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In 1944, the Bretton Woods Agreements introduced a gold standard system that transformed the US dollar into an international reserve currency, the only one convertible to gold. In such a system of exchange rate parities, the dollar fulfilled the *de facto* function of gold. The currencies were allowed to fluctuate by 1 % either side of parity, which was set in relation to gold or the dollar by the International Monetary Fund (IMF). The dollar immediately became the international unit of account, to the great economic and political advantage of the United States. Indirectly, this system provided European countries with monetary stability for nearly thirty years. Since 1958, the European Monetary Agreement (EMA) had authorised the partial or total convertibility of European currencies. Under that Agreement, the central banks of the signatory countries undertook to exchange their currency for dollars at rates set below the limits imposed by the IMF.

Speculation on the dollar exchange market, which pushed up the value of the German mark, began in the spring of 1971 and intensified during the year. Germany then suggested, unsuccessfully, to its European colleagues that their currencies should be allowed to float jointly in relation to the dollar. The monetary crisis reached its nadir when US President Richard Nixon caused the collapse of the Bretton Woods System by officially suspending the dollar's convertibility to gold on 15 August 1971. Four days later, the three Benelux countries decided to retain the former range of fluctuation between their currencies and the dollar. On 17 and 18 December 1971, the Group of Ten, comprising the six Member States, the United Kingdom, the United States, Canada and Japan, signed in Washington the Smithsonian Institute Agreement that introduced a new realignment of European currencies and a new set of exchange rates pegged to the dollar, which was devalued by nearly 8 % in relation to gold. The fluctuation range of European currencies was widened to 2.25 %. That decision led European officials to see the need to narrow the margins *between* European currencies.