dans celui de la fiscalité, une action qui, selon l'évolution de la conjoncture, serait tantôt modératrice tantôt incitative, et qui s'inscrirait dans une politique structurelle globale (à l'instar de la philosophie budgétaire des Pays-Bas).

Ainsi que nous l'avons dit, il faudra recourir de plus en plus à l'application uniforme des instruments en vue de la réalisation des objectifs communautaires. Cette uniformisation doit en principe porter sur l'ensemble des instruments de la politique conjoncturelle, et donc aussi sur ceux des politiques budgétaires, monétaires et des revenus. Dans le cas de la politique budgétaire, il s'agit avant tout des incidences conjoncturelles du volume des déficits et de leur financement. Le problème de la structure fiscale et du volume des ressources budgétaires ne peut être entièrement résolu qu'au terme de la phase d'harmonisation. La libération de la circulation des capitaux ne pourra véritablement progresser qu'au moment où l'harmonisation sera suffisamment avancée.

5. Une fois l'harmonisation terminée, l'union économique pourrait être complétée par une union monétaire. Cela implique un nouveau transfert des compétences relatives aux éléments essentiels de la politique conjoncturelle à la Communauté.

Les avis diffèrent lorsqu'il s'agit d'établir si la meilleure manière d'achever l'union économique consiste à suivre le schéma esquissé ci-dessus, ou si ce but est atteint plus rapidement ou encore imposé d'office lorsqu'il y a eu déjà transfert préalable à la Communauté de certaines compétences d'ordre monétaire. Quelles sont les mesures concrètes dont il s'agit? On peut imaginer une rétrécissement des marges de change actuelles, l'adoption de taux de change fixes et/ou la création d'un fonds de réserves communautaire.

S'agissant des taux de change, il convient de noter qu'en soi, le rétrécissement de la marge des taux de change réduit aussi les possibilités d'appliquer une politique conjoncturelle propre. Tant qu'il subsistera des différences de structure essentielles et que les conjonctures nationales ne suivront pas une évolution parfaitement synchrone, le maintien d'une marge de change reste indispensable et sa limitation ne favoriserait en rien la mise en place d'une politique de conjoncture communautaire. Au niveau de la Communauté en effet, le rétrécissement des marges de change ne crée pas, en compensation, de meilleures possibilités d'harmoniser les politiques conjoncturelles.

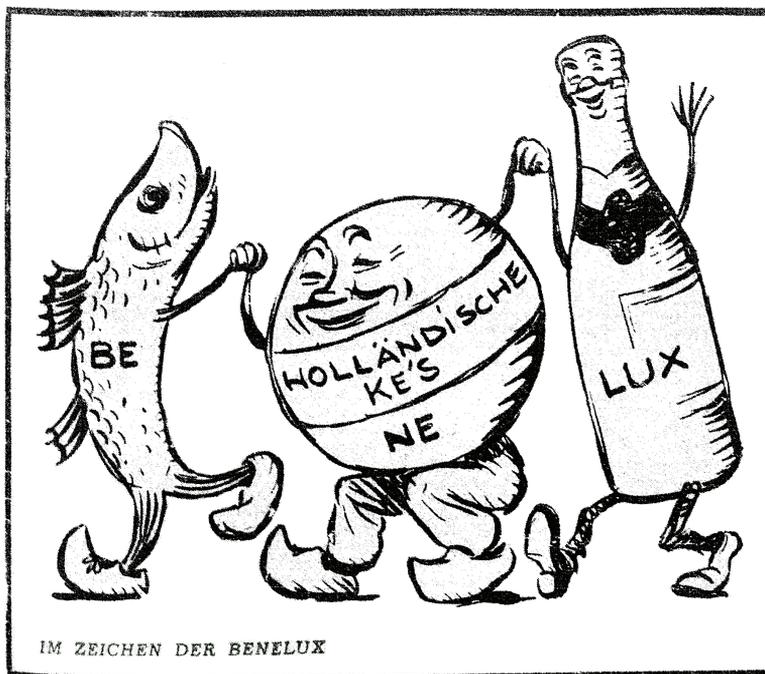
Cela vaut à plus forte raison pour l'adoption précoce de cours de change entièrement fixes. Tant qu'il peut encore se produire des déséquilibres fondamentaux de balance des paiements, cette accélération forcée du processus

d'intégration risque de provoquer des mouvements de désintégration. Dans l'hypothèse d'un rétrécissement concerté des marges de change, il importerait aussi d'étudier plus en détail les problèmes posés par les relations avec les pays tiers et, en particulier, avec les Etats-Unis.

En ce qui concerne la création précoce d'un fonds de réserves communautaire, – plus ou moins important – il convient de souligner que cette mesure réduirait également le volant de manœuvre d'une politique nationale efficace. Le problème décisif qui se pose alors est de savoir si, et dans quelles conditions, la Communauté peut compenser cette perte de liberté d'action. Un système de crédit à moyen terme implique l'extension des possibilités de financement ce qui, à défaut d'une harmonisation suffisante, n'irait pas sans périls.

L'accord s'est déjà fait sur le système de crédit communautaire à court terme. L'instauration d'un système restreint à moyen terme doit dépendre des progrès de la coordination et de l'harmonisation. Les rapports qui s'établiront entre un tel système de crédit à l'intérieur de la CEE et le monde extérieur, (FMI, opérations-swap) constituera un facteur décisif. De ces rapports dépendra la contribution qu'un tel mécanisme communautaire pourrait apporter à la coordination et à l'harmonisation des politiques.

6. Il suit nécessairement de ces réflexions que la mise en œuvre d'une politique économique harmonisée constitue le moyen approprié pour aboutir à l'achèvement de la Communauté. Lorsque des progrès suffisants auront été accomplis dans cette voie, il deviendra possible d'envisager l'union monétaire, sans perdre de vue ses implications institutionnelles. Si l'auteur de la présente étude écarte la solution d'une intégration monétaire précoce, il n'implique pas pour autant que l'harmonisation économique doit être parfaitement au point avant que l'on puisse progresser sur la voie de l'union monétaire. *On peut toutefois exiger que, si l'on envisageait d'accélérer l'intégration monétaire, l'on précise de quelle manière et dans quelle mesure celle-ci peut contribuer à une réalisation plus harmonieuse de l'union économique, non sans tenir compte des relations entre la Communauté, l'étranger et le FMI dans le domaine monétaire.*



On 23 March 1948 the Luxembourg daily newspaper Tageblatt published a cartoon by Simon illustrating the entry into force of the Benelux Customs Union and a shared spirit between the countries.

The discussions on monetary integration show however that in the framework of European integration it was not always easy to reach a common Benelux position.

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## Introduction to document 28

At a preliminary consultation in Luxembourg on 11 March 1970 the Werner Committee decided that its meetings would be held 'at a frequency that would allow an initial report to be submitted to the Council before the end of May and the conclusion of its discussions, if possible, before the end of July'. Werner set out what he believed to be the priorities for the work, namely to provide practical ideas and methods to achieve the short-, medium- and long-term objectives. He raised various topics for reflection including the United Kingdom's accession to the EC, the creation of a European Reserve Fund, and the adoption of coordinated or common positions by the Six within international financial organisations.<sup>148</sup>

At the inaugural meeting, held on 20 March 1970 in Luxembourg the Commission representative Ugo Mosca was asked to draft a note 'to describe the final stage of the process of economic and monetary integration, with a reference to the role that should be played, at that stage, by common reserves and potentially a Community central bank'.<sup>149</sup> In a bid for efficiency and in order to progress at the required rate, the Werner Committee set the principle of consistently adopting decisions reflecting the consensus on the issues discussed. This meeting revealed a twofold conclusion: first, that there was unanimity on some priority issues such as the pooling of the Six's reserves and the establishment of a Community central bank; and second, that there was disagreement on the methods to be adopted and the order in which they should be implemented. The latter debates between 'economists' and 'monetarists', which became increasingly bitter, were a constant backdrop to the discussions of the ad hoc group and hindered reaching any joint decisions. It was with this bleak outlook that the third meeting was scheduled to take place on 7 April 1970 in Brussels.

To prepare the ground and soothe various fundamental differences of opinion, Werner suggested that discussions be held to reach a common Benelux stance. This Benelux meeting was only partially successful.<sup>150</sup> Witteveen, the Dutch Minister, was concerned about the proposal of decisions by majority vote in a monetary organisation, which would affect the Member States' credit policy. But the Belgians supported the creation of an exchange equalisation fund in response to the growing practice of floating rates. Zijlstra, Governor of the Bank, recognised that a fund of this kind would entail making the currencies of the Six more independent from the dollar.<sup>151</sup>

The Finance Ministers and the Governors of the Central Banks of the three countries met in Brussels on 2 April 1970. Document 28 contains the report on the meeting, as presented in The Hague by the Chief Treasurer of the Netherlands Ministry of Finance, Willem Drees jr. Discussions focused on defining the ultimate aim of economic and monetary union and how this should be achieved, particularly in terms of monetary and credit policy, budgetary

<sup>148</sup> Family Archives Pierre Werner

<sup>149</sup> European Communities, Secretariat of the 'plan by stages' Group, *Projet de compte-rendu de la première réunion du groupe ad-hoc Plan par étapes. 20 mars 1970*, Brussels, 31 March 1970, ORII/22/70-F. Family Archives Pierre Werner.

<sup>150</sup> See document 28

<sup>151</sup> Pierre Werner, *Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945-1985*, Volume 2 (Luxembourg: Éditions Saint-Paul, 1992), 124.

and fiscal policy, the integration of capital markets and in the institutional field. Despite the efforts invested, the aim of the discussions, i.e. to develop a joint approach, was only partly achieved. Belgium and Luxembourg tended to share the monetarist views of France, whereas the Netherlands clearly sided with the economist approach advocated by Germany. It therefore proved impossible to reach agreement. However, the meeting enabled Belgium to confirm its stance in favour of the creation of an exchange equalisation fund to compensate for the floating rates that were increasingly being applied. The discussions between the Benelux countries also focused on the broad lines of a study requested by the Werner Committee on the implications of British accession for the coordination of economic policies, the capital market and the field of taxation.<sup>152</sup> Subjects covered included the strengthening of monetary solidarity, the consequences of the United Kingdom's possible participation in the mechanisms of monetary cooperation and the impact of the pound sterling on the European Reserve Fund.

The agenda for the next three meetings of the Werner Committee, scheduled for 30 April 1970 in Rome and 14 and 20 May 1970 in Luxembourg, focused on this question and the clashes between 'economists' and 'monetarists' continued. The efforts of the committee focused on achieving a consensus on a joint position laid down in the interim report that the group of experts would submit on 22 May 1970 to the Finance Ministers and to the Presidents of the Council and the Commission.

## 28.

### **Report of the Treasurer of the Netherlands Ministry of Finance (Willem Drees jr.) on the conversations with Belgium and Luxembourg on monetary union in the EEC, 7 April 1970.**

National Archives of the Netherlands (The Hague), Archive of the Cabinet of the Prime-Minister (2.03.01), inv.no. 8864. Translation: Huygens ING, The Hague.

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*Baron Snoy et d'Oppuers* welcomed his guests. He recalled that the discussion in the EEC was now concentrated in the ad hoc committee chaired by Minister Werner. The members of this Committee were (apart from Mr. Mosca), chairmen of one of the committees and would from the viewpoint of their committees submit a memorandum for the second meeting on 7 April. Mr. Mosca was to write on institutional aspects in particular in the final stage. The document from Mr. Brouwers<sup>153</sup> as chairman of the Short-term Economic Policy Committee had only just been received. It had however not yet been translated into French. He suggested discussion on the basis of the memorandum of Baron H. Ansiaux dated 26 March.

<sup>152</sup> Note on *La réalisation de l'Union économique et monétaire dans la perspective de l'élargissement de la Communauté*, drafted by the EC Commission interdepartmental working party and submitted to the ad hoc committee on 28 April 1970. Family Archives Pierre Werner.

<sup>153</sup> See document 27.

*Baron Ansiaux* elaborated on his memorandum. In the annexes three columns, monnaie, budget et fiscalité, and politique économique, summed up the measures to be taken. The first column was the essential one from his point of view, the other two had a more accompanying character. One needed to start with coordination and this then needed to gradually become more compelling in nature, progressing from consultation via recommendations and directives to decisions.

He realized that credit policy had consequences in other areas as well as domestic policy has consequences for foreign policy.

He wondered if the Commission Werner was to develop a concrete plan in stages with dates etc., or limit itself to a 'serie d'actions qui doivent mener à l'union complète.'

He casually raised the liberalization of the banking sector. This is an example of the need for community management of the consequences. It is also necessary to obtain more uniformity in the instruments at the disposal of each country.

On the relations between the Member States baron Ansiaux noted that small deviations from parity cannot be entirely avoided. Nonetheless, it is necessary to proceed to community control over parity changes and finally to irrevocable fixing.

On the relation to third countries, he advocated the establishment of a common attitude. This was thus far non-existent. Recently the Netherlands representative in the Executive Board of the IMF had called for a broadening of the band width (of exchange rates), just as the German and, even more forcefully, the Italian, contrary to the French and Belgians. He realized that for Germany political factors with respect to the dollar also played a role. That may later also apply to the EEC Council. An increase of the permissible band width to 2% on either side of parity means that a currency may vary over an interval of 4%, so that the maximum difference relative to another EEC currency may even be 8%. The underdeveloped countries support the United States. It is not unlikely that this plan will be accepted in September.

*Baron Snoy et d'Oppeurs* noted that England has strong interest. Minister Jenkins has had a talk with his French colleague. We must fully recognize the political aspects. 'Intégration monétaire mène vers l'intégration politique'

*Minister Witteveen* joins the argument of Mr. Ansiaux on the progress of coordination through harmonization to supranational decisions. It is essential to determine what must be achieved in one area to be able to proceed in another area.

His Belgian colleague Snoy had rightly said that monetary integration also means political integration. Absolute convertibility of the currencies of the EEC countries and absolute fixation of exchange rates in effect mean a transition to one currency, and therefore one monetary authority, that should be responsible towards a single parliament. Then foreign monetary policy will be unified as well. This is a political matter. Thus unification of positions on monetary issues with regard to third countries implies the development of a common political policy, e.g. also a common foreign policy generally.

As an example of a real problem and of the need for common decision-making the speaker chooses the budgetary policy of the Ansiaux-scheme. Essential here is in the first place the volume of money creation on behalf of the government. From the need for a common policy on credit results that the creation of money for the government also has to fall under Community

control. This is inconceivable without control over the main areas of budgetary policy. Furthermore not only the finances for the banking sector are of common interest but also the public finances on the capital market. Otherwise, the member states, in creating a monetary union, will see that their own capital market can be severely drained by a generous deficit-policy of other member states. Therefore norms have to be applied to the budgets of countries, including budgets of local authorities such as the municipalities in the Netherlands (and this includes not only the budgeted expenditures that are of interest, but also guarantees of public authorities, besides this does not primarily refer to on the budget, but also to realization).

The Werner Committee should examine for which sectors it is essential to agree to norms and arrive at a common behaviour, yet it is not necessary to regulate parts of the budget, for example the amount that is to be spent on education. Control of credit implies managing the financing of the budget. As regards the procedure the Minister points to the proposal by Mr. Ansiaux that the Comité des Gouverneurs (des banques centrales) shall take decisions. That seems wrong. These are important decisions regarding the economic policies of countries that *cannot* be entirely controlled by the Committee of Governors – governments will have to play a role in this.

*Minister Werner* said that the committee, which he chairs, has asked the chairmen of the standing committees of the EEC who take a seat in this, for an discussion on the issues from their perspective. Such a document was distributed by Mr. Ansiaux. Interesting will be what Mr. Mosca will write on the necessary facilities for the final phase.

The task of his committee is to formulate a plan in stages. Does this goal of a monetary union mean that a single EEC currency will be generated, or is it possible to create a union with five or six different currencies? Perhaps the later is also a possible interpretation, yet this will then possibly have different political implications. Is the U.S. Federal Reserve System with the Federal Reserve Board a good model for a European cooperation of central banks? It seems possible that there remains a margin for national economic policy.

One has to agree on some things in order to make progress, for example on the chronological order of various measures, the relationship between the goal of economic union and the 'mise en place des mécanismes monétaires'. The German Minister Schiller made a perfectionist impression, he wanted the economic union even before the monetary mechanisms that serve this union would come into effect. Secretary of state Schöllhorn made a more flexible impression. That was important. 'La mise en place des mécanismes monétaires peut stimuler la convergence des politiques économiques'.

Remarkably one always ran into similar kinds of problems. He agrees with his Dutch colleague Witteveen and with Mr. Ansiaux on progressing from recommendations via directives to decisions. He also recognizes the political implications. The monetary domain is controlled by the political attitude. What kind of institutions (European government, parliament) must be developed to take over the current national competences? We now have an EEC structure that is too weak. In any case a qualified majority has to be installed soon and the so-called Luxembourg Agreement (actually the maintenance of the option to veto) has to expire. What else needs to happen? Perhaps it is sufficient if the Council can decide by majority vote, now that the national parliaments do not affect monetary policy?

*Minister Witteveen* interrupts: the parliaments do have an effect on budgetary policy, the size of the deficit and thus on monetary developments.

*Minister Werner* proceeds by noting that in the first stage of the transition to a monetary union, the political decisions do not have to be of such a serious nature, not more than for example the Kennedy round.<sup>154</sup> On budgetary policy men has to arrive at confrontation and coordination of the 'methodes de création monétaire', but 'on ne peut pas unifier tout'. The EEC should not address the composition of expenditures of the Member States, yet should address the budget deficit and the financing of investments. (This issue came up more than once, also in explanations from the side of Belgium; from the Dutch side it was then answered that there is no monetary difference between government spending on consumption and investment.).<sup>155</sup> One should not follow each other's policies from too far though not from too close either.

A formula has to be found for the creation of new bodies, for example to take away responsibility from the Comité des Gouverneurs. These institutional implications will appear automatically as we work on the stages of the plan.

*Mr. Ansiaux* states 'la politique de crédit est un instrument pour atteindre les objectifs – les buts à moyen terme, en particulier le budget des investissements'. The short term economic policy affects what actually happens in the short term in one country and in the other. This may vary. His conclusion is that one should agree on the medium-term policy first, yet that coordination should already take place. The transition to directives and decisions on budget policy should however only take place when there is agreement on medium-term objectives and on short term economic policy.

The independent position that the central banks of Belgium and the Netherlands have is a factor of strength that must be maintained. The governments should not be empowered to issue directives, 'il faut le contact' (between governments and central banks) but no veto power of governments.

Then he raises the issue of the problem that is topical now, which is discussed in the Executive Board of the International Monetary Fund, on a larger band width of the exchange rates.

He acknowledges the position of Minister Witteveen that there should be a close link between monetary and budgetary policy.

*Baron Snoy et d'Oppuers* welcomes the 'Relance de la Haye'. Deeply etched into the Belgian memory is that the first attempt to come at a European Political Community (1952) ran aground when the French parliament in 1954 rejected the plan for a European Defence Community. The ambitions of Schuman and Plevén had failed. Therefore, the Belgian strategy has since then been to arrive at a political federal union via a detour. The Treaty of Rome has to be seen in this light. He is pleased with Art. 235 of that treaty,<sup>156</sup> which is so subtle that new instruments can be created by unanimity. The Customs Union

<sup>150</sup> In 1962, the American president John F. Kennedy launched new multilateral negotiations for the liberalization of world trade. The Kennedy Round, which started in Geneva on 4 May 1964, led to the signing of the final act on 30 June 1967. This agreement provided a reduction of tariffs on industrial products with 30 to 35%, and the increase of the minimum prices of cereals.

<sup>151</sup> Personal opinion inserted by Willem Drees jr.

<sup>152</sup> 'If action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community and this Treaty has not provided the necessary powers, the Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, take the appropriate measures.'

has been achieved. The monetary shocks of the past two years have increased understanding of, and interest in, monetary cooperation.

It is the Belgium position to proceed in an empirical fashion. To begin with, the EEC Council must come to decide by majority vote, and will have to work closely with the Comité des Gouverneurs.

He agrees with his colleague Witteveen that monetary and budgetary politics are closely linked. Both the size of the deficit and the way it is financed are of essential importance.

The issue of band width raised by Mr. Ansiaux is a separate matter. It is however important and extensive. The United States want a larger margin as regards the official parity, e.g. two percent on either side. This means that a currency has 4% variation between minimum and maximum rate. Relative to another currency the possible (maximum) deviation from one point in time to another amounts even eight percent. Within the EEC that would be way too much. Therefore, we have to 'organiser notre cohérence envers le monde extérieur'.

If one would argue that economic policy should be coordinated first before further monetary steps can be taken, we will never arrive; there will always be imperfections on the economic side, accidents. He accepts parallelism but warns against agreeing on 'preliminary'.

The French attach great value to the establishment of a credit mechanism in the medium term and on reaching a common position in international monetary negotiations. This should be used to persuade them to a sensible economic policy. The position of Minister Schiller is another extreme.

Nous avons un jeu à jouer: obtenir qu'on avance en étapes avec dosages suffisante en volets économiques, budgétaires et monétaires pour faire progrès en dix années vers le but final. Consideration should be given to involving the British and other candidate countries.

*Minister Witteveen* surmises that the attendees agree on the need for the EEC Council to reach majority decisions and on the need to coordinate budget (deficit) policy – namely the scope and financing of the deficit – with monetary policy. However, unlike the ideas of Mr. Ansiaux, there is no need to agree on the growth rate of spending or on the amount of expenditure for investments.

Coordination is important in the medium term; one has to agree on the objectives. It is necessary to design a clear regulation with regard to the relation between the European Central Bank and the EEC political authority, otherwise there will be confusion and conflict much earlier. It has proven to be of great value in the Netherlands that the relationship between the Nederlandsche Bank and the central government is clearly settled in the Bank Act.

His Belgian colleague believes that Minister Schiller wants to progress too slowly in the monetary field, and sets too many preliminary conditions in the economic area. Speaker however believes that the relationship between the two has to be understood correctly. Only when the instruments of economic policy are powerful and can be properly used one can pave the way to a closer monetary collaboration.

The first practical question is when to start putting the medium-term credit mechanism in operation. This does not have to wait for perfect coordination but does require greater coordination than is presently the case. An entirely different case is that of the band width. This is beyond the task of the Werner Committee.



### Introduction to document 29

The meeting of the three Benelux countries in Brussels to try and secure a common Benelux position was only partially successful.<sup>157</sup> In the Werner Committee meetings held in April and May 1970, the economist viewpoint, supported by the Germans and the Dutch, took the lead. Pierre Werner, still seeking to maintain a balance between economic and monetary coordination, guided the debates towards the exchange stabilisation fund. The idea of this fund, based on proposals from Hubert Ansiaux, was to implement a policy to reduce fluctuations between the currencies of the Six.

As the disagreements became more and more acrimonious and a consensus on a common position seemed a distant prospect, the Belgians – Belgium held the Presidency of the EC Council of Ministers in this first semester of 1970 – decided to support the mediation efforts orchestrated by Werner. In this context Snoy et d’Oppuers, the Belgian Finance Minister, wrote the letter presented as document 29 to his Dutch counterpart Witteveen on 15 May 1970.

In his letter, Snoy et d’Oppuers emphasised the relevance of an exchange stabilisation fund, to be established during the first stage of creation of an economic and monetary union. To demonstrate the virtues of the plan, he employed arguments to which the economist camp could not remain impervious. One of the main effects of the fund would be to stimulate greater convergence between economic policies while harmonising the policies of the central banks on the foreign exchange markets. Five of the seven members of the Werner Committee came around to this viewpoint. While Brouwers had reservations, the German member Schöllhorn was the only one to openly oppose it. Some fears that he expressed concerning the overly complicated arrangements for this mechanism or its consequences on the fluctuation margins of the currencies of the Six appeared to be technical difficulties that could be corrected. These minor obstacles were not deemed to be so important that they should hinder the establishment of this body that would confirm the monetary independence of the Community.

Emphasising the political importance of unanimity for the very future of European integration, the Belgian minister pressed his counterpart to offer the support of the Netherlands for the project. The Netherlands and Germany eventually withdrew their reservations.

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<sup>157</sup> See document 28.

29.

**Letter by the Belgian Minister of Finance (Jean-Charles Snoy et d'Oppuers) to the Netherlands Minister of Finance (Johan Witteveen), 15 May 1970.**

© Family Archives Pierre Werner.

Ainsi que vous le savez, les travaux du Comité, présidé par M. Pierre Werner et qui a pour tâche de définir les mesures à prendre en vue d'arriver par étapes à une Union Economique et Monétaire complète, progressent d'une manière très satisfaisante.

Ce n'est cependant pas le cas sur un point qui revêt à mes yeux une importance politique, technique et psychologique particulière.

Il s'agit de l'établissement au cours de la première étape d'un 'Fonds Européen d'Egalisation des Changes' qui stimulerait une plus grande convergence des politiques économiques tout en harmonisant les politiques d'intervention des banques centrales sur les marchés des changes.

Les avantages découlant de l'instauration de ce Fonds sont nombreux et peuvent se résumer comme suit:

- Première mesure concrète affirmant l'indépendance monétaire de la CEE à l'égard du dollar des Etats-Unis;
- Mise en place d'un mécanisme permettant de suivre d'une manière permanente la cohésion des politiques économiques des pays membres;
- Surveillance étroite du fonctionnement des processus d'ajustement ;
- Création de 'l'unité de compte' monétaire préfiguration de la monnaie commune;
- Concentration au sein du Fonds des créances des pays membres sur les Etats-Unis amenant ainsi la Communauté et non plus chaque pays individuellement à négocier avec les Etats-Unis le sort de ces créances ;
- Elimination du dollar U. S. dans les transactions de change entre pays communautaires ;
- Mise en place d'un mécanisme qui favorisera une collaboration plus étroite entre Banques centrales et permettra ultérieurement de supprimer les marges de fluctuation existant entre les monnaies de la Communauté.

Le membre allemand du Comité Werner, M. le Secrétaire d'Etat Schöllhorn n'a pu se rallier à cette proposition présentée par le Baron Ansiaux, Gouverneur de la Banque Nationale de Belgique, et M. Clappier, Sous-Gouverneur de la Banque de France, respectivement membre belge et français du Comité Werner.

Les arguments de M. le Secrétaire d'Etat Schöllhorn dérivent de la crainte qu'il éprouve que le système soit trop compliqué, qu'il entraîne une réduction trop rapide des marges de fluctuation existantes entre monnaies de la Communauté et offre de nouvelles facilités de crédit aux pays en déficit.

Sans nier la pertinence, en principe, de certains de ces arguments il ne faut pas en exagérer l'importance, les inconvénients auxquels ils se réfèrent peuvent être éliminés ou à tout le moins réduits.

D'autre part, j'estime qu'il n'y a pas de commune mesure et que ne peuvent être pesés sur la même balance ni avec les mêmes poids des difficultés techniques mineures, d'une part, et les grands avantages politiques

et psychologiques, d'autre part, qui s'attachent à la création d'un organe qui affirme l'indépendance monétaire de la Communauté, constitue une réalisation tangible des principes adoptés à La Haye<sup>158</sup> et sera la démonstration de la volonté des Gouvernements de progresser résolument dans la voie de la création d'une Union Economique et Monétaire complète.

Tous les autres membres du Comité Werner ne sont ralliés et appuient la création de ce Fonds dès la première étape dans la voie de l'Union Economique et Monétaire à l'exception de M. le Professeur Brouwers qui a exprimé certaines réserves mais ne s'est pas jusqu'à présent prononcé nettement contre l'idée.

Celle-ci est également soutenue par le représentant de la Commission; elle dispose donc de l'appui formel de cinq sur sept des membres de la Commission Werner, d'une attitude encore réservée d'un sixième cependant que le membre allemand est le seul à ne pouvoir s'y rallier.

Dois-je vous dire tout l'intérêt politique que je vois pour l'avenir même de la Communauté à ce que l'unanimité puisse se faire.

C'est la raison pour laquelle M.G. Eyskens, Premier Ministre, prend aujourd'hui l'initiative d'écrire au Chancelier Brandt pour attirer son attention sur le grand intérêt politique et psychologique qui s'attache à l'idée développée ci-dessus.

Je crois utile de mon côté d'insister auprès de vous pour que le Gouvernement néerlandais apporte lui aussi son adhésion au projet.

Nous avons une occasion de faire un pas important et décisif dans la voie que nous avons tracée à La Haye, il serait dommage d'y renoncer.

En accomplissant ce pas, nous renforcerons la confiance tout en affirmant notre résolution. En ne l'accomplissant pas, nous risquons de faire douter de la volonté politique d'aboutir.

Veuillez agréer, mon cher Collègue, l'expression de mes sentiments les meilleurs.

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<sup>158</sup> See document 22.

L'union économique et monétaire

I. Définir l'objectif à atteindre. Décrire le genre d'union éco. et mon. que nous poursuivons. Expliquer ce qui est nécessaire et ce qui est suffisant pour atteindre le degré d'intégration éco. et mon. recherchée. Faire le partage des objectifs communautaires et des objectifs restant dans l'orbite nationale.

L'adoption des monnaies nationales pour la création d'une monnaie européenne est le but ultime qui suppose dans l'évolution plus parmi des institutions politiques.

L'objectif prioritaire pour la détermination au sein de l'union économique est l'union monétaire par l'harmonisation des politiques, la gestion et la mise en commun de réserves monétaires en vue d'une action stabilisatrice à l'intérieur et une affirmation de la personnalité monétaire de la Communauté vis-à-vis l'extérieur.

Voici les objectifs définis dans le Traité.  
Principale: le marché commun libre et sans entraves  
art 3 f) être que Communauté se soit par exemple dans le marché commun.

g) coordonner les politiques éco. des États membres et pour une coopération dans leurs bilans de paiements.

h) rapprocher les législations nationales dans la mesure nécessaire au fonctionnement du marché commun.

Création d'un système monétaire européen intégré (voir p. 10/11)

First page of the handwritten note Pierre Werner prepared for the preliminary meeting of 20 May 1970.



## Introduction to document 30

The ad hoc group installed by the Finance Ministers on 23 and 24 February 1970 to draw up a plan for economic and monetary union was chaired by Luxembourg's Prime Minister Pierre Werner. Alongside his work in coordinating the ad hoc group, Pierre Werner made a considerable personal contribution to the substance of the report. Werner proposed the method for the plan comprising a starting point, a desired final objective and alternative paths linking the two points together in order to attain the objective of establishing economic and monetary union.<sup>159</sup>

Although the fundamental objective was clear and won consensus, defining what it entailed triggered fierce confrontations between economists and monetarists. Werner later summarized:

The German representative, J.B. Schöllhorn, Chairman of the Medium-Term Economic Policy Committee, assisted by H. Tietmeyer, immediately defended Minister Schiller's idea of a chronological run-up as regards economic policy convergence. The Chairman of the Committee of Governors of the Central Banks, Baron Ansiaux (National Bank of Belgium), defended the monetarist position with a fervour which surprised me at the time. B. Clappier, the Chairman of the Monetary Committee, assisted by J.M. Bloch- Lainé, swung round to the Ansiaux position, as did G. Stamatii, the Chairman of the Budgetary Committee. Brouwers, the Chairman of the Conjunctural Policy Committee, was closer to Schöllhorn. Although the members of the group had been appointed on the basis of the posts they held in the Community, their arguments increasingly began to betray the concerns of their governments.<sup>160</sup>

This being so, the group decided at its second meeting on 30 April to instruct its deputies to draw up a draft report, under the chairmanship of Jacques Mertens de Wilmars. Ten days later, a draft report was submitted to the Werner Committee.<sup>161</sup> The deputies drew up a cautious, neutral paper pointing out the sensitive problems still pending, but without going so far as to make proposals or put forward practical solutions. The sensitive issues included transferring responsibility from the national to the Community level without creating lasting tension, medium-term economic policy, joint taking of the principal decisions on monetary and credit policy, and the actual decision-making power to be vested in the Community bodies. The exchange of views at the fourth meeting of the group, in Luxembourg on 14 May, was particularly stormy and showed that there were deep-rooted differences of opinion.

For the next meeting, scheduled for 20 May 1970, Werner, concerned to achieve a consensus on a common position while keeping to the deadlines set

<sup>159</sup> It was in fact the approach contained in the *Plan luxembourgeois en cinq points pour une union monétaire* (Five-point Luxembourg plan for a monetary union) drafted by Pierre Werner and presented on 26 January 1968 at the Europaforum in Saarbrücken, to which he was invited together with Jean Monnet and Walter Hallstein.

<sup>160</sup> Pierre Werner, *Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945–1985*, Volume 2 (Luxembourg: Éditions Saint-Paul, 1992), 126 [translation by the editors] and 124.

<sup>161</sup> Family Archives Pierre Werner.

when the group started its work,<sup>162</sup> again played a decisive mediating role. He personally wrote the note, presented here as document 30, summarising the points on which the various delegates agreed and adding proposals of his own.<sup>163</sup> These included irrevocably fixing the exchange rates between the European currencies, which in substance was equivalent to a single currency system for the Community with slight differences as regards external monetary policy. After a long day of discussion, Werner managed to secure an agreement. On 22 May 1970 the document was sent to the Finance Ministers of the Six and the Presidents of the Council and the Commission. He noted in his memoirs:

'At the end of the five working meetings, studded with arguments, not to mention incidents of various kinds, we nevertheless managed to put forward a summary view of the problems raised, in the form of an interim report to the Governments. [...] The interim report already sketched out the final concept as regards the aim to be achieved. [...] It took care to stress that economic and monetary union meant that the main economic policy decisions had to be taken at the Community level and the requisite powers had to be transferred from the national level to the Community level. The culmination of it could be the adoption of a single currency. In the end the report left no doubt as to the constraints and disciplines which the plan for economic and monetary union entailed.'<sup>164</sup>

The meeting of Finance Ministers held in Venice on 8 and 9 June 1970 did not come down definitively in favour of any of the solutions discussed. It mandated the ad hoc group to give further thought to the matter and it was Pierre Werner who, on that basis, made proposals for the lines to follow in taking the discussions further.

### 30.

#### **Handwritten note by Pierre Werner on the establishment of an economic and monetary union, in preparation for the preliminary meeting of 20 May 1970.**

© Family Archives Pierre Werner.

L'Union économique et monétaire.

I. Définir l'objectif à atteindre. Décrire le genre d'union écon. et mon. que nous poursuivons. Expliquer ce qui est nécessaire et ce qui est suffisant pour atteindre le degré d'intégration écon. et mon. recherchée.

<sup>162</sup> A stage-by-stage plan was to be drawn up and put forward by the ad hoc group by July 1970.

<sup>163</sup> At the opening meeting of the Werner Committee (20 March 1970) it was agreed that summarising the group's discussions would be the responsibility of the Commission representative (Ugo Mosca, acting as secretary-general) and that the other members of the Group, 'each according to his particular area of expertise in his capacity as chairman of one of the EEC Committees', should draw up a note describing the measures planned to be taken for the purpose of attaining the final objective. The names of the various authors (e.g. J. B. Schöllhorn, G. Stammati, etc.) in Pierre Werner's handwritten note. Family Archives Pierre Werner.

<sup>164</sup> Werner, *Itinéraires luxembourgeois et européens*. Volume 2, 125 and 127.

Faire le partage des objectifs communautaires et des objectifs restant dans l'orbite nationale.

L'absorption des monnaies nationales par la création d'une monnaie européenne est le but ultime qui suppose une évolution plus poussée des institutions politiques.

L'objectif prévisible pour la décennie<sup>165</sup> est l'union monétaire au service de l'union économique par l'harmonisation des politiques, la gestion et la mise en commun de réserves monétaires en vue d'une action stabilisatrice à l'intérieur et une affirmation de la personnalité monétaire de la communauté vers l'extérieur.

Voir les objectifs définis dans le Traité. Principal: le marché commun libre et sans entraves.

art. 3

- f) éviter que concurrence ne soit pas faussée dans le marché commun.
- g) coordonner les politiques écon. des états membres et parer aux déséquilibres dans leurs balances de paiement.
- h) rapprocher les législations nationales dans la mesure nécessaire au fonctionnement du marché commun.

art. 67 suppressions des restrictions aux mouvements des capitaux dans la mesure nécessaire au bon fonctionnement du marché commun. Paiements courants entièrement libres. voir aussi art-73

art. 103 politiques conjoncturelles d'intérêt commun.

art. 104 chaque Etat membre pratique la politique écon. nécessaire en vue d'assurer l'équilibre de sa balance globale des paiements et de maintenir la confiance dans sa monnaie.

art-105 coordination des politiques écon.

art-107 chacun traite sa politique en matière de taux de change comme un problème d'intérêt commun.

art-113 politique commerciale commune.

Procédures de rapprochement des législations: art.100-102

art-235 –

II. Etat de l'union à l'issue du plan par étapes.  
Point d'aboutissement. Voir ci-avant idée générale.<sup>166</sup>

à l'intérieur.

Espace économique sans frontières. Circulation libre des biens, des services, des personnes et des capitaux. Opérations monétaires effectuées par les agents écon. ne sont soumises à aucune entrave ni à des risques de change<sup>167</sup>

à l'extérieur.

Ensemble écon. et mon. individualisé et organisé effet constitué des forces du marché et de politiques consciemment mises en œuvre au niveau national et communautaire.

a) une monnaie commune unique.<sup>168</sup>

<sup>165</sup> Margin note: 'Création d'un système monétaire européen intégré. (voir papier Snoy)'.  
<sup>166</sup> Margin note: 'Sources: Note Mosca du 3.4. Doc. Barre du 4.3'.  
<sup>167</sup> Margin note: '[2 étapes]'. Figure difficult to read.  
<sup>168</sup> Margin note: 'Voir note Stammati 7.4'.

b) une monnaie commune (de compte) coexistant avec des monnaies nationales.

variantes et étapes: fixité des parités irrévocable.

fixité des parités avec rapports restant en principe susceptibles d'ajustement avec procédure communautaire

Relations entre l'union écon. et mon.<sup>169</sup>

Questions essentielles:

- 1) Qu'est-ce qui doit être harmonisé et concerté?
- 2) Degré ou intensité de l'harmonisation et de la concertation
- 3) Aspect institutionnels.

ad 1) Politique gén. du crédit. Ordre politique basé sur la libre concurrence.

Politique moyen terme, p. conjoncturelle, structures fiscales et instruments anticycliques, subventions écon. marché des cap. Polit. des revenus.

ad 2) Appliquer le principe de la subsidiarité. Ne transférer à l'organe communautaire que les pouvoirs essentiels. Quid de l'ingérence des organes confédéraux?

ad 3) Organes comp. au Fed. Res. System. (mais avec des caractères européens propres.)

Politique budgétaire?

Contrôle parlementaire?

III. Description de l'état actuel. Voir document Ansiaux annexe 2. et Stammati annexe 1 (pour la partie budgétaire)

IV. Méthode et approche pour le rythme des étapes.

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<sup>169</sup> Margin note: 'Note [6.4, Schöllhorn]'



## Introduction to document 31

While the Committee carried out its work, Pierre Werner also played an active role in the Action Committee for the United States of Europe (ACUSE)<sup>170</sup> chaired by Jean Monnet. The two men held regular discussions in public and in private, particularly when the interim report began to take shape in May 1970. These discussions concerned the differences of opinion between the members of the ad hoc group and the political influences that needed to be harnessed — particularly with the Germans and the Dutch, who were more reluctant to adhere to the common positions — if the work of the Werner Committee was to be carried through to a successful conclusion.

Shortly after drafting the interim report, as the need for the committee to deepen its work became clear, Jean Monnet sent a letter to Pierre Werner on 26 May 1970 – document 31 in this selection. This document was part of the strategic consultation initiated between the two men and concerned both the main lines for the pursuit of the Werner Committee's work and the political mandate that would need to be issued by the Council of the Ministers of the Community in order for this work to be carried out. In order to settle the 'deep differences of opinion' and reconcile the views of the economists and the monetarists, Werner and Monnet approached the German Chancellor Willy Brandt on a confidential basis, a strategy that proved successful.

Other members of the Werner Committee worked to achieve a consensus on both the interim report and the final report. Snoy et d'Oppuers engaged with his Dutch counterpart Witteveen on several occasions. Given the close and cooperative relationship with the Belgian and French members of his group, Werner approached Ansiaux, Chairman of the Committee of Governors of the Central Banks, and the French member Clappier, Chairman of the Monetary Committee, giving the two men various confidential mediation missions with the aim of securing a consensus on the final report.

### 31.

#### **Letter by Jean Monnet to the Luxembourg Prime Minister and Minister of Finance (Pierre Werner), 26 May 1970.**

© Family Archives Pierre Werner.

Je souhaite revenir sur notre conversation au sujet du rapport de votre Comité. J'en ai pris connaissance et ai discuté avec M. Clappier.

Je vous envoie ces quelques réflexions avant que nous parlions au téléphone mercredi après-midi.

Le rapport de votre Comité montre clairement une différence entre ceux qui veulent commencer une action monétaire de suite et ceux qui veulent reporter cette action monétaire après que l'union économique aurait été réalisée.

<sup>170</sup> Comité d'Action pour les États-Unis d'Europe. Established in 1955 in Paris by Jean Monnet as a lobby organisation for further international cooperation within Europe. Members of the Committee were representatives of the larger political parties and non-communist trade unions in the member countries of the EEC. The Action Committee was dissolved in May 1975.

Le fait d'indiquer ces divergences profondes est très utile. Mais en même temps, je pense que pour surmonter cette différence il ne faut pas brusquer la discussion.

La suggestion que vous me faisiez l'autre jour de rendre visite au Chancelier Brandt est bonne. Vous devriez aller le voir le plus tôt possible et avoir une conversation avec lui avant le Conseil des Ministres les 8 et 9 juin.

Je pense que le mieux serait d'obtenir alors du Conseil des Ministres de la Communauté un nouveau mandat au Comité que vous présidez. Le Conseil demanderait à votre Comité des études plus complètes de la première étape tendant à préciser:

- les implications économiques et les modalités techniques d'un régime spécifique de change pour les pays de la CEE appuyé sur un Fonds européen de stabilisation des changes;
- les méthodes par lesquelles des progrès réels pourraient être faits dans la voie de l'harmonisation économique.

De cette manière, le nouveau rapport demandé à votre Comité pourrait concilier les deux points de vue qui s'expriment dans votre rapport préliminaire.

J'ai pleine confiance que vous pourriez ainsi dégager une solution unanime au sein de votre Comité.



## Introduction to document 32

Having been endorsed at the meeting of Finance Ministers on 29 May 1970 in Venice, the interim report and the debates on economic and monetary union were at the top of the agenda for the meeting of the Council of Ministers on 8 and 9 June in Luxembourg City.

According to Werner, 'The discussion as such did not throw up any new elements, except that the Dutch Minister Witteveen, building on Mr. Schiller's position, increased the demands concerning the institutional aspect.'<sup>171</sup> In agreement on the main objective that economic and monetary union should be achieved within ten years, with the first step to start on 1 January 1971, the Council of Ministers invited the Werner Committee to continue and deepen its work. The aim was to elaborate the institutional and technical aspects of the agreements reached, the priority being to set out the specific practical arrangements for the first stage.

Werner proposed that a technical opinion should be sought from the Committee of Governors for the involvement of the central banks in a common monetary policy, a suggestion that the Council went on to adopt. He was able to put this into practice largely because of his good relations with Ansiaux. The monetary union between Luxembourg and Belgium meant that the two men had worked closely together for many years and shared similar views, particularly on the question of economic and monetary union. Their close working relationship had already set the general tone for the debates in the group of experts: in April 1970, at the request of Pierre Werner, Ansiaux had already submitted his considerations on the operation of an exchange adjustment fund and on special drawing rights.<sup>172</sup>

Werner and Ansiaux developed a common strategy, convinced of the importance of an exchange stabilisation fund and confident of the vital role that could be played by the Committee of Governors in the introduction of such a fund. Their strategy involved a series of questions by means of which the Committee of Governors was asked to give its opinion on several matters, including the exchange rate regime between the currencies of the Common Market countries, the advantages and drawbacks of an exchange stabilisation fund during the first stage of the stage-by-stage plan, and the tightening of monetary policies in the first stage.

Given that the Council decision of 9 June 1970 recommended obtaining the opinion of the Committee of the Governors of the Central Banks, Werner sent a letter to Ansiaux – document 32 here – asking for an a point of view on various technical and economic aspects of the introduction of a specific exchange rate regime for the Community.

In his reply of 16 June Ansiaux promised this by 15 July, based on the appropriateness of harmonising monetary policy instruments and effectively tightening the monetary policies of the member countries.<sup>173</sup> All the same,

<sup>171</sup> Pierre Werner, *Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945–1985*, Volume 2 (Luxembourg : Éditions Saint-Paul, 1992), 128.

<sup>172</sup> Considerations by Hubert Ansiaux 'setting out the modus operandi and the merits of a European exchange equalisation fund' (confidential technical note of 24 April 1970). Family Archives Pierre Werner

<sup>173</sup> Letter of the chairman of the Committee of Governors of the Central Banks (Hubert Ansiaux) to Pierre Werner, Brussels, 16 June 1970. Family Archives Pierre Werner.

the detailed analysis of the measures to be taken was postponed to the third quarter of the year, as the information that would enable specific conclusions to be drawn only gradually became available. The technical opinion of the central bankers was to be included in the final report. This opinion emphasised both the gradual approach and the irreversibility of economic and monetary union, thereby supporting the backbone of the Werner Report.

**32.**

**Letter by the Luxembourg Prime Minister and Minister of Finance (Pierre Werner) to the Chairman of the Committee of Governors of Central Banks (Hubert Ansiaux), 12 June 1970.**

© Family Archives Pierre Werner.

Au cours de sa réunion du 9 juin, le Conseil des Ministres des Communautés Européennes a pris connaissance du rapport intérimaire sur la réalisation de l'union économique et Monétaire que je lui ai présenté à cette occasion.<sup>174</sup> Le Conseil a pris acte des conclusions de ce rapport. Il résulte des débats que les objectifs fondamentaux décrits dans le document ont trouvé l'accord des Gouvernements. Toutefois, le Conseil a constaté qu'il est désirable d'approfondir certains aspects des suggestions faites, notamment en rapport avec les actions à entreprendre au cours de la première étape.

D'un côté, il paraît nécessaire de présenter des recommandations concrètes en matière de politique économique et budgétaire.

D'autre part, en ce qui concerne les progrès à accomplir en matière monétaire, le Conseil des Ministres souhaiterait être plus amplement éclairé sur certains aspects techniques et économiques des propositions qui lui sont présentées.

Comme d'autres collègues qui se sont prononcés en ce sens, j'estime que sur ce point il est opportun de disposer d'un avis du Comité des Gouverneurs des Banques Centrales.

Aussi vous saurais-je gré d'inviter le Comité que vous présidez à me faire parvenir son avis sur les questions suivantes:

a) Quelles pourraient être, dans la première étape, les modalités d'un régime de change spécifique propre aux monnaies des Etats membres? En particulier, quels seraient les avantages et les inconvénients, sur le plan économique comme sur le plan monétaire, d'un rétrécissement des marges entre les monnaies des pays membres du Marché Commun, également dans le cas où le dollar ne serait plus utilisé comme monnaie d'intervention, ce qui ramènerait la possibilité de fluctuation de 3% à 11/2% au maximum?

b) En ce qui concerne l'instauration d'un Fonds de Stabilisation des Changes, tel que décrit dans l'annexe 4 du rapport, quels pourraient en être les avantages et les inconvénients dans une vue d'affirmation progressive des objectifs monétaires de la Communauté? Il s'imposerait de dire ce qui milite

<sup>170</sup> 'Interim Report on the Establishment by Stages of Economic and Monetary Union – "Werner Report"' [20 May 1970]. *Bulletin of the European Communities*, Supplement no. 7 (1970).

en faveur de sa création au cours de la première étape ou ce qui au contraire recommande, soit son élimination totale, soit son instauration dans une étape subséquente. A défaut de la création de ce fonds, au cours de la première étape ou d'une étape subséquente, j'aimerais savoir ce qui peut et doit être fait dès à présent en vue de resserrer les liens monétaires qui unissent les pays membres de la Communauté et de permettre à celle-ci d'aboutir à la création d'un régime monétaire basé sur la constitution d'un 'European Reserve Board' et d'un 'Fonds de Réserve Européen' dans la période prévue de dix ans.

c) Indépendamment des deux questions précédentes, il importerait d'examiner ce qui devrait être accompli en tous cas au cours de la première étape afin de resserrer de manière effective les politiques monétaires des pays membres, en ce compris l'harmonisation des instruments de politique monétaire dont ils disposent actuellement.

Afin de permettre au groupe que je préside de tirer des conclusions fondées et réalistes de l'ensemble des informations fournies, je vous saurais particulièrement gré de veiller à ce que les réponses, même discordantes, soient aussi précises que possible et étayées des arguments pertinents invoqués de part et d'autre.

Je me rends compte de l'effort particulier que je demande aux membres du Comité, puisque ces questions exigeront une concertation très poussée et une étude concentrée. Cependant, vous n'ignorez pas les nécessités politiques qui obligent mon groupe à déposer son rapport final au mois de septembre. C'est pourquoi, je vous serais obligé de veiller à ce que votre Comité puisse me faire parvenir son avis pour le 15 juillet au plus tard.

En remerciant les membres du Comité de l'attention qu'ils voudront bien attacher à la présente, je vous prie d'agréer, Monsieur le Président, l'assurance de ma considération la plus distinguée.



Banknotes in the Netherlands Central Bank in 1968.

The Interim Report of the Werner Group stated that 'psychological and political considerations argue in favour of the adoption of a single currency which would guarantee that the undertaking was irreversible'. The adoption of a single currency would imply that the Netherlands Central Bank would no longer be minting the Dutch guilder.

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### Introduction to document 33

The Council of Ministers of 8 and 9 June 1970 endorsed the interim report<sup>175</sup> and gave its approval for the Werner Committee to continue its work. Establishing economic and monetary union within a time limit of ten years from 1 January 1971 was confirmed as the objective. The Council of Ministers asked the Werner Committee to submit its final report by September 1970.<sup>176</sup>

Giving further thought to the question of the institutions thus became a priority matter. Karl Schiller, the German Minister, immediately proposed that the group describe the powers of the bodies responsible for short-term economic policy on the one hand and monetary policy on the other. Werner wanted to involve Schöllhorn and Brouwers (renowned for their inflexible economist's viewpoints) in defining practical ways of coordinating economic policies. Schiller insisted on more efficient procedures for economic policy convergence.

To put the finishing touches to the interim report, of which a first rough draft was planned for August 1970, the ad hoc group met four times.<sup>177</sup> At the meeting in Luxembourg on 27 July, Brouwers tabled his paper on the institutional aspects for the final stage of economic and monetary union, presented here as document 33.

The interim report defined monetary union as: 'A monetary zone sufficient to itself involves, internally, currency convertibility, the irrevocable fixing of exchange rates, the elimination of exchange-rate fluctuations and complete liberalisation of capital movements. At the same time, national currency denominations may be retained, or it may set the seal on the establishment of a single Community currency. From the technical point of view, it might seem immaterial which of these solutions is opted for, but psychological and political considerations argue in favour of the adoption of a single currency which would guarantee that the undertaking was irreversible.'<sup>178</sup> Inevitably this entailed the transfer of powers from national bodies to Community bodies to keep a proper and effective grasp of short-term economic developments. Consequently, and with due regard for the needs of the final stage, real harmonisation of short-term economic policy instruments in the Member States was to be established from stage one.

To keep a grasp of short-term economic policy in this way, two bodies appeared essential. First a strong and independent central policy body was required, under the democratic control of the European Parliament, and able to exert a decisive influence on deflationary and inflationary effects arising from national budgets. It should also take decisions on access to the Community's money markets for national authorities. The second requirement was to set up a common central bank, responsible for issuing banknotes, credit policy,

<sup>175</sup> 'Interim Report on the Establishment by Stages of Economic and Monetary Union – "Werner Report"' [20 May 1970]. *Bulletin of the European Communities*, Supplement no. 7 (1970).

<sup>176</sup> Communiqué drawn up by the Belgian Presidency following the Council of Ministers' meeting, Luxembourg, 8–9 June 1970. Family Archives Pierre Werner.

<sup>177</sup> The group met in Paris on 7 July 1970, Luxembourg on 27 July and 11 September and Copenhagen on 25 September, at the occasion of the annual meeting of Governors of the International Monetary Fund.

<sup>178</sup> Interim Report on the Establishment by Stages.

official currency reserve management, and maintaining the external value of the currency. This central bank was to be an autonomous, financially independent institution, with its statute and powers laid down in Community law. According to the proposal the central policy body would be entrusted to give the bank directives. Apart from that, the bank, brought into being through a full merger of the existing central banks, was guaranteed a certain degree of independence, not unlike that of the Federal Reserve System in the United States.

Putting such a system into effect required marked alterations to the Community's institutional structure, which entailed new treaty provisions, preferably in stage one, as they should confer on the Community bodies the powers to make the gradual transition from stage one to the final stage.

**33.**

**Note by the President of the Short-Term Economic Policy Committee of the EEC (Gerard Brouwers) to the Werner group on the final phase of the monetary union, 22 July 1970.**

© Family Archives Pierre Werner.

*Note d'accompagnement*

Comme convenu, je vous envoie par la présente une note en vue de la discussion relative au transfert des compétences nationales aux institutions communautaires.

Ce transfert se situe à la fin d'un processus devant permettre – ainsi qu'il est dit dans le document de discussion sur la procédure de consultation sous le point D – un renforcement progressif de l'influence de la Communauté sur la politique conjoncturelle dans les Etats membres.

En outre, il me semble souhaitable de préciser dans notre rapport qu'en tout cas il sera nécessaire d'harmoniser au cours de l'avant-dernière étape les activités du secteur public des différents Etats membres en matière de création de liquidités.

*Note*

*Phase finale de l'union monétaire; transfert nécessaire de compétences nationales aux institutions communautaires*

Le rapport intérimaire décrit l'union monétaire comme suit:

'Une zone monétaire individualisée implique à l'intérieur la convertibilité des monnaies, la fixation irrévocable des rapports de parité, l'élimination des marges de fluctuation des cours de change et la libération totale des mouvements de capitaux. Elle peut s'accompagner du maintien de signes monétaires nationaux ou consacrer l'établissement d'une monnaie communautaire unique. Du point de vue technique, le choix entre ces deux solutions pourrait paraître indifférent, mais des considérations d'ordre psychologique et politique militent en faveur de l'adoption d'une monnaie unique qui garantirait l'irréversibilité de l'entreprise.'

Cette définition d'une union monétaire implique les conséquences suivantes:

- La création de liquidités dans l'ensemble de la zone doit être de la compétence d'un organe central.
- La politique monétaire et de crédit, c'est-à-dire la mise en œuvre d'instruments inflationnistes et déflationnistes ne peut plus être laissée à l'appréciation des Etats membres individuels. En effet, ils ont une incidence directe sur les autres Etats membres.
- La politique monétaire à l'égard du monde extérieur devient une affaire communautaire; les contrôles en matière de devises à l'intérieur de la Communauté sont supprimés en ce qui concerne les mouvements de fonds et de capitaux.
- Suppression des balances de paiements internes.
- Les effets déflationnistes et inflationnistes des budgets nationaux ne peuvent pas davantage être laissés au libre arbitre des autorités nationales.

C'est pourquoi il est également nécessaire que l'accès des pouvoirs publics au marché des capitaux soit réglementé au niveau communautaire.

- La politique des revenus, avec ses effets inflationnistes ou déflationnistes éventuels, a une incidence directe sur les événements économiques dans la Communauté, quel que soit le pays dans lequel les effets inflationnistes ou déflationnistes ont leur origine. Des efforts devront être faits en vue de mettre en place une politique commune des revenus.

Cela signifie que dans un certain nombre de domaines les compétences des organes nationaux devront être transférées à des organes communautaires.

Une première nécessité pour une bonne et efficace maîtrise de la conjoncture par ces organes est une harmonisation poussée des instruments de la politique conjoncturelle dans les Etats membres, harmonisation qui dès la première étape devra être mise en place en fonction des besoins de la phase finale.

Pour cette maîtrise de la conjoncture, deux organes semblent indispensables:

- 1) *Un organe central* de la politique qui peut exercer une influence décisive sur les effets déflationnistes et inflationnistes qui émanent des budgets nationaux et qui décide de l'accès des autorités nationales au marché des capitaux de la Communauté. Au minimum, cet organe doit être habilité, si les circonstances l'exigent, à décider pour chaque Etat membre s'il est souhaitable, à la lumière de la situation économique, que cet Etat membre ait un excédent ou un déficit budgétaire et pour imposer aux Etats membres des obligations en ce qui concerne l'ampleur admissible de ces soldes.

Il s'agit ici des soldes de l'ensemble des dépenses et des recettes publiques, donc pas uniquement celles des autorités nationales, mais aussi celles des organes subordonnés et para-étatiques.

En ce qui concerna l'affectation et le financement des soldes, il est également indispensable de prévoir le pouvoir d'édicter des directives obligatoires, notamment pour ce qui est:

- du mode de financement des déficits (par la création de monnaies ou par un recours au marché des capitaux communautaire);
- de la création d'une réserve conjoncturelle.

L'organe central de politique devra pouvoir mener une politique efficace et devra, par conséquent, abstraction faite du contrôle parlementaire dont il sera question plus loin, pouvoir prendre des décisions indépendamment des

organes nationaux. Cela implique que l'organe de la politique ne saurait être composé de ministres nationaux.

Il sera nécessaire d'examiner ultérieurement les autres conditions que l'organe de la politique devra remplir. Les compétences d'ordre économique et monétaire qui sont conférées à l'organe sont à tel point importantes qu'une délégation à un seul homme semble exclue, de sorte que ces tâches devront être confiées à un collège. En tout cas, il faudra que les décisions puissent être prises en temps utile et que le collège soit complètement indépendant des gouvernements nationaux. Il est évident que des pouvoirs communautaires dans le secteur économique et monétaire ne peuvent être exercés par une autre instance que celle qui exerce également les autres compétences sociales et économiques qui sont ou qui seront encore transférées au niveau communautaire et pour lesquelles il y a lieu de rendre compte au Parlement européen (par exemple, la politique des ententes, la politique agricole, etc.).

- 2) *Une banque centrale* commune qui devra être chargée:
- de l'émission de billets de banque dans la Communauté;
  - de la politique du crédit de la Communauté;
  - de la gestion des réserves monétaires officielles de l'union;
  - du maintien de la valeur externe de la monnaie.

Cette banque centrale devra être une institution autonome et financièrement indépendante dont le statut et les pouvoirs seront fixés par le droit communautaire. Il faudra, en même temps, déterminer la responsabilité politique de la politique la banque centrale. A cet égard, il faudrait envisager de permettre à l'organe de la politique de pouvoir donner, dans certains cas clairement défini des directives obligatoires, selon une procédure qui offre des garanties suffisantes pour l'indépendance de la banque (par exemple, publication des opinions divergentes de la banque).

En principe, on pourrait concevoir que les banques centrales actuelles fusionnent complètement dans la banque centrale commune. Il semble toutefois plus réaliste d'envisager, pour cette banque commune, une sorte de 'Fédéral Reserve System', à la tête duquel se trouverait un 'Board' qui contrôlerait et qui donnerait des indications aux banques affiliées dans les Etats membres, où les banques centrales existantes devraient être transformées. Dans ce système, celles-ci ne devraient donc plus être habilitées à pratiquer une politique nationale du crédit et elles ne seraient plus responsables qu'à l'égard du 'Federal Reserve Board'.

Pour réaliser les objectifs précités, l'organe central de la politique disposerait de pouvoirs politiques importants qui seraient retirés aux gouvernements nationaux et, par conséquent, au contrôle des parlements nationaux. Cela implique que le transfert des tâches des autorités nationales aux autorités communautaires doit s'accompagner d'un transfert correspondant de pouvoirs des parlements nationaux au Parlement européen. En raison de la position importante que les Etats membres conserveront au sein de la Communauté, ce Parlement ne devra pas être uniquement composé d'une chambre de représentants élus au suffrage direct, mais aussi d'un sénat dont les membres seraient désignés par les Etats membres. Comme les effets des relations mutuelles entre l'organe de la politique, la chambre et le sénat semblent dépasser la mission confiée au Groupe, nous n'insisterons pas sur ce point.

La mise en œuvre du système décrit ci-dessus exige des modifications sensibles de la structure institutionnelle de la Communauté. Il est essentiel que l'on puisse encore s'entendre au cours de la première étape sur le texte des nouvelles dispositions du Traité, qui ne définiront pas seulement la structure de l'étape finale, mais conféreront aussi aux organes communautaires les pouvoirs nécessaires pour pouvoir réaliser un passage progressif de la première étape à l'étape finale. C'est au cours des étapes ultérieures que pourra s'accomplir le travail de longue haleine qu'exige l'instauration des institutions précitées - comme, par exemple, l'intégration des banques nationales dans un 'Federal Reserve System'.



The German Minister Karl Schiller took a tough stance in the negotiations on monetary integration in which his economist position conflicted with the monetarist position of the French.

He is pictured here at the press conference at the close of the emergency meeting on the monetary crisis in November 1968.

Otmar Emminger, the vice president of the German Bundesbank, remembers the meeting as the most unpleasant conference he ever attended. In between the long meetings in which little progress was made, he and other attendees played table-tennis to kill the time.

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## Introduction to document 34

On 7 October 1970, the Werner Group met in Luxembourg to resolve the final points of disagreement. The differences of opinion stemmed from the idea of establishing an exchange stabilisation fund during the first stage. The inflexible attitude displayed by the Germans in particular made it seem unlikely that a compromise solution acceptable to all parties would be reached. Werner initiated a lengthy and complex mediation process between the various parties seeking agreement on the plan for economic and monetary union. In his memoirs, Werner wrote:

‘Schöllhorn insisted that we propose the establishment of a stabilisation fund during the second stage, which itself was to be preceded by a thorough examination. At the risk of compromising unanimity, I was obliged to harden my attitude. I was convinced that a plan that provided for no monetary innovation for the first three years, that was solely devoted to promoting procedures for the harmonisation of economic and budgetary policies with no accompanying monetary stimulus, was likely to get bogged down in endless Community discussions. [...] Moreover, the proposals put forward by Raymond Barre<sup>179</sup> required a new financial mechanism. The plan, which the group’s members were proposing should bear my name, could not disregard my previous initiatives in this area. I therefore firmly requested that the establishment of the fund be considered for the first stage. My view was supported by Ansiaux and Clappier. Yet opposition to the idea remained strong. Finally, after intense debates, with each person making every effort to avoid the talks ending in failure, I managed to secure a compromise that was unanimously accepted.’<sup>180</sup>

On 8 October 1970, at a press conference in Luxembourg, Werner presented his report, of which document 34 reproduces the main conclusions. The name Werner Report was not merely a label thought up by the press but was the actual subheading on the document at its official presentation. Yet in the subsequent version sent to the European Parliament and in later versions, the Commission ‘forgot’ this title.

The Werner Report represented a major step forward in the European integration process. It provided for the establishment of an economic and monetary union in two main stages over a period of ten years (1971–1980), the ultimate aim being the irreversible convertibility of the Member States’ currencies, the complete liberalisation of capital movements and the irrevocable fixing of exchange rates, with the prospect of replacing the national currencies by a single currency.

The first stage was set out in detail. It was to start on 1 January 1971 and last for three years, the aim being to ensure that the economic infrastructure was in place to prepare the ground for progress in institutional terms. The guidelines for economic and monetary policy were to be gradually established on a joint basis. Exchange relations between the Community currencies were

<sup>179</sup> See document 20.

<sup>180</sup> Pierre Werner, *Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945–1985*, Volume 2 (Luxembourg : Éditions Saint-Paul, 1992), 130

to be progressively tightened and any increase in fluctuation between the Member States in general would be confined within relatively stable limits.

Once the results of this first stage had been assessed in line with a specific plan of action, a second stage was perceived, possibly preceded by a transitional phase. This second stage would provide for the continuation of the action undertaken in stage one, but along more restrictive lines, leading to the irrevocable fixing of exchange rates between the various currencies and, ideally, to a single currency. Although it was conceivable that the national currencies might be maintained, the Werner Report emphasised that the introduction of a single currency was vital for political and psychological reasons as it would give people the sense of having a common European identity and would develop solidarity and commitment. It would guarantee that the union would be irrevocable.<sup>181</sup> Preparations for the final stage were to include the creation of a mechanism for monetary solidarity between the Member States, known as the 'European Fund for Monetary Cooperation', which would be placed under the control of the Governors of the Central Banks. A council would be set up to establish macroeconomic policy among the Six.

In terms of institutions, the Werner Report recommended that a centre of decision for economic policy, which would be 'politically responsible to a European Parliament', be set up, as well as a Community system for the central banks. These institutional arrangements would require major transfers of responsibility from the states to the Community and would therefore presuppose a revision of the Community treaties. The plan also provided for consultation with the social partners — employers and trade unions — for all important decisions in the monetary field.

The EC Commission adapted the Werner Report, bringing it in line with its own view<sup>182</sup> which was influenced by the international economic climate and certain political sensitivities (Gaullist France refused the transfers of sovereignty provided for in the report). The report was approved and set in motion on 22 March 1971.<sup>6</sup>

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<sup>181</sup> See document 34, VII, C

<sup>182</sup> See document 37.

34.

**Report by the Werner Group to the Council and the Commission on the realization by stages of economic and monetary union in the Community, Final Version, 8 October 1970.**

*Bulletin of the European Communities*, 1970, supplement 11/70. Luxembourg: Official Publications Office of the European Communities. © European Union.

*VII. Conclusions*

The Group, recalling that the Council adopted on 8 and 9 June 1970 the conclusions presented by the Group in its interim report<sup>183</sup>, suggests to the Council that it should accept the contents of the present report and approve the following conclusions:

A. Economic and monetary union is an objective realizable in the course of the present decade provided only that the political will of the Member States to realize this objective, as solemnly declared at the Conference at The Hague<sup>184</sup> is present. The union will make it possible to ensure growth and stability within the Community and reinforce the contribution it can make to economic and monetary equilibrium in the world and make it a pillar of stability.

B. Economic and monetary union means that the principal decisions of economic policy will be taken at Community level and therefore that the necessary powers will be transferred from the national plane to the Community plane. These transfers of responsibility and the creation of the corresponding Community institutions represent a process of fundamental political significance which entails the progressive development of political cooperation. The economic and monetary union thus appears as a leaven for the development of political union which in the long run it will be unable to do without.

C. A monetary union implies, internally, the total and irreversible convertibility of currencies, the elimination of margins of fluctuation in rates of exchange, the irrevocable fixing of parity ratios and the total liberation of movements of capital. It may be accompanied by the maintenance of national monetary symbols, but considerations of a psychological and political order militate in favour of the adoption of a single currency which would guarantee the irreversibility of the undertaking.

D. On the institutional plane, in the final stage, two Community organs are indispensable: a centre of decision for economic policy and a Community system for the central banks. These institutions, while safeguarding their own responsibilities, must be furnished with effective powers of decision and must work together for the realization of the same objectives. The centre of economic decision will be politically responsible to a European Parliament.

<sup>183</sup> *Interim Report on the Establishment by Stages of Economic and Monetary Union – 'Werner Report' [20 May 1970]. Bulletin of the European Communities, Supplement no. 7 (1970).*

<sup>184</sup> See document 22.

E. Throughout the process, as progress is achieved, Community instruments will be created to carry out or complete the action of the national instruments. In all fields the steps to be taken will be interdependent and will reinforce one another; in particular the development of monetary unification will have to be combined with parallel progress towards the harmonization and finally the unification of economic policies.

F. At this stage the laying down of a precise and rigid timetable for the whole of the plan by stages does not seem feasible. It is necessary in fact to maintain a measure of flexibility to permit any adaptations that the experience acquired during the first stage may suggest. Particular emphasis should therefore be placed on the first stage, for which a package of concrete measures is presented. The decisions on the details of the final stages and the future timetable will have to be taken at the end of the first stage.

G. The first stage will commence on 1 January 1971 and will cover a period of three years. In addition to the action approved by the Council in its decision of 8 and 9 June 1970 it will entail the adoption of the following measures:

1. The consultation procedures will have a preliminary and obligatory character and will call for increased activity by the Community organs, in particular the Council and the Commission, as well as the Committee of Governors of the central banks. These consultations will principally concern economic policy at medium term, short-term economic policy, budget policy and monetary policy.

2. The Council will meet at least three times a year to lay down, on the proposal of the Commission, the broad lines of economic policy at Community level and quantitative guidelines for the principal elements of the whole of the public budgets. Once a year, in the autumn, the economic policy in the Community will be the subject of recommendations contained in an annual report on the economic situation of the Community which will be transmitted to the European Parliament and to the Economic and Social Committee and which the Governments will bring to the notice of the national parliaments.

3. In order to promote efficiency in the Council's labours and to ensure sufficient coordination, the Council must be in a position to assemble rapidly persons of high standing representing Governments and central banks, who will be able to hold prior consultations.

4. Before the adoption of the broad lines of economic policy at the Community level, consultations will take place between the Commission and the social partners in accordance with procedures to be laid down.

5. The budget policy of the Member States will be conducted in accordance with Community objectives. For this purpose, within the framework of the meetings of the Council referred to in paragraph 2 above, a Community survey will be effected before the Governments draw up their budget proposals on a definitive basis. The national budget procedures will be synchronized. In the fiscal field, countries will adopt the harmonization advocated in the present report and the integration of financial markets will be intensified.

6. The Committee of Governors will play an increasingly important role in the coordination of monetary and credit policy; in particular it will lay down in this field the general guidelines for the Community. It will be able to express opinions and make recommendations to the central banks of the member countries and express opinions to the Council and the Commission.

7. To reinforce solidarity within the Community in the matter of foreign exchange, the central banks are invited, from the beginning of the first stage, to restrict on an experimental basis the fluctuations of rates between Community currencies within narrower bands than those resulting from the application of the margins in force in relation to the dollar. This objective would be achieved by concerted action in relation to the dollar. According to circumstances and to the results achieved in the standardization of economic policies new measures may be taken. These will consist of a transition from a *de facto* regime to a *de jure* regime of intervention in Community currencies and the progressive narrowing of the margins of fluctuation between Community currencies.

8. The actions foreseen in the foreign exchange field will be facilitated by the intervention of an agent charged with the tasks of statistical registration information, and advice.

9. The rapid harmonization of the instruments of monetary policy is necessary. For this reason it will be necessary as soon as possible to undertake the preparatory work in this field.

10. The modifications to be made in the Treaty of Rome in order to make possible the final realization of economic and monetary union must be prepared in good time during the first stage.

11. In accordance with Article 236<sup>185</sup> of the Treaty of Rome, an intergovernmental conference will be called in good time before the end of the first stage with a view to drawing up the necessary modifications for the complete realization of economic and monetary union. A special meeting of the Council will be called to draw up a balance sheet of progress achieved in the first stage and lay down a programme for specific action in the years to come.

H. The *second stage* will be characterized by the promotion on a number of fronts and on ever more restrictive lines of the action undertaken during the first stage: the laying down of global economic guidelines, the coordination of short-term economic policies by monetary and credit measures, and budget and fiscal measures, the adoption of Community policies in the matter of structures, the integration of financial markets and the progressive elimination

<sup>185</sup> 'The Government of any Member State or the Commission may submit to the Council proposals for the revision of this Treaty. If the Council, after consulting the Assembly and, where appropriate, the Commission, expresses an opinion in favour of the calling of a conference of representatives of the Governments of Member States, such conference shall be convened by the President of the Council for the purpose of determining in common agreement the amendments to be made to this Treaty. Such amendments shall enter into force after being ratified by all Member States in accordance with their respective constitutional rules.'

of exchange rate fluctuations between Community currencies.

The reinforcement of the intra-Community links in monetary matters must be effected as soon as possible by the establishment of a European Fund for monetary cooperation as a forerunner of the Community system central banks for the final stage. In accordance with the experience acquired in the matter of the reduction of margins and the convergence of economic policies it may well be possible to establish the Fund during the first stage and in any event in the course of the second stage. The preparatory work for this purpose must be put in hand as soon as possible.

The Group expresses the wish that the Council should approve the suggestions contained in the present report and should make, on the proposal of the Commission, all the arrangements needed for the realization of the plan by stages, and in particular before the end of the year any that may be necessary to put the first stage into operation on 1 January 1971.



## Introduction to document 35

On 26 October 1970, the Council of Ministers of Foreign Affairs met in Luxembourg to take official delivery of the Werner Report.<sup>186</sup> Werner, chairman of the committee and also the host of the meeting in his capacity as Prime Minister of Luxembourg, launched the discussions with a brief statement summarising the content of the report. His statement is reproduced here as document 35.

Looking back at the process of reflection in the ad hoc group, Werner highlighted the legitimacy of the conclusions in the interim report,<sup>187</sup> which the Council had taken over as its own, as well as the efforts the experts had put into going over specific questions from the Council for the purpose of concluding the study.

Concerning the establishment of the institutional structure to ensure that Community policy would be effective, the Werner Report concluded that for the final stage of economic and monetary union there would have to be a centre responsible for taking decisions on economic policy. A Community banking system would also have to be set up. As they were not competent to make proposals for political structures, the experts had not been able to sketch out the broad outlines of these bodies.

Concerning enhanced coordination of economic and budgetary policies, the report described in detail the fields in which Community action should continue, and the consequences of it for regional and structural policy. To hammer out common guidelines, systematic methods of informing and communicating had to be devised. The report advocated conducting three reviews in the course of the year, resulting in an annual report on the economic situation in the Community. As regards budgetary policy, there would be a search for common guidelines with respect to certain overall quantitative features and methods of financing the budget. In this connection, the governors of the central banks were to receive wider powers.

The report defined in more precise detail the key features of stage one: the methods for comparing and contrasting economic and budgetary policies and setting up cooperation between them. At the same time it presented broad outlines of the policy on financial markets and the currency and credit policy. Stage one was scheduled to begin on 1 January 1971 and to last three years, and was regarded as being experimental in character. The transition to the next stage would require the Community to take stock of the results achieved. On this basis, an intergovernmental conference would decide on the details and the precise timetable for further developments between 1974 and 1980.

Within the committee, there had been differences of opinion over the defining of the Community's 'monetary personality'; these had been overcome thanks to the opinion which the Committee of Governors of the Central Banks had been asked to deliver, and which clarified the technical aspects. In the monetary field, it was stipulated that from stage one the central banks would conduct de facto reductions in exchange-rate fluctuations between their currencies. It was planned to set up a European monetary cooperation fund as

<sup>186</sup> See document 34.

<sup>187</sup> Interim Report on the Establishment by Stages of Economic and Monetary Union – 'Werner Report' [20 May 1970]. *Bulletin of the European Communities*, Supplement no. 7 (1970).

soon as possible; its powers would be developed in stages. It would eventually absorb the mechanisms for short-term currency support and medium-term mutual assistance. The closing words of the statement provide, perhaps, the best key to a reading of the aim in view: 'I am happy to note that on all these aspects we forged a unanimous collective view.'

In his memoirs Werner later commented: 'I had succeeded in avoiding the report's being fragmented by separate opinions on important points. That unanimity had had to be achieved at the cost of a rigidity in our thinking which could have given cause to fear that it would detract from the implementation of the plan. [...] The Community will soon be exposed to monetary upheavals which will distort the sequence of planned priorities.'<sup>188</sup>

35.

**Statement by the Luxembourg Prime Minister and Minister of Finance (Pierre Werner) to the Council of Ministers of the European Communities, 26 October 1970.**

*Bulletin de documentation.* Directorate for publications, Press and Information Service, Ministry of State. 26 October 1970, No 6; 26th year. Luxembourg. © Service Information et Presse du Gouvernement luxembourgeois.

J'ai l'honneur de rendre compte des travaux du groupe ad hoc institué pour faire rapport sur la réalisation par étapes de l'union économique et monétaire dans la Communauté. Lors de la session du Conseil des 8 et 9 juin 1970, j'avais présenté un rapport intérimaire qui comportait un certain nombre de conclusions sur la poursuite des travaux du groupe. Le Conseil a bien voulu faire siennes ces conclusions et indiquer les orientations requises pour l'achèvement de l'étude. Je suis heureux de pouvoir vous présenter aujourd'hui le rapport final du groupe.

Comme une grande partie du rapport intérimaire reste valable et ne comporte pas de modifications de texte, nous avons fondu dans un seul rapport les éléments considérés dans le rapport intérimaire et ceux étudiés ultérieurement.

D'après l'échange de vues intervenu en Conseil et d'après les propres constatations du groupe, il nous incombait d'une part de combler certaines lacunes et de préciser certains développements, d'autre part de réaliser dans la mesure du possible un avis concordant et collectif sur certains aspects qui avaient donné lieu à des avis divergents au sein du Comité.

Il nous avait été demandé d'abord d'approfondir les aspects institutionnels et d'esquisser les grandes lignes des organes chargés au stade final de la politique conjoncturelle d'une part et de la politique monétaire d'autre part. Mon groupe n'avait pas compétence pour faire des propositions tenant au droit international ou constitutionnel. En soulignant pour la phase finale la nécessité d'un centre de décision pour la politique économique et la constitution d'un système communautaire des banques centrales, notre préoccupation fondamentale était d'assurer l'efficacité de la politique communautaire dans ces deux domaines surtout au moment où celle des organismes nationaux tend

<sup>188</sup> Pierre Werner, *Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945-1985*, Volume 2 (Luxembourg: Éditions Saint-Paul, 1992), 131.

à s'affaiblir du fait de transferts successifs de compétence.

Le second ordre d'idées sur lequel nous devons nous pencher était celui du renforcement de la coordination des politiques économique et budgétaire. Sur ce point nous avons essayé de donner une description aussi complète que possible des domaines dans lesquels l'action communautaire doit être poursuivie, les conséquences qui en découlent pour la politique régionale et structurelle. En ce qui concerne la première étape, nous avons approfondi plus particulièrement les méthodes de confrontation et de coopération des politiques économique et budgétaire, tout en indiquant dans les grandes lignes la politique des marchés financiers, la politique de la monnaie et du crédit. Le souci primordial du groupe est d'accroître l'efficacité des méthodes d'information et de consultation afin de dégager des orientations communes. Le rapport consacre toute une section à des propositions de procédures comportant notamment trois examens intervenant tout au long de l'année et donnant lieu à la rédaction d'un rapport annuel sur la situation économique de la Communauté. En matière de politique budgétaire des orientations communes seront recherchées pour certains éléments quantitatifs globaux et les modes de financement du budget. Nous pensons que les attributions des Gouverneurs de banque centrale devront être élargies.

C'est à la description de la première étape qui doit débiter au premier janvier prochain et s'étendre sur trois années que le groupe a consacré le plus de soins. Il s'est avéré en effet que pour avancer utilement il importe de déclencher l'action parallèle sur un ensemble de fronts. La première étape aura dans une large mesure un caractère expérimental.

Avant de passer à la seconde étape, nous proposons de procéder à un inventaire des résultats réalisés et de convoquer une conférence intergouvernementale devant fixer le détail et le calendrier précis de l'évolution entre 1974 et 1980 que nous indiquons seulement dans ses grands traits. Pour surmonter les divergences de vues qui étaient apparues dans la première phase de nos travaux, nous avons dû consacrer un effort particulier pour la définition des actions à entreprendre afin de marquer la personnalité monétaire de la Communauté.

Pour cette partie de notre étude, nous avons été grandement servis par un rapport du Comité des Gouverneurs de banque centrale auquel j'avais soumis un questionnaire sur les aspects techniques. Je rends hommage à l'excellence de ce rapport et à l'esprit coopératif des Gouverneurs.

Dans le domaine proprement monétaire, nous avons repris dans le rapport la décision du Conseil en date du 9 juin 1970 selon laquelle la Communauté ne devra pas se prévaloir dans les relations de change entre les pays membres de dispositions éventuelles permettant un assouplissement du système international des changes. Le groupe préconise pour la première étape un certain nombre d'actions dont la réalisation est conditionnée pour chacune par le résultat de l'action antérieure. Les Banques centrales procéderont à des limitations en fait de fluctuations des cours de change entre leurs monnaies. Cette limitation successive des marges pourra prendre ensuite un caractère officiel. Afin de faciliter le déroulement des opérations préconisées nous pensons qu'il sera opportun de confier à un agent la tâche d'enregistrer les soldes.

Nous avons résolu la controverse de la création d'un fonds de stabilisation des changes en proposant de constituer aussitôt que possible un fonds européen de coopération monétaire dont les attributions feront l'objet de développements successifs. Pour autant que les techniques prévues pour

la première étape auront fonctionné normalement et sans heurts et qu'une convergence suffisante aura été réalisée, le fonds pourra être éventuellement instauré déjà au cours de la première étape. En tout cas, il devra être mis en place au cours de la seconde étape. Il finira par absorber les mécanismes de soutien monétaire à court terme et de concours mutuel à moyen terme.

Je suis heureux de constater que sur tous ces aspects nous avons réalisé un avis collectif unanime. Ces réponses communes évidemment ne traduisent pas toutes les préférences individuelles des membres du groupe. Mais nous estimons qu'après avoir fait le tour de la question, au cours de longues confrontations d'idées nous avons réussi à traduire le vœu du parallélisme dans les actions à entreprendre sur le plan économique et financier. Notre ambition était de briser définitivement le cercle vicieux des préalables économiques et politiques. Entre l'opinion qui considère l'union monétaire comme le couronnement de l'intégration européenne et celle qui en ferait le moteur quasi tout puissant, nous avons essayé de tracer une ligne médiane. Je pense que les propositions sont dans la ligne des traités existants, qu'elles tendent précisément à assurer la réalisation de la plénitude de leurs objectifs. Aussi pour la première étape, pouvons-nous faire une grande partie du chemin sans modification des traités. Toutefois, une forte volonté politique doit accompagner ce processus tout au long de sa réalisation.

La mise en œuvre à partir du 1<sup>er</sup> janvier de ce processus constituera pour la Communauté une chance de relance que les Européens attendent et qui est d'ailleurs dans l'intérêt commun de nos pays.

Je termine en rendant hommage à la compétence et à la bonne volonté de mes collaborateurs. Cette expérience était pour moi personnellement enrichissante au point de vue intellectuel et exaltante comme travail d'équipe.



### Introduction to document 36

During his university studies in Paris, Pierre Werner forged links with eminent professors including Jacques Rueff, Charles Rist, Wilfrid Baumgartner and Fernand Colin, who stimulated his interest in economic and monetary questions. Some of these relationships lasted for several decades, such as those subsequently forged with Pierre Wigny and Robert Triffin, with whom Werner shared many ideas.

As the ad hoc group carried out its work, Pierre Werner held in-depth intellectual exchanges with some of these figures, and they shared his sense of satisfaction at the drafting of the stage-by-stage plan and at the agreement that had been reached.

On 28 October 1970, Jacques Rueff sent a personal letter – reproduced here as document 36 – to Pierre Werner to congratulate him on his monetary plan, emphasising the plan's lack of dogmatism and the fact that it proposed compromises to problems that could not be resolved in the current circumstances.

Rueff recognised the good judgment and realism of his former student, both in his art of securing compromises and in the written style of the plan by stages.

At the end of his letter, Rueff restated his 1949 credo — 'Europe will be created by means of a single currency or not at all'<sup>189</sup> — a vision that the Werner Plan helped turn into reality.

### 36.

#### **Letter by Jacques Rueff to the Luxembourg Prime Minister and Minister of Finance (Pierre Werner), 28 October 1970.**

© Family Archives Pierre Werner.

J'ai pris connaissance avec un extrême intérêt de votre projet monétaire.

Permettez-moi de vous dire que j'en admire profondément la sagesse et le réalisme. J'espère ne pas vous choquer en vous disant que ce qui me plaît le plus en lui est son absence de dogmatisme. Il propose des solutions de transaction à des problèmes que l'état actuel des choses ne permet pas de résoudre.

J'espère qu'on vous suivra et qu'ainsi, vous aurez donné une confirmation à la formule que j'employais en 1949 dans la revue *Synthèse*: l'Europe se fera par la monnaie ou ne se fera pas.

Je vous prie de croire, mon cher Ministre et Ami, à l'assurance de mon fidèle souvenir et de mes plus cordiales pensées.

<sup>189</sup> *Synthèses. Revue mensuelle internationale* 4(1950), 267.



Although discussions on monetary integration are often of a complex and technical character, the policies that come out of these negotiations do have a real effect on the daily lives of citizens.

The above picture shows how fluctuating exchange rates made tourists flock the exchange office at Amsterdam Central Station during the dollar crisis in 1973.

© National Archive/Anefo



## Introduction to document 37

Having received the Werner Report on 15 October, it was time for the European Commission to act under its own banner. On 29 October the Commission submitted a communication to the Council of Ministers on the realisation by stages of economic and monetary union. It reproduced the essence of the Werner Report and supplemented it with two proposals for decisions to step up the coordination of short-term economic policy, as well as the cooperation between the central banks. Without repudiating the substance, it toned down federalist or supranational turns of phrase. The Commission proposals explicitly added what Werner later described as ‘my own, unstated conviction that the transfer of certain powers to the Community should be limited to what was necessary to keep the union together and ensure that Community action was effective.’<sup>190</sup>

To prepare the ground for the next stage, the Commission undertook to submit to the Council, by 1 May 1973, a Communication on progress achieved and on new steps to be taken, including amendments to the EC Treaties. Nonetheless, the Commission refrained from proposing a programme for the later stages.

This time it fell to the German Government to criticise the Commission. Germany, soon supported by the Netherlands, accused the Commission of having watered down the ideas of the Werner Report, the representation of which by the Commission gave it a more monetarist slant. Bonn was also dissatisfied that the Commission did not put forward proposals that went beyond the first phase. It set the stage for more than just a Franco-German confrontation.

### 37.

#### **Proposal by the European Commission for a Council Decision on strengthening coordination of the Member States’ short-term economic policies, 30 October 1970.**

*Bulletin of the European Communities*, November 1970, Supplement 11/70. Luxembourg: Office for Official Publications of the European Communities. © European Union.

*The Council of the European Communities,*

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 103 and 145 thereof,

Having regard to the final communiqué of the Conference of Heads of State or Government in The Hague on 1 and 2 December 1969, and particularly point 8 thereof,<sup>191</sup>

<sup>190</sup> Pierre Werner, *Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945–1985*, Volume 2 (Luxembourg: Éditions Saint-Paul, 1992), 134–135.

<sup>191</sup> See document 22.

Having regard to the Council resolution of...,

Having regard to the proposal of the Commission,

Whereas, on 8 October 1970, the Working Party set up by the Council decision of 6 March 1970 forwarded to the Council and the Commission its report on the realization by stages of economic and monetary union in the Community,<sup>192</sup>

Whereas such economic and monetary union cannot be achieved unless the coordination of the economic policies of the Member States is strengthened during the first stage of the plan,

Whereas new procedures must be prepared to this end, allowing, if necessary, decisions, directives or recommendations to be agreed as provided for in the Treaty,

Whereas, taking into account the absence of any synchronization of the timetables now in force in the Member States for the establishment of budgets, the most suitable dates for determining common short-term economic policy guidelines are February, June and October,

*has decided as follows:*

#### *Article 1*

Each year the Council shall hold three sessions devoted to the examination of the economic situation in the Community. On the basis of a Commission memorandum, accompanied where necessary by proposals for decisions, directives or recommendations, it shall work out common guidelines for the short-term economic policy to be followed by the Member States.

#### *Article 2*

The first examination shall take place during the month of February; its purpose shall be to review the economic policy pursued in the previous year and to adapt that for the current year to the exigencies of the development of the economic situation.

#### *Article 3*

A second examination shall take place in the month of June. Its purpose shall be:

- (a) To clarify the policy to be pursued in the current year;
- (b) To determine, within the framework of compatible, preliminary economic budgets, quantitative guidelines for the public budgets of the following year, before the drafts of these are finally agreed by the Governments of the Member States. These guidelines shall concern the variation in the volume of the budgets, the volume of balances and the methods of financing or utilizing these.

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<sup>192</sup> See document 34.

*Article 4*

A third examination shall take place in October. On this occasion, the Council, on a Commission proposal, and after consulting the European Parliament, shall draw up an annual report on the economic situation of the Community making it possible to lay down the guidelines which each Member State will have to observe in its economic policy for the following year.

*Article 5*

The Governments shall communicate this annual report to their national parliaments before these adopt the budget.

*Article 6*

This decision is addressed to the Member States.



Teacher practices the topography of Europe in a school in Amsterdam, the Netherlands at the end of the 1950s

©Arjé Plas/MAI



## Introduction to document 38

During the 1960s, the Netherlands Government was a strong supporter of global cooperation within the framework of the Bretton Woods system, which met the country's export interests in the sense of fixed exchange rates, a stable basis for trade. The Netherlands therefore considered any European initiatives in monetary matters to be devoid of national, Dutch interest, even pointless, and they were rejected.

This approach shifted in the early 1970s when, following the proposals to build an economic and monetary union and the impact of the unstable international monetary climate, the Dutch adopted an increasingly positive attitude to European monetary cooperation. It was in this context that the government reacted to the conclusions of the Hague Summit and the establishment of the Werner Committee. The approach taken by the Netherlands in the negotiations was determined at the outset by Finance Minister Johan Witteveen, who believed that the development of monetary cooperation should depend on the harmonisation of economic policies.<sup>193</sup> In the clash between 'economists' and 'monetarists' that characterised the development of the stage-by-stage plan, the Dutch clearly came out on the side of the economists, in the same way as the Germans.

In the Netherlands the Ministry of Finance had a notable influence in the coordination of the European monetary policy and cooperated closely with the Ministry of Foreign Affairs, even if sometimes diverging interests and tensions arose.<sup>194</sup> The publication of the interim report by the Werner Committee presented one such case. Finance Minister Witteveen reminded his colleagues in the cabinet that 'at the conference at the Hague Summit, it was decided, under pressure from the Foreign Ministry, that European monetary integration should be achieved in the near future. The undersigned has always had concerns in that respect.'<sup>195</sup> But 'the discussions conducted within the various bodies meant that a broad consensus was able to be achieved [...] and a collective approach [...] was adopted when taking decisions'.<sup>196</sup>

The Werner Report itself<sup>197</sup> won the support of the Netherlands Government.<sup>198</sup> It was perceived as an acceptable compromise between the monetary facilities and measures requested by France, and the coordination of economic policy advocated by the Dutch and the Germans. Moreover, the report stressed the need to strengthen the decision-making process and Community responsibilities. In his memoirs, Pierre Werner describes the initial reactions to the official presentation of the report and the prospects for practical action in the immediate future. 'The President of the Council,

<sup>193</sup> See also document 22.

<sup>194</sup> See for example the introduction to document 15.

<sup>195</sup> Minutes Cabinet Meeting, 5 June 1970. National Archives (The Hague), Archive of the Council of Ministers (2.02.05.02) inv.no. 987.

<sup>196</sup> Jan Willem Brouwer and Anjo G. Harryvan, 'Les Pays-Bas et la coopération monétaire européenne, 1968-1972', In *Le rôle des ministères des Finances et de l'Économie dans la construction européenne (1957-1978), Actes du colloque tenu à Bercy les 26, 27 et 28 mai 1999*, vol. 1 (Paris: Comité pour l'histoire économique et financière de la France, 2001), 87.

<sup>197</sup> See document 34.

<sup>198</sup> The Werner Report was also approved by the majority of the Economic and Social Committee.

Minister Scheel, congratulated me and thanked me most warmly, as did the Finance Ministers Snoy and Möller (FRG) and the State Secretary to Colombo, Pedini. French Minister Maurice Schumann was more cautious in his reaction. The Netherlands representative offered his support but objected to the fact that, with the agreement of my colleagues, I had convened an informal meeting of the Finance Ministers for 9 November. [...] Maurice Schumann took me to one side and informed me of the various reactions within the French Government.<sup>199</sup> The French authorities rejected the Werner Plan.

On 29 October 1970, the EC Commission published its own report.<sup>200</sup> For the Netherlands Government, the plan drafted by the EC Commission was unacceptable. Document 38 offers evidence of this reaction. In his memoirs Werner himself wrote with a slightly bitter undertone: 'The unofficial meeting of the Finance Ministers on 9 November, particularly requested by my colleagues Snoy, Schiller and Möller, was first postponed and then cancelled when I learned that Giscard d'Estaing, who had been of great assistance for my work, could not attend the meeting in person. In the meantime, the Commission had taken up the issue. It was considered from that moment on that the follow-up to the reports would come in the form of official reports between the Commission and the Council of Ministers.'<sup>201</sup>

### 38.

**Memorandum of the Chief of the Directorate for Economic Cooperation of the Netherlands Ministry of Foreign Affairs (Rob van Schaik) to the Minister (Joseph Luns) and the State Secretary of Foreign Affairs (Hans de Koster) on the monetary union, 5 November 1970.**

National Archives of the Netherlands (The Hague), Archive of the Ministry of Foreign Affairs, 1965-1974 (2.05.313), inv.no. 19479. Translation: Huygens ING, The Hague.

Tomorrow, Minister Witteveen will probably raise the issue of the Economic and Monetary Union in the Council of Ministers; this with an eye on the meeting that the Finance Ministers of the Six will probably have next week (perhaps the meeting will be cancelled due to illness of Minister Giscard, the initiator). Minister Witteveen has unsuccessfully opposed against this meeting, which, additionally, takes place outside the regular meetings of the Finance Ministers. Given the importance of the discussion topic, Minister Witteveens believes that he cannot avoid attending the meeting.

Undoubtedly, the Finance Ministers will want to discuss the proposals issued this week by the Commission in response to the report of the Werner group. In our opinion, which is shared by the Ministry of Finance, the Finance

<sup>199</sup> Pierre Werner, *Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945-1985*, Volume 2 (Luxembourg: Éditions Saint-Paul, 1992) 134.

<sup>200</sup> Commission memorandum and proposals to the Council on the establishment by stages of economic and monetary union, 30 October 1970. *Bulletin of the European Communities*, no. 11 (1970), part 1, chapter 2. This document is also available at <http://aei.pitt.edu/1092/> [accessed February 2012]. See also document 37.

<sup>201</sup> Pierre Werner, *Itinéraires luxembourgeois*, 134.

Ministers should not comment on the proposals of the Commission.<sup>202</sup> These proposals have, in fact, been submitted to the Council and moreover concern a matter already pending before the Council. The report of the Werner group<sup>203</sup> was written commissioned by the Council.

Since (most) Finance Ministers will particularly want to speak about the Commission proposals, it will probably be impossible for Minister Witteveen to keep the proposals entirely out of the discussions. In that case, a negative opinion of Minister Witteveen on the Commission proposals would be fitting. It is the intention of the Commission that the Council will not decide on the report of the Werner group itself, but on a draft resolution written by the Commission, in which all the parts of the Werner report that are considered essential by the Netherlands have been removed, or seriously weakened. The 'centre de décision' for economic policies (the supra-national body) considered to be essential in the Werner Report is not mentioned at all by the Commission. Instead of the provision that this body will be politically responsible to a European parliament, now only competences to be subject to democratic control at the community level are mentioned. Instead of the key provision on the treaty changes to be adopted that are necessary for the full realization of the Economic and Monetary Union before the end of the first stage, the Commission in its draft resolution only talks about measures to be taken after the first stage. This latter formula cannot prevent, unlike the formula from the Werner report that after the first phase the EEC would slide down towards the French views in the monetary field without having reached agreement on the end goal.<sup>204</sup> If the Council were to accept the Commission proposals unchanged, the opportunity offered by the Summit to bring the European integration an important step closer to an end by taking the economic-monetary route, would be lost for the time being.

Given the objections mentioned above, which are fully shared by the Ministries of Finance and Economic Affairs, the Commission proposals appear unacceptable for the Netherlands, at least in their present form.

<sup>202</sup> See document 37.

<sup>203</sup> See document 34.

<sup>204</sup> In the meeting of the interdepartmental Coordination Committee for European Integration and Association Issues on, it is pointed out more clearly that the changes in the proposals were made at the insistence of the French: 'The way in which the Commission has intended to disrupt the coherence of the ideas from the Werner Rapport in her own proposals in favour of the one-sided, short term vision of the French is considered as a very questionable development'. National Archives of the Netherlands (The Hague), Archive of the Cabinet of the Prime-Minister (2.03.01), inv.no. 2707. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).



While the Werner Group was discussing the introduction of a common currency, Great-Britain was not yet a member of the European Community.

Nevertheless, the first Euro-coin was offered to the Former Secretary of State of Foreign Affairs of the United Kingdom. George Brown received the prototype during a meeting in The Hague in December 1971. The coin was designed and minted by an advertising company that wanted to raise awareness for a United Europe.

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## Introduction to document 39

Although the United Kingdom was attached to the European idea, it was initially reluctant to participate in the project to establish a European Economic Community and expressed reservations at the possibility of moving towards a supranational system. In 1948 the British had opposed any binding coordination between the economies of the member countries of the Organisation for European Economic Cooperation. Consequently London refused to join the European Coal and Steel Community in 1951. Yet strong impetus from the British business community, which had observed the rapid economic development of the EEC, effected a change in the British position later on. The UK applied to join the Community, but its application was rejected on two occasions, in 1963 and 1967, following French vetoes. This meant that at the dawn of the 1970s, the British were mere spectators of the debates on the establishment of an economic and monetary union between the Six.

Following the Conservative Party's victory in the elections of 18 June 1970, the United Kingdom had a Conservative government, led by Edward Heath. The new Prime Minister publicly expressed commitment to his country's joining the European Community. He was convinced that economic and monetary union were in the best interests of Western Europe and the United Kingdom.

When the Heath Government took office, the Werner Committee had already issued its interim report.<sup>205</sup> In the meetings of the Werner Committee, Ansiaux – supported by Werner in the chair and with Benelux backing – prompted the strengthening of monetary solidarity. The consequences of the UK's possibly joining the mechanisms for monetary cooperation were analysed in detail.<sup>206</sup> So was the effect the pound sterling would have on the European Reserve Fund. The final version of the Werner Report, published on 8 October 1970, was carefully studied in London. As the document focused on stage one<sup>207</sup> and given that the effects of embarking on that stage would be comparatively innocuous for the United Kingdom,<sup>208</sup> the British attitude was positive. Pierre Werner was heavily involved in drawing up the English version of the report and wrote several key passages of it himself. He worked hard to have it disseminated in the UK and explained the principles and concepts set out in it in detail in the debates and lectures he gave with his opposite number and later friend, Edward Heath.<sup>209</sup>

In November 1970, the Foreign Office, which was negotiating the terms of the United Kingdom's accession to the European Communities, gave its

<sup>205</sup> Interim Report on the Establishment by Stages of Economic and Monetary Union – 'Werner Report' [20 May 1970]. *Bulletin of the European Communities*, Supplement no. 7 (1970).

<sup>206</sup> Commission européenne, Groupe interservices, 'Note portant sur la réalisation de l'Union économique et monétaire dans la perspective de l'élargissement de la Communauté', 28 April 1970. Historical Archives of the European Commission, BAC 375/1999 578, vol. 2, 0181–0191.

<sup>207</sup> Stage one was to start on 1 January 1971 and last three years.

<sup>208</sup> In stage one, the consultation procedure would be stepped up, possibly involving British participation.

<sup>209</sup> Interview with Henri Werner, son of Pierre Werner, recorded at the CVCE on 1 June 2010. CVCE/Family Archives Pierre Werner.

official reaction to the Werner Report<sup>210</sup> and the Commission Plan.<sup>211</sup> Taking a forward view to accession in 1973, the Foreign Office referred to the radical changes the stage-by-stage plan proposed over a ten-year period. The main considerations are reproduced in document 39.

The United Kingdom signed the Treaty of Accession on 22 January 1972. It entered into force on 1 January 1973. In his memoirs, Prime Minister Edward Heath singled out the event as one of the three points – the other two were also related to the British accession to the EEC – of his life at which he felt ‘the most profound sense of satisfaction’.<sup>212</sup>

**39.**

**Reaction of the British Foreign Office to the Werner Plan, 9 November 1970.**

The National Archives of the United Kingdom (London, Kew), Sub-committee of Official Committee on Monetary aspects of UK entry to EEC. Foreign and Commonwealth Office, 9 November 1970, FCO 30/789. © Crown Copyright.

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Implications for the UK: Summary

75. The First Stage proposals of Werner<sup>213</sup> would certainly present some sizeable problems for us but it is reasonable to assume that we should not be the only member of the Community to face such problems. Other countries would also have difficulties. But our problems in some fields could be rather more troublesome than theirs (in relation, for example, to projections of the course of domestic prices, and of the current account surplus). However, these problems ought not in general to be incapable of agreed solutions within the Community. There would be relatively little surrender of national sovereignty in the economic field, though, as the first stage progressed, sovereignty would pass steadily towards the centre.

76. The Community’s traditionally ‘pragmatic’ progress suggests that each step would be tried and tested by experience before Members move on to the next. If we join the Community in 1973 we shall have a hand in determining the final shape — and timing — of the Union. At the ultimate stage economic sovereignty would to all intents and purposes disappear at the national level and the Community would itself be the master of overall economic policy. The degree of freedom which would then be vested in national Governments might indeed be somewhat less than the autonomy enjoyed by the constituent states of the USA.

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<sup>210</sup> See document 34.

<sup>211</sup> See document 20.

<sup>212</sup> Edward Heath: *The Course of My Life* (London: Hodder & Stoughton, 1998) 732.

<sup>213</sup> See document 34.

## I. Line to take with the Six

77. Over the past year Ministers of both the present and previous British Governments have said on several occasions that they welcome the Six's moves towards EMU, and that the UK would be ready to play a full part, as a member of an enlarged Community, in carrying out a plan for its achievement. But they have avoided any specific comments on features of the Plan because the Six have been discussing it among themselves, and it would have been unwise to intervene while the issues were still very fluid.

78. Although the situation is now somewhat clearer, it will continue to be advantageous to HMG<sup>214</sup> to avoid taking any attitude on the detail of the Werner proposals — as distinct from their general direction — until the Ministers of the Six have pronounced themselves. The latter are due to discuss the Werner Report at a meeting on 23 November, and at a meeting on 14 December are expected to take a decision, based on proposals by the Commission, about the 2 outstanding elements of the Barre Plan<sup>215</sup> and about setting in motion the first stage Werner proposals (including specific decisions on increased co-ordination of short-term economic policies and on increased collaboration between the EEC Central Banks).

79. Meanwhile, the subject of EMU will be certain to come up at the talks which the Chancellor of the Exchequer<sup>216</sup> is due to have at the end of November and early in December with, successively, the Finance Ministers of France<sup>217</sup>, Germany<sup>218</sup> and the Netherlands.<sup>219</sup> These talks will provide a good opportunity to gauge the political attitude of the Six towards the Werner Report, and to help shape HMG's judgment about the attitude it should adopt.

80. Although uncertainties remain about the political attitude of the Six, the situation is now clearer in some respects. The Werner Report draws a line between two distinct stages. In the first stage, the Six Governments are enjoined to develop ever closer *collaboration* in the conception and execution of their economic and monetary policies. At the end of that stage they should assemble in conference to decide upon radical changes of a federalist character; to agree upon new *central institutions* and to a steady transfer to them of effective powers of economic and monetary management. The second stage would then be devoted to a development of those central authorities until the Community became a single monetary unit, probably with a single Community currency.

81. It seems likely that all Six Governments will endorse the proposals for the first stage, which do not of themselves involve any specific and overt surrenders of sovereignty. M. Werner himself reasonably describes the first stage proposals as experimental so that, as he puts it, nobody need get alarmed and so that the candidate countries can expect to be full members before things have gone further. But the Six — or some of them, notably the

<sup>214</sup> Her Majesty's Government.

<sup>215</sup> See document 20.

<sup>216</sup> Anthony Barber.

<sup>217</sup> Valéry Giscard d'Estaing.

<sup>218</sup> Alex Möller.

<sup>219</sup> Johan Witteveen.

French — are likely to be much more cautious about proposals for the second stage. We do not believe that the Six Governments will commit themselves now to undertake a revision of the Treaty of Rome in 1973, and to establish thereafter central economic and monetary authorities. On the other hand, it looks as if there will be some pressure, perhaps from the Germans and the Dutch, to secure fairly precise commitment to the longer-term objectives as a precondition to launching the proposals for the first stage.

82. What line should HMG adopt now on the Plan for EMU? It would be rash for us to appear to be more committed to centralist ideas than the French. Not only would such an attitude lack credibility; it might well be against our own interests and would arouse much controversy at home. If the negotiations succeed, we should be a Member of the Community by, say, January 1973, and we should then be able to take part in any conference which might later be convened to set up central authorities.

83. On the other hand, against our present expectation, unfolding events either within the Six or at home may confront British Ministers inexorably with the need to take a definite position on the longer-term implications of EMU. If so, this will need the most careful consideration, in the light of the positions taken up by the Six. The best general line might be to stress the importance of a pragmatic approach, and of concerted Community effort to improve structural and regional policies.

84. Meanwhile we are faced, for practical purposes, with the specific proposals for the immediate future; the Barre proposals and the possible steps towards systematic co-ordination of policies in the first stage. Tactically, it would be wise to express a welcome for these steps and a confidence that we should be able to take them, in due course, along with other members of the Community and in agreement with them. As for the rest, clearly it will need time and experience to see the way forward.



## Introduction to document 40

On 23 November 1970 the Council of Ministers discussed the Werner report, as well as the conclusions of the Commission based on it, for the first time. The ministers convened in a tense atmosphere. To the Netherlands and to Germany the proposals the Commission had presented on 30 October were unacceptable.<sup>220</sup> They were considered to have ‘watered down’ the Werner report, made it more monetarist, and circumvented the need to change the Treaty of Rome.<sup>221</sup> It appeared as if the Commission had responded to the French reservations to the report by proposing its alternative.<sup>222</sup>

Against this background Commission President Franco Malfatti started the meeting with an attempt to take the sting out of the objections. His personal views appeared more moderate than that of the European Commission as a whole. During a conversation with the German Minister of Foreign Affairs Walter Scheel two months earlier, Malfatti had stressed that everything had to be done to reach a breakthrough and create a real economic and monetary union. He hoped that it would be possible to take decisive steps towards the establishment of such a union on the basis of the work of the Werner Group before the end of the year.<sup>223</sup>

Perhaps it was this personal view on the need for further European integration that made the verbal explanation of the report by the President seem rather different from that what the Commission had written in its proposals. In his account, Malfatti stressed the need for democratic control and stated with regard to the end phase of the process that ‘although the Commission keeps silent on some points, that does not mean that these points are completely lost out of sight’.<sup>224</sup> He pointed to the fact that the Commission would keep the right to initiated procedures and proposals to strengthen coordination and to develop the economic union. This was more in line with the position the delegations of the Netherlands, Italy and Germany. To them, the terms of the end-phase of the economic and monetary union had to be clear before

<sup>220</sup> Report of the Netherlands interdepartmental Coordination Committee on European Integration and Association issues 17 November 1970, National Archives of the Netherlands (The Hague), Archive of the Cabinet of the Prime-Minister (2.03.01) inv.no. 8874. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>221</sup> See introduction to document 37 and Note of the Netherlands Ministry of Finance, ‘The move towards an economic and monetary union in the EEC’, 11 November 1970. National Archives (The Hague), Archive of the Ministry of Foreign Affairs, 1965-1974 (2.05.313) inv.no. 14318. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>222</sup> Femke van Esch, *Mapping the Road to Maastricht: A Comparative Study of German and French Pivotal Decision Makers’ Preferences concerning the Establishment of a European Monetary Union during the early 1970s and late 1980s* (Wageningen: Polsen & Looyen, 2007), 207.

<sup>223</sup> Report of the conversation between the German Minister of Foreign Affairs Walter Scheel and the President of the European Commission Franco Malfatti, 18 September 1970. *Akten zur Auswärtigen Politik der Bundesrepublik Deutschland 1970* (München: R. Oldenbourg Verlag, 2001), Band III, Dokument 433, p. 1620.

<sup>224</sup> Report of the 131st meeting of the Council of the European Communities., 23 November 1970. Report by the Permanent Representation of the Netherlands to the European Communities. National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02), inv.no. 981. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

entering into the first phase. This was not explicit in the Commission proposal, especially not in comparison to the Werner Report. It was, therefore, perhaps somewhat bewildering that the Commission President went on to stress that his interventions were not to be understood as changes in the Commission's original proposal.

Document 40 contains the summary of the meeting made by office of the Permanent Representative of the Netherlands.

**40.**

**Report by the Permanent Representation of the Netherlands of the 131st meeting of the Council of the European Communities, 23 November 1970.**

National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02), inv.no. 981. Translation: Huygens ING, The Hague.

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For his personal account the Chairman, Minister Schiller, summarized the debate as follows: In principle, all delegations approach the Werner Report in a positive and constructive way. The oral presentation by President Malfatti is easier to accept for various delegations than the proposals formulated. In this light a certain convergence of views appears possible. Several delegations believe that at the end of the first phase the experiences will have to be discussed at an Intergovernmental Conference and the Treaty amendments for the following phases be prepared under Article 236 of the Treaty.<sup>225</sup> By many, the need for an effective parallelism has been put forward, such as narrowing of the band width on the one hand and policy coordination on the other. Limitations of powers of national authorities must lead to transfer of those responsibilities. Therefore, a strengthening of democratic control is necessary. Several delegations have stressed the equal priority of the goals, growth, stability and employment. Some delegations stress that the first phase should start as soon as possible and attach less importance to a clear specification of the other stages. Other delegations, however, particularly want clarity on the other stages before entering the first. There is also uncertainty about whether or not the central banks can operate according to guidelines of the Council. Finally the question arises whether in the first phase, clear obligations for the final stage have to be accepted.

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<sup>225</sup> 'The Government of any Member State or the Commission may submit to the Council proposals for the revision of this Treaty. If the Council, after consulting the Assembly and, where appropriate, the Commission, expresses an opinion in favour of the calling of a conference of representatives of the Governments of Member States, such conference shall be convened by the President of the Council for the purpose of determining in common agreement the amendments to be made to this Treaty. Such amendments shall enter into force after being ratified by all Member States in accordance with their respective constitutional rules.'

This conclusion of the Chairman was of course completely his own. The President of the Commission, *Mr. Malfatti*, noted in response to this summary that his interventions were not to be understood as changes in the Commission's original proposal.



In May 1953, young members of the Belgian branch of the European Movement protest on the streets of Liège in favor of the abolition of frontiers and customs controls in Europe.

The European Movement was also in favor of European monetary integration.

© European Parliament



## Introduction to document 41

The Werner Plan gave rise to many reactions and statements of position. Pierre Werner later recollected its immediate effects: 'Even before the Governments had had a chance to give their official view, comments in the press showed that the arguments [...] which had arisen in committee were going to be reproduced in the judgements passed by public opinion and the Governments.'<sup>226</sup>

The German press, despite wondering whether some views in the report were not utopian, was, generally speaking, inclined to sign up to it. The Government in Bonn endorsed the plan and expressed an urgent wish that it be ratified as it stood before the end of the year. In France, the publication of the plan sparked renewed debate over supranationality. Foreign Minister Maurice Schumann wrote in the monthly publication *Vision*: 'the economic and monetary union of the Six must not be jeopardised by a premature institutional jumble [...] We should embark on the first, three-year stage before worrying about the other stages.'<sup>227</sup> Gaullist circles in particular were exasperated about the allusion in the report to the establishment of two decision-making centres, one drawing up the common economic policy and the other the common monetary policy. In 1992 Werner noted in his memoirs: 'My working party had declared itself incompetent to make proposals on political structures. But it felt bound to point to the need for such policies to be formulated centrally, even if the decision-making power remained in the hands of the existing structures, which for economic policy meant the Council and the Commission.'<sup>228</sup> In the Werner Committee discussion gradually focused on the nature and powers of the decision-making bodies at an advanced or final stage. Meanwhile, the Dutch were trying to establish a link with the negotiations on British accession.<sup>229</sup> According to Werner, Germany's Foreign Minister Walter Scheel rejected a proposal to stop the clock symbolically at midnight on 31 December, as it appeared that people did not want to hold a session before the end of the year. Besides, Schumann had revealed to him that he wanted to postpone discussions till January.<sup>230</sup>

In January 1971, the Franco-German summit in Paris between President Georges Pompidou and Federal Chancellor Willy Brandt promised a potential breakthrough. Economic and monetary union were on the agenda. The conclusions of the summit highlighted both the differences and the views held in common. Germany shared France's opinion that economic and monetary union needed to become operational rapidly and effectively, and that an appropriate instrument was necessary for the purpose. It was up to the Council of Ministers to take a decision on the issue. Despite asserting its political determination to set up an economic and monetary union within a decade, France refused to agree to such a target as a legal obligation. The French had no intention of carving the duration of the first stage in stone, even if they agreed on what it would involve, and did not support setting up a central bank with its own accountability. What the two governments agreed on was that progress

<sup>226</sup> Pierre Werner, *Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945-1985*, Volume 2 (Luxembourg: Éditions Saint-Paul, 1992), 132.

<sup>227</sup> *Ibid.*

<sup>228</sup> *Ibid.*, 134-135.

<sup>229</sup> *Ibid.*

<sup>230</sup> *Ibid.*

towards economic union and monetary union should go hand in hand. To bring this about, France saw it as vital that an 'escape clause' be introduced for the duration of stage one. This clause would mean that if a country refused to follow the Community's recommendations for putting its economy in order, each of the partners could withdraw from its mutual assistance obligation. Even though Germany was not opposed to the idea in principle, Bonn thought it would be more fitting for a clause of this kind to take effect in stage two. Diplomatic sources stressed that the only motive for Germany's attitude towards the Werner Plan was its concern to safeguard the stability of the German economy and currency. Germany saw the coordination of economic policies as a prerequisite to monetary integration. Bonn believed that the European economies needed to converge on common objectives in advance of the gradual introduction of Community measures with a monetary impact. This involved a reduction in fluctuation margins between the currencies, changes in parities, and the establishment of a European Reserve Fund). The German argument also considered that countries in a balance of payments crises (such as France) were in favour of a monetary union to resolve their problems without reforming their economic policy and counting on European reserves, which would essentially be German reserves.<sup>231</sup>

The Paris Summit resulted in an agreement between France and Germany on the method to establish economic and monetary union. On the basis of this common position, the Council of Ministers, meeting on 8 and 9 February 1971, adopted the decisions required for the implementation of the first stage of the Werner Plan, which was due to run from 1 July 1971 to 31 December 1973.

#### 41.

**Note by the Luxembourg Embassy in Bonn to the Luxembourg Minister of Foreign Affairs (Gaston Thorn) on the Franco-German position regarding the economic and monetary union, 27 January 1971**

Family Archives Pierre Werner. © Ministère des Affaires étrangères, Luxembourg

Faisant suite à votre télex no 32/71 du 27 janvier 1971, j'ai l'honneur de vous faire rapport sur la conférence au sommet ci-dessus mentionnée.

Ce rapport ne porte que sur les questions européennes, mon interlocuteur, le secrétaire d'Etat von Braun, n'ayant pas été en mesure de me donner des informations sûres quant aux problèmes de la 'Ostpolitik'<sup>232</sup> et de Berlin. Cet aspect de la conférence fera l'objet d'une autre dépêche, dès qu'il m'aura été possible de recueillir les données nécessaires.

*I. Union économique et monétaire*

Selon M. von Braun, des divergences de vues entre les deux partenaires au sujet de l'union économique et monétaire subsistent. En marge de la conférence ministérielle du 14 décembre 1970, on avait prêté à la RFA une

<sup>231</sup> See also document 44.

<sup>232</sup> In 1970 the German socialist-liberal government led by Willy Brandt introduced a new policy concerning the relations between the Federal Republic of Germany (FRG) with the German Democratic Republic (GDR), the Soviet-Union and Poland. This new 'Ostpolitik' led to the realization of formal relations between the two German states and the recognition by the FRG of the Oder-Neisse-Line between Germany and Poland.

double intention:

- a) de vouloir, par le biais de l'union économique et monétaire, s'attaquer au compromis luxembourgeois de janvier 1966<sup>233</sup> pour réintroduire la règle de la majorité,
- b) de tendre, par des modifications du traité de Rome, à un changement dans les rapports entre le conseil des ministres et la commission.

Cette double hypothèse manque de tout fondement. La RFA est d'accord avec la France pour que l'union économique et monétaire devienne active (*tätig werden*) rapidement et efficacement et qu'à cet effet un *instrument approprié* doive être créé.

Il s'agit d'examiner quel instrument, quel appareil peut être créé

1. *sans* modification du traité,
2. par une *addition* au traité sur la base de l'article 235,<sup>234</sup>
3. par une *modification* du traité sur la base de l'article 236,<sup>235</sup>

A la lumière des possibilités qui se seront dégagées de l'examen de ces différentes hypothèses, il appartiendra au conseil de décider de l'appareil 'Apparat' à créer. (Mon interlocuteur n'a à aucun moment prononcé le mot d'institution).

Les deux partenaires sont d'accord qu'il faut se fixer comme but la réalisation de l'union économique et monétaire endéans une période de dix ans. Dans le chef de la France, cela signifie qu'elle a la *volonté politique* de réaliser cet objectif; elle refuse cependant de l'accepter comme une obligation juridique.

Le contenu de la première étape est plus ou moins arrêté. La France toutefois n'entend pas que la durée de cette étape soit fixée d'une façon trop rigide. Elle pourra comporter une durée de trois ans, *grosso modo*. (A en croire certains échos dans les journaux, M. Schiller aurait déclaré que de nombreuses questions techniques restent à résoudre).

La France n'a pas donné son accord pour l'institution d'un système bancaire central ayant une responsabilité propre.

Par contre, il y a eu accord entre les deux gouvernements quant au parallélisme dans le développement entre l'union économique, d'une part et l'union monétaire, de l'autre. La RFA voit dans ce parallélisme une condition

<sup>233</sup> The Luxembourg compromise of 29 January 1966 made an end to an institutional crisis within the European Communities, which started at 30 June 1965 when France decided to boycott the Council of Ministers because of disagreement on the decision making process within the Communities. The compromise was an informal agreement stating that when a decision was subjected to qualified majority voting, the European Commission would postpone a decision if any member states felt that very important interests were under threat.

<sup>234</sup> 'If any action by the Community appears necessary to achieve, in the functioning of the Common Market, one of the aims of the Community in cases where this Treaty has not provided for the requisite powers of action, the Council, acting by means of a unanimous vote on a proposal of the Commission and after the Assembly has been consulted, shall enact the appropriate provisions.'

<sup>235</sup> 'The Government of any Member State or the Commission may submit to the Council proposals for the revision of this Treaty. If the Council, after consulting the Assembly and, where appropriate, the Commission, expresses an opinion in favour of the calling of a conference of representatives of the Governments of Member States, such conference shall be convened by the President of the Council for the purpose of determining in common agreement the amendments to be made to this Treaty. Such amendments shall enter into force after being ratified by all Member States in accordance with their respective constitutional rules.'

fondamentale. Mon interlocuteur m'a affirmé avec force que la RFA veut à tout prix éviter qu'une 'Communauté de stabilité' ne se développe en 'communauté d'inflation'. L'Allemagne veut sauvegarder sa stabilité avant tout.

M. Pompidou, pour rendre ce parallélisme effectif, a émis l'idée de prévoir une 'clause de prudence' pour la durée de la première étape. Cette clause signifierait que si un pays se refuse de suivre les recommandations de la communauté en vue de son assainissement économique chacun des partenaires pourra se retirer de son obligation de concours mutuel.

Le Gouvernement fédéral ne s'oppose pas a priori à cette suggestion, mais il estime au premier abord qu'elle devrait valoir au-delà de la première étape. Il est disposé à créer les conditions les meilleures pour assurer un progrès au prochain round. Une crise européenne en ce moment, à ses yeux, serait fort malencontreuse.

Ces propos, à mon sentiment, laissent supposer que le Gouvernement fédéral ira aussi loin que possible dans la voie des concessions à l'égard de la France. Dans ce contexte, j'ai fait état de spéculations qui prêtent au gouvernement allemand l'intention d'être souple dans la question de l'union économique et monétaire, dans l'espoir que la France prendra une attitude moins rigide sur Berlin pour ne pas gêner la Ostpolitik de M. Brandt. Mon interlocuteur a repoussé énergiquement cette spéculation et a affirmé avec vigueur que la seule motivation de la position allemande à l'égard du Plan Werner était sa préoccupation de sauvegarder la stabilité de l'économie et de la monnaie allemande. (M. Schumann aurait d'ailleurs, au sein du cabinet français, donné la même motivation de la politique allemande).

## *II. Elargissement de la communauté*

Ce sujet n'a pas été très approfondi. Deux problèmes ont émergé de l'échange de vues sur ce point.

1. Il faut exiger de l'Angleterre la 'Bereitschaft' de participer à un règlement financier définitif.
2. La proposition britannique quant à sa contribution initiale pendant la phase transitoire est insuffisante. La solution française, de son côté, va trop loin. Il s'agit de trouver une solution moyenne qui serait correcte (fair).

D'après les Français, les négociations ne pourront pas être conduites à leur terme avant l'été. La convocation d'une conférence pourrait devenir nécessaire dans deux cas: en cas de succès de la négociation et en cas d'échec.

La délégation allemande a eu le sentiment que les Français ont l'impression qu'une solution sur le Plan Werner interviendra les 8 et 9 février prochain.



## Introduction to document 42

At the end of the 1960s, the rationale behind economic and monetary policy received a fresh boost under the patronage of Willy Brandt and Georges Pompidou. In the context of discussions on the completion, deepening and enlargement triad, and believing that setting up a genuine monetary dimension was a way of giving greater depth to the process of Community integration, Brandt made a proposal to study the possibility of creating a common currency fund, a monetary reserve fund. The idea was inspired by Robert Triffin at the suggestion of Jean Monnet.<sup>236</sup> Schiller, Minister for Economic Affairs and Finance, however, was unconvinced. The lack of internal consensus made the German Government as a whole sceptical about the feasibility of Europe's economic and monetary plans. As this reservation had been expressed during the proceedings of the ad hoc group, Pierre Werner and Jean Monnet were in constant consultation with each other. They lobbied Brandt individually and together to stir the requisite political influence into action, thereby breaking the deadlock in the negotiations and building a consensus around common positions.

Reaction in Germany to the publication of the Werner Report had been positive. Speaking to the Bundestag, Brandt described the paper as '[a] new Magna Carta for the European Community'.<sup>237</sup> In a letter to Schiller Brandt wrote that the final adoption of the Werner Report by the Council of Ministers, 'will probably be the most important decision since the signing of the Rome Treaties'.<sup>238</sup>

In France, discussions took a different turn. President Pompidou, in particular, thought that transferring fundamental powers in the monetary sphere to the Community institutions was neither realistic nor desirable. As for future moves towards economic and financial integration, France wanted to take on as few commitments as possible. President Pompidou gave explicit orders not to conclude the negotiations as planned.<sup>239</sup> Faced with this lack of enthusiasm, and certain reservations expressed by Germany that echoed Schiller's scepticism about the financing clauses as long as there had been no tangible achievements in the area of policy coordination, the Councils of Ministers of 23 November and 14 December 1970 back-pedalled and no decision on launching stage one of the Werner Plan was taken.

To break the deadlock, Mr Werner, chairman of the group, wrote to the five Heads of Government on 29 December 1970 to voice and to express his confidence that a rapid and unanimously acceptable solution would be found. Willy Brandt's reply, presented as document 42, focuses on the prospects for

<sup>236</sup> Pierre Werner, *Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945-1985*, Volume 2 (Luxembourg: Éditions Saint-Paul, 1992), 102.

<sup>237</sup> 'Declaration on European policy', 6 November 1970. In: Willy Brandt, *Reden und Interviews*, Volume 1 (Bonn: Presse- und Informationsamt der Bundesregierung, 1971), 238.

<sup>238</sup> Letter from Willy Brandt to Karl Schiller, 21 October 1970. Historical archives of the Bundesbank, N.2, Vol. 156, quoted in Andreas Wilkens, 'Une tentative prématurée? L'Allemagne, la France et les balbutiements de l'Europe monétaire (1969-1974)'. In Elisabeth Du Réau and Robert Frank (ed.), *Dynamiques européennes. Nouvel espace. Nouveaux acteurs. 1969-1981* (Paris: Publication de la Sorbonne, 2002), 77-103.

<sup>239</sup> Compte rendu du conseil restreint du mercredi 18 novembre à 15 h 30 consacré aux affaires européennes: Archives de France, 5 AG 2, vol. 1043, point II.

the stage-by-stage plan as specified following the Franco-German summit of January 1971.

The Werner Report was the focus of discussions at the meeting of the Council of Ministers of 8 and 9 February 1971, at which it was decided that the report should be put into action. The Council agreed on four texts, as well as on a general resolution on economic and monetary union. These were the decision to strengthen the coordination of short-term economic policies, cooperation between the central banks, and the implementation of a medium-term financial assistance mechanism. The fourth element was the medium-term economic policy programme (1971–1975) of the Community.<sup>240</sup>

#### 42.

##### **Letter by the German Chancellor (Willy Brandt) to the Luxembourg Prime Minister (Pierre Werner), 1 February 1971.**

© Family Archives Pierre Werner.

The reason why I have not written until today to thank you for your kind letter of 29 December 1970 is that I wanted to wait until after my talks with President Pompidou in Paris so that I could refer in more detail to the continuing treatment of the staged plan, a matter to which you and I both attach great importance.

You rightly associated your New Year wishes, which I warmly reciprocate, with your wishes for the European construction project, which we intend to continue promoting in the same way in the coming year. A very important part of last year's work is associated with your name, and I should like to thank you once again on behalf of the Federal Government.

I continue to regard the 'Werner Report' as a strategic milestone document. The aim of economic and monetary union that we proclaimed in The Hague<sup>241</sup> must now be enshrined in joint resolutions to guarantee that the process will be irreversible and that monetary union, the importance of which you particularly stress, will also be an economic union with assured stability and satisfactory growth.

At our talks in Paris, we were unable and unwilling to make any presumptions regarding agreement among the Member States of the European Community, but I do hope that we have helped to accelerate that agreement.

President Pompidou and I reaffirmed the political will to achieve union within a reasonable period of a decade or so. In pursuit of that goal, we intend to proceed realistically and pragmatically. Having reached broad agreement in Brussels on the substance of the first stage, which should last for about three years, we should now be able to establish a few general principles for the subsequent stages. These principles include the need, which was recognised in Brussels, to confer on the Community the powers that it needs to create a cohesive economic and monetary union that can act effectively. I put it to my French interlocutors that, to this end, the Community institutions, including the European Parliament, must naturally be enabled to exercise at any time the powers conferred on them; this also means that the national central banks, by

<sup>240</sup> *Bulletin of the European Communities*, no. 4 (1970), 26-27.

<sup>241</sup> See document 22.

envisaging their incorporation into a European central bank organisation, are making a direct contribution to the achievement of the objectives of economic and monetary union.

The French Government agrees that, during the first stage, the Council, with the support of the Commission, should examine the measures required for passage to the subsequent stages in the fields of economic and monetary policy as well as the necessary institutional measures. The French Government does not in any way rule out the possibility of amendments to the Treaties, although it has not hitherto considered it necessary or desirable to state explicitly that the procedures under Articles 235 and 236<sup>242</sup> would have to be followed for future measures which could not be implemented on the basis of the existing treaty provisions.

In response to German concerns about the possibility of unbalanced progress in the fields of economic and monetary policy, President Pompidou proposed a reservation clause that would enable a Member State to withdraw monetary assistance if it were not prepared to apply appropriate recovery measures to arrest the decline in the value of its currency. This idea will have to be examined in detail. In the course of the discussions, the German side also mooted, as an additional point for consideration, the idea of averting the danger of progress stalling at the end of the first stage by limiting the lifetime of all first-stage monetary measures, institutions and mechanisms to about four years or a little more. If the agreed balance in progress between the economic and monetary fields cannot be achieved during the first stage, this arrangement would provide governments with an additional time span to take any necessary remedial action.

I look forward with confidence to the forthcoming resumption of our deliberations in Brussels. You may rest assured that the Federal Government will play its part in bringing to fruition the work to which you have devoted so much of your energies.

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<sup>242</sup> 'The Government of any Member State or the Commission may submit to the Council proposals for the revision of this Treaty. If the Council, after consulting the Assembly and, where appropriate, the Commission, expresses an opinion in favour of the calling of a conference of representatives of the Governments of Member States, such conference shall be convened by the President of the Council for the purpose of determining in common agreement the amendments to be made to this Treaty. Such amendments shall enter into force after being ratified by all Member States in accordance with their respective constitutional rules.'



During their terms as statesmen, the French President De Gaulle and the German Chancellor Adenauer contributed to an institutionalisation of Franco-German bilateral meetings. Here they are pictured together during a manifestation on 9 May 1962 in Bonn. The manifestation supported European integration and the friendship between France and Germany.

French and German leaders in general played an important role in the history of European integration. In the case of monetary integration the bilateral meeting between Pompidou and Brandt in 1971 provided an opportunity to break the deadlock in the negotiations.

© Ullstein Bild



### Introduction to document 43

Reports of the bilateral Franco-German meeting on 25 January 1971 held that Willy Brandt made some important concessions to Georges Pompidou with regard to the completion of the economic and monetary union. For the Netherlands this implied that two essential elements of the union – the description of the main institutional characteristics for the end phase and agreement on the necessary treaty changes before the transition to the second phase – were no longer attainable.<sup>243</sup>

Document 43 reflects the deliberation of the Coordination Committee on this issue and reveals the interdepartmental differences that existed in deciding on the position to take in the discussions in Brussels. This illustrates that although governments present themselves as a unitary actor on the European level, the deliberation at the national level is important to understand why countries take certain positions towards European integration. The Coordination Committee decided to leave the decision on the position to take in the next EEC-meeting to the Council of Ministers. On 5 February the Cabinet discussed the issue, concluding that there were still a lot of insecurities in the negotiations. Foreign Affairs Minister Joseph Luns suggested not to not make any concessions to the French on monetary integration before they agreed to the British accession to the EEC. Johan Witteveen, Minister of Finance, on the other hand was doubtful whether the interest of France in an economic and monetary union was as big as previously thought. In this uncertainty, the Cabinet thought it best to leave its delegation leeway to act according to the circumstances encountered in the negotiations.<sup>244</sup>

### 43.

#### **Conclusions of the Netherlands Interdepartemental Coordination Committee on European Integration and Association Issues regarding the economic and monetary union, 3 February 1971.**

National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02), inv.no. 1078. Translation: Huygens ING, The Hague.

The Coordination Committee<sup>245</sup> held a very detailed discussion on the topic: *economic and monetary union (EMU)*, which will form the main theme of the meeting of the Council of the European Communities on 8 and 9 February 1971. Because of the importance of the problem at hand here as well as the

<sup>243</sup> Letter Posthumus Meyjes to the members of the Coordination Committee for European Integration and Association Issues, 1 February 1971: National Archives of the Netherlands (The Hague), Archive of the Ministry of Foreign Affairs, 1965-1974 (2.05.313), inv.no. 14318. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>244</sup> Minutes of the Council of Ministers (Netherlands Cabinet), 5 February 1971: National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02), inv.no. 1105. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>245</sup> See the introduction to document 15.

fact that opinions varied somewhat with regard to the tactics to follow by the Netherlands, the Coordination Committee considered a discussion on this matter necessary in the Council of Ministers.

The Coordination Committee began by noting that the bargaining position has significantly deteriorated since 14 December 1970,<sup>246</sup> Particularly due to the concessions<sup>247</sup> that Chancellor Brandt has made during his visit to Paris the front of the Five against France has weakened, if it not totally collapsed. Italy<sup>248</sup> might retain some of the position it has held thus far, but how long this will last is uncertain, especially since Italy will prove susceptible to concessions with respect to the future regional policy of the Community.

Nevertheless, some difference in appreciation of the meaning of these developments appeared in the Coordinating Committee. For some, this represents a serious and alarming state of affairs. For others, this development, although disappointing, is still no reason to despair of an ultimate solution that will remain within the limits of acceptability. In particular the fact was pointed out that although the German government has dropped a number of important desiderata regarding the transition from the first to the second stage and towards the end goal, it has on the other hand again reinforced the position by the formulation of the 'clause de prudence' (specifically the establishment of the temporary nature of the first phase).

The first question concerns the contents of the first phase, in particular the opportunity not to accept a number of monetary elements of the first phase, now that it looks as if the Dutch desiderata regarding the outline of the end goal and the need for treaty amendments will not, or only partly, be achieved. This refers to the 'guillotine clause' designed by Minister Schiller (which lets the monetary provisions of the first phase expire automatically if one does not reach agreement on the transition to the second phase) and on the other hand to the late abandonment of narrowing the band width.

On the acceptability of the guillotine clause consensus existed in the Coordination Committee, although the effectiveness of this was not considered highly by some. In particular, the representative of the Nederlandsche Bank believed that once agreed to, a narrowed band width cannot be undone without considerable risk. Several participants therefore argued great caution

<sup>246</sup> 136th Meeting of the Council of Ministers of the European Communities, 14 December 1970.

<sup>247</sup> After the bi-annual Franco-German meeting on the 25 January 1971 it was reported that Brandt made some important concessions to Pompidou with regards to the completion of the Economic and Monetary Union. For the Netherlands this would imply that two essential elements of the Union – the description of the main institutional characteristics for the end phase and agreement on the necessary treaty changes before the transition to the second phase – were no longer feasible. Position paper Netherlands Ministry of Foreign Affairs to the members of the Coordination Committee regarding the Netherlands position on the economic and monetary union during the EEC Council of 8 February, 1 February 1971. National Archives of the Netherlands (The Hague), Archive of the Ministry of Foreign Affairs, 1965-1974 (2.05.313), inv. no. 14318. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>248</sup> The Italian Secretary of the Treasury, Mario Ferrari-Aggradi, states that 'the economic and monetary union can only be established against the background of a strongly developed political integration. The EMU can not only be a technical issue.' Report by the Permanent Representative of the Netherlands of the 136th Meeting of the Council of Ministers of the European Communities, 14 December 1970. National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02), inv.no. 1076. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

on this part of the first phase, because otherwise one relinquishes a necessary monetary instrument without guarantees regarding the conduct of economic policy. Narrowing the band width should therefore only be considered on an experimental basis and in its relative, non-absolute form.

The same question of the expediency of taking measures, be they revocable or not, in the first phase can also be asked with regard to the medium term support mechanism, although the problems are less stringent than in the case of the narrowing of the band width. Chances are after all, that in the first phase little use will be made of this mechanism. It was agreed to leave the decision on the acceptability of the narrowing of the bandwidth to the Council of Ministers.<sup>249</sup> For the rest, however, the desirability and acceptability of hollowing out the monetary contents of the first phase were questioned.

The second question on which the discussion in the Coordinating Committee focused concerned the tactics to be followed. It was generally agreed that the Netherlands must continue to seek alignment to the proposals of the Werner Committee. Assuming, however, that one cannot make progress with this principle, the question arises to what extent the Netherlands may settle for less. Especially on the part of the Ministries of Economy and of Finance belief exists that here is some scope for agreement, and such particularly with the support of Italy and by seeking affiliation with the good elements in the otherwise weakened German position. The Coordination Committee agreed however that there is no need to come to a result on 8 and 9 February and that a postponement of the decision need not be avoided. There is no reason for the Netherlands to achieve a rapid result and for that purpose abandon substantive positions.

On the part of the Ministry of Foreign Affairs and the Permanent Representative, this possibility of delay was linked to the accession negotiations. Given the negative French conduct on 1 and 2 February and given the politically essential parallelism between enlargement and deepening, there is much to be said to defer a decision on the first phase, as desired by France, until the time is also right for a crisis in the accession negotiations. It is the only lever that can be used against France. To this end the Netherlands might, for instance, ask for a 'reflection period' of 1 to 2 months on 9 February, using the argument that the debate on monetary union has led to a new situation. The other ministries, notably Economic Affairs and Finance, deemed this tactic unsuitable, either because no result can be expected, given the isolated Dutch position in this regard, or because one fears that through such a connection even the few positive points that appear feasible in the area of monetary union may be lost. Indeed, after France will, for other reasons, have made a concession with regard to membership, the Netherlands would no longer have any bargaining power on the monetary union. This last point was raised particularly by the representative of the Ministry of Finance.

The Chairman of the Coordination Committee<sup>250</sup> concluded that the

<sup>249</sup> In the Council of Ministers, Minister of Finance Johan Witteveen declared that concerning the medium term support mechanism one should not further than the proposals of the Commission. The Netherlands delegation was ordered to act to circumstances. Report of the Netherlands Council of Ministers, 5 February 1971. National Archives of the Netherlands (The Hague), Archive of the Council of Ministers (2.02.05.02), inv.no. 1105. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>250</sup> Hans de Koster, State Secretary of Foreign Affairs, charged with European Cooperation.

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feasibility of the 'reflection period' does not seem high without support from other Member States; there is much to be said for a delay in decision-making by continuing to argue for a number of key issues (although isolation is to be avoided), yet the direct link with the accession should better not be expressed. On this latter part the representative of the Ministry of Foreign Affairs expressed a reserve.

The decision was left to the Council of Ministers.

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## Introduction to document 44

The Werner Report stipulated that the implementation of the first stage of economic and monetary union should start on 1 January 1971. But the Council of Ministers' meeting on 14 December 1970, in which the decision was expected to be adopted, ended with no result. This outcome was due to the constant opposition of France, which refuted any idea of supranational institutional construction that Germany considered as a priority. As a matter of fact France and Germany held opposite views in terms of both the preparations for economic and monetary union and its implementation. France held a 'monetarist' view that advocated an increasing stabilisation of exchange rates, which would ultimately be definitively and irreversibly fixed. Germany, took a more 'economist' approach, insisting on the prior convergence of policies and economic and monetary performance. France lauded intergovernmental cooperation, whereas for Germany, the Community method was essential.

The Franco-German Summit of January 1971 was an opportunity to break the deadlock. France accepted the transfer of some responsibilities to the Community during the final stage, but rejected any idea of structural changes being made to the decision-making process – a principle that was important to the Germans, and to the Dutch. Amendments to the Treaty of Rome were not discussable to Paris, as was any threat to the predominance of the Council of Ministers, or to the unanimity rule (for important matters). The principle of *parallelism*, an important basis for the Werner Report and an approach that received the consensus of the incumbent political forces, was substantially changed. Nonetheless, and under German pressure, the French accepted a future autonomous system for the European central bank, but not a decision-making centre for economic policy. Yet the Community method was rejected and it was left to the governments of the Community countries to achieve harmonisation through consultation. In turn, the Germans accepted a reduction in exchange-rate fluctuation margins, the introduction of monetary support and the creation of a European Fund, from the first stage. Their demands, based on the Schiller Plan that Germany had advocated from the outset, were met. It was decided that the transition from the first to the second stage would not be automatic. If the partners were unable to reach an agreement on the final stage and on its economic and institutional implications, the measures recommended for the first stage, particularly the reduction of fluctuation margins, would be dropped. This is what the French deemed a 'precautionary clause' and the Germans a 'safeguard clause'.

Bonn maintained the hope that, in order to save the monetary measures included in the first stage, Paris would subsequently make concessions concerning the economic policy recommended for the second stage. Accepting monetary constraints from the initial stage was a risk that the Germans were willing to bear, even without guarantees for future harmonisation of economic policies or institution-building. The Federal Government made these concessions with the firm conviction that if it insisted on the provisions of the Werner Report being adopted in full, this could spark off a renewed crisis for the Six, at considerable political cost and with the risk of bringing the emerging monetary cooperation to a standstill.

In his memoirs, Pierre Werner describes how the Benelux countries, joined by Italy, criticised the private discussions between the French and the Germans. In the days following this summit, Jean Monnet was in close contact with Willy Brandt in a bid to convert the negative clause into a positive one: if agreement were reached on the rest of the provisions, the monetary provisions in the first stage would be renewed for the second stage.<sup>251</sup> The lines of a new compromise were sketched out, and the Council of Economic and Finance Ministers, meeting on 8 and 9 February 1971, worked to reach a decision. This resulted in an agreement that took the form of a resolution on the stage-by-stage achievement of economic and monetary union.<sup>252</sup> It meant that the monetary measures to be taken in the first phase (reduction of the exchange fluctuations, a mechanism for mutual financial support, and the prospect of a common reserve fund) would be annulled, unless agreement on a conversion to the second phase was reached within five years. The Netherlands' authorities deemed it the 'guillotine clause'.<sup>253</sup> Authored and proposed by the German Minister for Economic Affairs Karl Schiller, the compromise, perceived largely as unsatisfactory, was accepted because there was no viable alternative.

On 10 February 1971, Schiller commented on the establishment of an economic and monetary union following the previous day's discussions. The text of his statement is given in document 44. In his statement, he declared that he was 'very happy to have reached an agreement. Given the role that the Federal Republic played last year in the Werner Group and the Council, this successful conclusion in Brussels is a clear demonstration that through our policy we are strongly committed to (...) integration policy and have contributed to its advancement.'<sup>254</sup>

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<sup>251</sup> Pierre Werner, *Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945–1985*, Volume 2 (Luxembourg: Éditions Saint-Paul, 1992) 134–138.

<sup>252</sup> Adopted on 22 March 1971 by the Council and the representatives of the governments of the Member States. See document 45.

<sup>253</sup> Code Message J.M.A.H. Luns to the Netherlands Ministry of Foreign Affairs, 12 February 1971: National Archives of the Netherlands (The Hague), Archive of the Ministry of Foreign Affairs, 1965-1974, (2.05.313), inv.no. 19482. This document is available on the Huygens ING website: [www.europadocs.eu](http://www.europadocs.eu).

<sup>254</sup> See document 44.

44.

**Statement by the German Minister of Economic Affairs (Karl Schiller) in Bonn, on the session of the Council of Ministers of the European Communities on 8-9 February, 10 February 1971.**

Bulletin des Presse- und Informationsamtes der Bundesregierung. 12.02.1971, no. 22. (Bonn: Deutscher Bundesverlag, 1971). © Presse- und Informationsamt der Bundesregierung.

Yesterday's decision represents a turning point of moment. Yesterday an important breakthrough was achieved, or, as the French have written today in Paris: 'Europe sets out on the journey'. Yesterday we formulated a goal that can perhaps best be described so: Europe as an economic and monetary union will be a community of stability and growth open to the world. Importance is also attached in some formulations to a sequence-first of all stability, then growth.

Yesterday's discussion took place in an exceptionally friendly atmosphere and everyone was at pains to display the necessary readiness for compromise.

Since December 14 and 15, when we found ourselves in a certain confrontation, talks and soundings have been going on between Paris and Bonn in the course of the Franco-German consultations as also between Rome and Paris and with the Commission. All these preparatory talks and soundings well prepared the compromise that was found yesterday. Yesterday the so-called 'spirit of The Hague'<sup>255</sup> was present, something which has not always been the case.

At the conclusion of these soundings and preparatory talks, I was able, on January 29, to outline in the German Bundestag, in the name of the Federal Government, our line of negotiation for the round in Brussels yesterday and the day before; it had partly resulted from these preparatory talks, although also from our own ideas of the objectives and our assessment of the situation. If I compare these eight points with what was achieved yesterday, it is seen that there is almost total agreement.

1 Our first thesis was that the initial stage of this phased plan was no goal in itself. The political will to proceed to the transition to the further stages and to the completion of the economic and monetary union would also have to be expressed. Now, since yesterday it has been officially stated in Brussels, and I quote:

'The Council and the representation of the Member States proclaim their political will to create in the course of the next ten years an economic and monetary union in accordance with a phased plan starting to operate on January 1, 1971.'

You see that there has been adherence to the old date, January 1, 1971, after the tradition already exercised in Brussels in former cases to stop the clock.

2. Secondly, in the Bundestag we stated the desire to ensure an effective parallelism between the monetary policy union and the economic policy union. In Brussels it now says, and I quote:

'The creation of the currency union will have to be accompanied by, in particular, parallel progress in the convergence and subsequent standardization of the economic policies.'

<sup>255</sup> See document 22.

3. Thirdly, we have said that the final stage must not get lost in any remote European fog, there to vanish finally altogether, but that we would have to lay down certain basic principles for the final stage without, however, anticipating in a perfectionist fashion all detailed arrangements for the final stage. In point of fact we have been able to define, for the final stage, the organizational requirements, the necessary transfer of powers, and the further institutional development.

4. In this connection – and this is the fourth point – a particular part is played by the question as to what is to become of the Community organs. We have said that these must now be placed in a position whereby they can exercise their powers quickly and effectively, that parliamentary control is necessary. Now, in Brussels, it has been decided, and I quote:

‘The institutions of the Community will be placed in a position to exercise. Their economic and fiscal policy responsibility quickly and effectively. The Community policies laid down within the framework of the economic and monetary union are subject to the deliberations and the control of the European Parliament.’

This version, that those measures the Community will institute in future within the framework of the economic and monetary union are to be subject to the deliberations and the control of the European Parliament, was the maximum that we, especially the Netherlands and the Federal Republic, were able to get out of our French friends, whose ideas, particularly in relation to the European Parliament, are naturally somewhat different from ours, even if we have already indicated our agreement with this formulation.

5. Fifthly, we said in the Bundestag that, in view of the various ideas of our central banks, we now had to ensure a certain central bank policy on our own responsibility for a European central bank system. We ourselves take the view that an independent European bank system could be an outstanding model with autonomy, even for the future common monetary policy to be pursued in the final phase. Now, the Brussels Resolution says, and I quote:

‘Within the framework of its own responsibility, the Community’s central bank system contributes to the realization of the Community’s aims of stability and growth.’

In addition, there is another Resolution, adopted by the Council, with which the governors of central banks are invited themselves to lay down in consultation with one another, the modalities.

6. Sixthly, we said that it would have to be ensured that, at the end of the initial stage, legally binding decisions were taken for the transition from the initial stage and that in this connection measures amending and supplementing the Treaty – and for this there are, as is well-known, various Articles in the Treaty – must be agreed and, moreover, up to the completion.

In Brussels, the Council’s common Declaration of Intent was formulated to the effect that measures for the full realization of the economic and monetary union must be laid down before the conclusion of the initial stage. Then follow three categories – which we already been able to discuss to a certain extent with our friends in Paris, in the sense of an exchange of view and not in the sense of joint decisions. These three categories concern decisions taken within the framework of the existing Treaty, decisions pursuant to Article 235<sup>256</sup> – that

<sup>256</sup> If any action by the Community appears necessary to achieve, in the functioning of the Common Market, one of the aims of the Community in cases where this Treaty has not provided for the requisite powers of action, the Council, acting by means of a unanimous

is, through supplementing the Treaty according to a certain procedure – and, finally, also of amendments to the Treaty according to procedures outlined in Article 236.<sup>257</sup>

In this way we succeeded in securing the agreement of our French partner that for the decisions to be taken at the conclusion of the initial stage amendments to the Treaty would envisaged – something that it was certainly impossible to achieve on December 14 and 15 last.

7. Then, as the seventh point, in the Bundestag, we expressed the view that, in order to ensure that the development of the economic and monetary measures would actually and effectively, run parallel an expiration clause ought to be included. This would mean that if, after a certain time, the economic policy measures were not running parallel to the monetary policy measures, the monetary policy measures would lapse at a certain date.

In Brussels we have now also discussed this '*clause de prudence*', as M. Pompidou called it when I put it forward in Paris in a number of variants. After a very lively debate it was agreed by everybody. The period over which these monetary measures are to run is thereby limited to five years. This present year was, as is usual at the conference table, our concession. In the matter itself, in the substance, we have secured the full acceptance of the '*clause de prudence*'. For us, this is of particular significance, since what takes place economically, in economic policy, in the initial stage, consists, in essence, in the Community, of the Council giving aids for the orientation of economic and fiscal policy to the Member State bodies in order to bring the individual policy measures into closer alignment. All this is the intention for the initial stage.

Where something really legally binding takes place is in the sphere of monetary policy. In the initial stage the central banks will together undertake interventions in the foreign currency markets. Possibly a Reserve and Foreign Currency Offset Fund will be instituted in the first stage. Through the interventions the band widths will be narrowed or extended within the framework of the International Monetary Fund. All in all, those are the three of four groups of measures planned for the initial stage.

We considered that if by the end of the initial stage corresponding measures had not put in an appearance in the sphere of economic policy, these monetary policy measures would remain as a torso of the entire economic and monetary union but would then cease to operate, whereby it is not our intention that this entire process would go back to square one, to January 1, 1971. Instead, our intention is, by fixing this date, to exert a healthy pressure, so that at the end of the initial stage decisions for the correction of economic policy can be taken.

8. Eighthly, we also said, finally, in the Bundestag, that the Resolutions must be so formulated that the candidate countries – the United Kingdom, Denmark, Ireland and Norway – would be able to take an option at the conclusion of the

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vote on a proposal of the Commission and after the Assembly has been consulted, shall enact the appropriate provisions'.

<sup>257</sup> "The Government of any Member State or the Commission may submit to the Council proposals for the revision of this Treaty. If the Council, after consulting the Assembly and, where appropriate, the Commission, expresses an opinion in favour of the calling of a conference of representatives of the Governments of Member States, such conference shall be convened by the President of the Council for the purpose of determining in common agreement the amendments to be made to this Treaty. Such amendments shall enter into force after being ratified by all Member States in accordance with their respective constitutional rules."

initial stage. This has clearly been achieved. It has also been talked about that at the conclusion of the initial stage, when the actual legally binding decisions in the economic and fiscal spheres are to be taken, we shall possibly be able to welcome a larger number of members. There is no doubt that even in this respect our '*clause de prudence*' – there was no express mention of it in the discussion itself – is adequate.

Therefore, we were successful in Brussels in making the line of compromise we had imagined prevail. In point of fact we have not surrendered anything fundamental, but the vital elements, the principles as set out in exemplary fashion and very clearly in the Werner Report, have been preserved.

On the way now secured the process towards the economic and monetary union can now be followed without any dangerous list towards the monetary policy side.

Nor do we want to decide on such an uncontrolled automation in the development such as we are confronted by in, for instance, the European agricultural market regulations, about which no one, not even the farmers, are happy and which, because of the inherent force in this apparatus, can only with difficulty be corrected.

With regard to this new version of the decision, it has often been said that with this phased plan we – like our French friends – are pursuing a pragmatic line. I would say that there certainly is a pragmatic element in the initial stage, but it is a pragmatism for a limited period, a pragmatism with a firm goal, for, particularly, the final stage.

That, in essence, is the result of the consultations of last Monday and Tuesday. It certainly does not mean that we have anticipated all the working group under Prime Minister Werner set us in its report last year, but what could be achieved under the present circumstances was in fact yesterday achieved – more, indeed, than anyone had previously thought possible.

Moreover, it is also clear to us that the decisions do not cover the whole of the ten years, over the whole period up to 1980, but that the next important junction and final decision will come at the conclusion of the initial stage in the categories I have already described, namely, the decision on the necessary supplementation, demanded of us, of the experiences we have gained up to then in the sphere of monetary policy by corresponding safeguards in the sphere of economic policy.

In the coming days and weeks there will be a pretty deep discussion on what has, and what has not, been achieved and on what is to be expected in the coming period for the further development of Europe. We are naturally very gratified that we have now succeeded in arriving at an agreement.

This doubtless also documents sufficiently and particularly with regard to the special role the Federal Republic has played this last year within the Werner Group and in the Council – that, within the framework of our overall policy towards the outside, we have made headway, in the staunchest way possible, in our policy towards the West and our policy towards integration.



## Introduction to document 45

The EC Commission accepted a number of recommendations set out in the Werner Plan<sup>258</sup> on 30 October 1970, although it toned them down considerably.<sup>259</sup> The Council followed the Commission's proposals on 22 March of the following year. On the basis of deliberations by the Economic and Financial Affairs Council, it adopted a resolution on the achievement by stages of economic and monetary union. The resolution paradoxically referred to the *interim report*<sup>260</sup> of the Werner Committee and not to the *final report*.

Avoiding the difficult questions raised by the Werner Report, such as the institutional infrastructure or the transfer of responsibilities from the states to the Community, the Commission resolution focused solely on the first stage, beginning retroactively on 1 January 1971 and due to be completed on 31 December 1973. At the end of this process, which had no binding legal value, the Community was to have set up a zone within which persons, goods, services and capital would move freely. The irrevocable fixing of parity rates between the currencies of the Six and the organisation of cooperation between the central banks were also stipulated. The transfer of various powers and responsibilities to the Community would be limited to what was required for the cohesion of the union and the efficiency of Community action. The idea of creating new Community institutions was completely left aside.

To prepare for the transition to the following stage, the Commission agreed to submit a communication to the Council before 1 May 1973 containing an assessment of the progress made, and proposals on which to take action, including amendments to the treaties.

On the same day, the first measures for the application of this resolution were adopted. The programme for the achievement of economic and monetary union by stages was supported by three other Council decisions. The first was a decision on strengthening the coordination of short-term economic policies,<sup>261</sup> including three annual assessments of the situation in the Member States. The second concerned the reinforcement of cooperation between the central banks,<sup>262</sup> based on the coordination of monetary and credit policies. The third involved the introduction of medium-term financial aid.<sup>263</sup>

Despite the political will of its members, the building of economic and monetary union — one of the first initiatives of which was the creation of the *monetary snake* — was partly compromised by the monetary difficulties stemming from the dollar crisis in spring 1971 and the oil shock in 1973.

<sup>258</sup> See document 34.

<sup>259</sup> *Commission memorandum and proposals to the Council on the establishment by stages of economic and monetary union*, 30 October 1970. *Bulletin of the European Communities*, no. 11 (1970), part 1, chapter 2. This document is available at <http://aei.pitt.edu/1092/> [accessed February 2012]. See also document 37.

<sup>260</sup> Interim Report on the Establishment by Stages of Economic and Monetary Union – 'Werner Report' [20 May 1970]. *Bulletin of the European Communities*, Supplement no. 7 (1970).

<sup>261</sup> 71/141/EEC. *Official Journal of the European Communities* (27 march 1971), no. L 73/12, 174-175. This document is available at the EEC website: [eur-lex.europa.eu](http://eur-lex.europa.eu).

<sup>262</sup> 71/142/EEC. *Official Journal of the European Communities* (27 march 1971), no. L 73/14, 176. This document is available at the EEC website: [eur-lex.europa.eu](http://eur-lex.europa.eu).

<sup>263</sup> 71/143/EEC. *Official Journal of the European Communities* (27 march 1971), no. L 73/15, 177-179. This document is available at the EEC website: [eur-lex.europa.eu](http://eur-lex.europa.eu).

45.

**Resolution of the Council of Ministers of the European Communities and the Representatives of the Governments of the Member States on the achievement by stages of economic and monetary union, 22 March 1971.**

*Selection of texts concerning institutional matters of the Community from 1950 to 1982.* Luxembourg: European Parliament – Committee on Institutional Affairs, 1982, p. 177-183. © European Parliament.

*The Council of the European Communities and the Representatives of the Governments of the Member States.*

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Have adopted this resolution:

I

In order to achieve simultaneously within the Community a satisfactory rate of growth, full employment and stability, to correct the structural or regional imbalances arising therein and to strengthen the Community's contribution to international economic and monetary cooperation and thereby to achieve a Community enjoying stability and growth, the Council and the Representatives of the Governments of the Member States express their political will to establish an economic and monetary union, during the coming decade, in accordance with a plan by stages beginning on 1 January 1971.

The steps to be taken must be such that, at the conclusion of this process, the Community will:

1. Constitute an area within which persons, goods, services and capital may move freely and without distortion of competition, without, however, giving rise to structural or regional imbalances, under conditions permitting economic activity to expand on a Community scale;
2. Form a single currency area within the international system, characterized by the total and irreversible convertibility of currencies, the elimination of margins of fluctuation of exchange rates, the irrevocable locking of parities – all of which are essential preconditions for the creation of a single currency – and including a Community organization of the Central Banks;
3. Possess such powers and responsibilities in economic and monetary matters as will enable its institutions to administer the union. To this end the requisite decisions on economic policy shall be taken at Community level and the necessary powers shall be conferred upon the institutions of the Community.

Powers and responsibilities shall be distorted between Community institutions on the one hand and Member States on the other in accordance with what is necessary for the cohesion of the union and for the effectiveness of Community action.

The institutions of the Community shall be put in a position to exercise their responsibilities in economic and monetary matters efficiently and with speed.

Community policies pursued within the framework of the economic and monetary union shall be subject to debate and control by the European Parliament.

The Community organization of the Central Banks shall, within its field of responsibility, assist in achieving stability and growth within the Community.

The principles set out above shall be applied to the following:

- the internal monetary and credit policies of the union;
- monetary policy towards the outside world;
- policy with regard to the unified capital market and capital movements to and from third countries;
- budgetary and fiscal policies as related to the policy of stability and growth; as regards budgetary policy proper: the margins within which the essential elements of public budgets as a whole should lie, in particular the variation of their amount, and the size, mode of financing and use of balances, shall be determined at Community level;
- the structural and regional measures which are also necessary, as part of a properly supported Community policy, to promote the balanced development of the Community and resolve the major problems.

## II

As progress is made towards the ultimate objective Community instruments shall be created as necessary to replace or to supplement national instruments.

The measures to be taken in each sector shall be interdependent, each reinforcing the other; in particular, progress towards monetary union must be accompanied by parallel progress in the alignment and ultimate unification of economic policies.

### III

In order to attain these objectives, the Council and the Representatives of the Governments of the Member States agree to set in motion from 1 January 1974 a series of measures to be carried out during a first stage lasting three years:

1. Acting on a proposal from the Commission, the Council shall lay down such provisions for strengthening the coordination of short-term economic policies as will make coordination really effective, in particular by making more intensive and widespread use of the obligatory prior consultation procedures. This coordination of short-term economic policies shall take into account the guidelines under the medium-term economic policy programmes.

To this end the Council has agreed that, acting on a proposal made by the Commission after consultation with both sides of industry through the Economic and Social Committee or by other means, it will lay down the broad outlines of economic policy at Community level and quantitative guidelines for the essential elements of public budgets.

To facilitate coordination of economic policies the Council has agreed that, acting on a proposal from the Commission and after obtaining the opinions of the Committees concerned, it will take the necessary measures for progressive harmonization of the instruments of economic policy, and in particular for the synchronization of national budgetary procedures.

2. In order that effectively free movement of persons, goods, services and capital and progress in interpenetration of economies may be achieved at a faster rate the Council, acting on a proposal from the Commission and having regard to the need to preserve a balance, shall decide on measures concerning:

- Community rules determining the uniform basis for assessing the value added tax within the meaning of the Decision of 21 April 1970 on the replacement of financial contributions from the Member States by the Communities' own resources;<sup>264</sup>
- the harmonization of the scope, basis of assessment and the mode of levying excise duties, in particular those which have an appreciable influence on trade;
- the harmonization of those kinds of tax which are likely to have a direct influence on capital movements within the Community, in particular the taxation of interest from fixed-interest securities and dividends;
- the further harmonization of the taxation of companies and firms;
- the progressive extension of duty-free concessions granted to private individuals crossing frontiers within the Community.

Before the end of the first stage the Council shall examine the results of research on the alignment of rates of value added tax and excise duties and the proposals of the Commission in this field.

3. With a view to encouraging the free movement of capital the Council, acting on a proposal from the Commission, shall:

<sup>264</sup> Decision 70/243 ECSC, EEC, EURATOM. *Official Journal of the European Communities* (28 April 1970), no. L94. This document is available on the CVCE website: [www.cvce.eu](http://www.cvce.eu).

- adopt a Directive laying down procedures for progressive liberalization whereby issues of securities on the capital market will be authorized without discrimination and abolishing any differential treatment in the introduction on the market of securities issued by residents of other Member States:
- establish a procedure for the progressive coordination of the policies of Member States in respect of capital markets.

4. In order to reduce, by means of regional and structural measures, any tensions that could prejudice the ultimate attainment of economic and monetary union, the Council, acting on a proposal from the Commission, shall decide on the measures necessary for a first step towards resolving the most urgent questions. Bearing in mind the directions contained in the third medium-term economic policy programme, and in particular by providing the Community with the necessary means under the treaties in force.

5. With a view to strengthening the coordination of the monetary and credit policies of Member States the Council has agreed that:

- more stress shall be laid in the Monetary Committee and the Committee of Governors of Central Banks on obligatory prior consultation:
  - the Central Banks shall be invited, within the limits of their powers and several responsibilities, to coordinate their policies in the Committee of Governors of Central Banks, while observing the guidelines for general economic policy issued by the Council;
  - the Monetary Committee and the Committee of Governors of Central Banks shall work closely together in the harmonization of the instruments of monetary policy.

6. The Council has agreed that the Community shall progressively adopt common standpoints in monetary relations with third countries and with international organizations; in particular, it shall not avail itself in matters of exchange rates between Member States of any arrangements which might lead to a weakening of the international exchange system.

7. The Council and the Member States shall invite the Central Banks of Member States, from the beginning of the first stage and on an experimental basis, to hold exchange rate fluctuations between the currencies of Member States within margins narrower than those resulting from the application of the margins in force for the US dollar, by means of concerted action with respect to that currency.

The Council has agreed that, depending on circumstances and on the results obtained in the harmonization of economic policies, further measures may be taken, consisting of a transition from a de facto to a de jure system, of intervention in the currencies of Member States and of successive reductions in the margins of fluctuation between the currencies of Member States. The Committee of Governors of Central Banks shall report twice yearly to the Council and to the Commission on the effect of the concerted action by the central Banks on the exchange market, and whether there is a need for further measures in this field.

8. The Council shall invite the Monetary Committee and the Committee of Governors of Central Banks to draw up in close collaboration and by 30 June 1972 at the latest, a report on the organization functions and statutes of a European Monetary Cooperation Fund to be integrated at a later stage into the Community organization of the Central Banks provided for in Section I(2), with a view to the possible establishment of this Fund during the first stage, if the results obtained in reducing margins and aligning economic policies so justify. They shall submit this report to the Council and to the Commission.

9. In order to promote the harmonious implementation of the plan for economic and monetary union and, above all, to ensure that economic measures keep sufficiently in step with monetary measures, the monetary provisions, that is to say those of Section III (7 and (8), and the mechanism for medium-term financial assistance shall be operative for five years from the beginning of the first stage. After agreement has been reached to proceed to the second stage, the provisions mentioned above shall continue in force.

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## Introduction to document 46

At the invitation of French President Georges Pompidou, the Heads of State or Government of the Six met in Paris from 19 to 21 October 1972 with the future Member States to determine their programme for an expanded Community of nine. At the end of this summit, a first joint declaration set out the objectives and policies to be pursued by the enlarged Community.<sup>265</sup> This declaration is reproduced here as document 46. It laid down new areas for action, involving the creation of a Regional Development Fund (ERDF), and of environmental, social, energy and industrial policies. The Nine agreed to step up political cooperation, firmly believing that Europe should be able to make its voice heard on the world stage and to help foster balanced international relations by affirming its own views. Alongside enlargement, it was agreed that efforts should also be made to strengthen integration to facilitate governance in an enlarged Europe. The Member States also agreed to work towards a *European union*, to be established by 1980, but no specific details as to its institutional framework were provided.

The Paris Summit also reiterated the Community's aim to build an economic and monetary union by the end of 1980 at the latest. An ambitious eight-year programme of deepening was embarked on to implement the decisions taken in The Hague in 1969. The need to reach a decision on the creation of a European Monetary Cooperation Fund by 1 April 1973 was restated. No details were given, however, of how the Community bodies might participate in the operation of this Fund. Emphasis was placed on the irreversibility of economic and monetary union, although the vital principle that monetary union and the coordination of economic policies must be pursued in parallel – the backbone of the Werner Report – was not mentioned.

Monetary Europe suffered from the increasingly unstable international monetary situation. It reacted to the suspension of the dollar's convertibility into gold on 15 August 1971, which sounded the death knell for the Bretton Woods Agreements, by establishing the *currency snake*, or European Monetary System (EMS) in March 1972. This was a mechanism involving an intervention threshold for selling and an intervention threshold for purchasing for each currency. No currency was allowed to fluctuate in relation to another *snake* member by more or less than 2.25% around its bilateral parity.

However, destabilised by the oil crises, the weak, floating dollar and diverging economic policies, the snake lost most of its members within two years, finally becoming a 'Mark' zone for Germany, Denmark and the Benelux countries.

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<sup>265</sup> 'Enlargement' was seen in the opening of negotiations with the countries that had applied for accession — the United Kingdom, Ireland, Denmark and Norway.

46.

**Declaration of the Conference of Heads of State and Government of the enlarged Community, Paris, 19-21 October 1972.**

*Bulletin of the European Communities*, 1972. Supplement 10/72. Brussels: Office for Official Publications of the European Communities.

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*Economic and Monetary Policy*

1. The Heads of State and Government reaffirm the resolve of the Member States of the enlarged Community to move irrevocably the Economic and Monetary Union, by confirming all the details of the Acts passed by the Council and by the Member States representatives on 22 March 1971<sup>266</sup> and 21 March 1972.<sup>267</sup>

The required decisions will have to be taken during 1973 to allow transition to the second stage of the Economic and Monetary Union on 1 January 1974 and in view of its complete realization by 31 December 1980 at the latest.

The Heads of State and Government reaffirmed the principle of parallel progress in the various fields of the Economic and Monetary Union.

2. The declared that fixed but adjustable parities between their currencies are an essential basis for achieving the Union and expressed their resolve to set up mutual defence and support mechanisms within the Community, which will allow the Member States to ensure that they are honoured.

They decided to set up officially a European Monetary Cooperation Fund before 1 April 1973. Based on the EEC Treaty, the Fund will be run by the Governors Committee of the Central Banks within the overall guidelines of economic policy adopted by the Council of Ministers. In its early stage the Fund will function on the following basis:

- (i) Concertation between the Central Banks over the required shrinkage of fluctuation margins between their currencies;
- (ii) Multilateralizing of positions arising from interventions in Community currencies and multilateralizing inter-Community rules.
- (iii) Utilization for the above of a European monetary unit of account.
- (iv) Administration of short-term monetary support between the Central Banks.
- (v) The very short-term financing of the Agreement on shrinking the margins and short-term monetary support, will be regrouped within the Fund through an updated mechanism. For this, the short-term monetary support will be adjusted technically without changing its basic character or the consultation procedures involved.

<sup>266</sup> See document 45.

<sup>267</sup> On 21 March 1972, the Council adopts a resolution on the application of the resolution of 22 March, 1971 on the attainment by stages of economic and monetary union in the Community. *Official Journal of the European Communities* (18 April 1972), no. 38, 2-3. This document is available on the EUR-Lex-website: eur-lex.europa.eu.

The competent Community agencies will have to submit reports:

- (i) On short-term aid dealings by 30 September latest;
- (ii) On terms for progressive pooling of reserves by 31 December 1973.

3. The Heads of State and Government insisted on the need for closer coordination of Community economic policies and adopting more effective procedures for same.

In the present economic situation, they consider that the anti-inflation campaign and stabilization of prices must get priority. They officially briefed their authorized Ministers when the enlarged Council meets on 30 and 31 October 1972, to take specific measures in the various areas ripe for effective and realistic short-term moves to attain these objectives allowing for the different conditions in the countries of the enlarged Community.

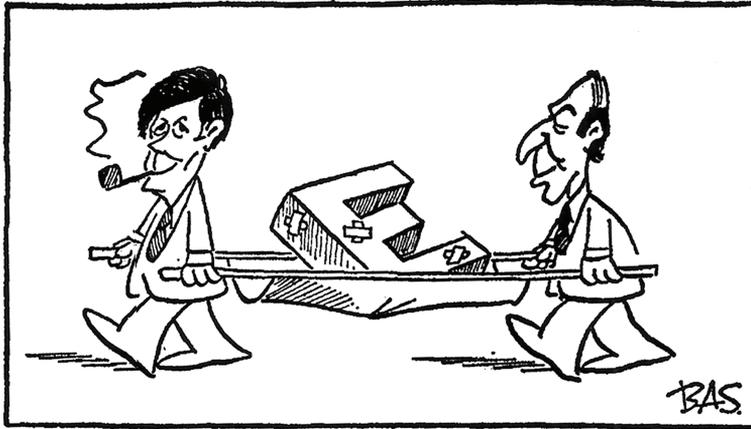
4. The Heads of State and Government express their resolve that the Member States of the enlarged Community will contribute through a joint outlook in guiding the reform of the international monetary system towards the adoption of a lasting equitable order.

They consider that the system should be based on the following principles:

- (i) Fixed but adjustable parities,
- (ii) An overall convertibility of currencies,
- (iii) An effective international regulation of world liquidity supply.
- (iv) Curtailing the role of national currencies as reserve resources,
- (v) An equitable and effective adjustment process,
- (vi) Equality of rights and obligations for all under the system,
- (vii) The need to reduce the unbalancing effects of short-term capital movements,
- (viii) Consideration of the developing countries interest.

Such a system would be completely suitable for achieving Economic and Monetary Union.

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During the monetary crisis of 1974, the German Chancellor Helmut Schmidt and the French President Valéry Giscard d'Estaing are pictured in a cartoon of the Frankfurter Allgemeine Zeitung as the two European leaders coming to rescue a Europe in crisis

© Bas



## Conclusion

The history of monetary unification in Europe is one that spans the entire 20th century. The First World War resulted in the demise of the gold standard, which had laid the foundations for the almost legendary stability of the European monetary system in the 19th century. The major economic and monetary negotiations held in the interwar period did not succeed in providing a stable response to the challenges raised by the Great War – more states meant more currencies and more protectionism. The Second World War dismantled what remained of the 19th-century monetary order. The new international monetary system founded by the Allies (with the exception of the Communist countries) at the 1944 Bretton Woods Conference temporarily restored a degree of calm to the capitalist world, with the creation of global institutions such as the International Monetary Fund and the World Bank, and above all with the introduction of a new standard. Under this gold exchange standard, currencies were backed by gold but also by currencies convertible into gold. This system initially operated as a dollar standard, since only the United States had sufficient gold reserves in the immediate post-war period.

As well as addressing the more general question of the monetary organisation of what would gradually become the Western bloc, the Allies also had to deal with the more pressing concern of a Europe brought to its knees by two World Wars. The documents presented in this book show that the history of European monetary integration from 1945 to 1973 is crucial if we are to understand why the countries of Europe, or at least some of them, introduced the euro by signing the Maastricht Treaty on 7 February 1992.

Despite the rapid realisation that an organisation of the monetary system in Western Europe (and in Turkey and Greece) was essential, opinions differed as to the path that should be taken to achieve this objective. Since the 1948 Hague Congress, dissensions on monetary issues between proponents of a more united Europe have come to light. Should a common currency be the crowning achievement of European economic unification, or should it be introduced at an earlier stage to underpin this unification by stimulating trade between the Member States? This opposition between ‘monetarists’ and ‘economists’ was at the heart of the monetary debates in Europe in the second half of the 20th century; it reflects the fact that a European monetary union had to be conceptualised in the absence of an existing political entity.

This divergence of opinion did not initially prevent some decisions from being taken. First, the United States and Europe had to tackle the question of how to fund reconstruction, for which the Europeans did not have the dollars to buy the equipment they needed. This problem, known as the ‘dollar gap’, was resolved by the Marshall Plan, which led to the establishment of the OEEC, and, for monetary matters, the European Payments Union.

The EPU was soon seen as being merely a temporary solution. Besides, the fledgling European integration process changed things: in 1951 six countries decided to pool their coal and steel output and envisioned to move to more far-reaching agreements. The ECSC and from 1957 the EEC gave a new impetus to the economic organisation of Western Europe, yet raised various monetary questions. For although the European Monetary Agreement of 1958 replaced the EPU and enabled the convertibility into gold and dollars of some European

currencies, it did not meet all the EEC's monetary needs. This was the reason for the establishment of a Monetary Committee and the introduction of some additional provisions for the coordination of monetary policies in the Treaty of Rome.

Yet the gradual establishment of the Common Market – the heart of the EEC – by its six members soon prompted the EEC Commission, and figures such as Jean Monnet, to reflect on subsequent stages. More so, because the international monetary system had entered a period of difficulties. Realising that the EEC needed a degree of monetary stability to build a customs union and to develop its common agricultural policy, the Commission and the Member States held discussions on the question of currencies in the 1960s. The road ahead would be a long one, and results did not come straight away. However, real progress was made with the creation of the Committee of Governors in 1964 that followed the Commission's Action Programme for the Second Stage and through the continued work of the Monetary Committee.

As time went on, the countries of Europe stepped up their discussions. Raymond Barre took over from Robert Marjolin, who had written chapter 8 of the Action Programme, and published recommendations to urge the Council of Ministers to address the monetary question. As the difficulties facing the dollar and the International Monetary System worsened, discussions resulted in the decisions taken at the Hague Summit of 1969. This meeting between the Heads of State or Government of the Six led to a period where the monetary cooperation process took on a political slant. The gradual decline of the IMS, its inability to guarantee the stability of monetary exchanges and the United States' adoption of a monetary policy that was incapable of safeguarding the IMS, forced politicians to address the thorny monetary question.

A committee was therefore set up – the Werner Committee – and tasked with examining the possibility of an economic and monetary union. The work of this committee and its repercussions, largely documented in this book, ultimately appeared to end in failure. Admittedly, it resulted in the creation of a 'European monetary snake' and the European Monetary Cooperation Fund. Yet the snake was destined to fail from the moment it was created and was soon reduced to a Mark zone, excluding the Italian lira, the British pound and the French franc.

If the 1950s and 1960s were characterised by a monetary waltz between technical experts, the political logic that prevailed after the Hague Summit was not really in line with the reasoning of technical experts. This showed in Pompidou's reservations concerning the Werner Plan. For although the French had been promoting a notion, albeit a vague one, of a European monetary identity since the 1960s, national sovereignty remained central to their thinking. More generally speaking, despite European integration being based on transfers of sovereignty, the supreme powers of the state had not yet been affected in real terms. These powers included one of the most symbolic of all, the right to mint coins. The dialectic between the need for greater monetary unity and national sovereignty reflected the difficulty in building a single currency without the existence of a political entity. Several of the documents reproduced in these pages focus on this vital question.

This political difficulty, which had been an issue since the early days of the European integration process, led to the Werner Plan stalling in 1973. Two years later, given the economic and inflationary divergences between France and Germany, building a monetary union without first addressing the question

of economic convergence seemed a dangerous prospect. The beginning of the 1970s also saw the official end of the international monetary system that had been established in 1944. In these changing circumstances the European monetary problem was still fundamentally the same as it had been all along: how could it be possible to have a common customs tariff, common policies such as the CAP, and relatively free movement of goods, capital and people, in a context of monetary instability?

This book therefore ends on a note of uncertainty. Nonetheless the EEC was to continue its quest for stability between currencies. The Werner Plan proved to be decisive, becoming a point of reference in the 1980s – all the more so because its failure in no way put an end to discussions on monetary issues. Although not held as frequently, these did not stop between 1973 and 1978. In 1978, negotiations led to the establishment of a European Monetary System (EMS). Moreover, the work of the Werner Group had shown that it was possible to overcome a major difference of opinion that had prevailed in Europe throughout the 20th century: the opposition between monetarists and economists, between proponents of a union built through currency and advocates of a union built by economic convergence which would culminate in a currency.

Although the EMS worked reasonably well, it did not fully resolve the vital question of European monetary stability. The driving force of the Franco-German duo, bogged down in difficult issues until 1985 over issues like the European contribution, enabled the now twelve Member States to forge ahead. The Single European Act of 1986 mentioned a common monetary policy, yet did not detail any specific plans. However, following the ratification of the Single Act a new committee was convened, chaired by Jacques Delors, President of the European Commission. At this point the importance of the Werner Plan became evident: Delors considered it the inspiration for his committee. In 1989 the ensuing Delors Plan laid the foundations for today's euro. For Werner himself, the Delors Plan appeared in line with his own monetary ideas. Yet this viewpoint must be substantially qualified: the Werner Plan referred to the 'social partners' – employers and employees – and described an economic and monetary union that was balanced in terms of economic policy and monetary policy. The Delors Report focuses primarily on monetary union.

But what chiefly sets the Delors Plan apart from the Werner Plan is an external factor, namely the political will of France and Germany to move towards a monetary union and to accept the loss of sovereignty that resulted from it. In the early 1990s French President François Mitterrand and German Chancellor Helmut Kohl played a role that Georges Pompidou and Willy Brandt had been unable to fulfil, one which Valéry Giscard d'Estaing and Helmut Schmidt instigated during the introduction of the European Monetary System ten years previous. Without this clear political will, it is unlikely that EMU would exist today.

The main thrust of the Delors Report was included in the 1992 Maastricht Treaty which paved the way for monetary union. This soon began to take shape with the adoption of the first measures: independence of the central banks, the establishment of the European Monetary Institute in 1994 and the European Central Bank in 1998. The final outcome of this process was the introduction of the euro, in several stages, between 1999 and 2002.

These events appeared to herald the dawn of a new monetary era. Indeed the crisis that began in 2008 even led to an initial strengthening of the euro

and the ECB. European countries that had refused to join the euro, including the United Kingdom, found themselves facing difficulties. Yet it is the absence of a common economic policy that has today put European monetary union in danger.

This is where the fundamental difference between the Werner and Delors Plans is particularly important. The debates that took place between 1945 and 1973 appeared to have resulted in the conclusions of the Werner Committee, underpinned by the idea of a balance between economic and monetary aspects. In this perspective, discussions from the 1960s onwards were held on the question of coordination between the budgets of the Community Member States, a matter that in 2012 is the subject of a new treaty. But the major paradigm shift in economic science in the 1970s – the transition from Keynesianism to monetarism – changed things considerably. The Bundesbank, which had to give its assent to any decisions on monetary union and had played an important role in this paradigm shift – did not drive the Delors Report to place more emphasis on economic policy.

At the time of writing Europe has not yet completed its quest for monetary stability, a vital element for a European Union that is growing ever larger. Moreover, the euro question now involves a range of other issues: European Union enlargement, which makes governance of the Union (and therefore of the euro) more difficult; and the democratic deficit of the European integration process as such, which is fuelling growing opposition to 'Brussels'. Enthusiasm for the European integration process, well represented in the 1950s and 1960s, has given way to a scepticism verging on hostility, endangering the entire process, including the Economic and Monetary Union. The 2005 referendums in France and the Netherlands have illustrated this sentiment.

In view of all this, the discussions raised in the collection of documents reproduced within these pages, dating from the 1940s to the 1970s, should also serve to help us understand the fortunes and misfortunes of a currency which seems to have forgotten that it is not merely a monetary arrangement but also has an economic and political role to play.



## Chronology of post-war monetary integration in Europe

### 1947

*18 November*

Agreement on Multilateral Monetary Compensation is signed between the Belgium-Luxembourg Economic Union, France, Italy and the Netherlands — first post-war agreement for inter-European Monetary Cooperation.

### 1948

*16 April*

The Organisation for European Economic Cooperation (OEEC) is established which was made responsible for the supervision of the distribution of Marshall Aid as well as the development of intra-European trade and the multilateralisation of payments.

### 1949

*10 December*

The Economic Cooperation Administration (ECA), is set up to administer Marshall Aid, issued the Bissell Plan which proposed a multilateral clearing system in which all payments between the member countries would be settled automatically on a monthly basis.

### 1950

*19 September*

The European Payments Union (EPU) is established by the members of the OEEC. EPU functions as a clearing system by facilitating the convertibility of European currencies and compensating and balancing payments between European countries. The union enters into force retrospectively on 1 July 1950.

### 1955

*2-3 June*

Messina Conference, which leads to the establishment of the Spaak Committee.

*5 august*

European Monetary Agreement (EMA) signed to continue monetary policy cooperation after the termination of EPU at the end of 1958.

### 1956

*21 April*

The Spaak Committee presents its report to the Foreign Ministers of the Six. The report is the first official document on monetary unification since the presentation of the Bissell-plan in 1949.

### 1957

*25 March*

The Treaty of Rome is signed.

- Article 67 lays down that the 'Member States shall progressively abolish between themselves all restrictions on the movement of capital'.
- Article 105 provides for the setting up of a Monetary Committee with advisory status to promote the coordination of monetary policies.
- Article 107 lays down that each Member State should treat its policy with

regard to rates of exchange as a matter of common concern.

### **1958**

*4 June*

First meeting of the Monetary Committee of the European Economic Community (EEC).

*27 December*

- Ten European countries restore the convertibility of their currencies as laid down in Article VIII of the Articles of Agreement of the International Monetary Fund.
- The EPU is replaced by the EMA. EMA establishes a European margin of fluctuation against the US dollar as well as a European Reserve Fund and a mechanism for multilateral settlements.

### **1960**

*9 March*

Council Decision on the establishment of the Short-Term Economic Policy Committee.

### **1961**

*July*

The Action Committee for the United States of Europe, chaired by Jean Monnet, calls for the set up a European Union of Monetary Reserves, as a prelude to a common monetary policy and a European currency.

### **1962**

*23 October*

Council Regulation on the value of the Unit of Account and the Exchange Rates to be applied for the purpose of the Common Agricultural Policy. Prices of agricultural products are to be expressed in a common unit defined by a fixed amount of gold. Amounts are to be expressed in Units of Account and converted into the national currencies of member states.

*24 October*

The Commission issues a memorandum on the Action Programme of the Community for the Second Stage defining monetary union as the third stage of unification. The report suggests that 'there needs to be a single currency, to ensure the success of the Common Market'.

### **1964**

*15 April*

Council Decision on the establishment of the Medium-Term Economic Policy Committee.

*8 May*

The Council issues several decisions in the monetary field:

- Council Decision on the establishment of the Committee of Governors of the Central Banks of the Member States of the European Economic Community.
- Council Decision on cooperation between the Member States in the field of budgetary policy, establishing the Budgetary Policy Committee.
- Council Decisions on cooperation between Member States in the field of international monetary relations and prior consultation on exchange rate changes.

**1968**

*30 June*

Council Regulation setting the conditions for alterations to the value of the Unit of Account used in the Common Agricultural Policy.

**1969**

*12 February*

The Commission submits to the Council of Ministers a memorandum on 'appropriate policy in the Community on current economic and monetary problems' (also known as the Barre Memorandum), recommending an alignment of economic policies and the establishment of a mechanism for Short-Term Monetary Support..

*5 March*

The Commission sends a Memorandum to the Council containing requirements and procedures for action in the field of capital in the context of a 'common market'.

*10 August*

Introduction of monetary compensatory amounts in order to avoid sudden changes in farm prices caused by abrupt changes in exchange rates between European currencies.

*1-2 December*

The Hague Summit. The Heads of State agree 'to take all necessary steps to achieve economic and monetary integration'.

**1970**

*2 January*

The Central Bank Governors sign an agreement establishing a system of Short Term Monetary Support.

*12 January*

The Snoy Plan — Proposal of Belgium to progress towards economic and monetary union by stages.

*12 February*

The Luxembourg Plan — Proposal of Luxembourg to progress towards economic and monetary union by stages.

*23 February*

The Schiller plan — Proposal of Germany to progress towards economic and monetary union by stages.

*24 February*

The Ministers of Finance of the EEC decides to establish an ad hoc committee for a closer examination of the various proposals and ideas on the creation of a monetary union.

*4 March*

Commission submits a memorandum to the Council putting forward a plan for the establishment of an economic and monetary union in three stages, with a timetable for the period from 1970 to 1978.

*6 March*

The Finance Ministers of the Six meet in Paris and assign a committee of experts presided by Pierre Werner to investigate how to progress towards economic and monetary union by stages.

*20 May*

Interim report of the Werner Group.

*9 June*

The Council of Ministers approves the interim report and gives the go-ahead for further discussions.

*1 August*

Ansiaux Report on the margins of exchange rate fluctuation between European currencies.

*8 October*

Official submission of the Werner Report ('Werner Plan').

*17 October*

The EEC's Medium-Term Economic Policy Committee adopts the preliminary draft of the EEC's third medium-term economic policy programme, covering the period 1971–75. This programme, closely linked to the Werner Plan, confirms that the 'plan by stages' has to be based on comprehensive quantitative guidelines which are valid for the whole of the Community and related to the main features of economic development.

*26 October*

The Werner Plan is presented to the Council of Foreign Affairs Ministers. Pierre Werner makes an explanatory statement.

*30 October*

Commission communication and proposals on the stage-by-stage implementation of economic and monetary union (the Werner Plan).

*3 December*

Session of the European Parliament, debate on the attainment by stages of the economic and monetary union of the Community (the Werner Plan). Adoption, by unanimous vote, of the draft resolution on the Werner Plan put forward by the Economic Affairs Committee.

*14 December*

The European Council approves the Werner Plan.

## **1971**

*22 March*

Resolution of the Council on the implementation of the Werner Plan. The Council adopts three decisions:

- Medium-term financial assistance;
- Strengthening of the coordination of short-term economic policies;
- Strengthening of cooperation between the Central Banks.

*15 Augustus*

US President Nixon ends the convertibility of dollars into gold; the Bretton Woods System came to an end.

*18 December*

The Smithsonian Agreement is signed in Washington set new parities between European currencies and the dollar.

## **1972**

*10 April*

Basle Agreement in which the Committee of Governors of the European Central Banks introduce an additional mechanism to narrow exchange rate fluctuation by setting up the European 'currency snake in the tunnel'. The currencies of the six participants are only allowed to fluctuate against each other by a margin of 2.25%, like the undulations of a snake. The margin is thus reduced by half of

what was agreed at the Smithsonian Institution in Washington.

*1 May*

The currencies of the accession countries Denmark, Great Britain and Ireland join the snake.

*23 June*

The British Pound drops out of the snake, followed by the Irish and Danish currencies.

*12 September*

The Ministers of Finance of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Denmark, Ireland, Norway and the United Kingdom agree to set up a European Monetary Cooperation Fund in the first stage of the economic and monetary union.

*19-21 October*

The European Council in Paris reconfirms the objective of an economic and monetary union.

*31 December*

EMA is terminated by the Organisation for Economic Cooperation and Development (OECD).

### **1973**

*19 March*

Breakdown of the Bretton Woods system. Many currencies abandon parities, EC-currencies no longer maintain the margin against the US dollar, the snake is released out of the tunnel.

*3 April*

Council Regulation establishes a European Monetary Cooperation Fund.

*30 April*

Commission communication to the Council on the progress achieved in the first stage of economic and monetary union, and on the measures to be taken in the second stage.

### **1974**

*9-10 December*

Conference of the Heads of State in Paris reaffirms the objective of EMU.

### **1975**

*8 March*

Report of the Study Group 'Economic and Monetary Union 1980', commonly called the Marjolin Report, states that 'Europe is no nearer to EMU than in 1969. In fact if there has been any movement it has been backward'.

*18 March*

The Council adopts a European unit of account based on a composite basket of the Community currencies. It will be used initially under the Lomé Convention and for European Investment Bank operations and will later be introduced gradually into other sectors of Community activity.

*29 December*

Tindemans Report on European Union, also considers economic and monetary policy.

**1977***27 October*

Lecture of Roy Jenkins, President of the European Commission, at the European University Institute in Florence on the prospects for European Monetary Union.

**1978***6-7 July*

The European Council in Bremen agrees on the French-German proposal to launch the European Monetary System (EMS).

**1979***13 March*

End of the Snake, start of the EMS. The eight participating Member States (the United Kingdom stays outside) are required to maintain their exchange rates within certain fluctuation margins. The European Currency Unit (ECU) is created, the value of which was determined by a basket of European currencies.

**1984***25-26 June*

The European Council of Fontainebleau agrees unanimously on the amount of compensation to be granted to the United Kingdom.

**1986***17 February*

The Single European Act is signed, providing for the completion of the frontier-free market by the end of 1992.

**1987***1 July*

The Single European Act enters into force.

**1988***27-28 June*

Decision by the Hanover European Council to set up an expert committee chaired by the Commission President, Jacques Delors, to study, and propose concrete stages towards, economic and monetary union.

**1989***12 April*

Presentation of the Report of the Delors Committee on economic and monetary union.

*8-9 December*

Strasbourg European Council decides to convene an Intergovernmental Conference before 1990 to draw up amendments of the Treaty for final stages of economic and monetary union.

**1990***25-26 June*

European Council in Dublin agrees to set up an Intergovernmental Conference on Political Union to work in parallel with that on Economic and Monetary Union.

*1 July*

The first phase of EMU is entered. It involves the removal of most of the remaining restrictions on capital movements, increases coordination of individual economic policies and intensifies cooperation between central banks.

*8 October*

Pound sterling joins the EMS exchange-rate mechanism.

*14-15 December*

Two Intergovernmental Conferences, one on Economic and Monetary Union and one on Political Union, are launched by the European Council in Rome.

**1991**

*9-10 December*

European Council in Maastricht reaches agreement on the draft Treaty on European Union: completion of economic and monetary union and introduction of the single European currency by 1999 at the latest. The United Kingdom opts out.

**1992**

*7 February*

The Treaty on European Union is signed in Maastricht. This Treaty establishes the conditions and the timetable for the introduction of the single European currency.

*16 September*

Black Wednesday — The United Kingdom is forced to withdraw sterling from the EMS exchange rate mechanism because it was not able to keep the currency above its agreed lower limit.

*17 September*

Italy withdraws its currency from the EMS exchange rate mechanism

**1993**

*1 January*

The Single Market establishing the free movement of persons, goods, services and capital enters into force.

*2 August*

The fluctuation margins within the EMS exchange rate mechanism are widened to 15% as a result of unrest on the financial markets.

*1 November*

The Treaty on European Union enters into force.

**1994**

*1 January*

The Second stage of EMU is entered and the establishment of the European Monetary Institute (EMI).

*26-27 May*

Inaugural conference for a Stability Pact in Europe is held in Paris.

*15 November*

European Monetary Institute Council meet for the first time in Frankfurt.

**1995**

*31 May*

The Commission adopts a Green Paper on the practical arrangements for the introduction of the single currency.

*10 July*

Council formally adopts broad economic policy guidelines and recommendations to 12 Member States with excessive public deficits.

*15-16 December*

European Council in Madrid agrees to name the European currency unit "Euro" and confirmed the introduction of the single currency on 1 January 1999.

**1996**

*6 November*

Commission report to the Council on convergence in the European Union in 1996 concludes that a minority of Member States meet the criteria for the introduction of the single currency by 1 January 1999.

*13-14 December*

European Council in Dublin agrees on a new exchange rate system and on a Stability and Growth Pact. It is also agreed to not enter the third stage of EMU in 1997 but as early as possible in 1998 because a majority of countries does not meet the criteria.

**1997**

*16-17 June*

The European Council in Amsterdam approves three resolutions and adopts regulations to enable the smooth transition to the third phase of EMU. The Stability and Growth Pact is adopted to ensure budgetary discipline after creation of the euro, as well as a new exchange rate mechanism.

*2 November*

The signing of the Treaty of Amsterdam completed the Treaty on European Union.

**1998**

*1 May*

European Finance Ministers decide that 11 countries will participate in the euro.

*4 June*

First meeting of the Euro-11 group made up of ministers of the Member States that will participate in the third stage of EMU.

**1999**

*1 January*

With the creation of the euro-Area, the ECU ceases to exist. The euro is adopted as a currency in the international exchange markets.

**2002**

*1 January*

The euro bank notes and coins are brought into circulation.

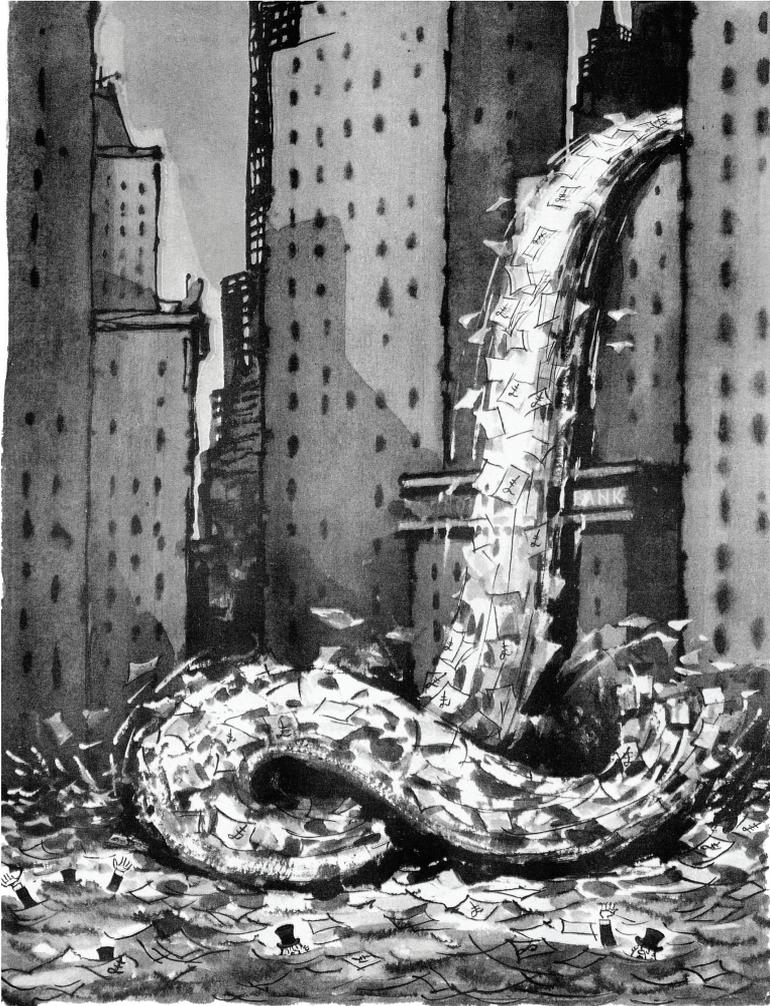


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ДУНТОПАД

Рисунок Г. ЛОМИДЗЕ

Cartoon by Lomidze in the Soviet weekly magazine Krokodil which vividly illustrates the falling of the pound out of the European currency snake in June 1972 and the resulting monetary crisis in the European Community.

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## List of abbreviations

AME	Accord monétaire européen (EMA)
BEB	Directorate-General of Foreign Economic Relations of the Netherlands Ministry of Economic Affairs
BIS	Bank for International Settlements (BRI)
BLEU	Belgium-Luxembourg Economic Union (UEBL)
BRI	Banque des règlements internationaux (BIS)
CAP	Common Agricultural Policy (PAC)
CE	Communauté Européenne (CE)
CECA	Communauté Européenne du Charbon et de l'Acier (ECSC)
CEE	Communauté Économique Européenne (EEC)
DTS	Droits de Tirage Spéciaux (SDR)
EAGGF	European Agricultural Guidance & Guarantee Fund (FEOGA)
EC	European Community/Communities (CE)
ECA	European Cooperation Administration / Administration de Coopération Économique
ECSC	European Coal & Steel Community (CECA)
EEC	European Economic Community (CEE)
EMA	European Monetary Agreement (AME)
EMCF	European Monetary Cooperation Fund (FECOM)
EMI	European Monetary Institute (IME)
EMS	European Monetary System (SME)
EMU	Economic and Monetary Union (UEM)
EPU	European Political Community (CEP)
EPU	European Payments Union (UEP)
ERDF	European Regional Development Fund (FEDER)
ERP	European Recovery Program
EU	European Union (UE)
EWG	Europäische Wirtschaftsgemeinschaft (EEC/CEE)
FECOM	Fonds Européen de Coopération Monétaire (EMCF)
FEDER	Fonds Européen de Développement Économique & Régional (ERDF)
FEOGA	Fonds Européen d'Orientation et de Garantie Agricole (EAGFF)
FMI	Fonds Monétaire International (IMF)
FRG	Federal Republic of Germany (RFA)
GDR	German Democratic Republic (RDA)

HMG	Her/His Majesty's Government (United Kingdom)
IME	Institut Monétaire Européen (EMI)
IMF	International Monetary Fund (FMI)
IMS	International Monetary System (SMI)
LMU	Latin Monetary Union (UL)
OECE	Organisation européenne de coopération économique (OECE)
OEEC	Organization for European Economic Cooperation (OECE)
PAC	Politique Agricole Commune (CAP)
REA	Council for Economic Affairs, sub-council of the Netherlands Council of Ministers
RFA	République Fédérale d'Allemagne (FRG)
SCU	Scandinavian Currency Union
SDR	Special drawing rights (DTS)
SME	Système Monétaire Européen (EMS)
SMI	Système Monétaire International (IMS)
TVA	Taxe à la Valeur Ajoutée (VAT)
UCE	Unité de Compte Européenne (ECU)
UE	Union Européenne (EU)
UEBL	Union Économique Belgo-Luxembourgeoise (BLEU)
UEM	Union Économique et Monétaire (EMU)
UEP	Union Européenne des Paiements (EPU)
UK	United Kingdom
UL	Union Latine (LMU)
US/USA	United States (of America; États-Unis)
VAT	Value Added Tax (TVA)



## Index of personal names

- Acheson, Dean Gooderham* (1893-1971): U.S. Secretary of State (1949-1953)
- Adenauer, Konrad* (1876-1976): Mayor of Cologne (1917-1933), Chancellor (1949-1963) and Minister of Foreign Affairs of the Federal Republic of Germany (1949-1955)
- Alphand, Hervé* (1907-1994): Director of Economic Affairs at the Ministry of Foreign Affairs of France (1944-1950)
- Ansiaux, Hubert* (1908-1987): Governor of the Central Bank of Belgium (1957-1971), Chairmen of the Committee of Governors of the Central Banks of the EEC (1967-1971) and Member of the Werner Committee (1970)
- Barber, Anthony* (1920-2005): Chancellor of the Exchequer (Minister of Finance) of the United Kingdom (1970-1974)
- Barre, Raymond* (1924-2007): French European Commissioner responsible for Economic Affairs and Finance (1967-1973)
- Baumgartner, Wilfrid* (1902-1978): Governor of the Banque de France (1949-1960), Minister of Economics and Finance of France (1960-1962)
- Bech, Joseph* (1887-1975): Minister of Foreign Affairs (1926-1959) and Prime Minister of Luxembourg (1953-1959)
- Beyen, Jan Willem* (1897-1976): Minister of Foreign Affairs of the Netherlands (1952-1956)
- Bidault, Georges* (1899-1983): Minister of Foreign Affairs of France (1953-1954)
- Bloch-Lainé, Jean-Michel* (1936): Official at the Treasury of France (1967-1970 and 1971-1976)
- Blücher, Franz* (1896-1959): Vice-Chancellor of the Federal Republic of Germany and Federal Minister for Marshall Plan Affairs (1949-1953)
- Bonnet, Henri* (1888-1978): French Ambassador to the United States (1944-1954)
- Brandt, Willy* (1913-1992): Chancellor of the Federal Republic of Germany (1969-1974)
- Braun, von, Sigismund Freiherr* (1911-1998): Secretary of State of Foreign Affairs of the Federal Republic of Germany (1970-1972)
- Briand, Aristide* (1862-1932): Minister of Foreign Affairs of France (1925-1932)
- Brouwers, Gerardus* (1908-1991): Secretary General of the Ministry of Economic Affairs of the Netherlands (1949-1973), Chairman of the Short-term Economic Policy Committee of the EEC (1970) and Member of the Werner Committee (1970-1971)
- Brown, George* (1914-1985): Secretary of State of Foreign Affairs of the United Kingdom (1966-1968)
- Caesar, Julius* (100-44 BC): dictator/consul of the Roman Empire (49-44 B.C.)
- Clappier, Bernard* (1913-1999): Vice-Governor of the Banque de France (1964-1973), Chairman of the Monetary Committee of the EEC (1969-1973) and Member of the Werner Committee (1970)
- Colin, Fernand* (1897-1990): Professor of Law at Leuven University (1927-1952), Chairman of the Kredietbank Belgium (1938-1973), Director-General of Imperial Products (since 1968 Continental Foods)
- Colombo, Emilio* (1920): Minister of Finance of Italy (1963-1970)
- Coudenhove-Kalergi, Richard Nicolaus* (1894-1972): President of the

Paneuropean Union (1923-1972)  
*Cripps, Richard Stafford* (1889-1959): Chancellor of the Exchequer (Minister of Finance) of the United Kingdom (1947-1950).  
*Dahlgrün, Rolf* (1908-1969): Minister of Finance of the Federal Republic of Germany (1962-1966)  
*Delors, Jacques* (1925): Minister of Economics and Finance of France (1981-1984), President of the European Commission (1985-1995)  
*Deutsch, Otto*: Economic expert of the Paneuropean Union (1927)  
*Drees, Willem* (1886-1988): Prime Minister of the Netherlands (1948-1958)  
*Drees jr., Willem* (1922-1998): Treasurer at the Ministry of Finance of the Netherlands (1969-1971)  
*Elvinger, Pierre* (1903-1967): Leader of the Luxembourg delegation to the Council for Economic Cooperation (1945)  
*Emminger, Otmar* (1911-1986): Vice-president of the Deutsche Bundesbank (1969-1977), president of the Deutsche Bundesbank 91977-1979)  
*Erhard, Ludwig Wilhelm* (1897-1977): Minister of Economic Affairs (1949-1963) and Chancellor of the Federal Republic of Germany (1963-1966)  
*Esquirou de Parieu, Felix* (1815-1893): Vice-President of the State Council of France (1855-1870)  
*Eyskens, Gaston* (1905-1988): Prime Minister of Belgium (1968-1972)  
*Ferrari-Agradi, Mario* (1916-1997): Secretary of Treasury of Italy (1970-1972)  
*Filippi, Jean* (1905-1993): Chief of the Cabinet of Maurice Petsche, French Minister of Finance and Economic Affairs (1949-1950)  
*Fürstenberg, Hans* (1890-1982): Director-Banker of the Berliner Handelsgesellschaft (1919-1936)  
*Gaulle, de, Charles* (1890-1970): Prime-Minister of France(1958-1959) and President of France(1959-1969)  
*Giscard d'Estaing, Valéry* (1926): Minister of Economics and Finance of France (1969-1974), President of France (1974-1981)  
*Grazzi, Umberto* (1896-1963): Director-General of Economic Relations of the Ministry of Foreign Affairs of Italy (1947-1950)  
*Gutt, Camille* (1884-1971): Minister of Finance of Belgium (1939-1944), Managing Director of the International Monetary Fund (1946-1951)  
*Hallstein, Walter* (1901-1982): German President of the European Commission (1958-1967)  
*Hartogh, Abraham Frans Karel* (1913-?): Director General of the Direction for European Integration of the Ministry of Foreign Affairs of the Netherlands (1962-1973).  
*Heath, Edward* (1916-2005): Prime Minister of the United Kingdom (1970-1974)  
*Hoffman, Paul Gray* (1891-1974): Director of the European Co-Operation Administration (1948-1950)  
*Keesing, Frans Arnold George* (1913-1972): Ministerial advisor at the Ministry of Finance of the Netherlands (1946-1948).  
*Keynes, John Maynard* (1883-1946): British economist, official at the Treasury of the United Kingdom (1915-1946), Member of the British delegation to the Bretton Woods conference (1944)  
*Kennedy, John Fitzgerald* (1917-1963): President of the United States of America (1961-1963)  
*Koster, de, Hans* (1914-1992): State Secretary of the Ministry of Foreign Affairs of the Netherlands, charged with European Affairs (1967-1971)

*Kohl, Helmut* (1930): Chancellor of the Federal Republic of Germany (1982-1998)

*Lang, Ernst Maria* (1916): Cartoonist of the *Süddeutsche Zeitung* (1947-2003).

*Lieftinck, Piet* (1902-1989): Minister of Finance of the Netherlands (1945-1952)

*Luns, Joseph* (1911-2002): Minister without portfolio at the Ministry of Foreign Affairs of the Netherlands (1952-1956) and Minister of Foreign Affairs of the Netherlands (1956-1971)

*Malfatti, Franco Maria* (1927-1991): Italian President of the European Commission (1970-1972)

*Mansholt, Sicco Leendert* (1908-1995): Dutch European Commissioner responsible for Agriculture (1958-1973); Dutch President of the European Commission (1972-1973)

*Marjolin, Robert* (1911-1986): French European Commissioner responsible for Economics and Finance (1958-1967).

*Marshall, George Catlett* (1880-1959): U.S. Secretary of State (1947-1949)

*Mendès-France, Pierre* (1907-1982): Prime Minister and Minister of Foreign Affairs of France (1954-1955)

*Merkel, Angela Dorethea* (1954): Chancellor of the Federal Republic of Germany (2005-present)

*Mertens de Wilmars, Jacques* (1917-1986): Professor at Leuven University, Economic advisor at the National Bank of Belgium, Deputy of Baron Ansiaux in the Werner Committee (1970)

*Mitterrand, François Maurice* (1916-1966): President of France (1981-1995)

*Möller, Alex* (1903-1985): Minister of Finance of the Federal Republic of Germany (1969-1972)

*Monnet, Jean* (1888-1979): French President of the High Authority of the European Coal and Steel Community (1952-1955); President of the Action Committee for the United States of Europe (1955-1975).

*Mosca, Ugo* (1914-?): Italian Director-General of Economic and Financial Affairs of the European Commission (DG-II) (1967-1979)

*Napoléon Bonaparte, Charles Louis (Napoléon III)* (1808-1873): Emperor of France (1852-1870)

*Parker Willis, Henry* (1874-1937): American financial expert, Journalist at the *Journal of Commerce* (1902-1931), Professor of Economics at George Washington University (1898-1903)

*Pedini, Mario* (1918-2003): State Secretary of Foreign Affairs of Italy (1968-1974)

*Pella, Giuseppe* (1902-1981): Minister of Treasury of Italy (1948-1951 and 1952-1953), Minister of Budget of Italy (1948-1954)

*Pescatore, Henriette* (1914-1984): spouse of Pierre Werner

*Petsche, Maurice* (1895-1951): Minister of Finance and Economic Affairs of France (1949-1951)

*Pompidou, Georges Jean Raymond* (1911-1974): President of France (1969-1974)

*Posthumus-Meyjes, Herman Christiaan* (1927) Deputy Chief of the Direction for European Integration of the Ministry of Foreign Affairs of the Netherlands (1967-1972)

*Prato, Eugenio* (1903-??) Italian President of the Economic sub-Commission of the Conference for the European Political Community, Rome (1953)

*Rist, Charles* (1874-1955): French economist. Professor at the University of

Montpellier and Sorbonne University (Paris), Deputy Governor of the Banque de France (1926-1929)

*Rueff, Jacques* (1896-1978): French economist, Judge at the European Court of Justice (1952-1962), Advisor of the French President Charles de Gaulle (1958)

*Scaruffi, Gasparo* (1519-1584): Author of *l'Alitinfo* (1582)

*Schaik, van, Robert Jan* (1927): Deputy Chief (1963-1967) and Chief of the Direction Economic Cooperation of the Ministry of Foreign Affairs of the Netherlands (1967-1978)

*Scheel, Walter* (1919): Minister of Foreign Affairs of the Federal Republic of Germany (1969-1974)

*Schiller, Karl* (1911-1994): Minister of Economic Affairs of the Federal Republic of Germany (1966-1972)

*Schmidt, Helmut* (1918): Chancellor of the Federal Republic of Germany (1974-1982)

*Schöllhorn, Johann Baptist* (1922-2009): Secretary of State at the Ministry of Economic Affairs of the Federal Republic of Germany (1967-1972), Chairman of the Medium-Term Economic Policy Committee of the EEC (1970) and Member of the Werner Committee (1970-1971)

*Schuman, Robert* (1886-1963): Minister of Foreign Affairs of France (1948-1953) and President of the European Parliament (1958-1960)

*Schumann, Maurice* (1911-1998): Minister of Foreign Affairs of France (1969-1972)

*Smith, Adam* (1723-1790): Scottish economist, writer of 'An Inquiry into the Nature and Causes of the Wealth of Nations' (1776)

*Snoy et D'Oppuers, Jean-Charles* (1907-1991): Minister of Finance of Belgium (1968-1971)

*Spaak, Paul-Henri* (1899-1972): Minister of Foreign Affairs of Belgium (1954-1957), Chairman of the Intergovernmental Committee established by the Messina Conference (Spaak-Committee) (1955-1956)

*Spiereburg, Dirk* (1909-2001): Director General of the Foreign Economic Relations at the Ministry of Economic Affairs of the Netherlands (1949-1952); Member of the High Authority of the ECSC (1952-1962), Permanent Representative of the Netherlands to the European Communities (1963-1971)

*Stammati, Gaetano* (1908-2002): Chairman of the Budget Policy Committee of the EEC (1970) and Member of the Werner Committee (1970-1971)

*Stikker, Dirk Uipko*: (1897-1979): Minister of Foreign Affairs of the Netherlands (1948-1952)

*Stresemann, Gustav* (1878-1929): Minister of Foreign Affairs of Germany (1923-1929)

*Suetens, Maximilien* (1891-?): Director-General for Foreign Trade at the Belgian Ministry of Foreign Affairs (1945)

*Tietmeyer, Hans* (1931): Official at the Ministry of Economic Affairs of the German Federal Republic (1962-1982)

*Tjarda van Starckenborgh Stachouwer, Jhr. Alidius Warmoldus Lambertus* (1888-1978): Ambassador for the Netherlands in Paris (1946-1948)

*Triffin, Robert* (1911-1993): Economist of Belgian origin, Professor at Yale University (USA) (1951-1977), Advisor to U.S. President J.F. Kennedy (1961-1963)

*Vredenberg van der Horst, Jan Willem* (1922-2002): Administrator at the Directory of General Economic and Financial Policy of the Ministry of Finance of the Netherlands (1970-1972)

*Werner, Pierre* (1913-2002): Minister of Finance of Luxembourg (1953-1974), Prime Minister of Luxembourg (1959-1974) and President of the Werner Committee (1970)

*White, Harry Dexter* (1892-1948): American economist and Director of Monetary Research and Special Assistant to Secretary of the U.S. Treasury (1941-1945), U.S. Director of the International Monetary Fund (1946-1947)

*Wigny, Pierre* (1905-1986): Minister of Foreign Affairs of Belgium (1958-1961)

*Witteveen, Johan* (1921): Minister of Finance of the Netherlands (1963-1965 and 1967-1971), Director-General of the International Monetary Fund (1973-1978)

*Zijlstra, Jelle* (1918-2001): President of the Nederlandsche Bank (1967-1981), Chairman of the Board of the Bank for International Settlements (1967-1981)





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**Mari Smits** (1961) studied History at the University of Nijmegen (now Radboud University), where he gained his PhD in 1996. He did field research in Brazil and worked at the Radboud University and the Institute of Netherlands History in The Hague. Now he is researcher at Huygens ING, where he is working on a digital source publication on Netherlands foreign policy on European integration.

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The creation of the euro area in 1999 and the subsequent introduction of the euro as a common currency in 2002 were results of a long process of preparation that went back as far as 1947. On the basis of original documents stored in archives in several European countries, this book traces and explains the discussions in the formative years of both the ideas for a monetary union and of the European integration process as such. Its contents reveals that the basic issue to be resolved has remained the same over time: how to organize effective monetary cooperation between ultimately sovereign states.

The result of an international cooperative effort of two research institutes, Huygens ING from the Netherlands and the Centre Virtuel de la Connaissance sur l'Europe from Luxembourg, this is the first book to appear on this topic that combines official documents with in-depth archival sources. Foremost among them are the personal notes of Pierre Werner, chairman of the Committee for the Realisation in Stages of Economic and Monetary Union in the Community that in 1970 produced the ground-breaking report on how to proceed in this unique European process.

ISBN 9789052161808