The first and second Barre Plans

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Alerted by the breach in Community solidarity, the Commission — prompted by Raymond Barre, Vice-President responsible for economic and financial questions — drew up a confidential paper which it submitted to the European Finance Ministers at their meeting in Rome on 28 February 1968. [2] Inspired by the 1962 Action Programme, [3] albeit less ambitious, this ‘Memorandum on Community action in the monetary field’ looked ahead to the development of closer monetary relations between the Member States. It proposed, *inter alia*, obliging ‘Member States to adjust exchange rates only by prior mutual accord’, abolishing the margins of fluctuation and setting up a mutual aid system. There was also provision for the adoption of concerted stances in international monetary institutions and the defining of ‘a unit of account to be used in all fields of Community action requiring a common denominator’. Barre’s approach was cautious and pragmatic. Not wishing to go too far, he excluded any provision for introducing a European reserve currency. [4] In the short term, the Commission paper called for research into certain themes which might make for closer European monetary solidarity.

The Commission’s proposals were criticised by Germany and the Netherlands, which felt that ‘there was no point in a unilateral monetary approach’ of this kind. [5] The central bankers, meanwhile, had reservations as to the possibility of establishing closer monetary cooperation in the Community. The territory of the Community was too small; what is more, it was only a customs union, not an economic and political union. [6]

In October 1968, Raymond Barre was sceptical as regards economic and monetary union and adopted somewhat ‘economist’ positions. [7] His view was that the priority should be given to more effective economic policy coordination and that monetary union would be the culmination of economic union. In a speech to the European Parliament, he maintained that there would need to be a European political authority to guarantee the success of economic and monetary union. [8]

This memorandum marks the emergence of a real awareness on the part of the Member States’ governments. [9] Thus, in the final communiqué from their meeting of 13 December 1968, the EEC Finance Ministers once again stated the need for increased convergence of their economic policies, as well as greater monetary cooperation between them.

The Commission’s proposals followed those Pierre Werner had made a month earlier in his ‘five-point action programme’. [10] Laying out a practical path towards European monetary integration, the Luxembourg paper already made provision for the principle of prior consultation, bolstered at a later stage by the need for unanimity and the avoidance of any unilateral action. Joint monetary consultation was a matter of concern to the Benelux partners. On 15 January 1968 the Foreign Ministers of the three countries agreed on a common work programme and decided to act in concert in pursuing their work within the Six, including their work on monetary cooperation.

On 12 February 1969, the Commission, prompted by Vice-President Raymond Barre, submitted to the Council a ‘Memorandum on the coordination of economic policies and monetary cooperation within the Community’, [11] which was seen as ‘an original and complex economic entity’ consisting of national and Community elements. Because of the growing interdependence between the Member States’ economies, incompatibility between policies or strategies could jeopardise the customs union. This paper (known as the first Barre Plan) called for increasing integration of Europe’s economies and recognised the need for an alignment of economic policies and monetary cooperation. The preamble to the memorandum was devoted to an inventory of the provisions on economic and monetary policy adopted by the Council on 15 April 1964, [12] which made it possible, at the time, to set up the Committee of Governors of the Central Banks and the Medium-Term

Economic Policy Committee. The failure of the mutual assistance clause mechanism was noted. The plan, which incorporated the main lines of the 1968 memorandum, then proposed stepping up Community action on a number of fronts. The first area related to bringing about the convergence of medium-term economic policy guidelines (especially in respect of production, employment, wages and salaries and the balance of payments). The second stipulated the coordination of short-term economic policies, such that the economies could develop in accordance with the medium-term objectives. There were also proposals for a mechanism for ‘compulsory prior consultation on short-term policies’, and an ‘early warning’ indicators system. The third area involved the establishment of European monetary policy instruments. For real monetary solidarity, the memorandum advocated a short-term monetary support mechanism, to go hand in hand with medium-term financial assistance. ‘The mechanism for Community monetary cooperation will not take the place of the mechanisms for international monetary cooperation but, as envisaged, it can be incorporated into them without difficulty.’ [13] The plan also looked ahead to the possibility of abolishing the margins for fluctuation between European currencies and a jointly agreed 1 % flotation as against outside currencies. On 17 July 1969, the Council gave approval to the setting up of a Community short-term monetary support system.

‘The characteristic feature of the Barre Plan is a particular association of traditional German and French concepts, particularly as regards the convergence of medium-term national guidelines. […] At this level, a French-inspired medium-term analysis was applied to the German idea of economic convergence.’ [14] The ideas expressed in this paper were less ambitious than those put forward in Rome in February 1968. At the time, it was a question of abolishing the margins of fluctuation between exchange rates, giving a commitment by joint agreement in the event of a parity change and establishing a European unit of account. The explanation for this backward movement could be the lack of political will on the part of the Community partners (particularly France) and the disparities between national economic positions.

Pierre Werner anticipated some of the proposals in the Barre Plans when, as early as the autumn of 1967, at a meeting of the Finance Ministers, he suggested recognition of ‘the need for a revision of the margins for fluctuation between European currencies, the creation of a support network to fight against speculative movements, and the establishment of uniform units of account’.

The Commission Memorandum was ratified by the decision of the Council of Ministers of 17 July 1969, but was, nevertheless, greeted with some reserve. The discussions were enlivened by two different ways of looking at monetary solidarity, pitting the ‘economists’ against the ‘monetarists’. For the hard-currency countries — whose standard-bearers were Germany and the Netherlands — the priority had to be given to economic policy, the coordination of which should make it possible to strengthen the weaker economies, resulting eventually in less recourse being had to monetary solidarity. They also supported broader powers for the Community institutions. The countries with weak currencies, on the other hand, with France in the lead, regarded monetary solidarity as fundamental. Monetary integration must entail economic integration, and convergence of the economies was no longer a preliminary to, but a consequence of, monetary union. To their way of thinking, too, setting a timetable for monetary integration would be bound to have a positive effect on the economic players involved in it. The Germans therefore recommended that medium-term policies be developed systematically and in parallel, and coordinated. The Belgians, the Dutch, the Italians and the Germans agreed on short-term, non-automatic support. The Luxembourgers took a balanced position and the representatives of the central banks were very reserved as regards monetary cooperation. The Benelux countries adopted a common position, hoping that the veto on British accession would be lifted before any negotiations on further European integration.

The Commission wanted specific measures to be adopted by the autumn of 1969, but the monetary disturbances provoked by the floating of the franc and the West German mark stopped the first

Barre Plan going into action. However, gauging the consequences of their lack of cohesion and the risks that currency speculation posed to their economies, the Six committed themselves firmly to progress towards monetary integration and made it a priority matter. [15]

Once fresh impetus had been given to the building of a united Europe by the summit conference [16] in The Hague on 1 and 2 December 1969, the Vice-President of the Commission with special responsibility for economic and financial affairs presented the ‘second Barre Plan’ on 4 March 1970. The new document, which followed the broad lines of the first Barre Plan, laid down specifically that the ‘convergence of national guidelines’ should go hand in hand with ‘concerted action in the field of economic policy’. From that point on, economic coordination and monetary solidarity were inseparable from each other. [17] A ten-year working calendar for the move to economic and monetary union was also outlined, emphasising that ‘the measures to be adopted will need to be decided in the light of a concept of “common interest” combining and going further than the mere addition of national interests.’ [18] This was despite the fact that the plan ‘attempts to offset the imbalances created by separate action by Governments and to make for some degree of coordination, but does not yet supply the permanent instruments for a common policy.’ [19]

[1] Unless otherwise indicated, the source of all the documents cited in this study is www.cvce.eu.
[2] Du Bois, Pierre, *Histoire de l'Europe monétaire 1945–2005. Euro qui comme Ulysse…*, PUF, Paris, 2008
[3] The Commission's Action Programme of 24 October 1962 (more widely known as the Marjolin Memorandum) recommended switching, by the end of the 1960s, from a customs union to an economic union, with the exchange rates of the Member States' currencies fixed irrevocably. No action was taken on this report, except for the setting up, in 1964, of a Committee of Governors of the Central Banks of the Member States of the EEC, in addition to the Monetary Committee provided for in Article 105(2) of the Treaty of Rome. The Committee of Governors initially had a very limited remit but over the years it gradually grew in importance until it ended up at the heart of monetary cooperation between Community central banks. In this capacity it devised and managed the monetary cooperation framework which was later established. (Document consulted on 10 October 2012.)
[4] 'Personally, I do not think anything would be gained by adding a new reserve currency, which would be a European reserve currency, to the old reserve currencies.' Cf. Barre, Raymond, 'L'ordre monétaire européen', in *Aussenwirtschaft*, March 1969, p. 7.
[5] Szasz, Andre, *The Road to European Monetary Union*, MacMillan Press, London, 1999, p. 11
[6] See the minutes of the 27th meeting of the Committee of Governors, Basel: 9 December 1968, 10.00 a.m., Archives of the European Central Bank, Frankfurt
[7] Maes, Ivo, 'The Ascent of the European Commission as an Actor in the Monetary Integration Process in the 1960s', in *Scottish Journal of Political Economy*, Blackwell Publishing, Oxford, Vol. 53, No 2/May 2006, pp. 222–241. Cit. p. 228
[8] Barre, Raymond, 'Les problèmes monétaires internationaux et la politique monétaire de la Communauté', in *Bulletin of the European Communities*, Vol. I, No 1, November 1968, p. 17
[9] See Dyson, Kenneth; Quaglia, Lucia, *European Economic Governance and Policies*. Volume I: *Commentary on Key Historical and Institutional Documents*, Oxford University Press, 2010, p. 151
[10] Set out in the address on 'The outlook for European financial and monetary policy' which he gave at the CDU Economic Congress in Saarbrücken on 26 January 1968. Pierre Werner considered that the major features of European monetary integration should include the establishment of a European unit of account, consultation, the setting of fixed exchange rates between the European currencies, and internal and external solidarity (with a monetary cooperation fund being mentioned). (Document consulted on 10 October 2012.)
[11] Commission Memorandum to the Council on the coordination of economic policies and monetary cooperation within the Community, submitted on 12 February 1969. In *Bulletin of the EEC*, Supplement No 3/1969. (Document consulted on 10 October 2012.)
[12] Recommandation du Conseil du 15 avril 1964 adressée aux États membres au sujet des dispositions à prendre en vue du rétablissement de l'équilibre économique interne et externe de la Communauté [Council Recommendation of 15 April 1964 to the Member States on the steps to be taken to re-establish the internal and external economic balance of the Community], in Official Journal of the European Communities, No 64, 22.4.1964
[13] Ibid. Memorandum of 12 February 1969, Bulletin of the EEC No 3/1969, p. 14
[14] See Maes, Ivo, 'Projets d'intégration monétaire à la Commission européenne', in Bussière, Eric; Dumoulin, Michel (Ed), *Milieux économiques et intégration européenne en Europe occidentale au XXe siècle*. Artois Presses Université, Arras, 1998, pp. 35–50. Cit. p. 42
[15] See Werner, Pierre, *Itinéraires*, Vol. 2, pp. 100–105.
[16] At this meeting, France was represented by the President of the Republic, while the other Member States — Germany, Italy, Belgium, the Netherlands and Luxembourg — were represented by their respective heads of government.
[17] 'While it is true that monetary union, if it is to last, needs to be soundly based on economies evolving on compatible lines, with convergent economic policies, it is equally true that closer monetary solidarity enhances the prospects for both such compatibility and such convergence. The interaction of the economic and monetary sides is a powerful factor for greater Community cohesion.' In 'Communication from the Commission to the Council on the development of a plan by stages for an economic and monetary union', 1970, *Bulletin of the European Communities*, Brussels, Supplement 3/1970. (Document consulted on 10 October 2012.)
[18] Ibid.
[19] Dell'Amore, Giordano, Rector of Milan's Bocconi University, 'Pour un système monétaire européen'. In *Europe*, Agence Europe, 12 March 1970, No 568, p. 1. (Document consulted on 10 October 2012.)