Towards Economic and Monetary Union

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The goal of creating an Economic and Monetary Union between the Member States of the European Community was first set at a meeting of the Six in The Hague (on 1 and 2 December 1969) and confirmed at the Paris Summit (19–21 October 1972) by what was now the Nine with the new Member States — Denmark, Ireland and the United Kingdom — which even set the deadline of the end of 1980 at the latest. But the governments could not reach an agreement on the general plan, presented by Pierre Werner, Prime Minister of Luxembourg. The only way to remedy monetary chaos was to limit European currency fluctuations, firstly by the introduction of the ‘currency snake’ in 1972, which was soon abandoned by all but the strongest currencies, led by the Deutschmark, and then with the European Monetary System, from 1979 onwards, which established fixed, but adjustable, exchange rates in order to attain relative monetary stability. The EMS was an intergovernmental agreement operating outside the framework of the Community and did not involve the United Kingdom.

The Single European Act (February 1986), which aimed to establish a large internal market, believed that, in order to achieve such a market, a genuine Economic and Monetary Union must be established, a goal which was set out in its Preamble. It conferred on the Community a ‘monetary capacity’, which is to say the possibility of adapting the Community institutions to the subsequent development of an economic and monetary policy. The future EMU was, therefore, to be established within the Community framework.

But the structure still needed to be specified. Disagreements arose concerning monetary union. The countries with weaker currencies, which were struggling to keep up with the Deutschmark inside the EMS and, to this end, were obliged to raise their interest rates and practise restrictive economic policies, wished to share the power in monetary matters through the adoption of a jointly managed single currency. Germany, on the other hand, would only give up the Deutschmark, the foundation of its economic power, if the common currency was managed by a European Central Bank, along the lines of the Bundesbank, which is to say independent of politics, with the task of ensuring price stability and avoiding inflation.

François Mitterrand, the French President, and Helmut Kohl, the German Chancellor, conferred and came to an agreement. At their instigation, the Hanover European Council (27 and 28 June 1988) confirmed the goal of an Economic and Monetary Union and authorised the European Commission, under its President, Jacques Delors, to propose practical measures that would lead progressively to a single currency.