

The emergence of a plan for an economic and monetary union

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The emergence of a plan for an economic and monetary union

At [the Hague Summit](#) (1–2 December 1969), the decision was taken to explore the possibilities of stage-by-stage progress towards an economic and monetary union. An ad hoc committee of experts was set up and, at the request of the EC Council, Pierre Werner was chosen as chairman. The work of this study group began on 20 March 1970 and resulted in the Werner Report, which was officially presented in Luxembourg City on 8 October 1970.

In this [decision from the Hague Summit](#), the [Barre memorandum](#),¹ which the European Commission Vice-President had presented on 12 February 1969, was to be taken as a basis and used as preparatory work.

This document (also known as the first Barre Plan²) recommended closer integration of Europe's economies and the need for an alignment of economic policies and monetary cooperation. It also proposed stepping up Community action on a number of fronts. The first aimed to bring about the convergence of medium-term economic policy guidelines (especially in respect of production, employment, wages and salaries and the balance of payments). The second stipulated the coordination of short-term economic policies, such that the economies could develop in accordance with the medium-term objectives. There were also proposals for a mechanism for 'compulsory prior consultation on short-term policies', and an 'early warning' indicators system. The third area involved the establishment of European monetary policy instruments. For real monetary solidarity, the memorandum advocated a short-term monetary support mechanism, to go hand in hand with medium-term financial assistance.

'The characteristic feature of the Barre Plan is a particular association of traditional German and French concepts, particularly as regards the convergence of medium-term national guidelines. [...] At this level, a French-inspired medium-term analysis was applied to the German idea of economic convergence.'³

When the Hague Summit was over and before the Werner Committee started its work, several governments put forward proposals for the implementation of economic and monetary union. Memoranda came out from Belgium (the Snoy Plan), Germany (the Schiller Plan) and Luxembourg (known as the first Werner Plan).

[The German monetary plan \(the Schiller Plan\)](#)⁴

Germany's official position on monetary integration was made public in a memorandum which the Minister for Economic Affairs, Karl Schiller,⁵ 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 introduced. 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.

The Belgian monetary plan (the Snoy Plan)⁶

The Belgian plan was drawn up at the instigation of Jean-Charles Snoy et d'Oppuers,⁷ the then Finance Minister.

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.

The third point aimed to establish mutual assistance through the setting up of an automatic short-term credit system. 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.

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

The Luxembourg document entitled 'L'union monétaire par étapes — esquisse d'un plan d'action'⁸ ('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 Barre memorandum) and the guidelines laid down by the Council of Ministers.

The Luxembourg Plan provided for 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 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.⁹ 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. This stage would also involve the development of instruments for creating and circulating money, i.e. lending instruments allowed or used by central banks. 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. 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.

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.’¹⁰

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.¹¹ An overall table summarising all the steps to be taken in the various fields was also produced.

Although the plans differed as to the number of steps required, the length of these steps and the order in which they should be carried out, two fundamental stages figured in all the plans: a preparatory phase, to last up to 1975, and a final phase, during which the Community structures required for the smooth operation of an economic and monetary union were to be set up.

The four plans all viewed the issue from a different standpoint, but the Commission defined two landmark positions: firstly the Werner Plan, which represented the most purely 'monetary' approach, and secondly the Schiller Plan, which put most emphasis on the role of the action to be taken in the various spheres of economic policy. The other plans fell somewhere in between. None of the various plans dealt in any detail with the problems which would arise simultaneously because of the enlargement of the Community.

- 1 Commission Memorandum to the Council on the coordination of economic policies and monetary cooperation within the Community, submitted on 12 February 1969. In Bulletin of the EEC, Supplement No 3/1969.
- 2 The first Barre Plan was the confidential document drawn up on the initiative of Raymond Barre (Vice-President responsible for economic and financial questions) and submitted to the European Finance Ministers at their meeting in Rome on 28 February 1968. This plan, which took a particularly prudent, pragmatic approach, proposed obliging Member States to adjust exchange rates only by prior mutual accord, abolishing fluctuation margins and setting up a mutual aid system. There was also provision for the adoption of concerted stances in international monetary institutions and the defining of a unit of account to be used in all fields of Community action requiring a common denominator.
- 3 See Maes, Ivo, 'Projets d'intégration monétaire à la Commission européenne', in Bussière, Eric, Dumoulin, Michel (Ed.), *Milieus économiques et intégration européenne en Europe occidentale au XXe siècle*, Artois Presses Université, Arras, 1998, pp. 35–50. Cit. p. 42.
- 4 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 12 December 2013.)
- 5 Schiller, Karl August Fritz (1911–1994): German academic and Social Democrat politician. Senator for Economic Affairs for the Land of Berlin (1961–1965); Social Democrat Member of the Bundestag (1965–1972); Minister for Economic Affairs (1966–1971); architect of a law on economic stability and growth (1967); Minister for Economic Affairs and Finance (1971–1972).
- 6 '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 12 December 2013.)
- 7 Snoy et D'Oppuers, Jean-Charles (1907–1991): Count, Belgian politician and member of the Christian Social Party. As Secretary-General of the Belgian Ministry for Economic Affairs, he chaired the Belgian delegation to the Intergovernmental Conference on the Common Market and Euratom. He was one of the negotiators and signatories of the Treaty of Rome on 25 March 1957. He was elected as a Member of the Chamber of Representatives in May 1968 and became Minister for Finance in the Eyskens–Cools Government the same year, a post he would hold until 1972.
- 8 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 12 December 2013.)
- 9 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.
- 10 Werner, Pierre, *L'Europe en route*. Ibid., p. 11
- 11 'Jeu de tableaux synoptiques concernant les quatre plans par étapes vers une union économique et monétaire: plan Werner, plan Schiller, plan belge et plan CCE' [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. (Document consulted on 10 December 2013.) 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.