Common internal market in 1992

benefits greatest if in combination
with greatest possible ex. r. stability

ideally → fixed, irrevocable ex. r. without
fluctuation = 1 single currency

not realistic? Why?

explicit
- flexibility of policy instruments
- pre-conditions not ripe →
  - inadequate convergence of performance
  - no constraints on fiscal behaviour
  - divergent wage policies
  - regional imbalance with respect
    to income + productivity

is there a second-best solution to support
the common market?

yes → less ex-rate variability

how can that be achieved?

a) traditional approach → muddling through by
accepting increasingly ex. rate constraints

b) more unconventional approaches?

what are they and how could they be put into effect in practice

Their common elements:

- formulation of a monetary policy for the Community as a whole
- lay down institutional foundations

Would these rules not founder on practicalities of [illegible]?

- a meaningful common monetary policy in practical terms only possible if individual currencies have become close substitutes;

- otherwise account has to be taken of the factual dominance of the DM

Are there practical possibilities for using German monetary policy as the linchpin for a Community monetary policy?

What would be the minimum requirements? Especially if a softening of German monetary policy is ruled out? Co-determination or at least prior consultation in Committee of Gov.? What institutional questions would that raise?