

Context of the establishment of the Werner Committee

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Context of the establishment of the Werner Committee

After the Second World War, as efforts were being made to rebuild a Europe devastated by war, the question of monetary unification in the continent came increasingly to the forefront at a time when major changes were taking place within the international monetary system.

These changes mainly took the shape of deep national monetary reforms. This was the case for West Germany, where wide-ranging, radical monetary reform resulted in the creation of the Deutsche Mark (known in English as Deutschmark or German mark) ¹ on 20 June 1948. At the same time, the volume of money in circulation was reduced by a factor of ten, public and private debts were consolidated and a new bank was set up, independent from public authorities, to guarantee currency stability. This was the Bank Deutscher Länder, the forerunner of the Bundesbank. ² This was followed by liberal economic policy measures implemented by the Federal Minister for the Economy, Ludwig Erhard, ³ which led to the establishment of a social market economy (high growth, reduced inflation, low unemployment and a social protection system), the basis of the ‘German economic miracle’. A few years later it was France’s turn to introduce major reforms. When General de Gaulle returned to power in May 1958, the French economy was in the throes of financial and monetary instability, further worsened by the crisis of the political regime. The economy was very inward-looking, and foreign trade was governed by a strict protection mechanism (high quantitative and tariff restrictions, distorted competition, etc.). To deal with the imbalances in the domestic budget and foreign trade, a committee of experts was set up, chaired by economist Jacques Rueff. The committee’s work to find solutions to stabilise the economy on a lasting basis led to the Rueff Plan. ⁴ This orthodox, liberal plan contained four major areas for action: restoring competitiveness, reducing inflation, opening up the economy and stimulating investment. It was successfully implemented by General de Gaulle’s Government in late 1958. Public finances were restored, the franc became convertible (the new franc or ‘heavy franc’ came into force on 1 January 1960) and exchange controls were loosened. Rueff continued his work and, in a second report that he published in July 1960, ⁵ he recommended opening the economy up to competition, despite the fact that the Common Market was only in its early days.

Other countries — Belgium, Luxembourg and the Netherlands, as well as Austria and Norway — also tried to restore order to their respective monetary policies, carrying out monetary and fiscal reforms during the period 1945–1948. Although the countries had various specific difficulties, they all displayed similar symptoms: destruction of the economic order, elimination of stimuli, increase of the volume of money in circulation and curbing of price mechanisms. The specific measures implemented varied from country to country, but they ran along similar lines: reducing the volume of money in circulation, freezing assets (deposits and bank accounts), issuing new banknotes and coins and introducing new instruments (reserve requirements, discount rates, selective credit policy, fiscal penalties, etc.). ⁶ Faced with increasingly difficult situations, other countries pursued more lax policies. In Italy, where inflation was causing major problems, the government chose not to introduce convertibility to prevent mass purchases of foreign currency and foreign goods. The deep economic and monetary reforms in Germany and France, as in other countries, were based on certain key principles (fixed exchange rates, price stability and curbing inflation, the independence of the issuing body/central bank, etc.) that were at the basis of monetary Europe.

From the 1960s onwards, efforts in favour of a monetary Europe were stepped up by national authorities, Community institutions, European activists, academic bodies and various key

figures. In this historical context, the year 1970 was particularly important as it saw the development of the plan for the stage-by-stage establishment of economic and monetary union in the Community, also known as the Werner Report.

¹ This was imposed by a joint Allied decision in the three western zones of Germany and signed jointly by the US, British and French Commanders-in-Chief. The law on currency reform of 20 June 1948 abolished the Reichsmark, which had been in circulation from 1924 to 1948. All assets denominated in RM were converted into DM. On 23 June 1948, a similar reform — carried out independently and involving different technical arrangements — was implemented in the Soviet zone, giving rise to the Ostmark. See [First law on currency reform \(20 June 1948\)](#) at www.cvce.eu (consulted on 10 October 2012).

² The Deutsche Bundesbank (German federal bank) was created by the law of 26 July 1957 (the *Bundesbankgesetz*), which came into force on 1 August of the same year. See Issing, Otmar, *Geschichte der Nationalökonomie*, Vahlen, Munich, 1984. Mitzakis, Michel, 'La réforme monétaire en Allemagne occidentale'. In *Revue économique*, Volume 1, No 3, 1950, pp. 311–340. Pengalou, Charles; Guggenheim, Thomas, 'Le problème de la réforme monétaire après la deuxième guerre mondiale, et la solution en Allemagne occidentale, en Autriche, en Belgique et aux Pays-Bas'. In *Revue économique*, Volume 17, No 6, 1966, pp. 1030–1031.

³ Ludwig Erhard (1897–1977), economist and West German Christian Democrat liberal politician. He worked as a professor and economic adviser to the US Military Government in Bavaria and served as Bavarian Minister for Trade and Industry from 1945 to 1946 (he was responsible for managing monetary supply and credits) and Director of the Economics Administration in the Allied Zone (1947), before becoming Federal Minister for the Economy in Konrad Adenauer's Government until 1963. He is generally considered to be the architect of the social market economy.

⁴ This is sometimes referred to as the 'Pinay–Rueff Plan', after French politician and statesman Antoine Pinay (1891–1994). In 1952, he served as President of the Council of Ministers for several months before becoming Finance Minister in the early days of the Fifth Republic under President de Gaulle. In this capacity he played an important role in the implementation of the Rueff Plan.

⁵ This was the *Rapport du Comité pour la suppression des obstacles à l'expansion économique* (Report on suppressing barriers to economic growth), known as the 'Rueff–Armand Plan', drafted by a committee of experts chaired by Jacques Rueff and Louis Armand (1905–1971), a senior official and company director.

⁶ See Guggenheim, Thomas, *Le problème de la réforme monétaire après la Deuxième Guerre mondiale et la solution en Allemagne occidentale, en Autriche, en Belgique et aux Pays-Bas*, Université Georg, Geneva, 1965. Dupriez, Léon. H., *Les réformes monétaires en Belgique*, Office international de librairie, Brussels, 1978. Pohl, Manfred, *Handbook on the History of European Banks*, European Association for Banking History, Edward Elgar Publishing (Ltd), 1994