

'Interview with Valéry Giscard d'Estaing', from Communauté européenne (April 1969)

Caption: In April 1969, in an interview with the monthly publication Communauté européenne, former French Finance Minister, Valéry Giscard d'Estaing, analyses the pressing problems, particularly monetary issues, which are dogging the process of European integration.

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Interview with Valéry Giscard d'Estaing

Can Europe continue without a common currency?

The free movement of goods, capital and persons is basically incompatible with the absence of a monetary arrangement operating in parallel. If no common monetary arrangement existed, the slightest domestic upset of a monetary, economic, social or political nature would be enough to force a country to take isolationist measures that ran counter to the objectives of the Common Market. This was clearly demonstrated recently in France when complete incompatibility was arrived at: European monetary problems — attributable to France but also to Germany — prompted measures that were appropriate at the time they were taken but which led us further away still from European tax harmonisation because of the increase in our indirect taxes.

Does that mean we need a common European currency?

A pragmatic approach is called for. What we need is not yet another fancy construct but rather a monetary mechanism that can really help. That means responding to two concerns:

— forestalling the effects of new domestic upheavals with the recurrence of crises like the one last November with all that it brought in its wake;

— accepting that, once we have achieved harmonisation in economic growth, agriculture, taxation, etc., such harmonisation must necessarily be extended to the monetary sphere.

On the first point, we have to work fast. I am surprised at the general unwillingness since November to get to grips with the issues. If another monetary crisis occurs this spring, nothing will have changed. That's a very serious responsibility to bear and I'm hard pressed to see why anyone should want to. In the 1950s, before the Common Market ever existed, we were perfectly able to operate a European Payments Union. I fail to see why today we should be unable to do anything whatsoever.

I note too that, in the context of monetary reforms and the debate on special drawing rights, Europe fought hard to obtain a 'blocking minority' in the voting system. And yet to benefit from that decision, Europe would have to take a common line in the voting. But the crisis in November has shown that the necessary common ground has not yet been established. If we do not coordinate our position on monetary issues, there is a serious risk that the guarantees we obtained will have no practical impact in the IMF.

Q: What are you proposing in real terms?

First of all, I propose that a monetary conference of the Six be convened forthwith. This would not have the same drawbacks as an international monetary conference. Such a conference is not an option as it would spark off a round of frenzied speculation posited on a hike in the gold price. Just look what happened last November as soon as a meeting in Bonn of the Finance Ministers of the Six was announced.

I would add that, at all events, an increase in the gold price would, at the present time, make no sense at all. We would be deluding ourselves to think that, in today's inflationary environment, such an increase in the existing money supply could bring any degree of stability. This would be conceivable only if the amounts released in this way were used to pay off the accumulated debts between central banks and if each country gave a commitment no longer to hold foreign currencies in its reserves. Nobody is prepared to accept that idea today. Rather than providing a cure, a higher gold price would bring higher inflation still.

A conference of the Six, on the other hand, would not hold the same dangers because the Six, acting alone, cannot modify the gold price and neither France nor Germany have any intention at present of altering their exchange rate.

What decisions could such a conference take?

I see three specific decisions which, to my mind, are far from utopian:

— monetary cooperation in the event of a crisis; this is in line with the proposals put forward by the Commission in Brussels. But we must not expect miracles.

— the creation together of a European monetary agency. In the initial stages it would manage part of the currency reserves and help harmonise the approach to external markets. Joint support for other struggling currencies would be channelled through this agency, which would also be the repository of the currency support received from outside the Six.

— the creation of a European accounting unit. As you know, today the dollar is the accounting unit and all settlements among the Six are calculated in dollars. This practice is extraordinary for a zone that has larger reserves than the United States and whose objectives include that of ending the dollar's supremacy. An accounting unit could be defined in relation to gold and be accompanied by a guarantee that, in the event of a general currency devaluation, it would only be devalued in the same proportion as the least devalued currency.