

The EMCF

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Although the Werner Plan was put on the back burner because of the French veto and international monetary turbulence, the issue of economic and monetary union (EMU) was still on the table.

The six Member States had to reach agreement on a blueprint for the short term. On 22 March 1971, the Council of Economic and Financial Affairs Ministers decided to step up cooperation in fiscal, budgetary and monetary affairs.

On 3 April 1973, the Council of Ministers approved the establishment of the European Monetary Cooperation Fund (EMCF) in order to keep exchange rates under the control of the Council. The EMCF made clear reference to the Reserve Fund that had been envisaged in 1955 under the European Monetary Agreement to help the signatory countries overcome their balance of payments problems. The initial task of the EMCF was to narrow the currencies' margin of fluctuation, to provide for multilateral settlement of payments resulting from intervention by EEC Member State central banks and to manage short-term monetary support among the central banks. The Fund was the precursor of the European Central Bank and was also given the task of pooling official foreign exchange reserves as well as managing loan and exchange-rate mechanisms of the *snake in the tunnel*.