

Pierre Werner and monetary Europe – Chronology (1948–1974), by Elena Danescu

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Pierre Werner and monetary Europe Chronology (1948–1974)

1948

16 April

Convention establishing the Organisation for European Economic Cooperation (OEEC) to distribute the US aid granted under the Marshall Plan.

1950

11 September

Establishment of the European Payments Union (EPU) — an agreement concluded by the Members of the Organisation for European Economic Cooperation (OEEC) to facilitate transactions and the distribution of the long-term loans, gifts and military aid granted by the United States to the countries of Europe under the Marshall Plan. The EPU is wound up in 1958.

1957

25 March

Signing of the Treaty of Rome:

- Article 67 lays down that the ‘Member States shall progressively abolish between themselves all restrictions on the movement of capital’.
- Article 105 provides for the setting up of a Monetary Committee with advisory status to promote the coordination of monetary policies.
- Article 107 lays down that each Member State shall treat its policy with regard to rates of exchange as a matter of common concern.

1958

27 December

Ten European countries restore the convertibility of their currencies as laid down in Article VIII of the Articles of Agreement of the IMF.

The European Payments Union (EPU, set up in 1948) is replaced by the European Monetary Agreement (EMA), establishing a special European margin of fluctuation against the US dollar ($\pm 0.75\%$ instead of $\pm 1\%$) under the Bretton Woods agreements.

1960

21 November

Lecture on ‘The meanings of monetary integration’ delivered in Strasbourg by Pierre Werner, Minister of State, President of the Government of Luxembourg, Minister for Finance.

The main points of his theory — based on the lessons learned from experience of the Benelux (‘an economic union without a currency, but harking back to a monetary agreement of 1943’) were as follows:

- ‘economic cooperation and integration are more directly achieved through the use of the monetary instrument’; ‘monetary rapprochement between sovereign countries can only be gradual and concomitant with the rapprochement of economic policies; the adoption of a single currency occurs at the end rather than the beginning of the process of integration’;
- ‘a common market among sovereign countries presupposes not only a financial order within the community but a financial order on a wider international, continental or global scale’. As for the ‘financial area of the Six’, it is not enough for it ‘to be incorporated into a wider monetary system’, but ‘their financial policies must be given a more marked Community orientation’.

Proposal: ‘The progressive implementation of a European currency of account’ capable of reducing the risks posed by speculative movements of capital associated with currency devaluations and/or revaluations.

— ‘an accounting currency in the EEC’s international relations, by supplying a standard of value unaffected by ups and downs in individual countries, would facilitate the expansion of international trade and encourage further saving’;

— what to call this currency? ‘Euror’ — a name imbued with meaning;

— ‘it will be possible to extend the use of this unit (or of another one, to be defined) and it need not necessarily be done by revising the treaties’.

1961

July

The Action Committee for the United States of Europe, chaired by Jean Monnet, calls for the setting up of a European Union of the monetary reserves of the six countries, as the prelude to a common monetary policy and a European currency.

1962

24 October

Marjolin Report — Commission Memorandum defining monetary union as the third stage of unification. The report suggests that ‘there needs to be a single currency, to ensure the success of the Common Market’.

27 November

‘The problems of financial integration in Europe’. A talk is given in Brussels by Pierre Werner, Minister of State, President of the Government of Luxembourg, Minister for Finance, to the members of the Association des Amitiés Belgo-Luxembourgeoises and the Cercle Royal Gaulois. In this lecture, Pierre Werner sets out his ideas on ‘the monetary integration of the Six’:

— restating his public proposal of 1960 for a European currency of account, ‘the start of a European monetary system’;

— stressing the need for ‘fixed exchange rates’ and monetary discipline and solidarity, in the specific institutional framework of a ‘Monetary Institute’;

— pointing out that ‘the method thus recommended would make it possible for monetary integration to follow the same course of development as the tasks of the Community ...’, as ‘economic policies will never be made absolutely uniform; at particular times, it may be necessary to take short-term action in one or other country’.

1964

8 May

Council Decision setting up the Committee of Governors of the Central Banks of the Member States of the Community.

Council Decision on cooperation between Member States in the field of international monetary relations.

1965

25 February

‘The foreign policy of the Grand Duchy of Luxembourg’ — Speech by Pierre Werner, Minister of State, President of the Government of Luxembourg, Minister for Foreign Affairs, Minister for the Treasury, Minister for Justice, before the Chamber of Deputies of the Grand Duchy of

Luxembourg.

In this speech, referring to relations between ‘the Six’, Pierre Werner calls for recognition of the need ‘to establish as soon as possible the foundations for tighter monetary cooperation’ in order to safeguard the Common Market ‘from uncoordinated financial and monetary operations’.

1966

5 June

Address on European monetary policy — Lecture given in Brussels by Pierre Werner, Minister of State, President of the Government, Minister for the Treasury and the Civil Service, at the invitation of the American and Common Market Club.

1967

26 May

Speech by Pierre Werner, Minister of State, President of the Government, Minister for the Treasury and the Civil Service, at the 20th Benelux Economic Congress.

In this speech, Pierre Werner reaffirms:

- the idea of setting up a European currency of account which will lead to the strengthening of monetary solidarity among the Member States. Such a currency will, among other things, have the virtue of ‘resolving the problem of fixed exchange rates’;
- ‘the need for solidarity of action in a field which is still dominated by a very strong sense of national identity’;
- ‘the need to tighten up monetary discipline still further between countries so closely associated in the pursuit of their economic objectives as the Common Market countries’.

1968

26 January

‘The outlook for European financial and monetary policy’ — Address given in Saarbrücken by Pierre Werner, Minister of State, President of the Government, Minister for the Treasury and the Civil Service, to the CDU economic congress.

In this speech on the prospects for European financial and monetary policy in ‘an increasingly unpredictable international context’, Pierre Werner puts forward ‘a five-point action plan’ for European monetary integration based on the creation of a European unit of account, consultation, fixed exchange rates between European currencies, and solidarity — internal and external.

1 April

‘Benelux and the prospects for European financial policy’ — Address given in The Hague by Pierre Werner, Minister of State, President of the Government, Minister for the Treasury, before the Benelux Committee.

In this address, Pierre Werner returns to the ‘five-point action plan’ released at the beginning of the year, the success of which (guaranteeing stable financial relations between the Member States) would be guaranteed by ‘making commitments similar to those made in the Benelux framework’ (thereby proving their viability). ‘We cannot make alterations to exchange rates except by common agreement.’

May–June

Reform of the international monetary system — Article by Pierre Werner in *Academia — Nouvelle Revue Luxembourgeoise*, 1968, No 1, Luxembourg, pp. 53–62.

9–10 September

At a meeting of the Ministers for Finance of the EC Member States in Rotterdam, Pierre Werner, Minister of State, President of the Government, Minister for the Treasury, once again sets out his

‘five-point action plan’, which he defends and discusses in detail in his official speech to his colleagues from the other Member States.

1969

12 February

First Barre Plan (Raymond Barre — member of the Commission with responsibility for economic affairs). The Commission of the European Communities submits to the Council of Ministers a memorandum on ‘appropriate policy in the Community on current economic and monetary problems’, recommending an alignment of economic policies and the establishment of the machinery for short-term monetary support (STMS).

5 March

Requirement for, and procedures for, action in the field of capital (in the context of a ‘common market’). Memorandum from the Commission of the European Communities to the Council.

8 November

‘European monetary prospects’ — Lecture by Pierre Werner, Minister of State, Minister for the Treasury of the Grand Duchy of Luxembourg, to the Belgian Royal Institute for International Relations.

1 and 2 December

The Hague Conference. The Heads of State agree ‘to take all necessary steps to achieve economic and monetary integration’. The summit of the ‘Six’ decides to set up a group of experts to investigate ways of making progress towards economic and monetary union by stages.

1970

2 January

Agreement between the central banks on short-term monetary support (STMS).

12 January

The Belgian plan (Snoy Plan) — Belgium puts forward its proposals on ways of making progress towards economic and monetary union by stages.

12 February

The Luxembourg plan — The Grand Duchy of Luxembourg puts forward its proposals on ways of making progress towards economic and monetary union by stages.

The Luxembourg Plan incorporates in full — with a number of updates — the remarks made by Pierre Werner, Minister of State, President of the Government, Minister for the Treasury, in his public statement of January 1968.

23 February

The German plan (Schiller Plan) — Germany puts forward its proposals on ways of making progress towards economic and monetary union by stages.

28 February

‘L’Europe en route vers l’Union monétaire’ — New, updated version of the paper published as ‘Prospects for European financial and monetary policy’ in January 1968. Paper by Pierre Werner published in *Bulletin de Documentation*, Luxembourg, 26th year, No 1, 1970.

3 March

Pierre Werner is appointed chairman of the ‘group of experts responsible for investigating ways of making progress towards economic and monetary union by stages’, known subsequently as the ‘Werner Group’.

Étienne Davignon is instructed to investigate ways of taking more effective concerted action in the

foreign policy field.

4 March

The second Barre Plan — Commission Memorandum to the Council — putting forward a plan for the establishment of an economic and monetary union in three stages, with a timetable for the period from 1970 to 1978.

11 March

Preliminary meeting of the Werner Committee, in Luxembourg City.

20 March

First official meeting of the Werner Committee in Luxembourg City. Most of the meetings will, in fact, be held in Luxembourg (10 of the 15 plenary meetings and several meetings of experts).

The members of the group are chosen for their Community functions but ‘fully reflect the positions of their respective governments’. The group consists of the Chairman of the Committee of Governors of the Central Banks (Baron Hubert Ansiaux from Belgium), the Chairman of the Conjunctural Policy Committee (G. Brouwers of the Netherlands), the Chairman of the Monetary Committee (B. Clappier of France), the Director-General of Economic and Financial Affairs of the EEC (U. Mosca of Italy), the Chairman of the Medium-Term Economic Policy Committee (J-B. Schöllhorn from Germany) and the Chairman of the Budgetary Policy Committee (G. Stamatii from Italy).

7 April

Second meeting of the Werner Committee, in Brussels.

30 April

Third meeting of the Werner Committee, in Rome.

14 May

Fourth meeting of the Werner Committee, in Luxembourg City.

20 May

Fifth meeting of the Werner Committee, in Luxembourg City.
Agreement on the interim report (after five plenary meetings).

22 May

The interim report is sent to the Finance Ministers of the Six and to the Presidents of the Commission and Council of the EEC.

29 May

The Finance Ministers meet in Venice to discuss the interim report from the Werner Group. Pierre Werner suggests areas to explore further if the group of experts pursues its work.

9 June

The Council of Ministers approves the interim report and gives the go-ahead for further discussions (on the basis of Pierre Werner’s suggestions).

24 June

Sixth meeting of the Werner Committee, in Luxembourg City.

7 July

Seventh meeting of the Werner Committee, in Paris. Discussions between Pierre Werner and Jean Monnet on the plan by stages and the political influences that need to be harnessed to secure a consensus.

27 July

Eighth meeting of the Werner Committee, in Luxembourg City.

1 August

Ansiaux Report on the margins of exchange rate fluctuation between European currencies.

10–11 September

Ninth meeting of the Werner Committee, in Luxembourg City.

23–24 September

Tenth meeting of the Werner Committee, in Copenhagen (on the sidelines of the annual meeting of the IMF).

28–29 September

The Economic Affairs Committee of the European Parliament debates an interim draft report (rapporteur Mr Bousch) on the 'Interim report from the Werner Group' on the realisation by stages of economic and monetary union.

7 October

Eleventh meeting of the Werner Committee, in Luxembourg City. Consensus secured on the final report.

8 October

'Report on the realisation by stages of economic and monetary union' (known as the Werner Report or Werner Plan). Official submission of the Werner Report.

The Werner Plan gives priority to the coordination of economic policies, the need for common decision-making bodies, the centralising of monetary policy through the establishment of a Committee of Governors of the Central Banks, the reduction of exchange rate variations as a first stage and the establishment of a European fund to support exchange rates. At the end of three stages spread over ten years, the Plan speaks of setting up a common central bank and, possibly, the introduction of a single currency.

The Werner Plan proposes moving by seven stages over seven to ten years, the order in which the stages are taken being interchangeable depending on the particular economic and financial situation in the participating countries and actual developments in European and international conditions.

The Werner Plan is described as the 'second Luxembourg compromise'.

The Werner Plan, based on convertibility, fixed parities, convergence and coordination, has similarities of substance with the 'five-point action plan' which Pierre Werner published in 1967 on the basis of his earlier monetary ideas (1960).

The final objective set out in the Werner Plan, having been put on ice following the world economic crisis of 1973, will come to fruition only 32 years later, with the introduction of euro coins and notes on 1 January 2002.

15 October

The Werner Group report on the 'plan by stages', drawn up with a view to the establishment of economic and monetary union (the Werner Plan) is officially delivered to the European Commission and the Council of Ministers.

The report carried by the Agence internationale d'information pour la presse on 15 October 1970 says that 'in circles close to the Commission, no judgment is being expressed as to the substance, since responsibility for the document lies with the Werner

Group, which drew it up. It is felt, however, that a number of somewhat unenthusiastic, not to say negative, reactions that have been heard in this or that capital with regard to different aspects — a fear of over-hasty institutionalisation, doubts as to the effectiveness of coordinating economic policies or the advisability of reducing exchange rate fluctuations — are due to partial familiarity with the document. Only in the next few days, when the content of the document is known in detail, will it be possible to gauge its importance and only then will the political options stand out more clearly.'

17 October

The EEC's Medium-Term Economic Policy Committee, meeting in Brussels, with Walter Schöhlhorn in the chair, adopts the preliminary draft of the EEC's third medium-term economic policy programme, covering the period 1971–75. This programme is closely linked to the Werner Plan, it being now agreed that the 'plan by stages' must be based on comprehensive quantitative guidelines which are valid for the whole of the Community and relate to the main features of economic development.

22–23 October

The Economic Affairs Committee of the European Parliament considers and adopts an interim draft report (rapporteur Mr Bousch) on the 'Interim report from the Werner Group' concerning the realisation by stages of economic and monetary union.

26 October

The Werner Plan is presented during the introduction to the proceedings of the Council of Foreign Affairs Ministers held in Luxembourg. Before the presentation, Pierre Werner, coordinator of the working group and also host of the Council meeting, makes an explanatory statement.

28 October

The Council discusses the 'plan by stages' or Werner Plan.

29 October

The Commission submits the report on the realisation by stages of economic and monetary union (the Werner Plan) to the Council.

30 October

Commission communication and proposals on the realisation by stages of economic and monetary union (the Werner Plan).

11 November

Lecture-cum-debate on the Werner Plan at the European Parliament, for the heads of Christian-Democratic party groups, with Pierre Werner as guest.

18 November

Part-session of the European Parliament — Exchange of views between the European Parliament, the Council and the Commission on economic union and the prospects for a monetary union in the Community — Realisation by stages of economic and monetary union in the Community (debate on the Werner Plan).

23–24 November

The Economic Affairs Committee of the European Parliament considers and adopts a draft supplementary report (rapporteur Mr Bousch) on the Werner Report.

3 December

Part-session of the European Parliament — Debate on the realisation by stages of economic and monetary union in the Community (the Werner Plan).

Adoption, by unanimous vote, of the draft resolution on the Werner Plan tabled by the Economic Affairs Committee.

14 December

The European Council approves the Werner Plan.

1971

22 March

Resolution of the Council and of the Representatives of the Governments of the Member States on the realisation by stages of economic and monetary union (the Werner Plan).

The Council adopts three decisions:

- Medium-term financial assistance (MTFA);
- Strengthening of the coordination of short-term economic policies;
- Strengthening of cooperation between the central banks.

15 August

Convertibility into gold and the fixed exchange rate system set up at Bretton Woods come to an end. Currencies are left to float.

1972

21 March

Resolution of the Council and of the Representatives of the Governments of the Member States laying down the outlines for a European exchange system, the future 'snake', with margins of fluctuation of $\pm 2.25\%$ (as against the US dollar).

10 April

Basel Agreement between the central banks of the Member States of the Common Market (Banque de France, Deutsche Bundesbank, Banca d'Italia, Nederlandsche Bank, Banque Nationale de Belgique) and the candidate countries (Bank of England, Central Bank of Ireland, Norges Bank and Danmarks Nationalbank) stipulating that the spread between the exchange rates for any two EEC currencies at a given time must not exceed 2.25 %, or half the authorised margin between any one of these currencies and the dollar (4.5 %, 'the tunnel').

This is the 'snake' in the 'tunnel'. This margin-shrinking mechanism enters into force on 24 April 1972.

23 June

The pound sterling leaves the 'snake'.

12 September

Council Decision on the 'multilateralisation of positions and regulations resulting from operations, consultation between central banks, very short-term financing (VSTF)'.

19–21 October

Paris Summit of the Heads of State of the (enlarged) Community concerning progress on a monetary Europe and providing for the creation of the European Monetary Cooperation Fund (EMCF).

EMCF was a name chosen and used by Pierre Werner.

1973

1 January

Denmark, the United Kingdom and Ireland join the EEC.

12 March

The joint floating of six European currencies (Germany, France, Denmark and the Benelux countries) is confirmed. No longer supported by the US dollar, the 'snake' leaves the 'tunnel'.

14 March

Norway and Sweden join the 'snake'.

3 April

Regulation of the Council of the Communities setting up a European Monetary Cooperation Fund (EMCF), which begins operating on 1 June.

1974

19 January

The French franc leaves the 'snake'. It will join it again from 10 July 1975 to 15 March 1976.

18 February

The Council is unable to reach agreement on the transition to the second stage of economic and monetary union owing to deep disagreements between the Member States. The process of implementing the Werner Report is therefore de facto suspended.

But the Council adopts several important measures for the economic component of the future economic and monetary union: the decision on the realisation of a high degree of convergence of economic policies (also known as the 'convergence decision'), the directive on stability, growth and full employment in the Community and the decision to set up an economic policy committee by merging the Conjunctural Policy Committee, the Budgetary Policy Committee and the Medium-Term Economic Policy Committee.