

The snake in trouble

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The Bretton Woods System, already losing steam since the connection between the dollar and gold had been severed in 1971, was laid to rest in February 1973 when the dollar was once again devalued by 10 % in relation to gold. Grappling with the difficulties of the first oil crisis, the United States also refrained from intervening on the currency market to back its troubled currency. The nine Member States of the EEC then decided to let all their currencies float in relation to the dollar. The snake had been rescued, but it could no longer stay in the tunnel.

Between 1974 and 1976, the Italian, British, Irish and French currencies were undermined by galloping inflation and balance of payment deficits. The weakness of their currencies prompted them to leave the snake on several occasions. France left on 19 January 1974 and rejoined on 10 July 1975. On 15 March 1976, France once again left the system. At the same time, parities in the snake were being adjusted frequently. In September, Jean-Pierre Fourcade, the French Minister for Finance and Economic Affairs, proposed that all nine currencies of the EEC be allowed to float freely. His plan was to achieve greater coordination between the currencies in the snake and those floating around the snake. He also called on the EEC Member States to act together on the currency market and suggested that a new European unit of account be adopted.

Ultimately, from January 1974 onwards, the snake was no longer contained within the tunnel, and only the countries of the mark zone – Germany, Denmark and the three Benelux countries – remained within the system. The monetary agreement of 23 August 1971, signed by Belgium, Luxembourg and the Netherlands, was suspended in 1976. Reduced to a mere skeleton, the snake was in terminal decline.