

Pierre Werner (1913-2002) was Luxembourg Prime Minister and Finance Minister over three decades. He played a key role in shaping contemporary Luxembourg and European integration, gaining a reputation as a consensus-builder and for his innovative thinking on economic diversification and monetary policy. From the early 1950s, Werner argued the case for a comprehensive European monetary system with a common currency and a clearing house for central banks. He chaired the committee set up by the European Communities to draft a plan for the establishment of economic and monetary union (EMU), whose work led to the influential 1970 Werner Report, a blueprint for EMU and the euro.

### **Formative years**

Pierre Werner was born on 29 December 1913 in Saint-André-lez-Lille, France, to Luxembourgish parents Anne-Marguerite Schmit (1891-1978) and Henri Werner (1886-1947).

When the First World War broke out, the family returned to Luxembourg and Henri Werner established a successful oil products company. Surrounded by a loving, cultured family, Pierre started primary school in Luxembourg City in 1920 and then attended the *Ecole industrielle et commerciale* (now the *Lycée de Garçons de Luxembourg*) from 1926 to 1932, as his father imagined that he would follow in the family business. Pierre's secondary education focused heavily on maths, science and law, and in addition to the country's three languages (Luxembourgish, French and German) he also learned English and Italian. After obtaining his school certificate with outstanding results, his teachers encouraged him to complete additional secondary studies at a less vocational school to open up a broader range of career prospects. So he joined the Latin section of the prestigious *Athénée* in Luxembourg City for a further year and completed his baccalaureate in 1933. In 1934, after a preparatory law course in Luxembourg, he continued his legal studies at the University of Paris, where from 1935 to 1937 he also attended courses at the *École libre des sciences politiques* (now *Sciences Po*), and in January 1938 he obtained a doctorate in Law in Luxembourg. Werner was particularly interested in business management and private and public finance, and he forged close links with many of his professors, including the economists Jacques Rueff (1896-1978) (a leading 20th-century French liberal and future adviser to President de Gaulle), Wilfrid Baumgartner (1902-1978) (future Governor of the Banque de France and French Finance Minister) and Charles Rist (1874-1955) (an international monetary and financial expert) and the geographer André Siegfried (1875-1959) (Collège de France), all of whom influenced his intellectual development and sparked his interest in economic and monetary issues.

After joining the Association of Catholic University Students (*Akademikerverein – AV*) in 1933, Werner was elected secretary-general of the AV in 1934 and served as president from 1935 to 1937. He also became vice-president of *Pax Romana*, the international movement of Catholic students, in 1937. Within the AV, Werner forged long-term bonds with his peers, including Lambert Schaus (1908-1976), future minister in the Dupong government and European Commissioner (1958-1967); Tony Biever (1908-1990), future secretary of the parliamentary group of the Christian Social People's Party (CSV); and Georges Heisbourg (1918-2008), future Ambassador to the United States and Secretary-General of WEU. (Schmitz 2008). He also met leading political figures like Pierre Dupong (1885-1953), founder member of the AV and Prime Minister of Luxembourg (1937-1953). The AV was a professional and cultural association rooted in social

Catholicism, but it nevertheless spawned a number of politicians of various stripes. While in Paris, Werner lived at the *Fondation Biermans-Lapôtre* (a Belgian student residence), where he played an active role in the history club (*Cercle historique*) led by Luxembourgers Joseph Guill and Georges Bourg. He attended lectures by prominent French philosopher Jacques Maritain, and he volunteered with the *Équipes sociales* charity run by Robert Garric. From that time on, Werner's approach to politics was strongly influenced by the principles of social Catholicism.

On his return to Luxembourg, Werner completed a legal internship, and in 1938 he secured a second six-month internship at the Banque Générale de Luxembourg (BGL). With the outbreak of WWII, he ended up staying there until 1944, receiving on-the-job banking training. Werner was able to see how the legislation introduced by the German occupiers was affecting Luxembourg. He also witnessed at first hand the replacement of the Luxembourg franc by the Reichsmark. Werner was involved in demonstrations against the German occupation, and with Georges Heisbourg he co-signed a letter of protest by the AV on 10 August 1940 against the forced Germanisation of Luxembourg. The AV was dissolved by the occupying forces (Heisbourg, 1984). During the war, Werner was approached by the Martin network of the French Resistance and managed to pass a report on the monetary, financial and banking situation in Luxembourg in 1942 to the government-in-exile in London (*Rapport*, 1942).

Werner and fellow Luxembourg banker Alphonse Weicker (1871-1973) refused the order to join the *Heim ins Reich* Nazi movement. Although they feared persecution, they avoided Nazi repression, partly because of Deutsche Bank's interest in the BGL (during WWII, half of the 59.2% stake in BGL owned by Société Générale de Belgique (SGB) was acquired by Deutsche Bank) but also because of the intervention of Hermann J. Abs (1901-1994), a member of Deutsche Bank who became chairman of the BGL Board and prevented repercussions for Luxembourgers who refused to enrol in Nazi organisations (Werner, 1992; Schoentgen, 1994). The Werner family was nevertheless personally affected by the war: on 15 January 1945, Pierre's younger brother Henri (born in 1925), a forced recruit to the *Arbeitsdienst*, was killed in Eastern Prussia (Frank, 1988).

### **Father of the nation and pioneer of European integration**

After the Liberation, Léon Schaus (1905-1982), Secretary-General of the government, recruited Werner as an attaché to the Ministry of Finance. In 1945, Prime Minister and Finance Minister Pierre Dupong asked him to produce a report on the reorganisation of the Luxembourg banking system and subsequently tasked him with implementing the recommendations of the report as head of the Banking Control Commission from 1946 to 1949. His work included establishing an authority to oversee the credit market and developing international financial relations. He was also involved in the reintroduction of the franc and the re-establishment of Luxembourg's state bank, the Banque et Caisse d'Épargne de l'État. In this capacity, Werner represented Luxembourg in international negotiations, especially within the Belgium-Luxembourg Economic Union (BLEU) and the Benelux (a precursor to European economic and monetary union), as well as with Switzerland. Werner also became an adviser on financial affairs to the Luxembourg Prime Minister, and he was familiar with the Bretton Woods institutions. In 1947, Werner secured a \$12.7

million loan from the International Bank for Reconstruction and Development (IBRD) for Luxembourg's post-war reconstruction (World Bank Group Archives, 1958).

In the late 1940s, as a government adviser and acting secretary to the Council of Ministers, Werner was increasingly involved in the upper echelons of political leadership in Luxembourg. He became familiar with areas of policy and strategy and worked closely with Prime Minister Dupong, who saw in Werner a natural successor as Finance Minister.

On 29 December 1953, Werner was appointed as Minister for Finance (and the Armed Forces) in the government formed by Joseph Bech (1887-1975) following the sudden death of Pierre Dupong, marking the start of a decades-long career as a statesman that would be dominated by public finance and European integration. He headed the CSV list of candidates in the parliamentary election on 1 February 1959 and became Prime Minister as his party remained the strongest political force of the country.

For a total of twenty years, from 1959 to 1974 and 1979 to 1984, he led the coalition governments formed by the CSV with either the Liberals (DP) or the Socialists (LSAP). As is usually the case in Luxembourg, his role as Prime Minister was combined with other ministerial portfolios: he was Minister for Finance (1959-1964 and 1969-1974), for the Treasury (1964-1969 and 1979-1984) and for Foreign Affairs and Justice (1964-1967), as well as for the Civil Service (1967-1969) and for Cultural Affairs (1969-1974 and 1979-1984). Werner joined the CSV in 1945 and chaired the parliamentary group during the years in opposition (1974-1979), but he never held an official leadership position within the party.

As Finance Minister and Prime Minister, Werner worked actively, alongside Pierre Dupong and subsequently Paul Elvinger (1907-1982) to diversify an economy dominated by the steel industry (by implementing new industrial activities such as those developed by American companies Good Year and DuPont de Nemours), consolidating Luxembourg's transformation into a banking centre and then an international financial centre from the 1960s onwards, developing the audiovisual sector, establishing the satellite project and promoting the idea of a Luxembourg shipping flag. As early as the 1950s, he advocated for the establishment of a European monetary system based on a unit of account (for both official and private usage) and a clearing house for central banks. Monetary policy was key to his government's action, and the burgeoning Luxembourg financial centre became a laboratory for a European currency unit (Luxembourg was the first country to issue international bonds in European units of account (EUAs)) (Danescu, 2012).

Werner had a unique approach to economic and monetary affairs that was built on his own ideas, input from influential figures and the singular situation of Luxembourg, which did not have its own central bank or national currency. By summer 1961 he was in contact with Robert Triffin (1911-1993) and Jean Monnet (1888-1979) and was familiar with the proposal by the Action Committee for the United States of Europe (ACUSE) for the establishment of a European union of the monetary reserves of the six EEC Member States. In 1962, Werner proposed the idea of an EEC monetary cooperation fund that could lead to a common monetary policy. Three years later, as President-in-Office of the Council of the EEC, Werner became the first head of government to emphasise the importance of monetary integration in the

Community. In 1968, he put forward a plan for European monetary integration that emphasised the need for parallel movement between economic and monetary policy (Danescu, 2016).

From 1960 to 1974 and in 1980 Werner chaired five Luxembourg Presidencies of the Council and intervened as a mediator at European level on several occasions. He left his mark in a number of key areas, including the merger of the Community executive bodies and the battle over the seats of the institutions in 1965, the decision to make Luxembourg one of the permanent capitals of the European institutions, the 1966 'Luxembourg Compromise' (based on a Benelux strategy of mediation), the establishment of the EIB headquarters in Luxembourg in 1968 and the 1970 Werner Report. In 1983, the Werner government successfully redefined the economic and monetary doctrine of the BLEU (after Belgium's unilateral decision to devalue its currency, which had a major impact on the monetary association with Luxembourg), leading to the establishment of the Luxembourg Monetary Institute (IML), which operated until 1998, when Luxembourg opened a full central bank as a member of Economic and Monetary Union.

Werner's longevity as Prime Minister and commitment to European integration earned him a role in influential political networks, think tanks and expert groups, including the exclusive central bankers "club", the Monnet Committee (ACUSE) and the European League for Economic Cooperation (ELEC).

In his last term as Prime Minister (1979-1984), Pierre Werner focused on the post-industrial transition in Luxembourg. Werner brought Jean-Claude Juncker, aged just 28, into the government as Junior Minister for Labour and Social Security. In July 1984, Werner withdrew from politics, passing the torch to Jacques Santer (born 1937). He remained active in public affairs, helping to promote EMU and the euro (he jointly chaired the ECU Institute in Lyon alongside Raymond Barre (1924-2007)) and develop the audiovisual sector, especially through the *Société Européenne des Satellites*.

Pierre Werner's family was a great support to him throughout his lengthy career: he married Henriette Pescatore (1914-1984) in 1939 and they had five children.

Pierre Werner passed away on 24 June 2002 in Luxembourg City.

### **The Werner Report – a blueprint for EMU**

At the Hague Summit on 1-2 December 1969, the Heads of State tasked the Council of the European Communities with drafting a plan by stages for the establishment of an economic and monetary union over a ten-year period. An ad hoc committee was set up to work on the plan, composed of the leaders of the EEC committees and their deputies, all of whom also held national offices. The members were Bernard Clappier, Chairman of the EEC Monetary Committee and Deputy Governor of the Banque de France; Hubert Ansiaux, Chairman of the Committee of Governors of the Central Banks and Governor of the National Bank of Belgium; Johann Schöllhorn, Chairman of the Medium-Term Economic Policy Committee and German Junior Minister for Economics, with Hans Tietmeyer as alternate; Gerard Brouwers, Chairman of the Anti-Cyclical Policy Committee and Dutch Junior Minister for Economics; and Gaetano Stamatì, Chairman of the Budgetary Committee and Treasurer-General in the Italian Ministry of the Treasury. The

Commission was represented by the Director-General for Economic Affairs, Ugo Mosca. The experts and their alternates sat on the committee in an individual capacity and were fully independent. Werner was appointed as chairman, reflecting his strong reputation as an expert and consensus builder (Danescu, 2019). In early 1970, before the first meeting of the committee, several governments published plans for an economic and monetary union, often named after finance ministers (the 'Snoy Plan' from Belgium, the 'Schiller Plan' from Germany and the 'first Werner Plan' from Luxembourg). The European Commission also published the Barre Plans.

On 8 October 1970 in Luxembourg, after seven months of discussions, Werner officially presented the plan by stages for an economic and monetary union (EMU) in the European Community. Alongside his role as chairman and mediator, Werner made several key contributions to the substance of the plan: the comparative overview, parallel approach, balanced final outcome and external dimension of EMU all bore his imprint (Danescu 2019).

The Werner Report presented the principles and stages of an EMU based on irreversibility and perfect symmetry between economic and monetary aspects, with political union as the ultimate goal. It envisaged a 'centre of decision for economic policy' that would be 'politically responsible to a European Parliament' elected by universal suffrage, as well as an independent 'Community system for the central banks'. It insisted on strong macroeconomic governance, rooted in coordinated budgetary and monetary policies, and full financial integration. It also contained a social dimension, with the 'social partners' (employers and unions) involved in defining economic and monetary policy (Danescu, 2015). This was probably based on the Luxembourg model, which was rooted in ordoliberalism with a touch of Keynesianism.

Although the Werner Report was ultimately not implemented, it led to the establishment in 1973 of the European Monetary Cooperation Fund in Luxembourg – the embryo of the future European Central Bank. This institutional architecture was inspired by Triffin's reflections on a European reserve fund in 1948, subsequently developed through discussions with Werner and Monnet. The three were committed to the European cause and shared a vision of an EMU rooted in 'perfect parallelism', democratic strength and a social dimension.

The Werner Report was effectively shelved in 1974 following the collapse of the Bretton Woods system and the energy crisis. Some attribute the short-term failure of the report to an overly centralist vision and a refusal to acknowledge the difficulties in reconciling national sovereignty and the Community interest (Ghymers, 2015), or to 'intrinsic weaknesses' (Baer & Padoa-Schioppa, 1988), but it largely inspired the 1989 Delors Report and the 1992 Maastricht Treaty, which led to the creation of the European Central Bank on 1 June 1998 and the introduction of the euro on 1 January 1999.

### **A man of his times**

Pierre Werner was one of the rare statesmen to be associated with all the major developments in European integration from the 1950 Schuman Plan to the 1984 Fontainebleau European Summit. His decades-long political career and capacity for influence saw him play a major role in both regional

integration (within the BLEU and Benelux) and EEC policy-making, and he became known for his ability to forge political consensus between larger powers, especially Germany and France, and diametrically opposed positions ('economists' versus 'monetarists' during the development of EMU). This enabled him to defend Luxembourg's vital interests, from the steel industry to the financial centre and the seats of the European institutions.

Werner exerted his influence at various levels of decision-making in the European Community, becoming a key figure in debates on monetary policy. He was one of the first to argue for a symmetrical economic and monetary union and for the 'effective parallelism' principle (Tietmeyer, 2015). The Werner Plan inspired further thinking on monetary integration in Europe and paved the way for subsequent political and scholarly initiatives (Werner, 1989).

As Jacques Delors (1925-2023) stated, '[In the report by the Delors Committee] ... we agreed on the three stages taken over from the Werner Report: stage one, devoted to enhancing coordination, from 1 July 1990; stage two, a transition stage on the way to the final stage, preparing the ground for what were ultimately to be the institutions for EMU; and the last stage, at which the exchange rates between the currencies themselves and between them and the single currency would be laid down irrevocably' (Delors, 2004). The Werner Report and the Delors Report were key milestones in the lengthy development of an economic and monetary union in Europe. But despite many similarities, there were considerable differences between the two plans, with the Werner Report arguing for supranational monetary and economic pillars and the Delors Report focusing on the monetary pillar. The weaknesses identified in the Werner Report – a lack of momentum, ambiguities over institutions and insufficient constraints on national policy choices – continue to dominate the EU today (Maes 2024).

Werner was a mentor and trend-setter for other leading political figures in Luxembourg (including Santer, Juncker and the current Prime Minister Luc Frieden) whose influential nature has given Luxembourg a role in the European integration process that has far exceeded the country's socio-economic impact.

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### Further resources

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