

'The Economic and Monetary Union: light and shade (1)', from Europe (22 February 1973)

Caption: In his editorial of 22 February 1973, Emanuele Gazzo, Editor-in-Chief of Agence Europe, reviews the reactions of the central banks of the Nine to the influx of US dollars and to the floating of some national currencies.

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The Economic and Monetary Union: light and shade (1)

The considerable difference in tone which characterised the comments following the monetary storm and the relative calm which we are experiencing at present will no doubt have been noticed.

Broadly speaking, it can be said that in the countries which opted for the floating of their currencies, in other words, in Great Britain and in Italy, the comments rather tend towards scepticism, in other words, they sometimes even succeed in questioning not only the possibility, but also the advisability, of a short-term strengthening of the machinery of monetary integration. On the other hand, in the countries which have stood up to the storm, and have accepted the devaluation of the dollar as a lesser evil, the process of the unification of the currencies is considered as still valid and having to be speeded up. This, moreover, is the tendency of the decisions taken by the Council at the initiative of the Commission.

Concerning Great Britain, it can generally be said that the rather sceptical attitude towards monetary union has increased over the latest crisis, but it shows a rather widespread permanent conviction in the circles concerned. In any case, it is less "circumstantial" than in the case of Italy. So that "The Economist" was able to write this week that the world is probably already on a system of floating rates, but that, for the moment, only five major countries (Great Britain, Canada, Italy, Japan and Switzerland) are guiltily admitting that they are. To some extent, therefore, they are pioneers!

As for Italy, and in the absence of a solid enough argument connected with the situation and development of the balance of payments, although a series of adverse circumstances were mentioned, one fundamental problem was nonetheless raised, which is certainly not a new one for the Community. Our readers will remember the long polemics between "economists" and "monetarists". Mr. Colombo, who conducted the negotiations for the economic and monetary union for years, had always insisted on the famous pre-condition of parallelism, warning his partners about the intrinsically fragile nature of agreements which would not have respected this parallelism. But the latter, while easy to enunciate, and the principle of which was finally accepted by everybody, is much more difficult to put into practice. Experience has shown this and Italy can now say that it is impossible to want to link currencies together which are representative of economies which differ, or even openly diverge, in their development. The truth is that the Community has not yet succeeded in implementing (or even in setting in motion) certain major economic projects of a unifying nature. Unfortunately, these projects are considered by some as operations aimed at "subsidizing" or "aiding" certain "poor countries" at the expense of certain "rich" ones. The debate should have been placed in its real context, which is that of the profound transformation of the inter-relatedness of Community structures, with a view to achieving harmonious development, in which the advantages of the one who pays would certainly not be less than those obtained by the one who receives.

The other alternative would then be, if close links were to be kept between the currencies, to have gigantic funds enabling an effective support policy to be practised.

Em. G.