

## Reactions from the Bruges Group to the Delors Report on EMU (2 November 1989)

**Caption:** On 2 November 1989, the Bruges Group, a British think-tank, calls on British MPs to reject the Delors Report on Economic and Monetary Union (EMU).

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## The Bruges Group urges Parliament to reject the Delors Report (2 November 1989)

By Patrick Robertson

### Introduction

The Bruges Group strongly welcomes the fact that the House of Commons is debating the Delors Report on European economic and monetary union. It is our contention that an objective analysis of the Report published on 12th April 1989 will provide members of parliament, irrespective of party allegiance, with a clear understanding of why the proposals contained in this report should be rejected by the parliament of the United Kingdom.

It should be clear by now to every citizen of the European Community that the intention of a substantial number of important people in the EC is to develop the European Community, as it stands today, into a unitary European state, with all that this would require in terms of a single economy, currency, political executive, foreign policy and defence system. It is not the intention of this paper to prejudge the advisability or not of such a project. Rather, it seeks to provide an analysis of the implications of such a venture insofar as the Delors Report, if adopted by the European Heads of State and Government, would, in effect, create a de facto European union without having been preceded with a comprehensive study of the constitutional consequences of such an action.

We believe that this matter is such of grave importance to the parliament and citizens of the United Kingdom that it would be a serious omission if the conclusions of the Delors Report were not explained in full, so that every member of parliament, whether Labour, Conservative, Unionist, SDP, Liberal Democrat or of SNP persuasion, could make a judgment based upon the facts as they are explained in the following pages.

Of course, we realise that the Bruges Group was established to promote a liberal vision of the development of the European Community. We freely admit that our persuasion, based upon the independent academic opinion of economists, political scientists, philosophers and thinkers in Britain's universities, is in favour of free markets and in general opposed to the political management of economic policy.

Nevertheless, we must state at the outset that the rejection of the Delors Report is based upon the fact that the adoption of such a programme would take away from the British Parliament the right to decide upon the economic management of the economy, freely submitted to the elected members of parliament by the sovereign people of this country. Even if this were considered desirable by some, it is the view of this report that such a decision *could not be taken unless it was preceded by a full and proper constitutional debate with a referendum of the people of this country.*

The Bruges Group has always refrained from entering upon such a debate since we are committed members of the European Community, and we have wished to emphasise the positive aspects of our membership of the EC whilst pointing out ways in which the Community could improve its performance in an increasingly interdependent world economy. However, such are the implications of the conclusions of the Delors Report that the position of this paper must be made clear at the outset, in the hope that the members of the House of Commons will read it with an open mind.

[...]

To return to the original question: why the rush to monetary union, which would in practice entail the creation of a Western European state? The answer is that the French Government has grave doubts about the prospect of a large, united Germany at her doorstep. It feels that the only real way to "bind Germany in" to Western Europe is to create a Western European state quickly, before events in the East divert the attention of Germany's leaders from the integration of the European Community. What is the easiest and most rapid way to achieve this, given the short time-scale? The answer, of course, lies in committing European Heads of State and Government to a binding and "irrevocable" European Monetary Union, which would ensure that

the rest of Europe had a voice in determining what Germany did in the East.

It is no accident that both M. Jacques Delors and M. Francois Mitterrand have both made speeches recently calling for faster European integration. The French Government has also decided to make the summit in Strasbourg on 8th-9th December an occasion to ask the European Heads of State and Government to commit themselves to EMU. It is also no accident that the Delors Report itself involves a degree of economic and monetary centralisation unknown even in the federal states of America and Canada. The important political objective of the Delors Report appears to be the control of the economy of West Germany by the other states of the European Community, and the fact that M. Mitterrand stated at the Madrid summit that no other form of monetary union was possible, appears to confirm this impression.

An economic analysis of the Delors Report will show, of course, that if Europe wished to adopt a common currency, there are several ways to do this. More importantly, an objective observer would suggest that there is no need to rush such a project. After all, at present, only, six directives of the 1992 programme have actually been adopted throughout the Community, so there is plenty of time to debate these issues more. To go further, some economists actually suggest that to contemplate monetary union before the establishment of the internal market would be folly.

However, this sort of academic contemplation does not deal with the fact that West Germany is waiting for a signal from the Western powers to indicate whether or not we are prepared to see Germany reunite in the relatively near future. The French Government has already signalled its distrust of such a development, and it is now up to the British Government to deliver a clear signal to Germany that we believe, above all, that Europe should be reunited and this should start with the reunification of Europe's greatest continental power. This would not only underline our firm commitment to democracy, self-determination, and human rights, but it would also serve to increase our friendship with the German nation and indicate to the French that we must work together to create a Common European home from the Atlantic to the Urals.

[...]

## Conclusions

It is difficult not to conclude from an examination of the Delors Report that the central aim of the Committee was to establish a framework to construct a Federal European State, with considerable centralisation of economic decision-making.

Although the objective of price stability is, and should be, the main aim of any developments in European monetary policy, the Delors Report does not satisfy the demands for strict rules to ensure that any system of central banks is obliged by law to maintain price stability. Indeed, it is understood that the Federal Chancellor and Governor of the Bundesbank's objections to the Delors Report stem precisely from this point. There is no guarantee that a European currency would be any less inflationary than the Deutschemerk to which most European currencies are presently attached. In fact, the chances are that a European currency controlled by a committee of European central bank governors would actually be more inflationary.

The Delors Report offers very little that is new in terms of the development of monetary policy. As stated in this analysis, it is merely a reproduction at European level of regimes which exist at present at least in eleven out of twelve relatively unsuccessful central banks in Europe. The main lesson learnt by the Germans in 1949, that of *separating the money supply from politicians*, does not appear to have been considered in the Delors Report. This is because the instigators of the Report are more interested in using monetary policy as an issue to promote *political* objectives than they are to promote economic improvements.

The Delors Report should therefore be rejected. But alternative proposals should be put forward, such as the possibility of establishing a 13th currency in Europe which would run parallel to national currencies and which would be the "European" currency for all intra-European transactions. This could have as its objective the maintenance of price stability, and it could be enshrined in the issuing bank's constitution. The general use of this currency by European producers and consumers would determine the ultimate level of

importance of currency for European transactions. Furthermore, the use of this currency would not be pre-determined by either bureaucrats, centralisers or politicians.

Britain should also consider the example of the Bundesbank and consider separating the Bank of England from government. An independent Bank of England, with the sole objective of abolishing inflation, might have significantly diminished the effects of recent developments in monetary policy. Furthermore, it would undermine calls for Britain to join the system of fixed rates which the European Monetary System operates. Finally, it would put an entirely new emphasis on the way monetary policy should be conducted, and other central banks might follow suit, as the central bank of New Zealand is considering at the moment.

Britain should roundly reject the conclusions of the Delors Report and concentrate her efforts on establishing a relationship of trust and support with the Federal Republic, so that the efforts of the European Community can concentrate on the reunification of a divided Europe rather than on the inward-looking exclusivity of a club of twelve.