

'The Six implement the Barre Plan', from 30 jours d'Europe (October 1969)

Caption: In October 1969, the monthly publication 30 jours d'Europe highlights the key measures pertaining to monetary issues set out in the Barre Plan and speculates on the implementation of these measures.

Source: 30 jours d'Europe. dir. de publ. Fontaine, François ; Réd. Chef Chastenet, Antoine. Octobre 1969, n° 135. Paris: Service d'information des Communautés européennes. "Les "Six" mettent en oeuvre le plan Barre", p. 36.

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Monetary coordination

The Six implement the Barre Plan

The devaluation of the franc was a mishap that came as a sharp reminder of the need to strengthen monetary coordination among the six Member States. It has also placed the common agricultural policy at risk, since EEC monetary policy has not progressed in line with agricultural policy.

Now the Member States must make up for lost time so that the European Community can resume progress on all fronts.

An urgent need

Outside events may well force the Member States to strengthen their monetary coordination. If the international monetary negotiations that are to begin in the International Fund lead to floating exchange rates or 'crawling pegs', the Customs Union and the EEC agricultural market might begin to unravel. If that were to happen, it would be vital for the Community to take action to restore sufficient exchange rate stability amongst the Member States.

Lastly, if negotiations begin next year with the United Kingdom, the monetary problem will no doubt be one of the stumbling blocks. The Six would then need to create some kind of 'reception structure' that could offer a Community solution to the problems posed by the pound sterling.

For these reasons, it is absolutely necessary for the six Member States to set up a common monetary organisation, which is precisely what the Vice-President of the Commission, Raymond Barre, has long been urging. The message has finally had the desired effect: on 17 July, the Council of Ministers reached an agreement in principle on the Barre Plan.

An agreement in principle

The Barre Plan sets out three inseparable goals. The first is greater cooperation on day-to-day economic policies through prior consultation, a mechanism that was already functioning satisfactorily before the French Government adopted Mr Giscard d'Estaing's economic and financial recovery plan.

The second goal is closer coordination of medium-term economic policies. This means that compatible targets must be defined for production, employment, prices and wages, the balance of payments, etc. Those targets will help to fine-tune the economic development programme of the six Member States over the next few years.

The third and last goal is to set in motion a system of short-term monetary support and medium-term financial assistance that can prevent the recurrence of monetary crises like the one last November.

An agreement in principle has been achieved on these various points, and it now needs to be applied in practice. This has already been done in the field of short-term economic policy, but remains to be done with both medium-term economic policy and monetary policy.

The Member States have decided to hold a substantive debate on the objectives of their medium-term economic policy in the autumn, based on a Commission memorandum.

Monetary support

In the area of short-term monetary support, the Member States adopted the guidelines of the Commission memorandum, also known as the Barre Plan, of 12 February 1969, together with the opinions of the governors of the EEC's central banks and the Monetary Committee. The Italian and Dutch delegations have decided that, until the practical arrangements are made known, they will reserve their positions on the

proposed scheme for providing automatic but limited monetary support for a specified time. The Council has called on the Committee of Governors of the Central Banks of the Six to pursue its work on those same arrangements. Some of the Member States are anxious to ensure that the system does not merely replicate what is being done by the Club of Ten and the International Monetary Fund.

It is understood that short-term support could be extended to become medium-term support. The Six could, after examining the situation, agree on the economic policy guidelines that the beneficiary countries need to follow in order to revive their economies. The aim of short-term support is to combat speculation and deter speculators and it would be automatic, unlike medium-term support. The Monetary Committee has been given the task of drawing up a report for the Council and the Commission on the practical arrangements for this financial assistance.

The Six will therefore have to implement their 17 July decision in principle by the end of the year in order to overcome the problems raised by the Barre Plan, which are all inter-related. That will be a major task for the European Community over the coming months.