Monetary plans drawn up by Belgium, Germany and Luxembourg (January–February 1970)

Monetary plans drawn up by Belgium, Germany and Luxembourg (January–February 1970) [1]

When the Hague Summit was over and before the committee of experts started its work, several governments put forward proposals for the implementation of economic and monetary union. Memoranda came out from Belgium (published on 27 January 1970), Germany (published on 17 February 1970) [2] and Luxembourg (published on 23 February 1970). After being named after their promoters, in this case the finance ministers from the respective countries (the Snoy Plan, [3] the Schiller Plan [4] and the Luxembourg Plan, also known as the first Werner Plan), these three government proposals were discussed at the meeting of the Council of Finance Ministers held in Paris on 24 February 1970, with Valéry Giscard d'Estaing in the chair. [5]

The German monetary plan (the Schiller Plan)

While the Werner group was still to be set up, Germany's official position on monetary integration was made public in a memorandum which the Minister for Economic Affairs, Karl Schiller, presented on 12 February 1970.

The focus of this plan was the establishment of economic and monetary union in four stages of unspecified length, though the final phase was to begin in 1978. The first two stages (1970–1975) were the most important, their objective being the harmonisation of economic, monetary and fiscal policy and the establishment of a system of medium-term assistance in the event of a serious disequilibrium in the balance of payments. Only during the third stage, when the European economies were converging towards common objectives, were Community elements to be gradually brought into being. These involved, in particular, reduced margins for fluctuation between the currencies concerned, changes in parity to be submitted to the partners for agreement, and the setting up of the European Reserve Fund.

The transition from one stage to the next was dependent on the main measures planned for the preceding step having actually been brought into effect. The final target — the fixing of definitive exchange rates, or even the introduction of a European currency unit, and the conversion of the committee of governors into a European Central Bank — was only sketched out vaguely, with no indication of the practicalities of achieving it or a timetable. 'Concerted action by the Member States on international monetary questions' was suggested, but without further details. [6]

The Belgian monetary plan (the Snoy Plan) [7]

The Belgian plan was drawn up at the instigation of Jean-Charles Snoy et d'Oppuers, the then Finance Minister. By his own account, [8] when he was drafting the document, he referred extensively to the work of the National Bank of Belgium and its governor, Hubert Ansiaux. The exchange of proposals on a personal, confidential basis with Raymond Barre, Member of the Commission, was also especially valuable to him. The first Barre Plan, indeed, not only influenced his ideas but was to a large extent carried over into the Belgian document. The plan takes its inspiration from certain positive conclusions drawn from the Benelux experiment which could be extrapolated and applied to action by the Community, including the adoption of uniform rules for the presentation of national budgets, official currency parities fixed in relation to the other Community countries and tolerance for certain variations only by common consent.

The Belgian monetary plan comprised three stages, which were to begin in 1971. It set out to be a flexible plan, open to amendments, and laid down the lines for the achievement of monetary union by 1977.

The first stage (1971–1973) covered five points, including three taken from the Barre Plan. The first point involved the coordination of medium- and short-term economic policies on the basis of Council decisions, to be taken, possibly, by qualified majority. The second concerned the need to allow any variation of official currency parity vis-à-vis the Community countries only by common agreement (this was already the rule in the Benelux countries). The third point aimed to establish mutual assistance through the setting up of an automatic short-term credit system. If needed, medium-term mutual assistance would help rectify any imbalances which might occur. There was already provision at this first stage for a common stance by the Six in international monetary organisations. It was up to the Council, deciding by qualified majority, to define what this stance would be.

The second stage (1973–1975) set out four priority measures: the alignment of the partners' medium- and short-term economic policies (under supervision by the Community institutions), the abolition of the margin for fluctuation of currencies and standard ratings against the dollar, the review of automatic short-term credit, and the definition of a single, common monetary value in each of the currency areas of the Community.

The third stage (1975–1977) was to lead to European monetary union. During this final stage, a single European policy on medium- and short-term economic objectives would have to be adopted and pursued rigorously. A Community banking system, similar to a federal reserve system (such as that of the US), would be set up for the Member States' central banks. It was to be in charge of the Community's credit and exchange policies and would be under the control of the Council of Ministers acting by qualified majority.

Although it confirmed the need for full commitment to economic and monetary union, the Snoy Plan barely touched on the idea of a common currency, instead favouring intergovernmental cooperation. 'During the final stage there would be an authority that would act at the level of the Community as a whole. The decisions of this body would set binding limits on the autonomy of national decisions.' [9]

The Luxembourg monetary plan (the 'first' Werner Plan)

The Luxembourg document entitled 'L'union monétaire par étapes — esquisse d'un plan d'action' [10] ('Monetary union by stages — outline of a plan of action') was based on the address given by Pierre Werner in Saarbrücken on 26 January 1968, as well as on the main advances achieved by the Commission (the first Barre Plan) and the guidelines laid down by the Council of Ministers.

The 'five-point plan' submitted two years earlier had been expanded and adapted to take account of developments in collaboration among the Six, including the inevitable prospect of Community enlargement. True to the idea that the United Kingdom could not long be left out of the Community structure, Pierre Werner, in his various proposals and public statements from the early 1960s onwards, had taken account of the political and economic role of the UK and its currency, seen as potentially bolstering the Community's future monetary policy. [11] The chief factor in the shaping of the Luxembourg Plan, though, was the deterioration in the international monetary environment and the weakening of the world's reserve and safe currencies: the US dollar and the pound sterling. Werner believed that incompatibility between the principle of stability and exchange rate flexibility, at both European and international level, should drive the Community partners towards real cohesion, and in monetary questions first and foremost. A single currency would bring stability by putting a permanent seal on the interdependence of mutual interests and would make it possible to institutionalise the personality of the Community more effectively.

In the Luxembourg Plan, Pierre Werner set out seven stages spread over a seven- to ten-year period. The order in which they were taken and the impetus put into them could be modified in accordance with changes in the economic and financial situation over time. The overall political framework should be fairly flexible, avoiding 'an overly restrictive number of political thresholds which would necessarily be condensed and difficult to cross'. [12] The stages were to be taken in the following order:

The first stage (regarded as being 'under way' in 1970) was designed to establish reciprocal, compulsory consultation on certain operations relating to monetary matters or the economy in general. The trend should also be towards 'concerted action, designed to be preventive', particularly as regards international monetary relations. [13] The plan also recommended the allocation 'of Special Drawing Rights on the IMF in part to the Community' as a 'first step towards the establishment of a Reserve Fund'.

In the second stage, there would be a mechanism to reduce exchange rates between partners, which would make for increasingly synchronised development of the exchange rates of the currencies of the Six against the dollar. 'The instruments for creating and circulating money, i.e. the lending instruments allowed or used by central banks, should be compared.' Ways of concerting the amounts of credit granted and the credit procedures followed by central banks, and general guidelines for budgetary policies, should be worked out.

In the third stage, 'a European unit of account would be defined, its use to remain optional and pragmatic to begin with', to encourage the setting of fixed exchange rates between the national currencies. It would stimulate greater interpenetration of European money markets and the emergence of an independent European financial market. The European unit of account would be introduced gradually for private use, which would have a positive impact on European thinking and public opinion in general.

In the fourth stage, any changes in parity would be subject to Community approval procedures, with voting methods to be defined.

The fifth stage would involve harmonisation of short- and medium-term assistance between Community partners and the setting up of a Community organisation (a European Monetary Cooperation Fund) run by a management body to be defined. This organisation would keep its accounts in European units of account. It would be up to the Commission, on proposals from the competent bodies — the partners' central banks and the Monetary Committee — to decide how this mutual assistance organisation would operate.

The sixth stage would see the European Monetary Cooperation Fund extended to cover certain categories of short-term credit granted by the Community in the context of international monetary relations. This would speed up the harmonisation of the economic policies of the Six and would give the partners greater weight in international monetary negotiations. The fund could also act as a financing instrument in the Community's trade agreements. ‘To facilitate such operations, the central banks of the Six would entrust the management of part of their gold and currency reserves to the Fund, as follows: SDRs in total: 100 %; foreign exchange and gold up to percentages to be defined (e.g. 25 % and 15 %).’ [14]

In the seventh and last stage, the European Monetary Cooperation Fund would be turned into a European Reserve Fund. ‘In accordance with Professor Triffin’s plan, sponsored by the Monnet Committee, central banks would hold a specific proportion of their global monetary reserves in the form of deposits […]. The deposits would be denominated in European units of account […]. The defining and use of the unit of account would bring us close to the last stage, the definitive centralisation of monetary policy and the replacement of the national currencies by a European currency, for accounting and circulation purposes. This will most probably not be achieved unless political integration is taken further forward.’ [15]

In the speech he delivered when presenting the Luxembourg Plan, Pierre Werner pointed to the political vision and the method to be adopted in order to reach the desired result: a gradual approach, by stages, with assessments, corrections and adjustments after each stage, but against the background of a real, shared commitment in monetary matters, though without preventing the Member States from attaining their national economic policy objectives. ‘Any common policy is at risk of instability at any time as long as the Member States have not taken the decisive step towards monetary cooperation and the harmonisation of their financial policies. Bringing about the conditions for monetary union presupposes development of economic planning in parallel and the coordination of short-term economic policies. The achievement of these aims is often seen as having to take place prior to monetary integration. That is not necessarily so, however. If we reject some measure of Community monetary discipline, it is quite likely that a coordinated policy will never come about.’ [16]

Pierre Werner’s vision was very close to that of the French Finance Minister, Valéry Giscard d’Estaing, and that of the Vice-President of the Commission, Raymond Barre, who put forward his own Barre Plan II at the beginning of March 1970. [17]

On 18 March 1970, the Commission of the European Communities drew up a paper comparing the proposals set out in the four monetary plans mentioned above in relation to the coordination of economic policies, the money market, the fiscal domain and the monetary domain. [18] An overall table summarising all the steps to be taken in the various fields was also produced. The institutional aspect, on which the various plans were not very specific, was not analysed separately, as the Commission felt ‘that it would be premature to determine what reforms should be carried out in that area before the content of the plans by stages has been specified.’ [19]

In these four monetary plans, the number, duration and sequence of the stages are different but two basic stages are to be found in all of them: a preparatory stage, regarded as ending in 1975, and a final stage, during which the Community structures vital to the smooth running of an economic and monetary union would come into being. ‘We should point out here that because of the way this is presented, it has been necessary to make some fairly arbitrary choices: thus, for example, as regards the Werner Plan, one might say that the fifth stage could be incorporated just as well into the first stage as into the second, which is the solution we have adopted.’ [20]

The four plans all viewed the issue from a different standpoint, but the Commission defined two landmark positions: firstly, the Werner Plan, which took the most purely monetary approach, and, secondly, the Schiller Plan, which put most stress on the role of the measures to be undertaken in the various spheres of economic policy. The other plans displayed intermediate features.

To complete the task of establishing economic and monetary union, a period of eight to ten years was put forward. The Schiller Plan was the only one which did not provide for automatic transition from one stage to the next but required a Council decision each time.

None of the various plans dealt in any detail with the problems which would arise simultaneously because of the enlargement of the Community.

The Commission made the comparative study available to the group of experts, whose members had been appointed by name a few days earlier and which began its work with Pierre Werner in the chair.

[1] Unless otherwise indicated, the source of all the documents cited in this study is www.cvce.eu.
[2] Originally published in *Tagesnachrichten* of the Federal Ministry of Economic Affairs, 27 February 1970, No 6122, the German report was reproduced recently in Tietmeyer, Hans, *Währungsstabilität für Europa. Beiträge, Reden und Dokumente zur europäischen Währungsintegration aus vier Jahrzehnten*, Nomos, Baden-Baden, 1996, pp. 88–94. See also: '[Stufenplan zur Verwirklichung der Wirtschafts- und Währungsunion in der EWG]' [Stage-by-stage plan for the achievement of economic and monetary union in the EEC] (Bonn, 22 January 1970). (Document consulted on 10 October 2012.)
[3] Count Jean-Charles Snoy et d'Oppuers (1907–1991), a Belgian politician and member of the Christian Social Party. As secretary-general in the Belgian Ministry of Economic Affairs, he led the Belgian delegation to the Intergovernmental Conference on the Common Market and Euratom. He was one of the negotiators of and signatories to the Treaty of Rome on 25 March 1957. Elected to a seat in the Chamber of Representatives in May 1968, he became Minister for Finance in the Eyskens-Cools Government in the same year and held the post until 1972.
[4] Karl August Fritz Schiller (1911–1994), a German politician from the Social Democratic Party of Germany (SPD). He was a professor of economic theory at the University of Hamburg (1947) and in 1966 became West Germany's Federal Minister for Economic Affairs in the grand coalition of Chancellor Kurt Georg Kiesinger and Vice-Chancellor Willy Brandt. He was reappointed to the same post in Willy Brandt's Government and became Minister for Economic Affairs and Finance. He then served as Minister for Economic Affairs and Finance in 1971 and 1972. He resigned on 7 July 1972 to show his disagreement with the government's economic policy, criticising, in particular, the rise in the national debt. He immediately gave up his seat in the Bundestag and withdrew from politics after being expelled from the SPD.
[5] *Rapport de la 34e réunion des ministres des Finances des Communautés européennes à Paris, les 23 et 24 février*, by Jan Willem Vredenberg van der Horst, Dutch Finance Minister. Archives of the Council of Ministers (2.02.05.02), No 990, National Archives of the Netherlands (The Hague). Translation: Huygens ING, The Hague.
[6] See *Tagesnachrichten* 1970, No 6122.
[7] '[Un plan de solidarité monétaire européenne en trois étapes 1971–1977]' [A three-stage plan for European monetary solidarity, 1971–1977], Ministry of Finance, Brussels, 27 January 1970. (Document consulted on 10 October 2012.)
[8] Snoy et d'Oppuers, Jean-Charles, *Rebâtir l'Europe: Mémoires, entretiens avec Jean-Claude Ricquier*, Éditions Duculot, Louvain-la-Neuve, 1989. See also: Dujardin, Vincent; Dumoulin, Michel, *Jean-Charles Snoy. Homme dans la cité, artisan de l'Europe. 1907–1991*. Le Cri Biographie, Brussels, 2010
[9] 'Un plan de solidarité monétaire européenne en trois étapes 1971–1977' [A three-stage plan for European monetary solidarity, 1971–1977], Ministry of Finance, Brussels, 27 January 1970
[10] Werner, Pierre, *L'Europe en route vers l'Union Monétaire*, in Documentation bulletin No 1 of 28 February 1970, 26th year, Luxembourg: Information and Press Service, Ministry of State, Grand Duchy of Luxembourg, 28 February 1970, pp. 5–12. (Document consulted on 10 October 2012.)
[11] Ibid.
[12] Werner, Pierre, *Itinéraires luxembourgeois et européens. Évolutions et Souvenirs: 1945–1985*, 2 volumes, Éditions Saint-Paul, Luxembourg, 1992, Volume 2, p. 123
[13] In the case in point, this concerned the general functioning of the international monetary system, recourse by a Community country to resources which could be mobilised under international agreements, e.g. the IMF, or even the involvement of one or more states in major monetary support operations for the benefit of non-Community countries.
[14] Werner, Pierre, *L'Europe en route.* Ibid., p. 10
[15] Ibid. p. 11
[16] Ibid. p.8
[17] See subsection 1.3.1, 'The first and second Barre Plans'.
[18] '[Jeu de tableaux synoptiques concernant les quatre plans par étapes vers une union économique et monétaire: plan Werner, plan Schiller, plan belge et plan C.C.E]' [Comparative tables concerning the four plans for the achievement by stages of an economic and monetary union: the Werner Plan, the Schiller Plan, the plan drawn up by Belgium and the plan drawn up by the EEC], 18 March 1970. Commission of the European Communities/Directorate-General for Economic and Financial Affairs/Working Party on Economic and Monetary Union. From the Pierre Werner family archives. Reproduced in Dierikx, Marc (Ed), *Common Fate. Common Future. A Documentary History of Monetary and Financial Cooperation, 1947–1974*, CVCE-Huygens ING, The Hague, 2012, pp. 123–136.
[19] Ibid.
[20] Ibid.