

Pierre Werner, Luxembourg and European meanderings

Caption: In his memoirs, the former Luxembourg Prime Minister, Pierre Werner, recalls why and how the Six took a formal decision in March 1971 to implement European economic and monetary union (EMU).

Source: WERNER, Pierre. Itinéraires luxembourgeois et européens, Évolutions et souvenirs (1945-1985). Volume II. Luxembourg: Editions Saint-Paul, 1991. 351 p. ISBN 2-87963-124-6. p. 128-131.

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Pierre Werner, *Luxembourg and European meanderings*

[...]

I was asked to finish the final report before October and therefore had to work quickly with one eye on the holiday period. The group met a further ten times, and we concluded our work in the night of 7 to 8 October. In order to get down to the nub of the problems, we had to go back to square one and review those issues that the Council of Ministers had not fully resolved. We also needed to look more closely into the purely political aspects.

The Council had decided that the first stage would last for three years and would start on 1 January 1971. The final objective was to be reached within the decade, provided that ongoing political support from the governments was forthcoming.

The Council had recommended that the opinion of the Committee of Central Bank Governors should be sought on specific monetary problems. The Committee President, Baron Hubert Ansiaux, had sent a memorandum to our group in April concerning the role of an exchange equalisation fund.

[...]

Knowing from experience the governments' sensibilities and expecting some unsympathetic reactions, I was increasingly apprehensive that the balance of the contributions to the final conclusions by proponents of fiscal policy, on the one hand, and those of monetary policy, on the other, might be upset. Some drastic policy measures were indeed proposed with which I could not argue because they squared with reality; in return, however, those measures required bolder action in the field of monetary union. The Committee of Governors sent us a technical report that subsequently proved to be invaluable, but, for the moment, the Committee was acting very cautiously towards any political initiatives. The group also met for two days in Copenhagen, where the annual meetings of the International Monetary Fund and the International Bank for Reconstruction and Development were being held from 19 to 26 September. I was quite sought-after during those days, and I realised that the Finance Ministers were rather well informed about our internal work and the documents under discussion. Giscard d'Estaing told me that he knew of and approved the approach being pursued and hoped that I would bring it to a successful conclusion. The Chairman of the United States' Federal Reserve Board, Arthur Burns, came up to me during my stay to wish me well in my endeavour.

Although the idea of distinguishing the Community via the narrowing of fluctuation margins had been formally approved by the Council of Ministers, I nevertheless perceived in some members of the group a nostalgia for the days of fluctuating exchange rates, in the erroneous belief that such a system would hasten adjustments and restabilisation amongst the partners.

[...]

Finally, after heated debates, during which each of us did his best to avert a failure, I secured a compromise that was unanimously accepted.

Since some felt the terms *stabilisation* or *exchange rate regulation* went too far in an area where we were unofficially planning an experimental phase for exchange rates, I suggested that the new body should be given a more neutral name. I then went back to the terminology I had used in my most recent personal plan. Accordingly, on certain conditions, it was agreed that a *European Monetary Cooperation Fund* could be set up in the first phase. In the end, that body took over the short-term support and medium-term mutual assistance mechanisms.

[...]

The work of the group was completed in a spirit of good-natured affability. My colleagues expressed their

satisfaction by presenting me with an engraving produced at the time of the French Revolution, consisting of a table showing paper money and its equivalent in hard currencies. Against a backdrop of *assignats*, a man in rags is shown in the foreground, symbolising the dramatic collapse of the French paper currency. Was it a warning? Perhaps they wanted to remind me that currencies are built on shaky and deceptive ground.

In any event, I was particularly pleased with the successful conclusion of my work, and I was soon compelled to find time for my many domestic political commitments in Luxembourg. However, I must add that my fellow countrymen, while impressed by the inspiring manner in which I had chaired the meeting, despite the many pitfalls, nevertheless expressed concern. I recall meeting Antoine Weis, the leader of a trade union with which I had often clashed, and being surprised at hearing him say, ‘You have taken on a great task. Maybe we should show you more consideration for a while.’

I had successfully avoided a split report by having separate opinions drawn up on the most important issues. Unanimity was secured in exchange for rigorous guidelines that, we feared, might well undermine the application of a plan that I did not consider to be the gospel truth. The Community would soon be facing monetary upheaval that would change the order of priorities.

The fact remains that the structured and comprehensive plan was bound to create a sensation, even outside Europe. But it would also stir up some political scuffles within the Community.

[...]