

Franco-German rapprochement

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France, suffering from a bout of heavy inflation that it needed to hold in check, was counting on Germany to help launch monetary cooperation in a bid to stabilise their currencies and provide Europe with the means to stand up more effectively to US monetary hegemony.

Germany, however, feared that inflation might spread to its economy. The Bundesbank, the guardian of the doctrine of stability, was opposed to excessively close monetary cooperation, and the Federal Chancellor, Helmut Schmidt, had qualms about moving forward. The Germans were not very enthusiastic about jeopardising their strong currency and economic stability to help their economically less rigorous European partners.

Until that time, the French and German monetary doctrines had been pulling in opposite directions, but now, thanks to the efforts of their politicians and compelled by economic difficulties, their views began to converge.

In 1978, Helmut Schmidt finally accepted the principle of a monetary agreement urged on him by Valéry Giscard d'Estaing. In exchange, France would strive to reduce the inflation ratio between the two countries. The aim of the operation was to create a zone of monetary stability in Europe, avoid continual devaluations and promote trade, growth and economic convergence.

These promising objectives, announced publicly, served above all to convince German economic and financial circles and inspire in them confidence in the planned European Monetary System (EMS).