'A fresh start', from the Frankfurter Allgemeine Zeitung (8 July 1978)

Caption: On 8 July 1978, the day after the Bremen European Council, the German daily newspaper Frankfurter Allgemeine Zeitung enthusiastically announces the establishment of a European Monetary System (EMS) intended to secure an area of monetary stability in Europe.

Source: Frankfurter Allgemeine Zeitung. Zeitung für Deutschland. Hrsg. Eick, Jürgen; Welter, Erich; Fack, Fritz Ullrich; Deschamps, Bruno; Fest, Joachim; Reißmüller, Johann Georg. 08.07.1978, Nr. 143. Frankfurt/Main: FAZ Verlag GmbH. "Ein neuer Anlauf", p. 1.

URL:
http://www.cvce.eu/obj/a_fresh_start_from_the_frankfurter_allgemeine_zeitung_8_july_1978-en-9a355aec-2189-41f2-a98c-886d88d5c304.html

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A fresh start

Rr. Europe is to receive a new monetary system and become a ‘zone of stability’. The Plan that has now been presented at the Summit Meeting in Bremen was prompted above all by the sharp fall in the dollar rate since last autumn and by the widening gaps between exchange rates in Europe. The contrast between those EC countries that belong to the European currency snake with fixed rates for reciprocal exchanges and those that are non-members has become increasingly sharp. Now all European Community Member States are to be reintegrated into a system of fixed exchange rates.

We seem to be witnessing something like a change in monetary fashion. At the time of the old Bretton Woods System with its fixed exchange rates and ever-increasing problems, many regarded the transition to freely fluctuating exchange rates as the philosopher’s stone, the only new monetary style with any credibility. Now that the Western world has been operating with flexible exchange rates for five years, a return to more stable rates is considered to be the great and desirable objective.

This to-ing and fro-ing was caused by the belief that greater monetary stability could only be achieved through a change in the system. This, however, was and still is a fallacy. If the individual countries cannot be persuaded to adopt a stricter stabilisation policy, then the new European system will be no more able than its predecessor to fulfil the hopes placed in it. On the contrary, there is a danger that the planned 26 000 million dollar stabilisation fund will be regarded by less stability-oriented countries as a kind of horn of plenty out of which their economic waywardness can be generously financed. If that danger were to materialise, enormous sums would be necessary to keep the exchange rates of undisciplined countries within the foreseen narrow band. Strict precautions against lax behaviour will therefore have to be taken.

Only if all countries contribute, through their economic and financial policies, to the emergence of a Community built on genuine stability, will there be a reasonable prospect of a stabilising influence being exercised on the dollar rate. It would be a tragedy if a new form were now created at great expense, but the old slackness still persisted.