

Chair

- record, no minutes distributed

- no press communication - no briefing → do not quote each other, but express own views ← that is unavoidable

- confidential meeting

- no report to Council of Ministers (Pohl!)

but with presence of E. Pohl for formal reasons
no substance

2 days ago a working document leaked to press!

- Giroud et' the body letter → hearing

at a dinner to discuss them and to discuss

Presidency → no hearing, but D should discuss them on a private basis

W-report → reports, lets discuss them

Werner will be at the lunch in Lux, Chairman et' ministers

Chair's failure → 2 reasons for lack of success

a) ext. circumstances, policy separate

elaborated + that is lesson for future

i.e. prevent re-occurrence of what happens another

b) macroeconomic policy conception → at that time narrow view of free-trade, common & speed of adjustment were thought to be mainly necessary, that view frustrated → clear with global demand management also necessary for monetary policy

Agreements useful but no clear whole action strategy to govern & price

c) if that is so → coordination of goals is not helpful, from view of monetary aggregates will not be a final result

→ Thus countries as objectives not as goal → a certain objective will have to be reached, goals can change

major conceptual → it is → price level of
Cuba mechanisms not

observed → when of monetary union spelled out in report;

substance → intrinsic weakness → goal → conception of money, based on key in the monetary field;

other 3 weaknesses → what was politically feasible at that time; keep on mind now;

Frage: Ziel \rightarrow

Pr. 20 \rightarrow ob. klar ist, ist
im objektive ist in der
Pr. 104; ... keine so
objektive, sondern ist
klar; die
klar ist, ist

Ex. n. ... \rightarrow ... ; if not used other
mechanism

L-Proposition \rightarrow ... to general with report

- political will
- ... of ... of ...
- ... of objectives

... ..

EMU not ... (...)

when

... ..

... ..

EMU
... ..

in WR \rightarrow
... ..
... ..

Lesson 2
reject time table not the best way
towards EMU, W R ~~loss~~ time
available than 72 decision on time table;

reject time table has sense of failure, detracts
from success

Both of time table perhaps = lack of commitment,
should not be accepted; Commitment of EMU irrevocable

W remains optimistic about time, organized
need of political will and changes therein

Allochote: not 74 and not 84 → not
much happened; once been a number of measures
& arrangements which are encouraging

in early stage p. bill that not exist, time overall
were not achieved;

some hypothesis exists to place too much
emphasis on monetary cooperation; but it
should be parallel with EMU ^{not operate EMU}
no premature locking of ex. r. let not
force the pace; EMU should not be
forced ahead of EMU, stages of failure

thus → steps by step, (substantial), steadily
not clash for joint concept;
negotiation in parallel!

Primer says → Maa ultimate goal, = 1 currency, an
linked national.....

EU = central market plan, maybe also
coord. of policies in other areas,
i.e. fiscal + budgetary

Maa → ^{first} not objection; not against things but not should be clear

Agree with paper → assessment → lack of effectiveness of
policy coord.

in mean time experience balanced change of national co-ops;
unilateralism of some policies necessary; but differences;
skill transfer of responsibility; → members → WR
improvement; was imbalance (FEERs under structure of (a.m.c.))

Agreement Technical

ML → emphasis on sub. price stability, must
be on basis of centralised institution
& to the extent possible, ex. v. policy

Introduction
of
convergence

→ insufficient coord. of fiscal policy

Boyer → given the reason for lack of success of WR;
objection of monetary union was ambivalently supported;
confidence in free trade; also SW system + ex. v.
like a buffer of shocks;

today \rightarrow real shocks are less likely than
financial shocks \rightarrow thus more problems
with financial stability, esp. after
function of capital markets

now objective of ex. r. policy more
desirable

~~WIR~~

not a monetarist or minimalist approach
but have an political decision (capital
markets) which have monetary consequences; ^{at least}
have to prepare \rightarrow evolution \rightarrow to maintain
the system of the system as it exist in the
past, given the danger of financial shocks,

a parallel approach; minimum is to see what
the monetary consequences of capital markets &
common market

Giangianni \rightarrow again that analysis of reasons for failure of WIR;
important to remember why EMS was successful;
 \rightarrow increased constraints on ex. r., but not absence of
sufficient flexibility; \rightarrow resources conserved; now
close to each other an infl. front; possible because
of pragmatic approach; system was administered because
of \rightarrow by contributions which had gained confidence
 \rightarrow
that important for persistence for future steps

what are main components of EMU; esp.
what are EU - elements! - EU cannot be split off
from EMU; ↓

what component will help us to move
on the EMU; of course, some things
cannot be done on EMU;

There have been important changes in recent years, but
differences in terms of demand + labour markets;

→ define first ultimate objectives

then consider steps (in a pragmatic
approach) of how to get there, i.e. set
concretely, in the institutional field;

1st to be undertaken step must show that
system can go further + to generate more
confidence → where we go

Structure → We clearly define goals, less in how to
reach it; (step by step) don't not promote
next step;

step by step → basic part; esp. in institutional steps;

Why was it weak in institutional area? lack of
political will or

important, maybe face the same situation

- goal of W was linked to G, now 12;
not to prove clear that W definition applies
now, if not, Europe at 2 speeds?
how to define + how to determine the speed!

- if steps by steps → then, how many stages?
objection on political + inst. time in each step.

Pöhl → don't forget mandate, EMU + MCU! how to
fit class!

Step 1 → what has been achieved since W
treaty should be the objective, progress
towards EMU, e.g. convergence in ec. policy
objection + points; managed the EMS;
close monetary cooperation in EMS; increase
of long credit facilities

- parallel valid in WR → emphasis on parallelism;
EMU needs close cooperation in fiscal policies +
macro-ec. policies; imbalances in real economies
need program on all levels of coordination
may have consequences ^{institutions} on fiscal policies +
monetary policies; system of financial transfers;

convergence
of a
more
fixed
ex. r.

need definition what we aim at. Final
goal must be clear; WR provides good definitions

Prima → BR main problem → lack of political will

at present → differences between common countries
much less than at time of WR,
i.e. policies have changed, greater
conformity;
differences in conceptions + looking
at things much less than in early 70s

have to have clear vision of final objectives; now clearer
than then; also know what effects it implies;

steps must provide additional steps

formal table must have a certain rigidity; there must
be certain constraints, otherwise too vague;
program not equal spread on all areas responsible;

what steps → look at EMU, first small steps
lead to greater convergence

the process: have learned a great deal since early 70s;
conditions for convergence are different now
of convergence by understating of economics (France
Gunn's claim's carry much weight; rethinking of
flexibility of ex. r.)

thus we can do better than W;

idea of parallelism convergence, no convergence,
development on fiscal + inc. policies little progress on monetary

in monetary union, make progress since the
→ central framework, system is open to two speeds;
Europe full of multinational banks, then
progress has been made;

How to proceed?

→ describe the objective; simple, as put in WR
perhaps elaborate first scenario a little bit;

→ consistent → steps that take us there; W mistakes
should be avoided;

↓

phases weren't clearly worked out, and
the links weren't worked out;

→ also be realistic; we are not all equal (not
all in monetary union); steps have to allow
for flexibility;

→ parallelism → a first step towards EMU, then
a next step in view of fiscal policy harmonization;

then Gov. should be involved in anything to
do with monetary institution; EMU Gov. no
future since under Council objective;

steps to set up an embryo (Gov. do
things jointly), which central power with progress
and more & more responsibility should be given
to it

Mavrou → one additional reason for the failure →
impossible to coordinate all hypotheses
concerning the activities in the future;
Therefore pragmatic; step by step you
a clear definition of EMU

link objectives of EMU x objectives that
Community has done with respect to
internal market

one step = creation of single market; then
what should follow after that?

system in parallelism; monetary program faster;
with (in legal) cohesion smaller than that of
of WR; with not to achieve objectives
or more gradual than at time of WR.

Hofmeyer → a) impossible to have clear definitions → EMU (or WR)
to have a difference to the market in WR
which is to be pursued from an additional step?

b) not too premature & necessary for WR;
one feature concerns with other experience →
you think ^{you} have a goal & you think
you have the means → e.g. the EMCT;
the market is reached in Belgium or EMU;

why has it been impossible to create these
institutions in a workable way? still progress
in understanding the problem

Chadwick → special reference to certain like
force needed in implementation of ERM

but political → ERM should not
put pressure to produce 'structural imbalances'
as regional disparities; social policy
action to avoid;

minimum
requirements

→ must be consistent with social cohesion;
not enough to avoid competitive distortions

ERM → may be reached gradually; M1 program
not ~~possible~~ possible without fiscal harmonization;

budget deficit program constraints on monetary policy
harmonization

then, concluded efforts to coordinate fiscal policy

minimum high budgetary measures at first stage;
but program ^{facilitated} of convergence in int.

then ERM countries should make a firm
commitment to price, central a
strengthen to their economy

Goodhart → agree with analysis of WR;

Definition of objectives → WR ok!

but EU → might be more highly eliminated

on the assessment \rightarrow of policy (anytime) but capital; free
Henry doesn't work;

b) showing that there is more uncertainty
on the need for free movement of
capital

c) now more aware of advantages
of U.K. v. constraints

David to write another chapter on conflict between
monetarist & economist

we can now admit that money causes a powerful
symbolic effect; a Europ. monetary union has attraction;
certain steps can be made without leaving; should
remember features of EMU;

Thygesen \rightarrow also defend 1st stage; also make established;

monetary integration has the threat of ec. integration;
also do not draw from WR conclusion of need for
parallelism;

budgetary progress in ec. union has caught up; might
conclude that monetary integration has the threat

MA in comb. with ECU has benefits; if have
one or / currency;

Doyle \rightarrow damaged but not surprised when looking at the
mandate; WR doesn't explain but ... makes it
possible...

Qualifications are all important \rightarrow see LR ...

Adopting a practical approach - what are we expected to produce? Given the things that can be resolved today, but those that can be \rightarrow is a typical political obstacle.

Whether measures taken \rightarrow European Council might push the things are

Some form of
EU cannot be done without political union;
not enough to design a transfer mechanism;
from present to EMU - union has imbr. re. policy
to discussion of regional policy

Somewhere on the way to EMU, there will have to be a
single currency; the differences between countries will show up as
imbalances, possibly on large members;

with fixed ex. r. how is the adjustment
process taken place \rightarrow lab. + inv. position of adjustment
at present; what method of adjustment lab.? movement of
factors of production, labour, capital? Not very practical; but
some adjustment is needed;

Thus, what is EMU for us \rightarrow an element of
political union; transfer of resources ^{cash} through budgets
but also a regional dimension ^{is needed in} of such policy.

de Larosière → 2nd practically, game esp ex. r. options, by trying to \neq ; had to use other means than structural options \neq ;

shouldn't make a dominant argument that ex. r. is the main adjustment instruments;

regional problems in \neq → not a vertical transfer of resources but mobility of factors of production

Campobasso → in the same problem → Mass. Redone was helped by means of production

or innovation of changes since LR → financial integration at the world-wide level;

{ examples: a) ^{financial} structure movements will cause problems with out of the world

b) ex. r. stability may have effect on trade flows;

EMU has kept effective ex. r. rel. stable; financial integration would work & have to keep the impact from the outside zone → see worldwide shock market crash; financial

Pohl → question of ex. r.; not mentioned in paper; have to draw a distinction between a world of fixed and adjustable ex. rates. may have to make Gov. aware of their consequences;

e.g. you need a much bigger common budget;
flexible wage policy in regions

as long as possibility of ex. r. changes, the pressure
not that great; can accommodate them by ex. r. movements
& i-rates;

proposal → I - check in report with WR,
II - what has been achieved & what not

III } Proposals → Each one should
make proposals at the
next meeting

Wijk - Pöhl → EMU needs a political element
(or central bank), regional policy is done by the
existence of a political union in F, G...; we don't
have that yet in Europe

de Larosière → but don't make ex. r. adjustment the only
instrument to solve regional problems

Noyle → W.L. de. had ec. union → adjustment through factors of
production; some regional problems in west;

Myrskant → Council should take practical EMU + MU
bits; that would not be enough

Boyer → what definition of EMU → a) WR or b)
parallel common denominator acceptable here? But that might not be
acceptable to Gov., then highly academic!

of Com. accept inconvertible fixed ex. r. ; only far-reaching
consequences

but can we take that as a basis? Do we want to start from
there? Will Government agree with that?

Rabat → in favour of less movement, ex. r. fixed;
but that does not mean to be far fixed;
in 15 years ahead, countries have become sufficiently
homogeneous to have adjustments in exchange
without ex. r. action?

~~of ex. r.~~ ~~to~~

~~Chair: bank programme~~

Amitberg → Boyer doubts suggested; there is a
March 1971 resolution adopted by Gov. of
Community

- free flow of funds
- form a single currency area, inconvertible
ex. r.
- institution to administer the union

thus, no doubts about the final objective

Pohl → use definition of UR; if other → no discussion
of single currency + central bank;
can discuss soft union; with ex. r. adjustability;
and say that is no realistic chance for EMU;

Char:

Weak programme

- Technical complex questions have been underemphasised in Hannover, - basic differences have to be sorted out in general debate;

~~Char:~~

Elements:

- Review WR; show elements with which you agree

be more optimistic than the WR paper → more has been achieved.

3 elements:

- at Council in Hannover → all agreed that there is possibly movement in Europe, Council should take first on area of central matters

4 main thrusts: a) EMU should be the heart of Community
b) EMU should be the heart of Community
c) EMU should be the heart of Community
d) EMU should be the heart of Community

b) in addition, if EMU added to EU, we will reach political union faster

c) others say EMU may have to be solved later

d) EMU = core of a development

- have to give Gov. more a choice between the
↓ thoughts;

- them (the Gov.) want to take a political decision; but have
to show techn. implications

Goal → Member for progress since 75;
of high market
b) not possible without legal change, important
role
c) strengthening of common political decisions

From Single Act to new Treaty
also social dimensions

Governments want to know where they are going

Fact → There are some limits → 1990 cycle
instruments; differences seem to increase;
need minimum agreement on fiscal
& budget harmonization;

Facts are ahead of ideas in Europe; that
leads to further change

to R in a context of making new moving;
but institution. in politics; but more; moving;
have 15 years of experience; history a more
powerful engine

- Where do we want to go? \mathbb{R}
Why to be considered, do we have to re-define
a MM?

lets say we start from a certain standard,

ϵ

for lux: \rightarrow based on MM definition,

1) anyone can and look at the risk, macro-ec.
insurance etc? implications

shifting risk; question of regional imbalances;

\downarrow \rightarrow \downarrow should

2nd step

what transfer of sovereignty;
what / character has to be accepted in Community.

2) what would a Europ. central bank be like? what system?
what objectives
uniformity
institutions ...
How would we get there?

3) Assessment of EMS? (Character of Community of Gov.?)
Also \rightarrow someone to look at question of
parallel currency?

Can \rightarrow either give a definition of EMS; or set new one?

OR definition generally accepted. Perhaps soft EMS?

Not want having a definition on EMS, but an
EM; what are the elements that have to be present by

make clear what ^{is} needed to make the work;
harmoniously.

Chair → impetus towards EMU

where we are

~~not~~ get any far as we would at
some time.

Complicity → what happened at summit? Not head of state
not think that 1992 implementation; should
be not mean also on monetary part.

Chair → at summit → facts + politics

↓
- function of
capital
- market

↓
policy statements by
major politicians;

↓
actions on money;

Frans → what do we have expect? No philosophical + theoretical
statements;

Mandate → under Monetary Union, Harmonisation of
go into substance; program should
allow to Heads to have his discretion
on Market

Answer simple questions?

- Do we have a mechanism for monitoring women? Or
or cooperation structure

- What would be the benefits of MU? for
members, consumers, policy-makers; help the
marketing people work towards the ambitious

• What are the players involved in MU if no
program by EC in fiscal areas

- If ECIS option, function of institution + standards.

- Miscellaneous questions → Parallel currency

Chair → Study in depth the impact of ultimate
objection on institutions,
EU + MU consequences
should be made very clear.

Chairman → defining normative horizon separately, but
lets not bury ourselves of concepts of ec. + marketing
space;

we have already some sort of marketing
cooperation and think on how realistically we can
improve it realistically; marketing has to grow

Proposals → Definition & implications of 71 articles
was re-examined by Heads, in 1972
new results, in November
repeated,
↓

Definition is there; doesn't spell out all
implications; that is objective of our work;
is that the proposal?

● - Assessment of EMS system? Chairman of Com. of Gov.

- ECB → need a paper on that; maximum degree of
ambiguity; BBL study?

- Parallel currency → might want a look on that; willing
to do that it himself; not a first
priority

● Wish - Paper → papers in time? Minutes not circulated?
Have to be used to make sure that they are
correct.

Chair → afraid that they will be circulated;

Cardeaux → Putting up of Chairman → main conclusion!

Chair → Look at the 2 Books;

Chair → ~~Chair~~ Chair → few technical topics; if checked, then changes of measures;
have been heard records;

Pöhl is used for written records; can be held
on publication of work;

1) Start with objectives EU + MS
& consequences of
what for fiscal policy, wage ...

2) One consequence \rightarrow need one institution \rightarrow
describe as a model of what it
could look like

3) Parallel currency; a programme; if study
needed, ok? ~~can proceed~~

4) EMS

But have to make proposals for heads; but there
are other proposals, relating to EMS, which fall into
the competence of other groups; that should not be discussed
there, or Com. of Gov.;

de Larosière \rightarrow no discussion of agreement; ok; but if
we discuss evolution from embryo; develop a small
organisation with pools of reform \rightarrow that should be
discussed here;

i.e. not only a description of future plans

Pohl → Gov. have to decide on points of decision?
Setting up of new institutions

The Gov. have to decide!

not make new institutions

Ther → work programme:

- assessment of W plan, in light of discussion
- evolution of EMU

Parallel currency → Daxenberg
EMF ↔ ECIB → RBL?

EMU

take decision,

what would the duplication be; one
week before the meeting, September,

take into account what happens to consumer
share.

Pohl → Paper on EMU by RBL, as basis for
next meeting

In bus. at 10⁰⁰ - on 10th Oct.

in EEC Landberg building

1-3 - 6

After the meeting

1) Summary of meeting!

2) Document on the W-report, amended in the light of the discussion → for the report

3) ECU assessments

4) Parallel currency →

5) EMU ↔ ECU

creation of a new fund; position of H.M.U.S.; and a Directorate

↳ Directorate will make a paper

hypothesis
of first
step

instruction paper

6) Final stage; implications, harmonization;

7) Statute of central bank → Thygesen

8) Pöhl paper → as background for meeting;

ECOFIN meeting in ^{5 Dec} 1978; rebookings the
2nd phase;

starts with 1971

19 Sept. 11⁰⁰ - 17³⁰

ideal

now

1972

other members were not feasible

as other elements of E.C. were
bound to be in place