

## Elemente eines Berichts an den Europ. Rat

1. Das Mandat: Schritte zu einer WWU
2. Was ist eine WWU? (Voll integrierte Güter- und Finanzmärkte)
3. Was ist bisher erreicht worden?

- Konvergenz
- Abbau von Handelsschranken
- Feste Wechselkurse (Erfahrungen mit EWS, s. Codeaux)
- Liberalisierung des Kapitalverkehrs

WWU wird nicht in einem revolutionären Akt geschaffen, sondern in einem evolutionären Prozeß.

Stehen nicht am Anfang, sondern mitten drin.

Schon heute ist der Integrationsprozeß irreversibel.

### 4. Die nächsten Schritte:

- Schaffung des gemeinsamen Binnenmarktes bis 1992
- Steuerharmonisierung
- Liberalisierungsrichtlinie realisieren
- Komplettierung des EWS (Beitritt UK, Sp, Bandbreiten etc.)

→ ECU 3

5. Ist für die weitere Integration der Güter- u. Finanzmärkte eine Vergemeinschaftung d. Geldpolitik (EG-Notenbanksystem) notwendig?  
Nicht unbedingt.

Wichtiger: Wachsende Konvergenz der Wirtschaft-, Finanz- und Geldpolitik in den Mitgliedsländern.

6. Keine zu frühe Fixierung der Wechselkurse. Gewisse Flexibilität der Wechselkurse sollte vielmehr für die absehbare Zukunft beibehalten werden, weil sonst Anpassungsdruck in anderen Bereichen zu stark (Löhne, Fiskalpolitik, Beschäftigung etc.)

R.  
Bretton-  
Woods  
1971

7. Erst nach endgültiger Fixierung der Wechselkurse und voller Liberalisierung des Geld- und Kapitalverkehrs ist Vergemeinschaftung der Geldpolitik ~~ist~~ notwendig (?) oder zweckmäßig (?).

Europ. Geldordnung sollte nach

- a) Subsidiaritätsprinzip aufgebaut werden:

soviel Zentralisierung wie nötig  
soviel Föderalismus wie möglich

- b) Aufgabe: Erhaltung der Preisstabilität sollte Priorität haben vor anderen Zielsetzungen wie  
Wirtschaftswachstum  
Vollbeschäftigung  
Wechselkursstabilität

- c) Instrumente: Marktwirtschaftliche, liberale Steuerung durch Zinsen, Liquidität

8. Wechselkurspolitik? (s. <sup>Delors</sup> ~~Delors~~ <sup>Delors</sup> Vorschlag)

Recht zu Interventionen

Vergemeinschaftung aller oder eines Teils der Währungsreversen

9. Eine Übertragung von geldpolitischen Entscheidungsrechten (Zinsen, Interventionen etc.) auf bestehende oder noch zu schaffende Gemeinschaftsinstitutionen erfordert eine Änderung des EG-Vertrages und /oder Gesetzesänderungen in den Mitgliedsstaaten. Europ. Rat muß entscheiden, ob er den Zeitpunkt für einen Vertrag schon für gegeben hält. Dann müßte Expertengruppe beauftragt werden, Statut eines Europ. Notenbanksystems auszuarbeiten. Erst dann können Verhandlungen zwischen den Beteiligten Details erbringen. Defors-Ausschuß hat dazu kein Mandat. Fällt in Verantwortung der Regierungen. Notenbankgouverneure können nur beratend mitwirken.

10. Bis zur Schaffung eines europ. Notenbanksystems sollte die währungs-  
politische Zusammenarbeit unter voller Anerkennung der bestehenden  
Zuständigkeiten (s. Luxemburg) verstärkt werden. Der Ausschuß  
empfiehlt dem Rat zu diesem Zweck .....

**Decision of the Council  
Changing and Completing the  
Council Decision of May 8, 1964  
Concerning the Cooperation Among  
the Central Banks of the Member  
States of European Economic Community**

In consideration ....

**Article 1**

The Committee may submit recommendations to the Monetary Authorities of Member States concerning

- the broad lines of monetary policy
- individual measures in the fields of liquidity, interest rate and exchange rate policies.

**Article 2**

The Committee may render opinions [and recommendations] to the Governments of Member States concerning

- the broad lines of economic and fiscal policies
- individual decisions in the fields of economic and fiscal policies

to the extent that this appears necessary for the promotion of economic and monetary convergence.

**Article 3**

Opinions and recommendations of the Committee in conformity with Article 1 and 2 are adopted by a qualified majority vote (2/3 ? 3/4 ?).

**Article 4**

In view of the need for coherent monetary policies the Committee develops proposals for an adaptation of monetary policy instruments of central banks.

PÖHL

Outline of a Report to the European Council  
on Economic and Monetary Union (EMU)

1. The mandate: Steps to EMU

- a) The Committee has been given the mandate of "studying and proposing concrete stages leading towards" ... "progressive realisation of an economic and monetary union".

Under this mandate

- the final goal of EMU and its specific characteristics,
- the economic, institutional and political implications of EMU, and
- the steps leading to its realization

are to be laid down.

- b) The Report analyses the economic, institutional and legal requirements of EMU. The precise structure of EMU remains a matter for political decision and should be incorporated in special Community acts such as the statute for a European central banking system.
- c) As a first concrete step the Report recommends a Council Decision which redefines and extends the tasks of the Committee of Central Bank Governors of the EC countries. (A draft Decision is attached.)

2. What is EMU?

a) EMU exists as soon as conditions resembling those of a domestic market prevail in the Community and economic fiscal and monetary policies are pursued at Community level.

b) Economic Union assumes the existence of a uniform economic area with

- free movement of goods, services, labour and capital;
- homogeneous competitive conditions and uniform markets;
- coherent national or community based economic policy decisions and their implementation.

c) Monetary Union requires a uniform monetary area in which

- the exchange rates between member currencies are irrevocably fixed or a common currency is in circulation;
- money and capital move freely;
- monetary policy is conducted at Community level.

d) EMU does not require a common currency. It must be assumed, however, that the co-existence of national currencies, though with irrevocably fixed exchange rates between them, will give rise to certain imperfections as far as the unified money and capital market is concerned.

e) Already prior to the introduction of a common currency EMU will require a high degree of political cohesion and solidarity. Complete political integration will not be necessary. A federative political structure would best suit the requisites of common decision-making and its implementation in the areas where this is called for. It should be guided by the principles of subsidiarity, i.e. as much centralism as necessary, as much decentralism as possible.

f) Economic and monetary union are mutually interdependent, not only upon their completion but from the beginning of the integration process. As has often been argued, monetary integration cannot be a precursor of economic and monetary union. Equally, monetary union "à la carte", largely confined initially - as has been proposed - to reserve, intervention and exchange rate policy vis-à-vis third currencies (dollar, yen) meets with serious reservations. It would detract monetary policy in certain countries from its main responsibility for monetary control in accordance with the relevant domestic criteria (non-inflationary economic growth), without assurance of real progress on the integration front. Further strengthening the internal cohesion of the EMS seems to offer better chances of moving towards EMU.

3. What has been accomplished?

a) The Community has made a good deal of headway along the path to a common monetary area:

- The prerequisites for a common market without internal frontiers, which is due to be completed by the end of 1992, have already been accomplished in many areas. The dismantling of trade barriers has led to strong interpenetration of national markets. A growing proportion of total foreign trade of member countries is today accounted for by intra-Community trade. Even so, diverging tax and company legislation, technical trade barriers and the persistence of restrictions on the freedom of establishment etc. do not yet fully permit free and undistorted competition in the Community. Serious differences in structural, regional, competition and foreign trade policies continue to impede internal market integration.

- One of the major features of a common internal market is a financial market, to which investors and borrowers have access without restrictions. Despite recent progress towards liberalization, only five of the twelve EC countries have so far completely eliminated restrictions on capital movements. With few exceptions, capital liberalization is to be completed not later than mid-1990. Observance of these commitments should be closely monitored. Community measures in the fields of taxation, prudential regulation and in other areas will be needed if a fully integrated financial market is to emerge.

b) Progressive convergence of economic and monetary policies and performance within the EMS have improved the conditions for a common monetary area:

- The EMS is functioning successfully mainly because member countries have geared their monetary policy to the objective of price stability. In doing so they have accepted the DMark - and with it the Bundesbank's monetary policy - as an anchor of stability. Exchange market tensions have increasingly called forth prompt monetary policy action in support of intra-marginal intervention, thus avoiding recourse to large-scale interim financing involving money creation by participating creditor central banks or administrative measures. Realignments of central rates have become less frequent since 1983, as price and cost trends in individual countries have converged more than before. Within the EMS, cooperation has intensified between the central banks, marked by mutual understanding and not merely relying on the observance of agreed rules.
  
- Budgetary policy in a number of countries is widely considered to be out of tune with the requirements of lasting convergence and exchange rate coherence. In countries with large budget deficits monetary policy is seriously constrained and interest rates remain substantially above Community levels, thus impairing economic growth and employment prospects in the medium-term. As a result further progress towards EMU is seriously compromised.



4. The next steps

Intensified integration efforts can contribute towards strengthening economic policy convergence and exchange rate coherence within the EMS.

Experience gained with the EMS should be taken into account, as required under Art. 102 A of the EEC Treaty, when considering further steps, and existing responsibilities should be respected.

a) Increased efforts appear particularly urgent in the following areas

- abolishing frontier controls and technical barriers, greater freedom of establishment and employment across frontiers, liberalising service transactions and public procurement;
- harmonising indirect tax structures and rates as well other levies where necessary;
- completely liberalising capital and foreign exchange transactions.

Without further progress which often implies difficult concessions in areas of great sensitivity there is a risk of back-sliding in the process of economic and monetary integration with unforeseeable consequences.

b) The EMS should be completed by

- applying existing rules to all EC member countries equally, and
- including all EC currencies in the ECU basket.

c) As long as the ECU is defined as a basket and thus depends largely on the quality of the basket currencies, its role can be extended only to a limited extent.

- The ECU has potential for development with respect to its private use as an accounting, payment and investment instrument. In these capacities it may be used more in the public sector as well.

- The official ECU could be fostered by lengthening the swap periods of the transfer of reserves to the EMCF against the issue of reserve ECUs and permanently permitting a 100 % settlement of balances in the EMCF in ECUs.

5. Economic and monetary policy in the transition phase

The main emphasis should continue to be on efforts aimed at convergent economic and monetary policies. Wherever possible such efforts should be intensified.

a) To this end, a growing consensus on the priorities of economic, fiscal and monetary policy seems urgent. Member countries should be encouraged to pursue policies that will avoid major external imbalances. Public revenue and expenditure systems should be progressively harmonized with a view to more uniform structures; however, full harmonization is not required. This will facilitate the mobility of labour and capital across frontiers. Given the relatively small size and

impact of the Community budget in the transitional phase, national budget policies will need to be coordinated in the medium-term.

- b) As long as substantial divergencies of economic policy and performance remain between member countries, exchange rates may have to be adjusted from time to time. While the need for exchange rate adjustments remains uncertain, prematurely fixing exchange rates runs the risk of severe dislocations that cannot easily be repaired by other means. Exchange rate discipline can help individual countries in the pursuit of sound policies, but must not result in unrealistic underlying cost and price relationships. Preferably, necessary exchange rate adjustments should be undertaken promptly to avoid severe misalignment.

#### 6. Inception of EMU

Completion of the internal market, with freedom of money and capital transactions firmly established, will create a presumption that conditions are in place which will permit exchange rates to be irrevocably fixed. This signals the transition to the institutional phase of EMU, even though the process of monetary integration alongside economic integration will have progressed quite far already. The transition to irreversibly fixed exchange rate relationships has serious implications for economic and monetary policy alike.

- a) In the area of monetary policy, absolutely fixed exchange rates call for a degree of convergence that leaves - as a matter of principle - virtually no room for autonomous

decision-making. Eventually decision-making power will evolve upon the governing body of a future European Central Bank to be set up at the appropriate time. In the interim, methods will have to be devised which can assure progressive convergence of decision-making at national level based on common objectives and priorities.

- At national level, the ground should be prepared for ensuring that monetary policy is geared to the requirements of non-inflationary economic growth, thus reducing the price and cost differentials vis-à-vis other partners to levels sufficiently low to assure stability of exchange rate expectations. The instruments of monetary policy should be reviewed with a view to greater uniformity over time, with progressive phasing out of non-market type instruments where they are still applied.
  
- At Community level, the inception of EMU calls for a permanent coordinating body composed of EC central bank governors with growing responsibility for the elaboration of common policy orientations and their implementation. Over time, the consultation and coordination process will evolve in the direction of common decision-making, with appropriate safeguards to assure that the commitment to monetary stability is scrupulously observed. Implementation of exchange rate policy would fall within the responsibility of the central bank governing body.

b) In the area of economic and fiscal policy inception of EMU likewise calls for more centralized coordination to ensure largely consistent economic and fiscal policy stances. This will leave room for economic and fiscal policy responsibility to be shared with regional authorities under appropriate safeguards, as is the case in federated nations.

7. An ECU parallel currency?

Introducing the ECU as a parallel currency would embark the Community on a wholly different path towards EMU, which, though potentially attractive on the surface, is likely to be full of pitfalls that might well cause the process to break down at an early stage. The existing basket ECU would not readily lend itself to the task. As a parallel currency, the ECU would have to be an abstract unit, though tied to other EC currencies by a fixed (though initially adjustable) exchange rate.

Although a Community institution ("ECU Central Bank") would be held responsible for the issue of ECU coins and banknotes, the existence of the parallel ECU currency would critically depend on EC central banks' ability (and readiness) to underpin its existence alongside (and in competition with) the respective national currencies. It is not clear how national central banks would exercise such a twin-responsibility, especially in case of potential conflict, as may be the case in countries where the ECU parallel currency gains in popularity against the domestic currency.

The monetary consequences of ECU creation would, however, not be limited to weak currency countries. See central banks would be faced with the need to monitor extended monetary aggregates including deposits held in ECU. This would add a new dimension to the process of monetary policy coordination and decision-making, and complicate it further rather than facilitating it. If ECU creation were used in ways that resulted in a weakening of the commitment to monetary stability at Community level, EMU as a common objective would be seriously compromised.

#### 8. Institutional and legal issues

The responsibility for economic and monetary policy is to date vested in member states. Hence inception of EMU is conceivable only on a legal basis which envisages the transfer of national powers to Community level. This requires an international agreement of the type on which the Treaties of Rome are based. The new treaty would have to be extensive, laying down the legal and institutional requirements of the final stage of EMU in sufficient detail to leave no doubts as to the legal and political implications of EMU.

- a) The inter-governmental agreement on EMU would determine the assignment of economic and monetary policy responsibilities and the establishment of the relevant institutions at Community level. Consideration would have to be given to the question of full vs. limited membership from the outset, and possible criteria to be applied.

b) The inter-governmental agreement would also enact a central bank statute as an essential component of future EMU. It should provide for a Community decision-making body with the following features:

- a federative structure of the central bank system, since this corresponds best to the political structure of the Community (e. g. a European Central Bank Council (ECBC) representing all the central banks in the union);
- a centralised body (Directorate) responsible for the implementation of ECBC decisions as far as they apply at Community level;
- responsibility of national central banks for policy implementation at regional level;
- a commitment to regulate the amount of money in circulation and of credit supplied by banks and other financial institutions under criteria designed to assure non-inflationary economic growth as well as to preserve a properly functioning payments system;
- independence of instructions from national governments and Community authorities;
- strict limitation of lending to all public authorities;
- equipment with monetary policy instruments that are oriented towards a free market economy;
- nomination of members of the Directorate for relatively long periods on an irrevocable basis.

9. Concrete steps

Until the transition to an EMU and the coming into operation of a European central banking system, monetary policy cooperation between central banks should be further intensified and the existing powers should be respected. To this end, the Council could amplify, on the basis of the annexed recommendations, its Decision of May 8, 1964 on "Cooperation between the central banks of the member states of the European Economic Community", with the Governors Committee executing its new obligations along the lines implied in the attached Annex.