The origins of Pierre Werner's monetary thinking in the 1960s

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The origins of Pierre Werner's monetary thinking in the 1960s [1]

Pierre Werner's years as a university student in Paris and the contacts he made with eminent teachers, among them Jacques Rueff, Charles Rist, Wilfried Baumgartner and Fernand Collin, gave him a taste for the study of economic and monetary developments, which was reinforced when he joined the world of banking in Luxembourg, where he started his professional life. As soon as he moved into government posts, he was given responsibility for setting up the banking control commission. Thereafter, his career in the Ministry of Finance brought him into European and international negotiations, particularly in the context of the International Monetary Fund (IMF) and the World Bank as soon as those institutions were set up. His background as an economist and his training in the world of finance enabled him to grasp the essence of the problems brought up for discussion. The political posts he held gave him the means of action, and his skill in bringing people together elicited commitment from those of his associates whose task it was to implement practical solutions. His constant presence in the closed circle of the Finance Ministry over a period of 25 years and his dealings with experts always kept that interest alive, even though, by the force of circumstances, his political work often enjoyed greater prominence and visibility in the eyes of the public.

Going beyond the official side, though, Pierre Werner had a real passion for economic and monetary questions, as his private archives amply demonstrate. They contain detailed, amazingly rich files of documentation, [2] which he himself methodically compiled and filed from 1952 onwards. They contain texts, most of them in manuscript, on the subject of European monetary integration, along with many articles, often with his comments, from the Luxembourg, European and international press. Pierre Werner had a way of thinking about economic and monetary affairs which was quite his own and was built up from personal ideas and contributions. This thinking developed in interaction with the European academic and university worlds, to which he remained linked, and was expounded, in particular, at the political forums [3] to which he was invited by virtue of his official duties and functions.

It was thus in a lecture entitled 'What monetary integration means' [4], given in Strasbourg on 21 November 1960, that Pierre Werner set out his first thoughts on European monetary integration. Looking for his inspiration to the lessons learned from the Benelux Union (which was based on a monetary agreement), Pierre Werner stressed that 'economic cooperation and integration come about more directly through the instrument of monetary policy', but that unilateral and therefore brutal decisions were not desirable. 'Between sovereign countries, monetary rapprochement can only be gradual and concomitant with the rapprochement of economic policies […] and monetary unification comes at the end rather than the beginning of the integration process.' [5] A common market requires not just a financial order within the Community but a financial order on a broader international, continental or world scale. As for the financial order of the Six, it was not enough for it to join a broader monetary system, but 'a stronger Community slant should be given to their financial policies'.

To meet these objectives, he proposed 'the progressive introduction of a European currency of account' capable of lessening the risks caused by speculative movements of capital in connection with currency devaluations and revaluations. The use of such a unit of account could be extended without necessarily requiring a revision of the Treaties. In the EEC's international relations, this European currency 'would supply a benchmark for value shielded from ups and downs in the national currencies, facilitate the expansion of international trade and encourage the development of savings'. Private use could be introduced gradually — for loans and travel tickets, for instance — to 'accustom people, little by little, to this collective currency'. On the basis of the dollar-equivalent unit of account to be adopted as a 'currency of account' by the European Payments Union (EPU), known as 'Epunit', Pierre Werner put forward several proposals for names: 'Euror', 'Goldeur' and

‘Gramor’, with a preference for the first of these. Why ‘Euror’? ‘The fact that it sounds like both “aurore” (dawn) and “or” (gold) would be bound to inspire confidence.’

Pierre Werner was, therefore, in tune with the ideas of Robert Triffin [6] (inspired by the dollar and the American deficit), as well as with those of his Belgian opposite number, Pierre Wigny, [7] or indeed those of Fernand Collin. [8] The latter, a Belgian university teacher and banker, famous for having been one of the pioneers of the establishment of a European currency [9] and known to Pierre Werner since 1956, greatly encouraged him to continue with his own thinking on monetary problems and to expound it publicly. It was he who encouraged him to play a regular part in conferences and congresses of economists. The intellectual exchanges between them were to continue as a constant feature, reaching particular heights of intensity during the work of the ‘Werner Group’. Fernand Collin was actively involved in setting up some of the special features of Luxembourg as a financial centre and his suggestions regarding the accounting currency and exchange clauses ‘took place largely in the Luxembourg subsidiary of Kredietbank, which for a long time was a pioneer in the use of these new forms of cash’. [10]

Although he was not yet a member of the Action Committee for a United States of Europe — and without having had, in that framework, any structured exchanges with the prominent personalities involved in it, despite being in touch with its chairman, Jean Monnet [11] — Pierre Werner, as early as the summer of 1961, was familiar with the Committee’s proposal for the establishment of a European union of the monetary reserves of the Six, ‘the prelude to a common monetary policy and a common currency’. [12] He kept up to date with developments in economic and monetary thinking and discussion, and he tested some of his ideas and initiatives in a very wide range of settings. Pride of place among these went to regular meetings with European Heads of Government whose affiliation to Christian Democracy gave him an added kinship with them, and the discussions which took place within the BLEU and the Benelux, as well his involvement over many years in meetings of the Finance Ministers of the Six. He established good relations of trust and mutual respect with his European counterparts, particularly with Valéry Giscard d’Estaing, Baron Snoy et d’Oppuers, Karl Schiller and Franz Etzel, as well as with Central Bank Governors and other bankers, in particular Baron Hubert Ansiaux, Guido Carli, Jelle Zylstra, Bernard Clappier and Karl Blessing — not to mention Hermann Abs (a banker at the Deutsche Bank). [13] Exchanges between them took place regularly over a long period. Pierre Werner also had cordial relations with the British, especially with Edward Heath, [14] and he showed a special interest in Britain’s moves towards membership of the Community and the complicated problems raised by the position of the pound sterling in the context of a European monetary identity. [15] The good connections he had long maintained in political and business circles on the other side of the Atlantic added the requisite global dimension to his view of events, especially as regards the conclusions to be drawn from American economic liberalism and the role of the dollar as both a national and an international currency.

The idea of a common monetary policy was implicit in the Treaty of Rome of 1957. [16] The concept of a unit of account actually appears in it, [17] but there was no provision for a single currency for all the EC Member States. Almost at the same time (1958), free convertibility between the currencies of the major industrial countries was restored, but the illusory monetary peace which relied on trust in the Bretton Woods system was no inducement to the partners in Europe to embark on the road to monetary integration, even though that would be tantamount to independence vis-à-vis the dollar. This idea made its first official breakthrough in the Action Programme for the Second Stage of the European Economic Community (1962–1965), [18] which proposed reforming the Treaty of Rome and working towards a ‘real economic and monetary union’. To plug the gaps in the Treaty of Rome, three specialist committees were set up: the Committee of Governors of the Central Banks, whose main aim was to coordinate the Member States’ monetary policies; the Budgetary Policy Committee and the Medium-Term Economic Policy Committee. The Monetary Committee established by Article 105 of the EEC Treaty, tasked with monitoring the monetary and financial situation of Member States and of the Community as well as the general payments system of Member States, had become operational in 1958.

This initiative took into account the growing economic integration of European countries, which were having to stabilise their exchange rates more than ever before, as a common trade policy could not properly be implemented without a common monetary policy. The programme was co-authored by Robert Marjolin and Robert Triffin, [19] who were renowned for their advanced ideas on the subject, and followed on from a proposal by them advocating the creation of a 'European reserve fund' [20] and the establishment of a new European unit of account. In 1962, a European unit of account was actually set up to act as a common denominator for farm prices and to express the amounts in the Community budget.

Some central bankers, however, were already warning against a premature monetary union. As early as 1962, the President of the Bundesbank, Karl Blessing, [21] was already taking the view that 'monetary union could be envisaged only in the context of a European federal state constituted prior to it. He was also opposed to a pooling of part of the monetary reserves in the state of the Community at that time. The Dutch monetary authorities were of more or less the same opinion.' [22] Baron Hubert Ansiaux, President of the National Bank of Belgium, whom Pierre Werner met regularly in the context of the BLEU and with whom he had regular discussions on monetary questions, was very chary when the idea of a European currency emerged. A few years later, when he was on the Werner Committee, his viewpoint was to change radically.

Pierre Werner, who was close to Marjolin's ideas and shared the European Commission's vision set out in the Action Programme for the Second Stage of the EEC, worked out his own conception of the monetary integration of the Six in greater detail and, in a lecture given in Brussels on 27 November 1962, [23] once again asserted the relevance of a European unit of account defined in relation to gold as a means of 'giving a kick start to a European monetary system'. He emphasised the need for having fixed exchange rates, common monetary discipline and solidarity in a specific institutional framework, that is to say a 'Monetary Institute which could concomitantly develop its role as a Clearing House between the central banks'. Werner went on to say that 'the method recommended here would enable monetary integration to proceed along the lines of development of the Community's tasks without impinging on national responsibilities and without premature dispossession […] The unification of economic policies will never be absolute: at specific times, short-term economic measures may be imposed in this or that country.' [24]

It was only in 1964 that some of the European Commission's recommendations in terms of monetary policy started to take practical shape — in particular through the establishing of collaboration between the Member States on international monetary relations [25] and the launching of the Committee of Governors of the Central Banks, [26] with a growing concern to make further progress.

In February 1965, as the idea of a regional monetary system in Europe was increasingly coming to the forefront, the French President came out in favour of a reform of the International Monetary System, which he deemed unbalanced and fragile. He was strongly critical of the imperialism of the dollar [27] and was opposed to the United States' position on whether and how the IMS should be reformed. [28] General de Gaulle's proposals were firmly in line with a clearly defined view of international relations and European integration that he began to develop on becoming President in 1958, alongside a policy of national independence and identity ('a certain idea of France'). By advocating a 'European Europe' with its own political and military identity, independent from the United States and with a strong influence in the world, and above all a 'Europe of states', in which each country would retain its sovereignty, he hoped to curb any move towards supranationality. [29] This standpoint caused a good deal of friction between France and its partners (as demonstrated by

France's withdrawal from NATO's integrated military command and its ambivalent attitude towards the Atlantic Alliance, the 'empty chair' crisis and the second veto to British accession).

In the wake of the proposals from General de Gaulle, Pierre Werner reiterated the need 'to lay down, as soon as possible, the foundations for closer monetary cooperation between the six EEC Member States, to protect the Common Market from uncoordinated financial and monetary operations.' [30] This official statement before the Luxembourg Parliament by the Prime Minister, Finance Minister and Foreign Minister — the speaker held all three posts simultaneously at the time — was an indication of the priorities of the Grand Duchy's foreign, and particularly its European, policy, in which economic integration occupied a prominent place. Monetary policy as the vehicle for this — with Pierre Werner as a committed defender of it — became one of the fundamental pillars of long-term government action, and the international money market which was just then emerging in Luxembourg was gradually associated with it, [31] employing its own particular methods. [32]

In the first half of 1966 it was Luxembourg's turn to hold the presidency of the Council of the European Communities, and Pierre Werner, who conducted the business, contributed to the securing of the 'Luxembourg Compromise', which put an end to the 'empty chair' crisis. [33] In his speech to the European Parliament in Strasbourg summing up what had been achieved, and referring to the key issues which had focused the Luxembourg Presidency's energies (the crisis in Europe and the finding of a solution to it, the entry into force of the Treaty establishing a single Council and a single Commission of the Communities, the financing of the common agricultural policy and the multilateral negotiations within the GATT), Pierre Werner stressed 'the need to set up […] common monetary procedures and […] the need to enshrine fixed exchange rates in a set of monetary rules'. [34] This position, as well as the idea of a generally adopted European unit of account and the need for common monetary discipline, together with moves to coordinate the economic policies of the Six, had been supported some days earlier in a lecture to American businessmen and politicians in which Pierre Werner gave his views as the 'spokesman for European monetary policy'. [35] He did the same from the IMF and World Bank podium at the annual meeting of governors in 1966, where he spoke as President of the Council of the EC. [36]

In May 1967, the 20th Benelux Economic Congress, meeting in Luxembourg, gave Pierre Werner a fresh opportunity for setting forth his vision of the urgent need for European monetary solidarity through a European currency, of which one of the chief virtues would be that 'it would resolve the problem of fixed exchange rates'. There had to be solidarity of action in this field, which was still dominated by a very strong sense of national identity. Even though he thought that 'the creation of a single European currency by a bank of issue would be premature', he believed that a tightening of monetary discipline was not only necessary but possible, since the Common Market countries worked so closely together in the pursuit of their economic objectives. From the same podium, Fernand Collin, President of Kredietbank, called for the establishment of a European currency [37] and defined its characteristics.

Until 1967–1968, European monetary cooperation was clearly an extension of the integration of Europe's markets and the establishment of a true common market in industrial and agricultural products. The rules of the common agricultural policy — particularly through the fixing of common farm prices, in terms of units of account — had de facto imposed monetary discipline. 'The functioning of the CAP has thereby sustained the illusion of a European monetary union secured as if by magic.' [38] But an external factor which dispelled that illusion was to appear: turbulence in the International Monetary System and the weakening of the Bretton Woods system. 'As soon as doubts as to the viability of the system began to emerge and the first signs of destabilisation appeared (particularly with the crisis of the pound sterling in 1967), the idea of setting up an area of monetary stability in Europe and thereby protecting the European economies from the upheavals which the dismantling of the Bretton Woods system would cause was able to gain strength.' [39] With Britain's application for accession, it became necessary to give detailed thought to the question of currencies and monetary solidarity.

Taking these new circumstances into consideration, Pierre Werner threw further light on his ideas for monetary solidarity in Europe, which he discussed on 26 January 1968 from the podium of the Europaforum [40] congress, to which he was invited alongside Jean Monnet and Walter Hallstein. He started by arguing for British membership, since Britain would bring into the Community a reserve currency and one of the currencies of account used in world trade, and since its application for membership '[...] would require the institutions of the Six to take stock of their monetary policy objectives'. [41] In his speech, which dealt with the prospects for Europe's financial and monetary policy in an increasingly unpredictable international context, he set out a theoretical structure for the means and instruments of practical action, in the spirit of the plan adopted by the Commission in 1962. Six months before the entry into force of the customs union between the EEC Member States, Pierre Werner therefore put forward a five-point action plan for European monetary integration [42] based on the establishment of a European unit of account, consultation, fixed exchange rates between the European currencies and internal and external solidarity — with a monetary cooperation fund being mentioned. He concluded his speech by expounding some ideas of which he was particularly fond about the deregulation of capital flows and the spontaneous development of the markets in Eurocurrencies, [43] both of these being phenomena he had been able to study on Luxembourg's money market. Werner thereby anticipated the set of questions that the Commission of the European Communities set before the meeting of Finance Ministers in the 'Barre memorandum' of 1969, with a proposal for carrying out research into certain issues which might intensify monetary solidarity.

Guido Carli, [44] the Governor of the Bank of Italy at the time, a leading activist on the Monnet Committee and an early partisan of the idea of a European currency, [45] showed a particular interest in the five-point plan, which he wanted to make accessible to the Italian financial community. 'The prospects for European financial and monetary policy' were published and disseminated under the auspices of the Italian banking association, [46] giving Pierre Werner's proposals extra publicity and visibility and stimulating discussion of the issues in specialist circles. [47] In 1968, Pierre Werner took on an increasingly active role in the Action Committee for a United States of Europe, and in the ensuing period he had vigorous exchanges of views with Jean Monnet and Robert Triffin.

The five-point action plan aroused interest and was well-received in political and banking circles, and a few months later Pierre Werner was invited to explain it to his Benelux colleagues. [48] His monetary thinking did, in fact, draw its inspiration from the lessons learned from cooperation in the Benelux context, and he pointed out that the success of such a plan, in the form of 'guaranteed stability of financial relations between the Member States' of the Community, would be assured by the giving of undertakings similar to those given in the Benelux framework. The plan he put forward was in the same form as it had been in January, but an important condition was added as regards the consultation procedure: 'changes to exchange rates may be made only by common agreement'.

At the meeting of Finance Ministers of the Community Member States in Rotterdam (9–10 September 1968), Pierre Werner reiterated his five-point action plan, which he supported and qualified — placing the emphasis on commitment and political will — in the official address which he gave before his colleagues from the other Member States. [49] What drew attention was the focus placed on the need for economic policies to be coordinated in parallel with monetary integration. 'Monetary solidarity will only be established laboriously in line with the strengthening of economic policy, and is dependent on it. On the other hand, the establishment of legal procedures and instruments directed towards a common monetary policy will be a powerful lever for bringing national economies closer together.' The careful balance he imagined reappeared in the plan for economic and monetary union by stages (the Werner Plan) of which he was to coordinate the drafting a few months later.

‘My rough plan […] received undreamed-of levels of publicity in Europe and elsewhere, as it came from a member of the Council of Ministers and responded to the concerns of the time. But I was no longer the only person advocating action […] Professor Triffin’s proposals […] linked monetary integration to a reform of the International Monetary System.’ [50] Indeed, Robert Triffin first imagined a European unit of account independent of the dollar and convertible into European currencies, followed by the establishment of a European monetary authority and, later, by a common monetary policy. [51]

The origins and development of Pierre Werner’s monetary thinking up to 1968 show that he was an early activist for a single European currency, which he saw as being not just for use (including private use) within Europe but also internationally, in a way that would stimulate trade. Such a currency, springing from the solidarity of a monetary policy common to the Six, would be immune to national weaknesses. As an advocate of the need for fixed exchange rates between European currencies, as compared to foreign exchange, he proposed that a monetary institute should be set up to take responsibility for such a policy. Pierre Werner was among the first to stress the need to take the role of the pound sterling in a common European currency into account, looking ahead to the inevitability of British membership of the Community, which he supported and for which he worked hard.

Sticking faithfully to the line he always followed, that of balance and moderation, he believed that the gradual building of monetary solidarity should be conducted in parallel with the coordination of the Member States’ economic policies, which went against the views — and the political line — of the Germans and the Dutch. His own views on the matter already placed him in a median position in the dispute between the various trends in monetary and economic thinking, between which it fell to him to arbitrate in order to bring the work of the Werner Committee to a successful conclusion.

Pierre Werner was categorically opposed to monetary solidarity secured by means of a unilateral (and inevitably brutal) decision, which he regarded as undesirable and unacceptable. He had in mind the experience Luxembourg had had to go through with the forced introduction of the Reichsmark and, later, the franc after the Liberation. [52] It was, in fact, that succession of switches which he had lived through from the inside, as a banker at the KBL and then as a government official in the Finance Ministry, which had prompted him to give thought to the currency question and the monetary processes of conversion and reconversion — in a context where there was no specific national currency and no bank of issue.

Events at the end of 1969 — the revaluation of the DM, the devaluation of the French franc and events on the international currency markets which marked the end of the Bretton Woods system — highlighted the lack of coordination on monetary questions among the Six and gave a fresh impetus to European integration.

[1] This subsection targets the period 1960–1968. The first and second Barre Plans, the Schiller Plan, the Snoy Plan, the Luxembourg Plan (also known as the 'first Werner Plan'), etc. will be discussed in section 3, entitled 'The Werner Report'.
Unless otherwise indicated, the source of all the documents cited in this study is www.cvce.eu.
[2] See 'Inventory of the Pierre Werner family archives'. (Document consulted on 10 October 2012.)
[3] The fact that Pierre Werner was much more in evidence as a political than as an academic speaker was also due to the fact that, at the time, Luxembourg had no higher education, since the numbers of people in the country of an age to attend such courses did not justify it. It was only in 1974 that an international university institute was set up in Luxembourg.
[4] Original title: *Significations d'une intégration monétaire*. Documentation bulletin No 15 of 30 November 1960, 16th year, Luxembourg: Information and Press Service, Ministry of State, Grand Duchy of Luxembourg, December 1960, pp. 3–11
[5] For the addresses given by Pierre Werner on the substance of the Werner Report and the political mediation that led to the consensus on this document, see subsections 2.2, 'The work of the Werner Committee', and 3.4, 'Economists v. monetarists — agreements and clashes in the drafting of the Werner Report'.
[6] In his book *Gold and the Dollar Crisis. The Future of Convertibility* (Yale, Yale University Press (New Haven Publisher), 1960), Robert Triffin looks ahead to a gradual disintegration of the International Monetary System and argues for the setting up of a European monetary union with a single currency.
[7] Pierre Louis Jean Joseph Wigny (1905–1986) was a Belgian legal expert and politician who served as Minister for the Colonies (1947–1950), Foreign Minister (1958–1961), Minister for Justice (1965–1968) and Minister for French Culture (1966–1968). In 1959 he proposed establishing a European unit of account, so that the EEC countries would be less tied to the US dollar.
[8] The Belgian academic, lawyer and banker Fernand Collin (1897–1990) is known for the part he played in the development of Kredietbank Belgium, of which he was president from 1938 to 1973, and for his thinking regarding the definition and public and private use of the European unit of account (EUA).
[9] In 1958 Fernand Collin brought out a study entitled *L'utilisation d'une monnaie de compte européenne dans les emprunts internationaux*, Geneva, Institut international d'études bancaires, 1958, 39 pages.
[10] Werner, Pierre, *Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945–1985*, 2 volumes, Éditions Saint-Paul, Luxembourg, 1992, Volume 2, p. 21
[11] From 1952 to 1955, Jean Monnet was the president of the High Authority of the ECSC, whose seat was in Luxembourg.
[12] Werner, Pierre, *Itinéraires*, Vol. 2, p. 22
[13] In 1938, Pierre Werner was accepted for a traineeship at the Banque Générale du Luxembourg, in which the Deutsche Bank had taken a major holding. It was in these same circumstances that Pierre Werner met Hermann Josef Abs, chairman of the board of directors delegated by the Deutsche Bank, whose benevolent attitude protected those who, like Werner and Alphonse Weicker, refused to join Nazi organisations from the worst consequences of their stance. See Werner, Pierre, *Itinéraires*, Vol. 1, pp. 15–16. See also 'Pierre Werner — a European vocation' (consulted on 10 October 2012). Concerning H. J. Abs, see Gall, Lothar, 'Hermann Josef Abs', in Pohl, Hans; Beckers, Thorsten (Ed), *Deutsche Bankiers des 20. Jahrhunderts,* Franz Steiner Verlag, Stuttgart, 2008.
[14] 'Heath, who came from Britain to test the ground before the veto from General de Gaulle, had been to see us in 1962 and, at an evening party in Vianden, I had established friendly relations with him that were to last for many years.' See Werner, Pierre, *Itinéraires*, Vol. 1, p. 278.
[15] In the negotiations for British accession to the European Community, monetary questions had been a major issue and one which came up time and again. In 1967 General de Gaulle vetoed the opening of negotiations on the grounds of the economic, financial and monetary situation of the UK following the devaluation of the pound sterling — the world's second reserve currency — a few days before. During the 1970s, the question of the pound sterling hampered the plan for economic and monetary union and the financing of the Community budget, with speculation over the ending of the Bretton Woods system constantly in the background.
[16] Part III, Title VII (ex-Title VI), Chapter 2, entitled 'Economic and monetary policy', Articles 103 to 108. The main provisions of these articles are as follows:
- Article 104 – Each Member State was responsible for pursuing 'the economic policy necessary to ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while ensuring a high level of employment and the stability of the level of prices';
- Article 105 provided for the establishment of a 'Monetary Committee' with 'consultative status';
- Article 107 laid down that 'Each Member State shall treat its policy with regard to exchange rates as a matter of common interest';
- Article 108 brought in supranational financial measures, laying down that where a Member State is 'seriously threatened with difficulties as regards its balance of payments [...] and where such difficulties are likely, in particular, to prejudice the functioning of the Common Market [...] the Commission shall [...] examine the situation of such State and [...] indicate the measures which it recommends to the State concerned to adopt.' Should these not prove sufficient, it 'shall, after consulting the Monetary Committee, recommend to the Council the granting of mutual assistance and the appropriate methods therefor' and the Council, 'acting by means of a qualified majority vote, shall grant mutual assistance.'

[17] Article 207 of the Treaty laid down that the Community budget should be drawn up in the unit of account to be fixed unanimously by the Council.
[18] The Action Programme, which was submitted to the governments of the Six by the European Commission on 24 October 1962, proposed a reform of the Rome Treaties (in particular, Article 108). The second stage, proposed for the period from 1962 to 1965, introduced the requirement to hold prior consultations before any major monetary operation. The third stage, proposed for the period from 1965 to 1969, set out the main lines of economic and monetary union with fixed exchange rates between the currencies and a monetary policy coordinated between the Member States.
[19] Bossuat, Gérard, 'Jean Monnet. La mesure d'une influence', in *Vingtième Siècle. Revue d'histoire*, No 51, July–September 1996, pp. 68–84
[20] In 1962, shortly before the submission of the Action Programme for the Second Stage of the European Economic Community (1962–1965), Robert Triffin and Robert Marjolin made public their joint proposal for the establishment of a 'European reserve fund', the resources of which would consist of 10 % of the central banks' reserves, and which would be intended to give the Commission a financial role independent of, and supranational in relation to, the Member States. In *Europe and the Money Muddle: from Bilateralism to Near-Convertibility, 1947–1956* (Yale, Yale University Press (New Haven Publisher), 1957), Robert Triffin, economic adviser to Jean Monnet's Action Committee for a United States of Europe, was already urging Europeans to move towards economic and monetary union, before the Common Market even existed.
[21] Karl Blessing (1900–1971) joined the Reichsbank in 1920 and, after gaining a diploma in commercial studies in Berlin (1925), in 1929 he became assistant to Hjalmar Schacht, President of the Reichsbank, later becoming Schacht's number two at the Ministry of Economic Affairs in 1937. Having been elected to the board of the Reichsbank in the same year, he was ousted two years later on a charge of criticising the Nazi regime's economic policy. In 1958, he became the first President of the new Bundesbank. (The Bundesbank was established with the Bundesbank Act of 26 July 1957, replacing the the Bank Deutscher Länder that had been created on 1 March 1948 in the western zones of occupation Bundesbank and which had been responsible for the introduction of the Deutsche Mark on 20 June 1948. The two underlying principles of the Bundesbank — independence and safeguarding the currency — have become the distinguishing features of German monetary policy). The appointment of Blessing as Bundesbank President was based on his extensive experience in the interwar period in the gold standard, with tight exchange rates and free convertibility between currencies. He held this post until 1969. See Lindenlaub von, Dieter, 'Karl Blessing', in Pohl, Hans; Beckers, Thorsten (Ed), *Deutsche Bankiers des 20. Jahrhunderts,* Franz Steiner Verlag, Stuttgart, 2008.
[22] Werner, Pierre, *Itinéraires*, Vol. 2, p. 119
[23] Werner, Pierre, *Problèmes de l'intégration financière de l'Europe*. Talk given in Brussels by Pierre Werner, Minister of State, President of the Luxembourg Government and Finance Minister, to the members of the Association des Amitiés Belgo-Luxembourgeoises and the Cercle Royal Gaulois. Cercle Royal Gaulois (publ.), Brussels, 1962, 12 p. (Document consulted on 10 October 2012.)
[24] Ibid.
[25] Council Decision of 8 May 1964, on co-operation between Member States in the field of international monetary relations (OJ of the EC No 77 of 21.5.1964, pp. 1207–1208)
[26] Set up in June 1963 ('Monetary and financial cooperation in the European Economic Community', EEC Commission, Brussels, in *Bulletin of the European Communities*, 1963a, Vol. 6, No 7, 24 July, pp. 33–40), the Committee of Governors of the Central Banks met for the first time on 6 July 1964 at the Bank for International Settlements in Basel.
[27] See *De Gaulle en son siècle, tome III: Moderniser la France*, Institut Charles de Gaulle, Éditions Plon, Paris, 1992. See *La France et les institutions de Bretton Woods, 1944–1994. Colloque tenu à Bercy les 30 juin et le 1er juillet 1994*. Comité pour l'Histoire Économique et Financière de la France (publ.), Ministry of the Economy, Finance and Industry, Paris, 1998. See Prate, Alain, *Les batailles économiques du Général de Gaulle*, Éditions Omnibus, Paris, 1995. The French believed that the status of the US dollar as the principal currency in the IMS gave the United States special privileges. Firstly, the Americans could accumulate debt freely thanks to the dollar reserves held abroad, particularly in the European central banks. Secondly, to guarantee the 'cohesion of the system', they exerted pressure on these banks, which soon became unable to make use of these reserves. For de Gaulle, this privilege was tantamount to a form of imperialism, facilitating the United States' external political commitments and also investments in the country's companies abroad.
[28] The French position on the reform of the International Monetary System can be summarised as follows. Initially, the system should be maintained in its current form, although steps should be taken to improve its operation. The countries with reserve currencies — first and foremost the United States — should eliminate their balance of payments deficits. At this stage, there was no need for additional liquidity in the international system. If new reserve or credit instruments were set up in the future, their neutrality should be guaranteed by establishing a link between these new instruments and gold, and by introducing specific controls.
[29] In 1960, General de Gaulle asked Alain Peyrefitte to draw up 'a note on the practical ways of stifling supranationality'. For de Gaulle, Europe could only ever be a confederation, with power exercised not by an independent body but by the representatives of the Member States (ministers or representatives at the highest level), who had a right of veto. See Palayret, Jean-Marie, 'Le Mouvement européen, 1954–1969. Histoire d'un groupe de pression', in Girault, René; Bossuat, Gérard, *L'Europe brisée. L'Europe retrouvée. Nouvelles réflexions sur l'unité européenne au XXe siècle*, Paris, 1994, pp. 374–377.

[30] Werner, Pierre, *La politique étrangère du Grand-Duché de Luxembourg*. Address by Pierre Werner, Minister of State, President of the Luxembourg Government, Foreign Minister, Minister for the Treasury and Minister for Justice, to the Chamber of Deputies of the Grand Duchy of Luxembourg. In Documentation bulletin No 1 of 25 February 1965, 21st year, Luxembourg: Information and Press Service, Ministry of State, Grand Duchy of Luxembourg, pp. 1–11. (Document consulted on 10 October 2012.)
[31] '[…] Although the public displayed great curiosity regarding European monetary union, economic and financial circles remained sceptical — with the monetary authorities in the lead.' (In Werner, Pierre, *Itinéraires*, Vol. 2, p. 20
[32] Loans in European units of account (and in foreign exchange) were floated on the money market in 1964, and later to an increasing extent. See Trausch, Gilbert, *Le Luxembourg face à la construction européenne*, Luxembourg, Centre d'Études et de Recherches Européennes Robert Schuman, 1996)
[33] The 'empty chair' policy refers to the policy pursued by the French Government under General de Gaulle from 30 June 1965 to 30 January 1966. Refusing to accept any extension to the role of the European Parliament or to the European Agricultural Guidance and Guarantee Fund (EAGGF), which had been set up to implement the common agricultural policy, and above all opposing the replacement of the unanimity principle for decision-making by the majority rule, de Gaulle suspended France's participation in the meetings of the EEC Council of Ministers, effectively blocking any decisions. The agreement signed in Luxembourg on 29 January 1966 granted concessions to France in terms of voting procedure. These were phrased as follows: 'Where, in the case of decisions which may be taken by majority vote on a proposal of the Commission, very important interests of one or more partners are at stake, the Members of the Council will endeavour, within a reasonable time, to reach solutions which can be adopted by all the Members of the Council while respecting their mutual interests and those of the Community.' See Final Communiqué of the extraordinary session of the Council (Luxembourg, 29 January 1966). Document consulted on 10 October 2012.)
[34] Address by Pierre Werner, President of the Councils of the European Communities, to the European Parliament in Strasbourg, 28 June 1966. In Documentation bulletin No 9 of 1 July 1966, 22nd year, Luxembourg: Information and Press Service, Ministry of State, Grand Duchy of Luxembourg, 1 July 1966, pp. 8–12. (Document consulted on 10 October 2012.)
[35] Werner, Pierre, *Exposé sur la politique monétaire européenne.* A lecture given in Brussels by Pierre Werner, Minister of State, President of the Government and Minister for the Treasury and the Civil Service, at the invitation of the American and Common Market Club, Brussels, 5 June 1966. In *La Libre Belgique*, 6 June 1966, p. 3
[36] Since the adoption of the Treaty of Rome in 1957, Luxembourg has held the Presidency of the Council ten times: in the first halves of 1960, 1963, 1966, 1969, 1972 and 1976, the second halves of 1980 and 1985, the first half of 1991, the second half of 1997 and the first half of 2005. In the period from 1960 to 1976, the Luxembourg Presidencies were held exclusively by various Werner governments in succession, and Pierre Werner, acting as President each time, spoke on behalf of the Community at a range of international meetings and forums.
[37] Speech by Fernand Collin, President of Kredietbank, 27 May 1967. In *Problèmes économiques*, No 2597, of 30 December 1998
[38] Leboutte, René, *Histoire économique et sociale de la construction européenne*, Collection Europe plurielle, No 39, PIE-Peter Lang, Brussels, 2008, p. 215
[39] van Yperseele, J. and Koeune, J-C., *Le système monétaire européen,* Perspectives européennes, Luxembourg-Brussels, 1988, p. 41
[40] Werner, Pierre, *Perspectives de la Politique Financière et Monétaire Européenne*. In Documentation bulletin No 2 of 26 January 1968, 24th year, Luxembourg: Information and Press Service, Ministry of State, Grand Duchy of Luxembourg, 26 January 1968, pp. 1–8. (Document consulted on 10 October 2012.)
[41] Ibid., p. 5
[42] The main lines of the Action Plan were as follows:
1. 'Definition of the monetary operations which the partners could undertake only following consultation with their partners, either within the Council of Ministers or the Monetary Committee, or possibly in a special body consisting of the Finance Ministers and the Governors of the Central Banks;
2. Completion and approval of the definition of the European unit of account, after amalgamating the formulae used in the European Treaties and the various regulations. The use of this unit of account in relations between the Six would develop quite naturally, in line with the needs of Community action, internally and externally;
3. With or without reference to the accounting currency, the Six should set out their reciprocal undertakings for the maintenance of fixed relations between their currencies.
I would point out that the six governments have defined the exchange rate of their currencies against gold in the framework of their commitments to the International Monetary Fund.
4. Monetary cooperation between the Six must be geared to that taking place on the world level of the IMF, in the interests of pursuing the objectives of security and freedom of trade advocated by the financial organisations set up at Bretton Woods.
This is an indication of the great importance of consultation and the coordination of points of view in relations with these organisations. These will become particularly important as and when the plan for special new drawing rights on the Fund enters into force.
5. Looking ahead, steps should be taken to draw up the outlines of an intergovernmental agreement in which, as and when appropriate, the extent of each country's obligations in relation to mutual assistance under Articles 108 and 109 of the Treaty would be set out.

Assistance could be organised through a Community instrument. This instrument would consist of a European Monetary Cooperation Fund which would be a channel for two types of operations:
- internally, forms of mutual assistance which would rectify imbalances in balances of payments, with the proviso that they were coordinated with drawings on the International Monetary Fund;
- externally, international credit operations deriving either from the common trade policy or from assistance provided in the international payments system.
I am not arguing for us to rush headlong into action on this matter without giving it due thought, but for progressive, organic action in keeping with what our Community actually needs in order to function. Of course, the use of the unit of account and various institutionalised measures to bring about solidarity will bring us closer to the ideal, final system based on a European reserve fund and a European currency.'

[43] After the end of the Second World War, the United States and the United Kingdom undertook a vast programme of financial aid for the reconstruction of Western European countries that had been weakened by the war. The monetary consequences of this policy soon became evident: thanks to this economic revival in Europe, the currency reserves of Germany, Italy, Belgium, France and Luxembourg gradually increased. This initially affected central banks, and then commercial banks, since central banks authorised commercial banks to hold a large proportion of the dollars earned by the respective countries, which the commercial banks deposited in turn in US banks. But a regulation in force in the United States since the early 20th century stated that US banks could not pay interest on overnight deposits. This meant that European banks, seeking a more profitable solution for their dollar deposits, turned to the exchange markets. The opening of these markets in Europe between 1948 and 1953 therefore enabled European banks to work together to use their dollar deposits to fund trade with the United States in their respective countries, and gradually to fund international trade in general. See Nahoum, J. C., 'Les marchés monétaires internationaux', in *Politique étrangère,* No 4, 1969, 34th year, pp. 437–449. Source: www.persee.fr. (Document consulted on 10 October 2012.)

[44] Guido Carli (1914–1993), a banker and politician, was the President of Mediocredito bank from 1953 to 1956 and President of the Italian Exchange Institute from 1956 to 1957, then Foreign Trade Minister (1957–1958). He became President of the Bank of Italy (1960–1975) and then chairman of the organisation of Italian industrialists (1976–1980). Elected as an independent senator for the Christian Democratic Party (1983–1987), he became Minister for the Treasury (1989–1992).

[45] See Carli, Guido, *Pensieri di un ex governatore,* Edizioni Studio Tesi, Pordenone, 1988. See Carli, G., *Cinquant'anni di vita italiana*, Laterza, Roma-Bari, 1993. See Melchionni, Maria Grazia; Ducci, Roberto, *La genèse des Traités de Rome: entretiens inédits avec 18 acteurs et témoins de la négociation,* Centre de recherches européennes, Economica, Lausanne, 2007.

[46] Werner, Pierre, *Perspectives de la politique financière et monétaire européenne*, Bancaria, Rome, 1968

[47] Pierre Werner's article 'La réforme du système monétaire international', in Academia — Nouvelle Revue Luxembourgeoise, 1968, No 1 (May–June 1968), Luxembourg, pp. 53–62, also aroused a great deal of interest in financial and banking circles.

[48] Werner, Pierre, *Benelux et les perspectives de la politique financière européenne*. An address given in The Hague by Pierre Werner, Minister of State, President of the Government and Minister for the Treasury, to the Benelux Committee, 1 April 1968. In Documentation bulletin No 6 of 30 June 1968, 24th year, Luxembourg: Information and Press Service, Ministry of State, Grand Duchy of Luxembourg, 30 June 1968, pp. 8–11. (Document consulted on 10 October 2012.)

[49] Address given in Rotterdam by Pierre Werner, President of the Government, Minister for the Treasury, at the meeting of the Council of Finance Ministers of the EEC, 10 September 1968. In Documentation bulletin No 8 of September 1968, 24th year, Luxembourg: Information and Press Service, Ministry of State, Grand Duchy of Luxembourg, September 1968, pp. 5–11

[50] Werner, Pierre, *Itinéraires*, Vol. 2, p. 121

[51] Gillingham, John, *European Integration: 1950–2003. Superstate or New Market Economy*, Cambridge University Press, Cambridge, 2003, pp. 59–60

[52] '[…] Everyone knows how many severances and imbalances, how much human and social suffering such a radical process would bring in its wake. Twenty years ago, Alsace, like Luxembourg, underwent the experiment of headlong integration under the aegis of the Reichsmark … Normally, such a course of action would practically mean a return to the economic liberalism of the 19th century or, if there is a wish to alleviate the pain of adjustment, the imposition of a monstrously complicated set of regulations.' In Werner, Pierre, *Signification d'une intégration monétaire,* address given by Pierre Werner in Strasbourg on 21 November 1960, published in Documentation bulletin No 15 of 30 November 1960, 16th year, Luxembourg: Information and Press Service, Ministry of State, Grand Duchy of Luxembourg, December 1960, pp. 3–11