

'A turning point' from Il Popolo (11 February 1971)

Caption: On 11 February 1971, the Italian daily newspaper Il Popolo welcomes the work done by the Council of Ministers of the European Community in Brussels for the establishment of an economic and monetary union.

Source: Il Popolo. 11.02.1971. Roma: Il Popolo. "Un punto di svolta", p. 1.

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A turning point

A turning point for Europe. This is the significance of the agreement reached in Brussels, which yesterday gave the green light to the first stage of European economic and monetary union. The decision, reached after much argument and disagreement, frees Europe from two kinds of danger. On the one hand, it is the first concrete step towards building a European monetary area capable of standing up to the overwhelming economic might of the United States, which has brought the international monetary system very close to a 'dollar standard'. On the other, the growing dollar deficit (dollar gold reserves now cover scarcely a quarter of short-term indebtedness with the European Central Banks) and the continual monetary crises of recent years have highlighted the danger of the Community's ultimate disintegration unless the economies of the EEC Member States are better coordinated. In the last three years, for instance, retail price increases have varied greatly in the EEC Member States (from a minimum of 2 % to a maximum of 6 % per annum), bearing out the different levels of inflation within the Community. This situation has been exacerbated by inflationary effects from the American area. It is for this reason that the Governor of the Bank of Italy said, as far back as July 1969, that 'unless corrective action is taken, it seems unlikely that the EEC's cohesion can be maintained' adding that the inclusion of other countries such as Britain appeared problematic 'if the effect were to be one of increasing the extent of disparities'.

In substance, there are two alternatives: either the adoption of flexible exchange rates making it possible to reduce inflationary or deflationary pressures in the Member States, or the gradual harmonisation of structures and economic trends in the European Economic Community. There has been much discussion of these two alternatives in the last two years, especially as France had no intention of accepting the implicit result of economic and monetary policy coordination, i.e. the gradual shift of national powers to Community bodies. The agreement signed in Brussels on Tuesday has to a great extent made it possible to overcome these problems (at the last minute, France gave up on the inclusion of a reservation clause). There continue nevertheless to be many grey areas. Germany has called for a 'suspension' clause allowing a country which is dissatisfied to withdraw, at the end of 1975, its monetary support to the other countries. The strongest Member State was in practice keen to protect itself against any risk of having to pay the price for its other partners' recklessness or errors, especially in view of Britain's probable entry in 1973.

At present, however, what matters is the first stage, which is to last three years. What are the immediate aims? During this first stage, preliminary consultations between the Council of Ministers and the Governors of the Central Banks are to be stepped up (the telephone 'hot line' will be operational shortly) in order to coordinate budget, monetary and financial policies. Two aspects are of crucial importance for Italy: the progressive harmonisation of tax legislation (corporation tax, system of circulation of securities, admission of securities issued in all the Member States to the Community's Stock Exchanges, free movement of capital) and the Community commitment to intervene in the regional sector, thus ensuring adequate protection for southern Italy. From the monetary point of view, the decision to reduce the margins of fluctuation between the European currencies, together with the commitment to keep fluctuation as regards the dollar on an equal footing, is absolutely necessary if monetary stability is to be defended against inflationary pressures from abroad and if the European currency, which will seal European integration in 1980, is to be achieved.

This is an undoubted success for Italy, which has fought hard for this objective in recent years.