

## The proposals

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## The proposals

The Werner Plan, unveiled on 8 October 1970, represented a subtle compromise between the conflicting economic policy and monetarist approaches within the Committee. It was difficult to find a middle way between the German position, which sought to achieve economic convergence as a preparation for monetary union, and the stance taken by France and others of first developing monetary cooperation as a means of facilitating closer economic ties.

The Plan was nonetheless ambitious in that it called for the irreversible stage-by-stage creation of a European economic and monetary union endowed with fundamental political significance. Its basic thrust was that the Barre Plan should be fully implemented at the time when the first stage of economic and monetary union was implemented on 1 January 1971.

The aim of the Werner Plan was to achieve the free movement of capital and to limit fluctuations in exchange rates between European currencies by making use of a reserve fund. Economic and monetary union (EMU) would be completed when exchange rates were irrevocably frozen and a single currency introduced.

The Plan emphasises the need to consult economic and social sectors before defining the guidelines of Community economic policy. Moreover, it pointed out that EMU presupposed a satisfactory level of economic growth, a high degree of employment, the abolition of regional and social disparities, mobility of production factors, the elimination of fiscal frontiers among the six Member States and the liberalisation of world trade.

The Werner Plan advocated the pursuit of common policies by the six Member States, the introduction of greater flexibility in and coordination of budgetary policies as well as the harmonisation of value added tax (VAT) and excise duty rates. It entrusted to the Committee of Governors of the Central Banks the task of defining guidelines on interest rates, bank liquidity ratios and the granting of loans to the public and private sectors. Lastly, it defined the procedures for the setting up reciprocal exchange rates and the granting of intra-Community loans.

The working party did not, however, limit its work to merely monetary issues. It also came up with specific proposals with regard to the Community institutions. It stated that economic and monetary unification should be accompanied by a transfer of powers from national authorities to the Community institutions. The Werner Plan provided for the Council to hold at least three annual meetings devoted specifically to a consideration of current economic developments in the Community. The Commission would have the task of proposing to the Council the legislation required for the implementation of the first stage of EMU. The Plan also stated that monetary union among the six Member States required the allocation of greater powers to the European Parliament and a change in the way its Members were elected. Furthermore, the report suggested that a body should be established to collect statistics, information and opinions on exchange transactions carried out by the Member States. It did not exclude the creation, at the latest during the second stage, of a European Monetary Cooperation Fund. Lastly, the Werner Plan called for the creation of two new steering bodies, one to handle policy and the other to deal with monetary issues.

– The first would be a common economic decision-making centre, independent of governments but accountable to the European Parliament.

– The second would be a Community system of central banks along the lines of the United States' Federal Reserve System.

The Werner Plan also highlighted the need to coordinate the monetary unification, economic integration and policy rapprochement processes in the EEC Member States.