

Plans and studies drawn up after the Werner Report

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Plans and studies drawn up after the Werner Report ¹

The setbacks suffered by the stage-by-stage plan initially disheartened the supporters of this major project. Despite the political impasse, ² reflection on economic and monetary union continued at the initiative of the Commission and certain governments, in academic and university circles, and among private-sector organisations and economists. This led to various reports, studies and forecasts which helped to improve monetary cooperation ³ and which played a part, through the problems discussed and the approaches proposed, in the revival of European monetary union in 1977. ⁴

This section sets out to demonstrate that the suspension of the Werner Report did not halt the process of reflection on the possibility of creating an economic and monetary union. Several documents bear witness to this, the most important of which are listed below.

On 19 April 1973, in accordance with the mandate that it had received from the Council on 22 March 1971, the Commission presented a review of the results of the first stage and proposals for the continuation of the process which aimed to lead to economic and monetary union. Its *Report on the progress achieved in the first stage of economic and monetary union* was published on 30 April 1973. ⁵

In August 1973, at its first meeting, the EMU Group, chaired by L. Airey within the Office of the United Kingdom Permanent Representative to the European Communities, drafted a confidential note for the European Commission entitled *Concrete suggestions for the second stage of economic and monetary union*. ⁶

In October 1973, the study group on economic and monetary union ⁷ sent the Commission a report drafted by three rapporteurs (Professors Dosser, Magnifico and Peeters), with the contribution of another expert (Professor Neubauer), entitled *European economic integration and monetary unification* (more commonly known as the *Magnifico Report*). This report, drawn up under the aegis of the Commission's Directorate-General for Economic and Financial Affairs, examined all the potential implications of the establishment of an economic and monetary union, including issues relating to price stability policy, regional policy and employment policy.

On 16 September 1974, the French Finance Minister, Jean-Pierre Fourcade, sent a memorandum to the Member States (the *Fourcade memorandum*) on new initiatives in the monetary field with a view to strengthening the institutional framework of the exchange rate mechanism. ⁸

As part of the debate surrounding the revival of European monetary union, the Committee of Governors of the Central Banks instructed a group of experts ⁹ (the Heyvaert Group) to analyse the specifically monetary aspects of the unit of account on the basis of the French proposals (the Fourcade memorandum), and to explore avenues for a potential revision of the European monetary unit of account. On 3 and 4 December 1974, the experts presented their thoughts on the *French proposals concerning coordinated action on the Euromarkets* ¹⁰ and on the *French proposals on the European unit of account*. ¹¹

On the same day, the Monetary Affairs Committee of the European Communities tabled its *Report on the question of the European unit of account*. ¹²

The purpose of the *Marjolin Report*¹³ of 8 March 1975, the outcome of a study conducted by experts appointed by the Commission of the European Communities under the chairmanship of Robert Marjolin, former Vice-President of the Commission, was to analyse the questions raised by the establishment of economic and monetary union given the major changes to be expected by 1980. A review of overall developments in the period from 1969 to 1975 led to the observation, perceptible just beneath the surface, that the Werner Report had not brought any results. ‘[I]f there has been any movement it has been backward. [...] The idea of a united Europe, while enjoying the passive sympathy of the majority of the population in most Community countries, is not one which carries force. The goodwill with which it is generally received is usually accompanied by scepticism, because of the lack of a clear political commitment by political leaders. [...] The centrifugal movement which characterizes national policies has deeply affected Community achievements. [...] The monetary problems which have arisen since 1969, and the frequent refusal of governments to permit the price adjustments in national currencies, which would normally have resulted therefrom, have led to the creation of a system of compensatory payments of such complexity that it is incomprehensible to the uninitiated. The unity of agricultural prices in the Community is damaged and the single market split into several fragments which, given the attitudes of certain of them, it is hard to see being “stuck together again” in the foreseeable future.’¹⁴ Besides the international environment and the priority accorded to national policies, (French) resistance to supranational institutions was among the reasons why economic and monetary union reached stalemate, thereby highlighting the recommendations (never followed up) in the Werner Report. ‘In an Economic and Monetary Union, national governments put at the disposal of the common institutions the use of all the instruments of monetary policy and of economic policy whose action should be exercised for the Community as a whole. These institutions moreover must have a discretionary power similar to that which national governments possess now, in order to be able to meet unexpected events.’¹⁵ The Marjolin Report considered it necessary to act quickly and in a spirit of solidarity in a Community facing an ever-growing balance of payments deficit, mounting inflation and rising unemployment. It also called for action from both sides of industry. In the monetary and financial sphere, it recommended going further than the intra-European exchange-rate mechanism (the ‘currency snake’) and setting up a Community system of internal and external monetary policies (this would be the European Monetary System of 1979). In this area, the report recommended creating a European exchange stabilisation fund and introducing a new European unit of account¹⁶ (based on a basket of Member States’ currencies).

In parallel with the Marjolin Report, intensive thought went into the relaunching of economic and monetary union during the period from 1974 to 1978, but the various plans and practical proposals which came out of it led to nothing.¹⁷

¹ Unless otherwise indicated, the source of all the documents cited in this study is www.cvce.eu.

² Even though the Council failed to agree on the second stage of EMU on 18 February 1974, it nevertheless adopted some important measures which had an impact on the economic strand of the future union. These were the decision on the attainment of a high degree of convergence of economic policies (known as the ‘Convergence Decision’), the directive on stability, growth and full employment in the Community and the decision setting up an Economic Policy Committee to promote coordination of Member States’ economic and budgetary policies. See Council Decision of 18 February 1974, Council of the European Communities, Official Journal of the European Communities, L 63 of 5.3.1974, pp. 21–22.

³ See Mourlon-Druol, Emmanuel, ‘Les banquiers centraux de l’échec du plan Werner à la création du SME, 1974–1979’, in *Histoire, économie & société*, 2011, Vol. 30, No 4, pp. 39–46.

⁴ On 27 October 1977, Roy Jenkins, President of the European Commission, gave a speech at the European University Institute (EUI) in Florence in which he advocated the introduction of a European monetary union. The time had come to put the question back onto the agenda. The proposal for a European monetary system was made in early 1978, and, once negotiations had been completed, the system — starting with the ECU as the embryo of a future European currency — came into force in 1979. See Dinan, Desmond, *Europe Recast. A History of European Union*, Boulder, London, 2004, pp. 173–174.

⁵ ‘[Commission communication to the Council on the progress achieved in the first stage of economic and monetary union and on the measures to be taken in the second stage of economic and monetary union](#)’, COM (73) 570 final of 19 April 1973, presented on 30 April 1973, *Bulletin of the European Communities*, Supplement 5/73. (Document consulted on 10 October 2012.)

⁶ ‘[Concrete suggestions for the second stage of economic and monetary union](#)’. Source: <http://ec.europa.eu/>. (Document consulted on 2 October 2012.)

⁷ In late 1972, the Commission asked several economic experts to examine possible approaches and means to achieve economic and monetary union. The group was composed of Professors Dosser, Peeters, Neubauer and Magnifico. The rapporteur, Magnifico, published the group’s findings in October 1973. See [The Magnifico Report \(Brussels, October 1973\)](#). (Document consulted on 10 October 2012.)

⁸ Issues of interest in this memorandum include the role of the unit of account in the exchange rate system. De Saint-Périer, Amaury, ‘La France et la sauvegarde du système communautaire de change de 1974 à 1977’, in Dumoulin, Michel; Schirmann, Sylvain; Bussière, Éric (Ed), *Milieus économiques et intégration européenne au XXe siècle. La crise des années 1970. De la conférence de La Haye à la veille de la relance des années 1980*, PIE–Peter Lang, Brussels, 2006, pp. 51–58

⁹ The group was composed of 25 experts — from the national/central banks of Belgium, Denmark, Ireland, Germany, France, Italy, the Netherlands and the United Kingdom and from the EMCF, the EC Commission and the Committee of Governors — and was chaired by Mr Heyvaert, submitting its report after four working meetings on 26 and 27 November and 2 and 3 December 1974.

¹⁰ See ‘[Propositions françaises concernant une action coordonnée sur les euro-marchés](#)’ [French proposals concerning coordinated action on the Euromarkets] (3 December 1974). (Document consulted on 10 October 2012.)

¹¹ See ‘[Propositions françaises relatives à l’unité de compte monétaire européenne](#)’ [French proposals on the European unit of account] (3 December 1974). (Document consulted on 10 October 2012.)

¹² See ‘[Report on the problem of the European unit of account](#)’ (Brussels, 4 December 1974). (Document consulted on 10 October 2012.)

¹³ ‘[Report of the study group ‘Economic and Monetary Union 1980’ \(the Marjolin Report\)](#)’. EC Commission, Directorate-General for Economic and Financial Affairs. (Document consulted on 10 October 2012.)

¹⁴ *Ibid.* Report, pp. 1–2

¹⁵ *Ibid.*

¹⁶ In keeping with an idea of Robert Triffin’s, the report also looked ahead to a parallel European currency. See Werner, Pierre, *L’Europe monétaire reconsidérée*, Centre d’études européennes, Lausanne, 1977, pp. 40–41

¹⁷ The papers for discussion included:

- The *All Saints’ Day Manifesto* (1 November 1975). This was a report drawn up by nine economists from eight European countries focusing on the idea of a parallel European currency. The central banks were encouraged to issue a parallel currency called ‘Europa’ with constant purchasing power and the twofold objective of introducing a single European currency and eradicating inflation.
- [Appeal for a realistic European monetary unification policy](#) (12 December 1975). The economist and professor Francis Woehrling, also an official in the Commission’s Directorate-General for Economic and Financial Affairs, who had contributed to the drafting of the All Saints’ Day Manifesto, drew up an individual discussion paper on the priorities of European unification which he submitted personally to the Commission of the European Communities. Source: <http://ec.europa.eu/>. (Document consulted on 10 October 2012.)
- The [Tindemans Report on European Union](#) (29 December 1975). At the Paris Summit of 9 and 10 December 1974, Leo Tindemans, Prime Minister of Belgium, was asked to draw up a report defining what was meant by the

term 'European union'. This marked the Nine's determination to breathe new life into the European integration process, which had been hampered by the economic crisis and the threats of disintegration of the Community. A deep-rooted federalist, Tindemans consulted the European institutions, which all submitted a report to him, as well as hundreds of eminent figures representing political, economic, trade union, voluntary sector and intellectual circles in the Community's nine Member States. The Report on European Union was released on 29 December 1975. On 2 April 1976 it was presented to the Luxembourg European Council, which held a preliminary exchange of views on it. (Document consulted on 10 October 2012.)

- The [Optica Report](#) (Optimum Currency Areas) (16 January 1976). The Commission of the European Communities assembled a group of experts to examine the notion of an optimum currency area in Europe. (Document consulted on 10 October 2012.)
- [Some problems in connection with proposals for a European parallel currency](#) (19 March 1976). This was an internal note from the Directorate-General for Economic and Financial Affairs of the Commission of the European Communities. Source: <http://ec.europa.eu/>. (Document consulted on 10 October 2012.)
- The *Duisenberg Plan* (27 July 1976). These proposals submitted by the Dutch Finance Minister, Wim Duisenberg, were intended to improve economic policy coordination and exchange rate management.
- [Positions taken on economic and monetary union at summits and councils](#) (10 December 1976). The General Secretariat of the Council summarised the main positions taken at European Summits and Ecofin Councils, providing an overview of various political approaches. (Document consulted on 10 October 2012.)
- *Report by the study group on the role of public finance in European integration (the MacDougall Report)* (April 1977). This was a report drawn up by experts appointed by the EC Commission. See the [MacDougall Report — Volume I](#) (Brussels, April 1977) and the [MacDougall Report — Volume II](#) (Brussels, April 1977). (Document consulted on 10 October 2012.)
- [The prospect of monetary union](#) (16 September 1977). Note from the President of the EC Commission to the meeting of the EC Commission at which this issue was discussed (La Roche-en-Ardenne, 16–18 September 1977). (Document consulted on 10 October 2012.)
- [Speech by Roy Jenkins](#), President of the European Commission, at the European University Institute (EUI) in Florence (27 October 1977). This speech advocated the introduction of a European monetary union. (Document consulted on 10 October 2012.)
- [Proposals for the reform of the Commission of the European Communities and its services \(the Spierenburg Report\)](#) (4 September 1979). This was a report drawn up by experts appointed by the EC Commission. (Document consulted on 10 October 2012.)