Reactions in the European Parliament

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Reactions in the European Parliament [1]

The work of the Werner Group and the issue of economic and monetary union prompted lively interest on the part of the European Parliament. Several special committees and plenary sittings debated the interim and final versions of the report.

Debate by the special committees of the European Parliament [2]

The Economic Affairs Committee, the Political Affairs Committee and the Committee for Finance and Budgets of the European Parliament debated on several occasions the broad lines of the plan to establish economic and monetary union by stages. They drafted internal reports which they amended as the work of the Werner Group progressed. Joint positions and opinions followed. The Parliamentary Studies department and the Information and Documentation departments made specific contributions. The Werner Plan was also discussed at two plenary sittings of the Parliament, [3] during which views were exchanged with the Commission and the Council, leading to a resolution being adopted. [4]

The Economic Affairs Committee, [5] which was most concerned by the handling of this matter, met ten times to discuss the plan by stages and the monetary outlook for the Community. [6] Most of the meetings were held after the Council decided on 9 June 1970 to further the work of the Werner Group. The Vice-President of the Commission, Raymond Barre, often assisted by Albert Borschette, the Luxembourg member of the European Commission (who attended seven out of nine of these meetings), was invited to attend all the debates. Representatives of other committees, in particular the Committee for Finance and Budgets, were always present for items on the agenda devoted to the plan by stages. [7] On 15 May 1970 the President of the European Parliament asked the Committee for Finance and Budgets for a specialist opinion, which was submitted two months later. [8] The secretariats of the political groups in Parliament were also involved, issuing various statements. [9]

Drawing on the comparative study which Pierre Werner presented to the members of the group of experts to illustrate the various proposals at a national level for the Community's monetary integration, [10] and the document drawn up in March 1970 by the inter-directorate working party set up by the Commission of the European Communities, [11] the European Parliament produced a similar summary. This document compared the outlines of the plans drawn up by Luxembourg, [12] Belgium (the Snoy Plan), Germany (the Schiller Plan), and the second version of the Barre Plan. [13] The European Parliament text went into less detail than the comparison produced by the Commission and was based on the various stages planned for the decade from 1970 to 1980. Its conclusions drew primarily on two sources: the second Barre Plan and its Luxembourg counterpart. The Members of the European Parliament thought that these two documents offered the clearest picture of the objectives and the means to achieve them. The second Barre Plan provided an overall sense of a plan by stages, in so far as it indicated a certain 'parallelism' for harmonisation of economic and monetary policy, fiscal harmonisation and free movement of capital. The Luxembourg Plan clearly defined the broad lines and practical measures for setting up a short-term monetary support system. [14]

While the Werner Committee was busy debating and negotiating prior to approval of the final report, [15] the Economic Affairs Committee met on 28 and 29 September 1970. The Vice-President of the Commission of the European Communities was invited to state his position on progress by the ad hoc group. Raymond Barre started with a reminder of the work under way to achieve economic and monetary union, in the context of the medium-term outlook for the Community (1971–1975). [16] Keen to see the adoption of these general guidelines (at the last meeting of the Council scheduled for 22–23 December 1970), which could result in a more effective framework for economic policy, he criticised ‘certain trends apparent in some Member States to avoid approving a Community decision in favour of medium-term support, making do with merely an intergovernmental agreement’. [17] The Commission was determined to prevent this trend and would make it perfectly clear that Community mechanisms would prevail over their intergovernmental equivalent. Opposition between Community and intergovernmental methods had been a key feature of the work of the Werner Committee, but the plan by stages had established the primacy of the Community method.

According to the Vice-President of the Commission, convergence between Community countries hinged on several main factors. The first point concerned agreement on protecting the system of intra-Community monetary relations from any relaxation of exchange rate controls. The second point concerned the need for the Six to adopt the same line in dealings with the rest of the world — ‘[…] even if ministers do not yet see eye to eye on what needs to done […], even if they do not yet agree on the techniques’ — [18] and all the more so in the new context of reform of the international monetary system.

On 15 October 1970 the Economic Affairs Committee published its draft interim report, [19] for which the MEP J. E. Bousch acted as rapporteur. On 19 November Mr Bousch returned with a supplementary report, which formed the basis of the resolution on the Werner Plan which the European Parliament subsequently adopted at a plenary sitting on 3 December 1970. [20]

There followed the response by the Economic Affairs Committee and the Committee for Finance and Budgets. [21] In turn the Political Affairs Committee adopted its position on the Werner Plan. [22] Chronologically first in the sequence, the opinion of the Political Affairs Committee hinged on the ‘creation or the transformation of a certain number of Community organs to which powers until then exercised by the national authorities will have to be transferred. These transfers of responsibility represent a process of fundamental political significance which implies the progressive development of political cooperation.’ [23]

At the stage described as the ‘final objective’, the Werner Report recommended that economic and monetary union should have three consequences: firstly the transfer to the Community authorities of monetary policy with regard to the outside world; secondly the harmonisation of the policies of Member States with respect to the capital market and the adoption, at Community level, of decisions on the size of current account balances and the arrangements for funding public budgets. Lastly the plan provided for partial transfer of regional and structural policies to the Community. Transferring these powers, previously the preserve of states, to the Community would entail correlative institutional reforms to prevent a vacuum in terms of liability and management. Admittedly the Werner Committee did not make detailed proposals on the institutional architecture of the various Community bodies, but it did clearly stipulate the need to set up, at the same time, a Community system of central banks and a decision-making centre for economic policy. This centre, which would be independent and would be guided by Community interests, was to exert a decisive influence on the overall economic policy of the Community. It was to be politically answerable to a European Parliament, which ‘will have to be furnished with a status corresponding to the extension of the Community missions, not only from the point of view of the extent of its powers, but also having regard to the method of election of its members’. [24] This design implied a shift towards European-wide general elections and fitted into the larger framework of a transfer to the Community of powers and responsibilities previously exercised by national bodies. But the Political Affairs Committee expressed concern that the transfer of powers should not jeopardise Community institutions. Achieving economic and monetary union in the decade from 1970 to 1980 should lay solid foundations for the subsequent consolidation of Parliament’s powers, providing that by this time its members were elected by direct universal suffrage.

The Political Affairs Committee highlighted the important role that the European Parliament was called to play in the building of economic and monetary union. 'It will be forced to do so, if only because this transformation, which will affect it directly, will entail substantial changes to the way its members are elected and will give it new prerogatives and responsibilities.' [25] This profound institutional change '[…] cannot, and should not, be achieved unless the social substratum of the Community is able, by means of the parliamentary body which is its most vibrant — if not exclusive — expression at the Community level, to provide valuable suggestions and exercise the necessary controls for its implementation, upholding the spirit and principles underpinning the Rome Treaties'. [26] In fact the Political Affairs Committee took up the whole of one of the conclusions of the Werner Report: 'Economic and Monetary Union thus appears as a leaven for the development of political union which in the long run it cannot do without'. [27]

When it met on 27 November 1970 the Committee for Finance and Budgets unanimously approved its opinion on the Werner Plan, organised around its six main conclusions. The first one concerned the need to harmonise budgetary policy, which must form the basis for measures promoting the progressive alignment of the economies of the Member States and therefore consolidate the monetary integration of the Community. The second conclusion focused on the need to transfer powers from the national to the Community level, a move which was seen as not only essential but as guaranteeing the democratic control of the Community. Prefiguring the increased powers of the European Parliament, attention was drawn to the need for 'the European Parliament [to be] consulted on any fundamental or periodic decisions concerning the development of economic and monetary union'. [28] It was also noted that tax barriers should be lowered. [29] Another conclusion provided for a study, which the Council asked the Commission to carry out, to harmonise the units of account used in the Member States. Lastly Parliament called for a debate to be held on the annual report which the Committee of Governors of the Central Banks was to draw up for the Council and the Commission of the Communities.

Parliament's position was marked by the profoundly political significance of economic and monetary union. This conviction was demonstrated many times over, starting with the Hague Summit during which Jean Rey — then President of the Commission of the European Communities — presented a memorandum to the Heads of State and Government expressly demanding that 'the Conference of Heads of State and Government affirm the determination of the Member States of the Community to progress towards economic and monetary union'. [30] Parliament was thus in agreement with the Commission, which while the Werner Committee was still at work, often expressed the same belief. In his speech to the European Parliament, when he took office on 8 July 1970, the new President of the Commission Franco Maria Malfatti [31] highlighted the political import of the plans for economic and monetary union. '[…] No one can deny the eminently political nature of a work of such large scope. No one can imagine that such an important political problem can be resolved simply by resorting to more or less sophisticated techniques and by mobilising the forces assembled together in the national and Community governments'. [32] The two bodies were also in full agreement as to the capacity of economic and monetary union to consolidate Europe as a centre of balance and stability in international relations. [33]

The debate in the Economic Affairs Committee shows that the European Parliament was in full agreement with the ways and means identified by the Werner Report. The MEPs demanded that the governments of the Six demonstrate the necessary political determination and commitment so that monetary union could be achieved during the decade from 1970 to 1980. To this end, and given that major economic policy decisions were to be taken at Community level, the national governments must start by giving up certain powers. The first three-year stage (starting on 1 January 1971) would, thanks to more intensive economic and monetary talks, enable common ground to be established. The same applied to external monetary relations, and it was essential that the Community should display genuine monetary solidarity in this area. There was still disagreement on setting up a specific exchange regime for the Community during the first stage. Even if the current provisions of the treaty left room for some progress, the Economic Affairs Committee agreed that it would ultimately have to be altered.

In its draft interim report, [34] the European Parliament's Economic Affairs Committee disagreed with the Commission. Parliament hailed the flexibility advocated by the Werner Report, and the idea of setting key stages for achieving economic and monetary union without time constraints. 'It was not wise to establish a strict timeframe, which would subsequently turn out not to be feasible, or on the contrary not sufficiently ambitious. Currently unpredictable events might arise, forcing the Six to slow down harmonisation of their economic and monetary policies, or on the contrary enabling them to speed up progress towards economic and monetary union'. [35]

The report by the Economic Affairs Committee was divided into six sections and gave pride of place to interaction between and harmonisation of economic and monetary policies. The committee welcomed the need to consult both sides of industry, and for democratic control, as proposed by the Werner Plan. It then addressed centralisation of budgetary and fiscal policy, and possible changes to the treaty. The document concluded with a section on enlargement, the imminent accession of the United Kingdom, and the role of the pound sterling in the economic and monetary union. The Werner Group had taken an interest in this issue, returning to it several times in the course of its work and accumulating from the outset a large body of documentation on the subject. [36]

With regard to harmonising monetary policy, a dilemma arose: should priority be given to monetary or economic unification? The controversy between 'monetarists' and 'economists' which emerged once again was set aside as a 'non-issue', since the two categories of measures would inevitably interact. 'It was not possible to harmonise monetary policy without harmonising economic policy; at the same time, measures to harmonise monetary policy would entail Community discipline on economic policy'. [37] But monetary harmonisation on its own was not sufficient to bring about economic unification. Even if monetary phenomena were the expression of economic reality, simply fixing parity relations or reducing the margin of exchange rate fluctuations would not bring the Community any closer to integration. Such measures must be based on increasing convergence between the economies of the Member States, a process which would stimulate monetary solidarity in the Community. The harmonisation of economic policies must go hand in hand with a reduction in fluctuation margins, which in turn would prompt Member States to adopt a particular stance in the international monetary system. 'Reducing margins would in fact be equivalent to agreeing to Community discipline on economic policy.' [38] In the event of such discipline breaking down, it would only be possible to maintain the stability of exchange rates through a monetary assistance procedure. [39]

But the Economic Affairs Committee took its analysis one step further, defining the 'parallelism' between economic and monetary harmonisation, based on two fundamental points: firstly that coordination of economic policy within the Community was still in its early stages, having barely started; and secondly that in Member States the authorities in charge of economic policy only enjoyed limited control over economic trends. Under these circumstances, the notion of 'parallelism' was not set in stone; it would have to evolve in step with the processes it was required to explain. Regarding the effectiveness of efforts to coordinate economic policy, the committee noted some progress, such as the discussions on short-term economic policy which the Council held every six months. Such progress was fairly general, and it was not backed up by the quantification of objectives or results. [40] Efforts had been made to set up a medium-term financial support mechanism, as well as medium-term economic policy coordination. This gave governments a basis to commit themselves fully to convergence of their policies in the medium term coupled with close coordination of their short-term economic policies. [41] But the committee pointed out an essential difference — in both rationale and practical details — between measures to harmonise economic policy and equivalent monetary measures. To quantify progress towards convergence by their economies and to offer a uniform basis for comparison, Member States should set firm targets. Four significant indicators were necessary: growth, in terms of volume, of gross national product; unemployment; the balance of payments; and inflation. Using specific mechanisms, states could intervene in certain areas, to some extent, to correct and channel economic trends. Wage increases, speculative movements of capital, and the market for Eurocurrencies or Euroissues were factors, outside the control of governments, which could influence economic policy. On the other hand, the authorities had complete control over external monetary-policy measures, such as reducing fluctuation margins or (short or medium-term) financial assistance. In view of this essential difference, 'the decision to harmonise economic policy was not sufficient in itself, and only the practical result of such a decision could be seen as a step towards the harmonisation of economic policy'. [42]

The harmonisation of economic policy would go hand in hand with specific support measures. The most significant included structural and regional policy (which sought to favour economic convergence inside the Community), as well as the consultation of both sides of industry on medium-term economic policy goals, the gradual transfer of certain powers to the Community level and improved procedures for parliamentary control. In keeping with the Werner Report, which gave consultation of both sides of industry an important role in key decisions on economic and monetary policy, the Members of the European Parliament recommended closely involving both sides of industry in the framing of goals for a common medium-term economic policy. 'This [policy] would be doomed to failure if both sides of industry do not agree on the share-out of the benefits of economic growth expressed in terms of percentage points and targets. A programme of this sort would not offer serious guarantees for the convergent development of the economies of the Member States.' [43] There was agreement with the Werner Report on the need for a gradual transfer of national powers to the Community — without genuine centralisation of economic policy, there seemed little chance of bringing about the convergence of six diverse and asymmetric economies. The first step towards a common policy was to set up a joint decision-making process, [44] in both the economic (including budgetary and fiscal matters) and monetary arena. [45]

The Economic Affairs Committee also considered the existing treaty provisions in this area. The conclusions of this analysis [46] showed that 'Member States are still responsible for their economic policy, but in defining such policy they must make allowance for the superior interests of the Community […]. At no point is there any reference to a common policy, but the provisions of the treaty do not prevent close coordination of policies'. [47] The treaty set no limits on Community action, on account of national legislation in some countries. [48] Legislation on indirect taxation would need to be harmonised. On the other hand the treaty made no reference to direct taxes, so there was no scope for harmonisation in this area. Deregulation of capital movements was seen to be lagging behind the timeframe provided for by the treaty.

On 5 November 1970, following further analysis of the plan by stages for an economic and monetary union in the Community, the Economic Affairs Committee drafted a supplementary report, [49] with a motion for a resolution to be tabled at the plenary sitting of the European Parliament. This resolution confirmed Parliament's full support for the strategic thrust and tactical goals of the Werner Report. The ideal of a European currency was welcomed as an essential component in international trade in goods and capital. It was also a factor that would enable the Community to assert its own economic and monetary policy objectives with respect to the outside world. Since greater monetary integration was based on increased convergence between the economies of the Member States, a harmonised budgetary policy, with parallelism between harmonisation of both monetary and economic policy, must play a pivotal role. The resolution also stipulated that countries having applied to join the Community should be treated as active participants and allowance must be made for their interests. They should be fully informed on measures to implement economic and monetary union. With regard to the specific case of the United Kingdom, the European Parliament stressed the need for the Community to resolve the problems posed by sterling as a reserve currency. Lastly, changes to the Treaty of Rome seemed inevitable.

During the initial stage of economic and monetary union, the Monetary Committee and the Committee of Governors of the Central Banks were asked to consider in greater detail the organisation and functions of a European Monetary Cooperation Fund. To enable systematic assessment of the progress made, the Committee of Governors was encouraged to draw up an annual report — submitted to the Council and the Commission — which should also be presented to the European Parliament. There was strong support for plans by the Commission to present to the Council, before 1 May 1973, 'a memorandum on progress achieved in the establishment of economic and monetary union and the measures to be taken after the first stage'.

The draft resolution reaffirmed the importance of dialogue with both sides of industry [50] throughout the process of establishing economic and monetary union. It was up to the European Commission 'to organise, in close cooperation with the European Parliament, regular talks with the representatives of both sides of industry in order to achieve a more Community-based approach to short-term economic policy, which would be more consistent with demands for a fair distribution of the benefits of economic growth, in order to obtain the broadest possible measure of agreement'. [51]

In order to assert the central role of the European Parliament in establishing economic and monetary union, the resolution took up two other key points in the Werner Report: firstly the need for Parliament to exercise democratic control in the event of additional powers being transferred to Community bodies; and secondly the need to consult Parliament on all decisions relating to the development of economic and monetary union.

Enlargement and the outlook for economic and monetary union in the Community. What role should the pound sterling play?

Much as the Werner Group, which debated at length the prospect of British membership of the Community and how the pound sterling would fit into the workings of economic and monetary union, the European Parliament was also concerned about this issue.

Since the discussions on economic and monetary union coincided with the start of negotiations with Denmark, Ireland, Norway and the United Kingdom on their accession to the Common Market, a one-to-one relationship was being established between the Community and the prospective members. The Community was certainly interested in what they could contribute, but for the applicant states it was also very important to know 'whether they are negotiating with a Community which will stop halfway between a customs union and economic union, or with a Community which will continue to evolve until it achieves economic and monetary union'. [52] For this relationship to be balanced, the European Parliament thought that priority should be given to assessing the implications of enlargement on economic and monetary union. During the negotiation phase itself, without anticipating its outcome, it would be highly opportune to involve the potential new members in theoretical and political debate on the matter. [53] Progress towards greater integration of the Community should not be held back during the negotiation phase.

Considerable attention focused on the role of the pound sterling during the debates on monetary matters in the context of enlargement. How would this currency evolve, as both a reserve currency and a national currency, during the period between British accession to the Common Market and the introduction of a single European currency? The main danger came from the fact that its role as a reserve currency could have a negative impact on its role as a national currency, thus introducing external, possibly artificial factors, into a common, perhaps single, currency. The substantial sterling reserves held by central banks, companies and private individuals in countries in the sterling area other than the United Kingdom, the exchange guarantee enjoyed by the funds held in this currency, the high rate of interest on the London money market (recognised as the largest financial centre in Europe) had enabled sterling to retain its status as a reserve currency despite devaluation in 1967. [54] At the end of 1970, Britain's balance of payments was again in difficulty, in contrast with its speedy recovery in 1969. These short-term fluctuations suggested that some of the factors behind its recovery were only temporary. The fragile balance of payments, the policy of spending cuts, the lack of industrial investment and feeble growth in the face of increasingly strong demand set in motion a vicious circle which had an impact on the balance of payments. It seemed clear that if Britain's exports had not improved by the time it joined, the Community's monetary assistance mechanisms would be unable to absorb the full force of the shocks caused by the existence of sterling balances. [55]

British membership must go hand in hand with a stabilisation of sterling's role as a reserve currency. By virtue of its projected common currency, the Community (including the UK) would be required to contribute to the stability of the international monetary system. This consolidation process would involve phasing out support measures for sterling (discussed above) and establishing a more balanced relationship between the United Kingdom's monetary reserves and its short-term obligations. To cope with demand for additional international liquidity, it was therefore suggested that liquidity should be constituted separately from the availability of gold or reserve currencies. To this end, the International Monetary Fund's introduction of special drawing rights (SDRs) seemed a wise move. [56]

Discussion of the role and future of sterling could not be separated from the problem posed by the other reserve currency, the US dollar, particularly in the context of a fast developing Eurocurrency market, in which Eurodollars carried considerable weight. [57] Raymond Barre addressed the European Parliament's Economic Affairs Committee on this topic three times (on 29 September, 22 October and 23 October 1970) while it was reviewing the work of the Werner Report. The subject was a particular cause for concern since the central banks of European countries had accumulated large dollar reserves.

In the past the Eurodollar market had been beneficial for European countries. For example, in 1963–64 Italy had used this market to finance its external deficit, thus staving off the loss of official reserves. The Eurodollar market had imposed its own restrictions on Italian borrowers once an impression of excessive debt made itself felt. In 1968–69 Germany had used the Eurodollar market [58] to recycle surplus liquidity. It had thus succeeded in preventing an unwanted increase in its official reserves and the erosion of its restrictive credit policy. In the 1970s this beneficial effect vanished and following various forms of speculative pressure it even had the contrary effect.

In his address on 29 September 1970, Raymond Barre, Vice-President of the European Commission, drew attention to the fact that 'the Eurodollar market compromises the autonomy of European monetary authorities due to a two-sided phenomenon: […] the disparity between the size of the Eurodollar market (45 billion), on the one hand, and, on the other, the monetary mass in European countries (60 to 70 billion, *sensu lato*, in the largest countries)'. [59] This twofold condition consisted of a 'normal' deficit, in other words the balance of payments deficit of the United States, which resulted in an influx of dollars to all the central banks in the Community, particularly Germany and the Netherlands. At the same time there was an influx of floating assets to Germany and the Netherlands, and to some extent Switzerland. 'With all the talk about changes in exchange rates, there is further speculation on revaluation of the German mark and revaluation of the Dutch guilder […] Our central banks must adopt a concerted policy on speculative capital movements, but this policy should not necessarily assume that there will be variations in exchange rates and, above all, it should not assume that there will be revaluation'. [60]

Individual monetary authorities in Europe had only limited means of defence for coping with US monetary impulses transmitted by the Eurodollar market. Concerted action at Community level was therefore required. For the purposes of this much needed concerted monetary effort, policies on interest rates and credit were discussed first, particularly since most countries were contemplatinga restrictive monetary policy. Policies on the balance of payments and reserves would follow. Their influence would be more significant in two situations: if European countries applied a policy of monetary easing whereas the United States adopted a contrary course; and if speculative flows were stimulated by funding from the Eurodollar market. The practical answer to these problems, taken in conjunction, was far from simple. It would be difficult to apply a restrictive monetary policy without prompting an unwanted increase in reserves, but it would be just as complicated to resort to monetary easing without an excessive loss of reserves.

The Werner Report was categorical on this point: in the move to economic and monetary union, currency flexibility must be banned at all costs. But adjustments to exchange rates would be inevitable due to the differences in productivity and competitiveness between countries. What was needed was a gradual reduction in fluctuation margins. The Member States were steadily increasing pressure alongside efforts to harmonise structural conditions. The European Commission endorsed this view, stressing that '[…] it was not a question of saying that the structural conditions of Member States had to be identical […] but the problem was determining whether the differences were tolerable or not […] At the present time, in the Community, there are still in certain cases differences which are not bearable in view of the massive financial movements which would be required in compensation.' [61] Under these circumstances, and to ensure that an economic and monetary union with fixed exchange rates would ultimately be achieved, the Commission sketched out a roadmap indicating the actions to be taken by the Community. [62]

Debates during the plenary sittings of the European Parliament

The European Parliament held two plenary debates on the Werner Report, on 18 November and 3 December 1970, chaired by President Mario Scelba. [63]

The first sitting gave rise to a detailed exchange of views between the Parliament, the Council and the Commission on the prospects for economic and monetary union. The speeches were tightly packed and carried particular significance. A succession of speakers addressed the assembly: Karl Schiller, [64] President-in-Office of the Council of the European Communities;

Raymond Barre, Vice-President of the Commission in charge of Economic and Financial Affairs, and Franco Maria Malfatti, [65] President of the Commission. The Chairman of the European Parliament's Economic Affairs Committee followed, assisted by the Chairman of the Committee for Finance and Budgets, who substantiated the views of their respective committees. The leaders of each political group also spoke. At the end of the sitting a motion for a resolution was debated and some amendments to it were adopted.

Emphasising the relevance and importance of increasingly systematic consultation between the Council and Parliament, Karl Schiller pointed out that the views and priorities which Parliament would express on the Werner Report would certainly be extremely useful for the next round of talks held by the Council. [66] Before going into details, Schiller expressed two reservations which might colour his comments. The first was related to the fact that the Council had not officially adopted a position on this matter, not yet having taken a decision. The second concerned the fact that the report only reflected the personal views of members of the Werner Group (as pointed out in the preamble to the Werner Report). Schiller noted that 'Werner, as chairman, and all those who took part in or contributed to the work of the group […] have produced a report which represents a compromise between views which were initially very divergent'. [67] He then outlined some aims of the Council which he would take as a basis for his own decisions. Establishing economic and monetary union was a process which would lead to total solidarity between the Member States, which implied sharing both the benefits and the risks involved. At a domestic level there would be a shift towards a Community of growth and stability. In its external relations the Community would assert itself as a factor of stability in the economic and monetary balance.

In view of the fact that the Council had already endorsed the conclusions of the interim report (debated at the sitting on 8 and 9 June 1970) and approved the idea of achieving economic and monetary union within the decade 1970–80, Schiller stressed the importance of governments making a real political commitment. 'Economic and monetary union today […] is no longer a problem to be solved in the distant future but […] a realistic prospect which the final report cites when it states that economic and monetary union "thus appears as a leaven for the development of political union, which in the long run it cannot do without"'. [68] In its final report, the Werner Committee had proposed changes to the decision-making process which union of this sort would involve. But it would be premature to go into further detail on the architecture, make-up and responsibilities of the Community bodies responsible for taking decisions on economic and monetary policy. Thinking on this subject was still in its early days, but it did seem clear that a transfer of powers from the national to the Community level would entail changes in other fields, including those which fell within the scope of responsibility of Parliament. In this new institutional construction, Parliament would consequently need to play a dynamic role. In Schiller's view, the need for real political cooperation went hand in hand with another essential point in the Werner Report which certainly held political implications: 'both sides of industry will have an important part to play in bringing about this union'. [69]

The President-in-Office of the Council hailed the approach and the practical measures proposed by the Werner Report, which clearly did not set out to offer an exhaustive exploration of every issue related to economic and monetary union. Priority was given to defining the first stage, which, while not a goal in itself, remained an integral part of the full process of economic and monetary integration. 'The experience of recent years clearly shows that we must advance step by step, firmly persevering. That is why we must lay solid, practical foundations during the first stage. The Council considers that the proposals set forth in the report will be extremely useful.' [70] The practical milestones for the first stage were abundantly clear, but the path leading to the final goal of economic and monetary union was less certain, which explains the existence of several alternatives for travelling from start to finish. Should the content and the various stages in this process have been specified precisely from the outset? The final report submitted by the Werner Group opted for a more flexible approach, only defining in detail the content of the first stage in the process, considered to run from 1 January 1971 to 31 December 1973. Schiller endorsed this approach. Regardless of the usefulness of a set timetable for all the stages, the sheer scale of the process was such that a certain amount of flexibility was essential, as was the accumulation of experience as the project progressed.

In adopting this stance, even if it reflected the caution imposed by the lack of an official opinion by the Council, its President wholeheartedly endorsed the Werner Report.

The next speaker, Raymond Barre, was far from sharing this point of view. The Vice-President of the Commission started by recalling the various measures which the European Commission had taken to promote economic and monetary union. He outlined the circumstances in which the Werner Group had been set up. Its work, fuelled by proposals by the Member States, the Council and the Commission, had led to the plan by stages. He then paid tribute to Emilio Colombo. [71] ‘Thanks to [his] authority and wisdom, an agreement was reached [at the meeting in Venice in May 1970] on the concept of “guaranteed parallelism” — the expression used by Mr Colombo himself — in economic and monetary progress. […] That is how the vain quarrel between “monetarists” and “economists” was finally settled.’ [72]

Mr Barre then reminded the assembly that, concerned by the economic aspects of European integration, the Commission had been responsible for instigating the considerable debate and practical action set in motion by the Hague Summit. It was the Commission which had called for prior consultation on the coordination of economic policy. It too had introduced the third medium-term economic policy programme containing specific figures. Turning to the Werner Report itself, the speaker pointed out some of its strong points. He drew attention to the Community’s specific exchange rate regime — derived from the opinion submitted by the Committee of Governors — in which the central banks would be required to act as a driving force. He cited this positive result in order to further underline the role of the Commission, which he credited with initiating this measure. ‘On this point the Commission is bound to be pleased to see the Committee of Governors recognising a principle which [the Commission] had supported for some time, namely the principle of reducing the margins for fluctuation between the currencies of the Community. For a long time this principle was held to be unrealistic and unacceptable; now the governors of the central banks in person are saying that setting up a system of this sort is neither impossible, nor improbable.’ [73]

Since the stage-by-stage plan reflected the personal views of the members of the Werner Committee, Raymond Barre emphasised that the document was binding on neither the Member States nor the Commission, which had in fact been represented in the group. He repeated some of his earlier comments, which he had developed in greater detail before the Economic Affairs Committee of the European Parliament. His message was perfectly clear. Despite the enthusiasm and almost unanimous support for the goals, mechanisms and means of action proposed by the Werner Report, it was up to the Commission to decide. This body would select and implement the most appropriate processes for achieving economic and monetary union, taking into account the Werner Plan or not.

Concluding on a conciliatory note, Barre emphatically paid tribute to Pierre Werner and the experts in his group. ‘Werner, chairman of the committee, has for many years constantly expressed his support for establishing a monetary Europe. For my part, I cannot overlook the fact that, since 1968, the Commission has always enjoyed his full support at a time when it was trying to bring about economic and monetary progress in the Community, at a time when economic and monetary union was not fashionable and could not boast such enthusiastic and zealous supporters as those who have emerged in recent months. We cannot forget the support provided by Mr Werner. As for the members of the group, the Commission is aware of their abilities and their loyalty to the Community cause, as they chair the [advisory] committees which regularly give the Commission and the Council the benefit of their discussions and opinions.’ [74]

After having clearly set out the real import of the Werner Report for the Commission, Barre presented the Commission’s position on economic and monetary union [75] and submitted a draft resolution in three parts: a definition of the final objective; a programme of action for the first stage; and a commitment for the end of the first stage.

Three principles underpinned the definition of the final objective, economic and monetary union. The first involved establishing a single economic space, with free circulation of goods, services, persons and capital (without upsetting the social or regional order inside the Community). The second point was to set up a custom-built European monetary bloc as part of the international monetary system, this bloc being managed by a Community system of central banks. Lastly the Community would need to acquire the necessary economic and monetary skills in order to provide efficient management of the union, subject to democratic control at Community level. The necessary Community bodies would be defined once the transfer of powers to the Community had been decided. The Commission had set aside the 1970–80 decade to achieve the final objective. To this end the political determination and commitment of Member States were essential. These two principles were part of the Werner Plan.

The description of the final objective was accompanied by an action programme, in particular for the first, three-year stage. [76] The Werner Report suggested a three-year period, and the Commission agreed with this time frame but sought to define the specific measures which would be implemented. The action programme for the first stage would focus on more effective coordination of economic and monetary policy, and on greater fiscal harmonisation. There were also plans for the gradual establishment of a European capital market and the introduction of measures in favour of a specific exchange rate regime inside the Community. On this last point, Raymond Barre again mentioned that he had taken inspiration from the opinion of the Committee of Governors of the Central Banks, included in the Werner Report.

Although the treaty offered a suitable framework for the introduction of economic and monetary union in the near future, amendments would certainly be necessary. As it would be impossible to indicate in advance and with no concrete basis which aspects of the treaty would have to be changed, analysis during the first stage would identify milestones for such changes. This task fell to the Commission, which would subsequently propose the necessary amendments and the measures to be deployed during the second stage.

The Vice-President of the Commission noted that the European Parliament would need to play an active part in several fields. He particularly referred to the need for improved coordination of economic policy between the Member States, coupled with closer collaboration between the central banks. Raymond Barre then referred to another of the Werner Plan’s proposals, namely an annual report on the economic situation in the Community, which was to be adopted by the Council on the basis of a proposal by the Commission and communicated to the European Parliament. The Commission suggested that this report could be adopted by the Council on the basis of a proposal by the Commission after consulting Parliament. The aim of this proposal was to involve Parliament directly in the definition of short-term economic and monetary policy. At the same time it sought to make the exchange of views between the Commission and Parliament both systematic and consistent, prior to the Commission presenting its finalised initiatives to the Council.

Raymond Barre mentioned various actions to be carried out immediately, by the end of 1970. The first priority was for the Council to take decisions, within two months, on economic and monetary union. Such haste was justified by the expectations of public opinion following the enthusiastic response to the Hague Summit and subsequent events. It was also due to the growing awareness of the difficulties facing the Community as a result of the monetary crises affecting the Common Market. Another action concerned the real political commitment of the Member States, because ‘the economy and currency depended largely on politics’, which must not waver, despite the technical, social and international difficulties which might arise.

Since the Werner Plan was simply a summary of its authors’ personal views, it was in no way binding on the Commission. Raymond Barre reiterated this several times, but the whole of his speech in fact hinged on this document, which he repeatedly quoted. Its key points underpinned the proposals set forth by the Commission. So, despite his preliminary statements, which betrayed a certain arrogance, Vice-President Barre implicitly highlighted, in the content and structure of his speech, the true significance of the Werner Plan and its real importance for subsequent action by the Commission.

The Economic Affairs Committee had not had time to draft a report on the final version of the Werner Plan, published on 8 October. Plenary discussions had consequently not yet been held — but a debate of this kind was necessary. The Chairman of the Economic Affairs Committee and the representatives of the political groups gave their views. The Werner Report was seen as ‘a realistic proposal for establishing economic and monetary union [and even] our great opportunity and our great hope’. [77]

Some of the speakers highlighted the fact that the gradual achievement of economic and monetary union should go hand in hand with vigorous action on the social front, [78] with close involvement of both sides of industry in framing common policy for the medium term. Regular consultation of the representatives of both sides of industry would be essential. [79]

Concern also focused on the importance of democratic control. [80] Close collaboration between the European Parliament and national parliaments would be required until the powers to be transferred from the national to the Community level had been determined, with the corresponding mechanisms for action. Economic and monetary union would involve transferring two important forms of control from the hands of national bodies to the Community level. Firstly this concerned national budgets, which would have to become instruments for the Community’s economic policy and be adapted accordingly. The criteria of this policy would be decided at Community level, and although national institutions and parliaments would retain a certain margin for manoeuvre, they would have to reproduce them as they were. Another national power which would disappear in time was medium-term planning. Until now each Member State had enjoyed a fair degree of independence when framing its own plans and programmes in this respect, but with the first stage of economic and monetary union, harmonisation of national programmes would be mandatory. As the interface with national parliaments, the European Parliament would have to fulfil new functions and its dialogue with the Commission would take on a new regulatory form.

A third group of views stressed the fact that economic and monetary union must fit into political union, a parallel process set in motion by the joint will of the six Member States and the Council. The speakers also mentioned that the United Kingdom would be joining the Communities at a time when European integration was gathering momentum, and noted the future changes to the treaty.

The second plenary sitting that the European Parliament devoted to economic and monetary union opened with a statement by the rapporteur of the Economic Affairs Committee. [81] He started by summarising the detailed discussions which had given rise to the two reports drafted by this committee, based on the (interim and final) Werner Reports and finalised by concrete proposals and a motion for a resolution. Turning to the confidential aspects of these debates, 'not necessarily reflected in the published minutes and summaries', the rapporteur emphasised that, over and above the unanimous conclusions, '[these discussions] had shown that the projected economic and monetary union had prompted deeply divergent opinions, differences of views and even deep-seated emotions'. [82] The main bone of contention was whether priority should be given to the first stage or the final stage. Some believed that the only part of the Werner Report that was liable to be adopted immediately concerned the specific measures to be taken during the first stage. Others, on the contrary, maintained that the final stage was the most important, and that it was therefore vital to settle the institutional aspects of economic and monetary union promptly and to decide on the transfer to the Community of certain sovereign rights invested in the Member States. Ultimately these positions converged to achieve a balanced common position. On the one hand, the first three-year stage provided for in the Werner Report must be lived through, with experience being gathered in this way. On the other hand it was important to see the final outcome of negotiations on enlargement of the Community and to understand the positions of new members on monetary union. These changes involved sustained information and communication efforts, to bring public opinion round gradually to look forward to the necessary changes and to support them. Monetary union necessarily involved the transfer of powers to a common centre of decision, which prompted resistance. But excluding this principle out of hand was equivalent to making monetary union impossible. Even if the right to mint money remained a regalian prerogative, an attribute of sovereignty, it nevertheless seemed impossible to establish a single currency if the governments retained all their present monetary powers. It was equally clear that it was quite unrealistic to attempt to define then and there the transfers of powers or the time frame for their completion.

It seemed clear that the Treaty of Rome would soon have to be adapted, but it was unrealistic to want to define the issues, scope or timetable of the changes immediately. Consequently, in keeping with the Werner Report, the Economic Affairs Committee only focused on what should be done during the first three-year stage and recommended preliminary studies on the changes to be made to the treaty. The allocation of responsibilities for economic and monetary policy between national and Community institutions was another sensitive item. Caution was therefore required. The Economic Affairs Committee recommended studying this allocation 'in due course', when the decisions to be made would have practical consequences for the powers of national parliaments.

After lively discussions and repeated efforts to achieve a consensus, the members of the Economic Affairs Committee had reached a unanimous position, substantiated by a motion for a resolution to be tabled in the European Parliament. This document was a compromise between very different opinions, some of the key points being cited below. Of particular note was the social chapter. '[…] Paragraph 8 of the resolution introduces two very important items for social affairs: not only does it call — much as the Werner Group and the Commission — for consultations with both sides of industry, but it also asserts the principle of a fair distribution of the benefits of economic growth and the need to obtain the broadest possible measure of agreement'. [83] Provision should therefore be made for real parallelism between progress towards a social Europe and progress on the economic and monetary side. Monetary solidarity was another concern. In paragraph 6, the resolution simply opted not to rule out the possibility of reducing the margins of fluctuation in exchange rates between the currencies of the Member States of the Community. Though this goal was expressed in very cautious terms, [84] it did represent a compromise between the divergent views.

The rapporteur concluded that if the European Parliament passed the resolution as proposed, it could give real momentum to the decisions on economic and monetary union which the Council was set to take. Although the European Parliament only enjoyed advisory powers, the national governments responded to the views of MEPs, the 'representatives of the people'. Furthermore it was clear that without solid support from public opinion economic and monetary union would never really be achieved.

The opinion of the Committee for Finance and Budgets centred on a limited demand in terms of monetary integration, requiring that the relevant targets and measures should be founded on convergence of the economies of the Member States and, in particular, on harmonised economic policy. A transfer of powers from the national to the Community level seemed indispensable, and democratic control at the Community level must be guaranteed by an increase in the powers of the European Parliament. The looming controversy between national sovereign rights and Community rights was dismissed as superfluous. Many national rights had already been transferred to the Community without any real changes at an institutional level (for example by the European Parliament itself, its organisation being considered as out of step with reality). A further demand from the committee was that Parliament must be consulted on all fundamental or periodic decisions concerning the development of economic and monetary union. Dialogue with the Commission was seen as inadequate. To remedy this shortcoming, regular consultations with the Council should be held.

The opinion submitted by the Political Affairs Committee concentrated on the eminently political nature of the decisions taken at the Hague Summit. [85] Establishing economic and monetary union reflected the political will and commitment of the Member States, and this process must consequently go hand in hand with progress towards political unification. In keeping with this rationale, some provisions of the treaty would inevitably need to be amended or updated. The Political Affairs Committee welcomed the position of the Commission of the European Communities on the prospects for economic and monetary union, including the proposed timetable and instruments for its implementation. The first stage would be decisive for implementing the provisions in the treaties concerning coordination of economic and monetary policy. It would be up to the Commission to propose, in line with its own commitments and before 1 March 1973, the measures to be taken in the second stage. In this process of both political and economic construction, the European Parliament would be a key player. Its budgetary and supervisory powers must be strengthened during the first stage, to make sure it could make an immediate, tangible contribution. Active involvement of the European Parliament would be essential 'with regard to the transfer of powers which would occur during the second stage, when the economic and monetary union moved from the phase of simple coordination to the phase of genuine union, to which all the states must subscribe as part of their common efforts to achieve this fundamental aspect of political union'. [86]

Many of the reactions prompted by the presentation of these resolutions displayed not only a genuine interest in the issues raised by Europe's political and economic future, but also a sort of 'game' opposing individuals and political groups, illustrated by the frequent correction of specific terms and wordings, and amendments, which once set forth were immediately contradicted and cancelled by other amendments.

Raymond Barre, who had taken part in all the debates within the Economic Affairs Committee as well as the first plenary sitting of the European Parliament on the Werner Report, rounded off the proceedings. He set out the Commission's position on economic and monetary matters and defended this position, thereby responding to the flurry of criticism from MEPs. Many of the reactions by the MEPs seemed to reflect the view that the Commission's proposals fell short of those set forth in the Werner Report, which was more ambitious and embraced broader horizons. 'On the one hand we have a report which we described in our draft memorandum to the Council as an essential contribution to establishing economic and monetary union. On the other hand we have proposals. The proposals are of a different nature than the report. Proposals must have a firm basis, a clear form and define a specific timetable for carrying out actions. Such is the reasoning behind the motion for a resolution and the proposals forwarded to the Council, for the very good reason that it is the Commission's responsibility to submit proposals to the Council. [87] '[…] of necessity the Community must be based on growth and development, at the same time as being based on stability'. [88] After a long voting procedure, punctuated by additional comments, the European Parliament adopted the resolution on the establishment by stages of economic and monetary union in the Community. [89]

[1] Unless otherwise indicated, the source of all the documents cited in this study is www.cvce.eu.
[2] The Economic Affairs Committee, the Committee for Finance and Budgets and the Political Affairs Committee.
[3] Sittings on 18 November and 3 December 1970.
[4] 'Résolution sur la réalisation par étapes de l'Union économique et monétaire de la Communauté' [Resolution on the establishment by stages of economic and monetary union in the Community], CARDOC, European Parliament, in Official Journal of the European Communities, No 151/23 of 29 December 1970.
[5] The Economic Affairs Committee of the European Parliament was made up as follows: Messrs Lange, Chairman, Boersma, Vice-Chairman, Artinger, Berkhouver, Bermani, Bersani, Bos, Bourbelles, Bousch, Bousquet, Califice, Cifarelli, Colin, De Winter, Fläming, Galli, Glinner (deputy Ms Lulling), Mitterdorfer, Oele, Offoyriedel, Scoccimarro, Springorum, Starke, Van Oeffelen, Wolfram. Source: Agenda and minutes of the meetings on 6–7 May, 10 May, 6 July, 28–29 September, 22–23 October, 29–30 October, 9–10 November, 23 November, 1–2 December and 5–6 December 1970, CARDOC, European Parliament, PE/II/PV/70-13, PE/II/PV/70-14 and PE/II/PV/70-15.
[6] Meetings on 6–7 May, 10 May, 6 July, 28–29 September, 22–23 October, 29–30 October, 9–10 November, 5–6 December 1970. CARDOC, European Parliament, PE/II/PV/70-13, PE/II/PV/70-14 and PE/II/PV/70-15.
[7] In particular Mr Spenale, chairman of this committee, Mr Aigner, the author of the opinion on the plan by stages requested by the Economic Affairs Committee, and Messrs Borocco, Memmel, Posthumus, Schwörer and Westerterp.
[8] 'Avis de la commission des Finances et du Budget sur la réalisation par étapes de l'Union économique et monétaire de la Communauté' [Opinion of the Committee for Finance and Budgets on the establishment by stages of economic and monetary union in the Community], drafted by Mr Aigner, PE 25908/def, European Parliament, room documents 1970–1971, CARDOC. (Document consulted on 10 October 2012.)
[9] The secretariats of the political groups were represented by Mr Dulcy for the secretariat of the Socialist Group, Mr Silvestro for the secretariat of the Liberal and Allied Group, and Mr Kieffer for the secretariat of the European Democratic Union Group. See Agenda and minutes of the meetings on 6–7 May, 10 May, 6 July, 28–29 September, 22–23 October, 29–30 October, 9–10 November, 1–2 December and 5–6 December 1970, CARDOC, European Parliament, PE/II/PV/70-13, PE/II/PV/70-14 and PE/II/PV/70-15.
[10] This was the preliminary meeting of the Werner group, held in Luxembourg on 11 March 1970. See section 1.3.3, 'Monetary plans drawn up by Belgium, Germany and Luxembourg (January–February 1970)'.
[11] The inter-directorate working party on economic and monetary union, which was based around the Directorate-General for Economic and Financial Affairs (DGII) and composed of directors and the secretary of the Monetary Committee, was set up by the Commission memorandum No 700225 of 26 January 1970, with the task of providing additional considerations and documentation for the Commission's representative on the Werner Committee. On 18 March 1970, this working party supplied the Werner Group with a comparison between the four stage-by-stage plans to establish an economic and monetary union — the plans framed by the German, Belgian and Luxembourg Governments, respectively, and the Commission's plan — all published in February 1970.
[12] Referred to for a time as the 'first Werner Plan' in various circles, this proposal by the Luxembourg Government was subsequently known as the Luxembourg Plan, as Pierre Werner had wanted. The whole of the 'five-point Luxembourg Plan' was penned entirely by Werner. He had already outlined its broad lines in a talk to the Europaforum Congress in Saarbrücken on 26 January 1968. (Document consulted on 10 October 2012.)
[13] 'Communication aux membres: résumé des plans élaborés en vue de la création d'une Union économique et monétaire' [Communication to members: Comparative summary of the various plans for the establishment of an economic and monetary union], Economic Affairs Committee, Directorate-General for Committees and Parliamentary Studies, Luxembourg, 5 June 1970. PE 24605, CARDOC, European Parliament. In the Pierre Werner family archives, ref. PW 048, case entitled 'Intégration monétaire de l'Europe. Le Plan Werner: 1970' [Monetary integration of Europe. The Werner Plan: 1970]. (Document consulted on 10 October 2012.)
[14] Ibid., p. 12

- 'The second Barre Plan. This plan sought to establish a certain parallelism between harmonisation of economic and monetary policy, fiscal harmonisation and achieving free circulation of capital. It provided for automatic transition from one stage to the next. The first stage, which spanned the years 1970 and 1971, was seen as a preliminary stage. The second stage, from 1972 to the end of 1975, would be devoted to preparing the establishment of economic and monetary union. At the request of the European Commission, the Council could decide to extend this stage by up to two years at the most, until the end of 1977. The third stage would lead to the final establishment of economic and monetary union'.

- 'The first Werner Plan. The first stage of the Werner Plan had already been partly completed with the conclusion of the agreement, dated 9 February 1970, setting up a short-term monetary assistance system. This agreement was based on the memorandum submitted by the Commission to the Council on coordination of economic policy and on monetary cooperation inside the Community. It was also based on the decision by the Council, dated 17 July 1969, on short-term coordination of the economic policy of Member States. The agreement on short-term assistance provided for financial assistance to be afforded to any EEC Member State encountering monetary difficulties, for an amount equivalent to its appointed share, within the limits of a $1 billion credit cap. The share allocated to the Federal Republic and France was worth $300 million, for Italy $200 million, and for the Netherlands and the Belgium-Luxembourg Union $100 million. These credits, amounting to $1 billion, were granted for a period of three months, with scope for renewal for a further three months.'
[15] The last two meetings of the Werner Group were held on 23–24 September 1970 (Copenhagen) and 7–8 October 1970

(Luxembourg).
[16] The Community's third programme of medium-term guidelines and structural actions for the 1971–1975 period. European Commission, 'Les orientations globales à moyen terme (1971–75) de la politique économique dans la Communauté', document COM (69) 1250.
[17] 'Meeting of the Economic Affairs Committee on 28 and 29.09.1970', Brussels, tape No 218, transcription p. 3, European Parliament, Economic Affairs Committee. In the Pierre Werner family archives, ref. PW 048.
[18] Ibid., p. 7
[19] 'Rapport complémentaire fait au nom de la commission économique sur la réalisation par étapes de l'Union économique et monétaire de la Communauté', rapporteur M. Bousch, document PE.25908, CARDOC, European Parliament, room documents 1970–1971, 30 November 1970, document 187
[20] The resolution in question was discussed at the joint meeting which the Economic Affairs Committee held in Brussels with the Committee for Finance and Budgets of the European Parliament on 23 November 1970.
[21] In a letter dated 13 May 1970, the President of the European Parliament referred the problems posed by the establishment of an economic and monetary union to the Committee for Finance and Budgets for an opinion (the root issue fell within the competence of the Economic Affairs Committee). On 17 July 1970 Mr Aigner was appointed by the Committee for Finance and Budgets to draft this opinion. At the meeting on 22 October 1970 an interim opinion was reviewed and unanimously approved by the latter committee. On the basis of the final report to the Council and the Commission which Pierre Werner presented to the public on 8 October 1970, the Committee for Finance and Budgets once again examined the issue of economic and monetary union and unanimously approved the final opinion. Adoption of this opinion was dated 27 November 1970.
[22] 'Note du secrétariat sur les aspects politiques et institutionnels du plan Werner concernant la réalisation par étapes de l'Union économique et monétaire de la Communauté' [Note by the secretariat on the political and institutional aspects of the Werner Plan concerning the establishment by stages of an economic and monetary union in the Community], I. ob.di/tw, Brussels, 4 November 1970, document PE. 25715, European Parliament, Political Affairs Committee. In the Pierre Werner family archives, ref. PW 048. (Document consulted on 10 October 2012.)
[23] 'Report to the Council and the Commission on the realisation by stages of economic and monetary union in the Community (Werner Report)', Luxembourg, 8 October 1970, document L 6.956/II/70-D, in Official Journal of the European Communities C 136, Supplement to Bulletin 11/1970, Luxembourg, 11 November 1970, in section III — The final objective, p. 12. (Document consulted on 10 October 2012.)
[24] Ibid., p. 13
[25] 'Note du secrétariat sur les aspects politiques et institutionnels du plan Werner concernant la réalisation par étapes de l'Union économique et monétaire de la Communauté' [Note from the secretariat on the political and institutional aspects of the Werner Plan concerning the establishment by stages of an economic and monetary union in the Community], I. ob.di/tw, Brussels, 4 November 1970, PE. 25715, p. 4, European Parliament, Political Affairs Committee. In the Pierre Werner family archives, ref. PW 048.
[26] Ibid., p. 5
[27] Ibid.
[28] 'Avis de la commission des Finances et des Budgets sur la réalisation par étapes de l'Union économique et monétaire de la Communauté' [Opinion of the Committee for Finance and Budgets on the establishment by stages of economic and monetary union in the Community], drafted by Mr Aigner, CARDOC, European Parliament, room documents 1970–1971, PE 25908/def, p. 3.
[29] This concerns the goal of harmonising the rates and basis of value added tax, and various forms of duty.
[30] Memorandum by Jean Rey to the European Parliament on 11 December 1969, reproduced in the final declaration of the Hague Summit: The Hague Summit, [1–2 December 1969], Final Communiqué of the Conference and Memorandum from the Commission to the Conference, in *Bulletin of the European Communities*, No 1, 1970, p. 15
[31] Franco Maria Malfatti (13 June 1927–10 December 1991) was an Italian politician and journalist of Christian Democratic sympathies. He was elected to the Italian Parliament several times and served as a minister. From June 1970 to March 1972 he was the President of the European Commission. He resigned in 1972 to take part in the Italian general election later in the year.
[32] See Room documents 1970–1971, 16 July 1970, CARDOC, European Parliament.
[33] In his speech to the European Parliament on 15 September 1970, the President of the European Commission Franco Maria Malfatti asserted that '[…] economic and monetary union in Europe should enable it to play a part on the world stage, the need for which is increasingly pressing: it should constitute an additional centre of balance and development in international economic and financial relations'. See In Room documents 1970–1971, 5 October 1970, CARDOC, European Parliament.
[34] During its meeting on 22 October 1970, the Economic Affairs Committee adopted an interim report on the establishment by stages of economic and monetary union in the Community. On 21 October 1970 the Council communicated to Parliament, for information purposes, the final report drawn up by the group of experts chaired by Pierre Werner. Subsequently, in a letter dated 18 November 1970, the President of the Council consulted the European Parliament on the Commission's proposals to the Council regarding the establishment by stages of economic and monetary union.
[35] Idem.
[36] Cf. research in the Pierre Werner family archives, ref. PW 047, case entitled 'Groupe Werner: Antécédents, préparatifs

et réunions 1968–1970' [Werner Group: Antecedents, preparations and meetings 1968–1970] and ref. PW 048, case entitled 'Intégration monétaire de l'Europe. Le Plan Werner: 1970' [Monetary integration of Europe. The Werner Plan: 1970] See also subsection 2.2, 'The work of the Werner Committee'.

[37] 'Projet de rapport intérimaire sur la création d'une Union économique et monétaire' [Draft interim report on the establishment of an economic and monetary union], rapporteur Mr J. E. Bousch, CARDOC, European Parliament, Economic Affairs Committee, PE 25221/rev, p. 8. (Document consulted on 10 October 2012.)

[38] Ibid., p. 9

[39] This is why the debates in Parliament suggested that it would make sense to start by proving that the proposed procedure for closer coordination of economic policy would work in practice and then, but only then, reduce the fluctuation margins.

[40] 'The commitments made in this respect by the Council, when it stated its agreement with the conclusions of a memorandum drawn up twice a year by the Executive, had so far been expressed in general terms […]. As things stood it was impossible to say whether the medium-term economic policy advocated by the Community exerted a decisive influence on economic trends in Member States. This would only change when there were set targets.' See 'Rapport intérimaire fait au nom de la commission économique sur la création d'une Union économique et monétaire de la Communauté' [Draft interim report drawn up on behalf of the Economic Affairs Committee on the establishment of an economic and monetary union in the Community], rapporteur Mr J. E. Bousch, CARDOC, European Parliament, room documents 1970–1971, document 187, 30 November 1970, p. 10.

[41] At its sitting on 9 June 1970 the Council decided to supply, for the current year, a basis for implementing the plan for economic and monetary union. It also proposed to adopt, for 1 January 1971, all the proposals which the European Commission had submitted in its document, of 12 February 1969, entitled 'Memorandum on the Coordination of Economic Policies and Monetary Cooperation within the Community'. This document would bear the name of its instigator, the Vice-President of the Commission, Raymond Barre (the first Barre Plan). Published in the supplement to the EEC Bulletin No 3/1969, pp. 13–21. (Document consulted on 10 October 2012.)

[42] 'Rapport intérimaire sur la création d'une Union économique et monétaire de la Communauté' [Interim report on the establishment of an economic and monetary union in the Community], rapporteur Mr J. E. Bousch, CARDOC, European Parliament, room documents 1970–1971, 15 October 1970, document 148, document PE 25221, p. 12

[43] Ibid., p. 14. Furthermore, the European Parliament resolution on trends for short-term economic policy within the Community, doc. 79/10 July 1970, p. 3, § 8 specifically mentioned that 'Parliament [...] considers [...] that the new European Commission will have to accomplish the important task of organising, in close cooperation with the European Parliament, regular talks with the representatives of both sides of industry in order to achieve a more Community-based approach to short-term economic policy, which would be more consistent with demands for a fair distribution of the benefits of economic growth, to be defined as part of structural policy'.

[44] In its memorandum on the establishment of a plan by stages for economic and monetary union, the committee assumed that 'decisions in common on guidelines for overall economic policy, short-term economic policy and budgetary policy' should start from the second phase of the establishment of economic and monetary union. At the time of the debates on the Werner Report in the European Parliament no decisions had been taken on the responsibilities of the various bodies, the distribution of responsibilities for economic and monetary policy during the various stages, or the manner in which democratic control would be exercised over the policies defined in common.

[45] In its interim report the Werner Group specified that 'such transfers of power would be kept down to the limits necessary to ensure the effectiveness of Community action; they are mainly those concerning the group of policies involved in the maintainance [*sic*] of general equilibrium'. See 'Interim report to the Council and the Commission on the establishment by stages of economic and monetary union', document 9.504/II/70-D, in Bulletin 7/1970, supplement, Official Journal of the European Communities, C 94 of 23 July 1970, Luxembourg, p. 20. (Document consulted on 10 October 2012.)

[46] The members of the Economic Affairs Committee thought that Article 104 of the treaty did not affect the sovereignty of Member States over economic and monetary policy, but under the terms of Articles 103 and 107, Member States must treat as 'a matter of common concern' their short-term economic policies and policies on exchange rates.

[47] 'Rapport intérimaire sur la création d'une Union économique et monétaire de la Communauté' [Interim report on the establishment of an economic and monetary union in the Community], rapporteur Mr J. E. Bousch, CARDOC, European Parliament, room documents 1970–1971, 15 October 1970, document 148, document PE 25221, p. 21

[48] On 16 December 1965 the President of the European Parliament asked the Economic and Financial Affairs Committee to draw up a report outlining the broad priorities for Community action in the field of monetary policy and with a view to achieving monetary union in the future. On 19 January 1966 the Economic and Financial Affairs Committee appointed the MEP Hans Dichgans as its rapporteur. The report was examined at the meetings of the Economic and Financial Affairs Committee on 21 July, 25 October, 9 and 21 November 1966, and was unanimously approved with a motion for a resolution at the last of the meetings cited above. The document entitled 'Rapport sur l'activité future de la Communauté dans le domaine de la politique monétaire et la création d'une union monétaire européenne' was published on 28 November 1966. European Parliament, room documents 1965–1966. Document 138/28 November 1966. In the Pierre Werner family archives, ref. PW 046, case entitled 'L'intégration monétaire de l'Europe 1962–1969' [Monetary integration in Europe 1962–1969].

[49] 'Rapport complémentaire fait au nom de la commission économique sur la réalisation par étapes de l'Union économique et monétaire de la Communauté' [Additional report drawn up on behalf of the Economic Affairs Committee on the

establishment by stages of economic and monetary union in the Community], rapporteur Mr Bousch, document PE.25908, CARDOC, European Parliament, room documents 1970–1971, 30 November 1970, document 187

[50] 'Résolution sur l'évolution de la conjoncture dans la Communauté' [Resolution on short-term economic trends in the Community], Official Journal of the European Communities, No C 101 of 4 August 1970

[51] 'Résolution sur la réalisation par étapes de l'Union économique et monétaire de la Communauté' [Resolution on the establishment by stages of economic and monetary union in the Community], European Parliament. In Official Journal of the European Communities, C 151/23 of 29 December 1970, p. 4

[52] 'Rapport intérimaire sur la création d'une Union économique et monétaire de la Communauté' [Interim report on the establishment of an economic and monetary union in the Community], rapporteur Mr J. E. Bousch, CARDOC, European Parliament, room documents 1970–1971, 15 October 1970, document 148/ PE 25221, p. 22

[53] The MEPs on the Economic Affairs Committee considered three possible approaches for examining the plans for economic and monetary union from this perspective:

- To wait until the end of negotiations and their outcome. With this approach, precious, possibly decisive years would be lost and in the meantime disintegrating trends might emerge in the Community;

- To consider that establishing economic and monetary union (as decided by the Hague Summit of 1–2 December 1969) was an official goal of the Community and, consequently, the Six should reach agreement amongst themselves, leaving prospective members on the sidelines of this process;

- To consider that the candidate countries must accept the decision taken at the Hague Summit, setting economic and monetary union as the official goal of the Community, but that the Council, in its decisions bearing on the future, should make allowance for the interests of the candidate countries. The Six would continue their discussions on gradually establishing union, but on the understanding that the candidate countries should be consulted on the specific arrangements for establishing this union by stages. Such consultation should not slow the progress of negotiations on accession, unless Community Member States failed to agree among themselves. The members of the committee adopted the third approach as the appropriate line of conduct.

[54] The sterling area, or sterling zone, created at the start of the Second World War, was an emergency measure for cooperation on exchange rate controls decided by a group of countries, mostly dominions or colonies belonging to the British Empire (subsequently the Commonwealth). These countries used the pound sterling as their own national currency, or alternatively their currency had a fixed exchange rate against the pound. If member countries used their national currency they held large sterling reserves in London for international trading purposes. The aim of the sterling area was to protect the value of the pound and trade inside the Empire. The pound sterling is now the official currency of the United Kingdom of Great Britain and Northern Ireland, of British crown dependencies and overseas British territories.

[55] The devaluation of sterling in 1967 boosted exports by British industry. But the swift rise in wages in the following period soon eliminated this advantage.

[56] In 1968 the European Parliament had already proposed to set up special drawing rights (SDRs). Official Journal C 27 of 28 March 1968.

[57] See Friot, Gérard, *Eurodollars et politique monétaire nationale: États-Unis, Allemagne, Grande-Bretagne, France*, Fiot (Ed), Paris, 1973, 134 p.; Kane, Daniel, *The eurodollar market in the years of crisis*, Croomhelm, UK, 1983, 189 p.; Allen, Larry, *The Encyclopedia of Money*, Greenwood Publishing Group, Abingdon, UK, 2009, 530 p. Eurocurrency consisted of bank deposits denominated in a currency other than that of the country where the bank was registered; Eurodollars were one form of Eurocurrency, defined as deposits in US dollars held in banks outside the United States. This market, which was larger than the domestic money market in the United States, came into existence due to a combination of factors: US foreign trade imbalances; the decision by the Soviet authorities in the 1950s to deposit their dollar reserves in London (for fear of them being impounded if they entrusted them to US banks); and the US Regulation Q, which set an upper limit on interest rates for domestic bank deposits. With this rate lagging behind inflation in the early 1960s, a massive exodus of US capital started, moving in particular to London. In 1963 President J. F. Kennedy introduced the Interest Equalization Tax (on interest paid on dollar bonds issued on behalf of European companies. The resulting change in financial flows led to the creation of an international Eurodollar market. Luxembourg, which did not have a central bank and enjoyed very flexible rules on banking and taxation, found itself in a favourable position, whereas traditional markets such as London, Zurich or Amsterdam were hampered by restrictive legislation. Luxembourg gradually established itself as one of the main centres for Euromarkets, marking the start of its role as an international financial marketplace. In July 1963 the Luxembourg stock market issued its first batch of 'Autostrade' Eurobonds. Rules in the United States were relaxed in 1974 with an end to regulations and taxes (notably the Interest Equalization Tax) and the United States started to emerge from the 'monetary isolation' which prevented banks from arbitrage between the domestic dollar market and Euromarkets.

[58] In the form of swaps (mutually advantageous exchanges) between commercial banks and the central bank. Unlike exchanges of financial assets, exchanges of financial flows (including swaps) are mutually agreed instruments with no impact on the balance sheet, which make it possible to change the conditions for interest rates or currencies (or both at the same time), for present and future assets and liabilities.

[59] Statement by Raymond Barre. Follows on from tape 219. Transcription, p. 21. Meeting on 29 September 1970 in Brussels, Economic Affairs Committee of the European Parliament. In the Pierre Werner family archives, ref. PW 048.

[60] Ibid., p. 22

[61] Ibid., p. 28

[62] This document outlined several actions and procedures which the Community would have to carry out. Effective, permanent coordination of economic policy must be established. Regarding the balance of payments, to remedy short-term economic difficulties, specific Community assistance mechanisms would be set up. By means of the Community budget, covering all fields (not just agriculture), a range of compensation funds would become possible. The existence of a capital market would allow the movement of capital from countries with substantial savings to less well-endowed neighbours. Other Community institutions, such as the European Investment Bank and the Social Fund, responsible for controlled movements of capital, would be called upon to act vigorously in areas affected by serious structural problems.
[63] Mario Scelba (1901–1991), an Italian politician, was the Italian Prime Minister from 1954 to 1955 and President of the European Parliament from 1969 to 1971.
[64] Karl August Fritz Schiller (1911–1994), a German politician and member of the Social Democratic Party of Germany (SPD) was the Minister for the Economy of the Federal Republic of Germany (1966–1971). He made an active contribution to the work of the Werner Committee and subsequently advocated the plan by stages.
[65] Franco Maria Malfatti (1927–1991), an Italian politician, was the President of the Commission of the European Communities from 1 July 1970 to 21 March 1972.
[66] It was on 23 November 1970 that the Council first debated in detail the final report of the Werner Committee, which it had received on 15 October 1970.
[67] 'Réalisation par étapes de l'Union économique et monétaire de la Communauté' [Establishment by stages of economic and monetary union in the Community]. Minutes of parliamentary debate, sitting of 18 November 1970, CARDOC, European Parliament, in Official Journal of the European Communities, annex 151/23 of 29 December 1970, p. 99. (Document consulted on 10 October 2012.)
[68] Ibid., CARDOC, p. 100
[69] Ibid.
[70] Ibid., CARDOC, p. 101
[71] Emilio Colombo (born 14 April 1920), an Italian politician, served during the 1967–1970 period as Minister for Finance, the Treasury and the Budget. He was consequently deeply involved in the issues surrounding economic and monetary union. On 29 May 1970, in Venice, he chaired the meeting of Finance Ministers on the interim report of the Werner Committee. From 6 August 1970 to 17 February 1972, he was the Italian Prime Minister. He was subsequently elected several times as a Member of the European Parliament, from 1979 to 1980, 1984 to 1987, and 1989 to 1992. He was President of the European Parliament from 1977 to 1979. He was awarded the International Charlemagne Prize in 1979.
[72] Ibid., 'Réalisation par étapes', CARDOC, p. 103
[73] Ibid.
[74] Ibid., p. 105
[75] This was the document entitled 'Communication et propositions de la Commission au Conseil relatives à l'institution par étapes d'une union économique et monétaire de la Communauté' [Communication and proposals from the Commission to the Council on the establishment by stages of economic and monetary union]. This position of the Commission was based on four earlier documents of key importance: 1. The communication from the Commission to the Council dated 4 March 1970 on the establishment of a plan by stages for economic and monetary union; 2. The conclusions of the Council meeting of 8 and 9 June 1970 (cited in the annex to the Werner Report; 3. The Werner Report (8 October 1970); 4. The opinion of the Committee of Governors of the Central Banks, appended to the Werner Report. (Document consulted on 10 October 2012.)
[76] The Werner Report had opted for a three-year first stage, because this time frame seemed reasonable to make useful and necessary progress in various areas. The proposals made during the work of the Werner Committee included a first stage lasting five years, linked to application of the Commission's medium-term economic policy programme, which would have left time to take stock of economic progress inside the Community.
[77] Speech by MEP J. Löhr, of the Christian-Democratic group, CARDOC, European Parliament. Minutes of plenary sitting, Wednesday sitting, 18 November 1970, pp. 109–110
[78] Statements by the MEPs J. E. Bousch, rapporteur of the Economic Affairs Committee, and E. Boersma, leader of the Social Democratic group, CARDOC, European Parliament. Minutes of plenary sitting, Wednesday sitting, 18 November 1970 (pp. 110–113 and pp. 113–116).
[79] Parliament would be required to rule on this topic and the Economic and Social Committee would also be called upon to state its opinion. Talks with both sides of industry would jointly define desirable goals, reach agreement on the provisions of the recommended policy and gain as broad as possible support for the implementation of these policies, which otherwise would run into insurmountable difficulties. However, allowance must also be made for the fact that the unfettered action of social forces was subject to considerable corrective influence from the central authorities. This necessarily meant that the economy could only exert limited influence.
[80] Intervention by the MEP Mr Oele, representative of the Socialist group, CARDOC, European Parliament. Minutes of plenary sitting, Wednesday sitting, 18 November 1970, pp. 116–121
[81] Raymond Offroy, a French MEP, appointed to defend the report by the Economic Affairs Committee. His report was based on the final version of the Werner Plan, to which the Commission's proposals had been appended, as well as three (separate) resolutions tabled by the Parliamentary Committees which had reviewed the plan (the Economic Affairs Committee, the Committee for Finance and Budgets, and the Political Affairs Committee).
[82] 'Réalisation par étapes de l'Union économique et monétaire de la Communauté' [Establishment by stages of economic

and monetary union in the Community]. Minutes of plenary sitting, Wednesday sitting, 18 November 1970, CARDOC, European Parliament, in Official Journal of the European Communities, annex 151/23 of 29 December 1970.

[83] Ibid., p. 3. According to the Economic Affairs Committee, progress was unthinkable without a minimum amount of agreement on both sides of industry. To illustrate its point it cited the risk of widespread industrial action, demands for large wage increases and a sudden acceleration of social transfers which could overturn economic and monetary decisions.

[84] In his statement on 18 November 1970, during the plenary debate in the European Parliament, Karl Schiller, President-in-Office of the Council of the European Communities, offered a very ambitious definition of economic and monetary union: 'monetary union implies complete, irreversible convertibility of currencies, the elimination of margins for the fluctuation of exchange rates, the irrevocable pegging of parity relationships and complete freedom of movement of capital'.

[85] This opinion is based on the 'Note du secrétariat sur les aspects politiques et institutionnels du plan Werner concernant la réalisation par étapes de l'Union économique et monétaire de la Communauté' [Note by the secretariat on the political and institutional aspects of the Werner Plan concerning the establishment by stages of an economic and monetary union in the Community], I. ob.di/tw, Brussels, 4 November 1970, document PE. 25715, in the Pierre Werner family archives, ref. PW 048.

[86] Minutes of the plenary sitting, Thursday sitting, 3 December 1970, CARDOC, European Parliament, p. 52. (Document consulted on 10 October 2012.)

[87] Ibid. Speech by Raymond Barre, Vice-President of the Commission of the European Communities, p. 51. CARDOC

[88] The communiqué issued by the Hague Summit (1–2 December 1969) defined the Community as a Community of stability and growth. These goals were also specifically cited in the 'Propositions de la Commission au Conseil concernant le troisième programme de politique économique à moyen terme' [Proposals from the Commission to the Council on the third medium-term economic policy programme], Commission of the European Communities, COM 189/70.

[89] 'Résolution sur la réalisation par étapes de l'Union économique et monétaire de la Communauté' [Resolution on the establishment by stages of economic and monetary union in the Community], in Official Journal of the European Communities, C 151/23 of 29 December 1970