

The tunnel

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URL: http://www.cvce.eu/obj/the_tunnel-en-1caaa42b-9d55-4d61-86b5-f821aa3566c4.html

Last updated: 08/07/2016



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In December 1971, the French President, Georges Pompidou, and the German Chancellor, Willy Brandt, found a monetary compromise that was readily approved by the US President, Richard Nixon, and the Member States of the European Economic Community (EEC).

The monetary agreements that were signed in Washington on 18 December 1971 set new parities in relation to the dollar, which was devalued by 7.89 % in relation to gold. At the same time, a number of currencies were adjusted *upwards* in relation to the dollar: the Italian lira by 7.5 %; the German mark by 13.5 %; the Dutch guilder by 11.6 %; the Belgian franc by 11.6 %; the French franc by 8.6 %; and the pound sterling by 8.6 %.

However, the French Government also had to agree to a fluctuation margin amongst the currencies wider than that set by the Bretton Woods System. The band was increased from 1 % to 2.25 % on either side of the dollar rate. The maximum spread, from floor to ceiling, between any two European currencies was consequently 4.5 %. That was the width of the tunnel.