'What was decided in Brussels' from Il Corriere della Sera (11 February 1971)

Caption: On 11 February 1971, shortly after the meeting of the Ecofin Council of the European Communities, the Italian daily newspaper Il Corriere della Sera gives details of the outcome of the meeting in Brussels and emphasises the possible effects of an Economic and Monetary Union for Italy.

Source: Corriere della Sera. 11.02.1971. Milano: Corriere della Sera. "Le decisione di Bruxelles", auteur:Conigliaro, Angelo , p. 6.

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http://www.cvce.eu/obj/what_was_decided_in_brussels_from_il_corriere_della_sera_11_february_1971-en-68a7ba3f-d525-4adf-b7d3-ff140b133844.html

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A THREE-YEAR EXPERIMENTAL STAGE

What was decided in Brussels

The decision is first to find out whether a common economic policy can be achieved, and then to discuss a possible common monetary policy

Rome, 10 February.

To understand what was decided yesterday in Brussels, reference needs to be made to the Werner report on European economic and monetary union, published last October. Here are its salient points. Achieving genuine economic and monetary union requires total and irreversible mutual convertibility of the six Member States' currencies, free from fluctuations in exchange rates and with immutable parity rates; preferably then, and only then, will they be replaced by a single Community currency. The power to create monetary liquidity within the EEC and to shape the Community's monetary policy will have to be centralised in a single common institution. Credit policy will also have to be centralised. The six Member States' policies on the capital market will be unified. The essential features of public budgets — variations in their overall volume, the size of surpluses or deficits and the methods by which surpluses are utilised and deficits financed — will be decided at Community level. Regional policies and structural plans will no longer be exclusively within the jurisdiction of individual State authorities. Lastly, the six Member States will maintain systematic and continuous consultation.

Even to a layman, it is immediately apparent that the implementation of the Werner plan, albeit only in part, would immediately make it necessary to create new decision-making centres at Community level or to give new powers to the existing Community institutions. Decision-making powers would also have to be given to the European Parliament, so that the system by which its members are elected would have to be modified.

In Brussels, the Ministers of Foreign Affairs, the Exchequer and Finance of the six Member States did not just come up against French objections; as we already know, France has not yet agreed to the principle of 'supranationality', whereby the Member States give up part of their sovereignty. West Germany's practical concerns have also reared their head in recent days in Brussels. West Germany is doubtful whether the other Member States — including Italy, of course — could, in the space of a few years, bring their budget, credit and economic development policies in line with one another.

Practical concerns have therefore taken precedence over political concerns. In other words, there is little use discussing, at present, whether we could in future have a common parliamentary institution able to take legislative decisions on budgets, credit and currency applicable in all the Member States. What is currently needed is to find out whether these common policies can actually be set in motion during this first stage. The rest will follow.

The upshot is that it was decided yesterday in Brussels to find out whether a common economic policy can be achieved, and to defer to a later stage any discussion of a common monetary policy which will undoubtedly be an immediate consequence of a common economic policy if it is implemented. This is why it was decided to launch an experimental three-year stage. In contrast, however, to the way in which customs duties between the six Member States countries have gradually been eliminated, i.e. through a process that immediately became irreversible once it had been started, we are now in a different situation. If it becomes apparent during these first three years that common economic policies can be implemented, further progress will be made. If this proves impossible, the process will be brought to a halt and, after two years, everything will return to where it was.

This decision raises various questions for Italy. It calls into question many of the notions and systems on which our economic policy is based, which we shall have to correct if we are to demonstrate to the Community that our policies are fully compatible with the policies of the other Member States. Let us take a few examples. From the point of view of regional policies, we could be required to prove the soundness and coherence of the extraordinary measures in southern Italy and the 'disincentives' that are to be introduced in zones with high concentrations of industry. In the case of credit policy, the entire concessional credit system could be called into question. From the point of view of public spending, we could be required to demonstrate that the State does not systematically follow an inflationary policy. As regards coverage of deficits (not just State deficits, but also local and welfare authority deficits), we might have to explain why current spending deficits are covered by taking out long-term debts, i.e. by utilising capital. Lastly, from the point of view of structural policies and the capital market, our main public economic bodies and the strict regulations in force in Italy on the operation of stock exchanges and on shares could also come under scrutiny. Taxation reform is still to come and we are still awaiting a new law on commercial companies.

This is not to say that Italy will have to review and overhaul the whole system that currently frames its economy; nor are the EEC's questions likely to be asked of Italy alone. Regional and structural policies, public intervention in the economy, credit regulation and savings supervision and public spending management with anti-cyclical goals are common practices in all six Member States. However, not all these Member States are at the same stage of development. The wealthier and more solid — predominantly Germany — are pointing out that what is needed, at the time when this first step is being taken, is a common policy which obviously cannot be set at the level of the country bringing up the rear but has to be based, initially at least, on the notion of a mean.

In the meantime, the current margins of fluctuation of exchange rates between the currencies of the six countries will undoubtedly be reduced. This objective, which seemed essential a few months ago, now seems somewhat secondary in comparison with the vast and complex nature of all the other problems that have now taken centre stage.

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