Raymond Barre:
Modernizing France through European Monetary Cooperation

David Howarth, University of Luxembourg

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Abstract
Raymond Barre's claim to be an architect of EMU rests ostensibly on his activities as European Commissioner from 1967 to early 1973 and his preparation of the February 1969 memorandum and the March 1970 communication — widely known as the Barre Plans 1 and 2 — which formed the basis of the discussions of the Werner Committee. As French Minister of Finance and then Prime Minister from 1976 to 1981, Barre was an active proponent of the creation of the EMS. However, the argument put forth in this chapter is that the true significance of Barre as an architect should be seen in terms of his economic convictions. These led him to support the three main macro-economic stepping stones to EMU: macro-economic convergence based on low inflation; exchange-rate targeting (through an external exchange-rate regime) to reinforce domestic efforts to bring down inflation; and capital liberalization.

Introduction

Raymond Barre's claim to be an architect of Economic and Monetary Union (EMU) rests ostensibly on his activities as the European Commissioner responsible for economic and financial affairs (Directorate-General II) and Commission vice-president from 1967 to early 1973. Commissioner Barre and his staff prepared the February 1969 memorandum and the March 1970 communication — widely known as the Barre Plans 1 and 2 — which formed the basis of the discussions of the Werner Committee.

Much later, following the Maastricht European Council of December 1991, Barre became one of the leading political defenders of EMU in France, supporting painful fiscal consolidation and tax increases to move to the single currency by 1997, the earliest date allowed by the Maastricht Treaty (Mauduit 1995). Even former French president Valéry Giscard d'Estaing, one of the leading proponents of the single currency, came to argue that it would be unrealistic — given the difficulties facing the French economy and the high public sector deficit — to start EMU's final stage three by 1997 (ibid). With Pierre Werner, Barre also became co-chair of the ECU Institute in Lyon. This private body was created in March 1992 to study the economic effects of EMU and to promote the single currency.

However, the true significance of Barre as an architect should be seen in terms of his economic convictions. They led him - far earlier than most of his compatriots, and against many detractors within French political, policy making and academic circles — to support the three main macro-economic stepping stones to EMU: macro-economic convergence based on low inflation; exchange-rate targeting (through an external exchange-rate regime) to reinforce domestic efforts to bring down inflation; and capital liberalization. As European Commissioner, and then as French prime minister from 1976 to 1981 with a concurrent stint as Finance Minister from 1976-1978, Barre maintained his consistent support for these three policy goals, although without the telos of a single currency by way of official justification. Prior to the Delors Report, he never publicly stated his support for the creation of a single European currency emitted by a European central bank.[1] Barre repeatedly claimed that he was a European by conviction, but his Europeanism remained one in which Member States retained control. He was no fan of supra-nationalism (Lequesne 2010; Saint-Ouen 1990: 111*ff*; Soutou 2010). Domestic economic concerns and the competitiveness of the French economy were always his priorities.

Unlike previous prime ministerial appointments, Barre had been a marginal political figure in France and never an official member of a political party. He was selected, at least officially, for his economic expertise by President Valéry Giscard d'Estaing. The president justified his choice on the grounds that Barre, the former academic, was the 'the best economist in France' ('*le meilleur économiste de France*'). While this claim is debatable at best, Barre had considerable intellectual influence. He was a professor at the elite Parisian policy studies institute, *Institut d'Etudes Politiques*, periodically from the late 1950s to 1966 and the author of a political economy textbook that appeared in at least sixteen editions over a fifty-year period and was well-thumbed in universities throughout France. Barre shaped the economic thinking of a generation of students, some of whom went on to dominate the economic and financial administration of France and many of its largest banks and companies. As France's leading economist-politician, Barre played a — if not the — central role in the construction of a dominant economic vision, labeled *la pensée unique* by its detractors, which formed the ideological underpinning of French support for EMU.

[1] This claim is made on the basis of a full survey of Barre's speeches and interviews prior to 1992 (see also Balleix-Banerjee 1999: 36-40). In 1987, Barre called for a 'true monetary union within which a true European currency would circulate' ('*veritable union monétaire au sein de laquelle circulerait une veritable monnaie européenne*'), a position compatible with both a common (parallel) and a single currency (Barre 1987: 233). In his 1988 presidential election campaign programme (*Projet pour la France*), Barre used a very similar wording and called for a 'European Reserve System' which would coordinate national central banks, manage pooled currency reserves, promote the use of the European Currency Unit (ECU) and elaborate a common monetary policy in relation to the dollar (see also Barre 1988a; Barre 1988b). Prior to the Maastricht Summit of December 1991, in the French political context, support for 'monetary integration' and EMU very rarely indicated support for the elimination of national currencies and the creation of a single currency emitted by a European central bank (Balleix-Banerjee 1999; Howarth 2001).

Barre as Economist: From the Ivory Tower to the Coal-face of Power

Barre's economic vision came from a synthesis of very different and often conflicting traditions (de Boissieu 2010). As a young academic economist, he declared himself a follower of John Maynard Keynes but eschewed Keynesianism as it had developed in the post-war period. Barre argued that Keynes's ideas were limited and had to be developed in a number of areas (Barre and Fontanel 1991). De Boissieu (2010) points to two main anchors of Barre's early economic thinking: late nineteenth- and early twentieth-century Swedish economists and the Austrian School. It is revealing of his search for alternative economic ideas that one of his earliest academic endeavours was to translate Friedrich von Hayek's *The Counter-Revolution of Science: Studies on the Abuse of Reason* into French and write the preface (Hayek 1953).

As prime minister and minister of finance, Barre intervened directly in the Eight Plan (1976), known as the Barre Plan, which was dominated by an explicit rejection of Keynesian reflation. From monetarism, Barre emphasized the need to use monetary policy to control the growth of the monetary supply with the aim of maintaining low inflation (Barre 1984). This determined focus also reflects the period in which he was appointed as prime minister. In the year 1975, French M2 increased by a record 18.2 per cent. Barre credits his policies with having reduced M2 growth to 10 per cent by 1980. Repeatedly, both in and out of office, he made clear that the battle against inflation was at the heart of any coherent economic *and* social policy (see, for example, Barre 1981; Fuerxer 2002b: 11). He emphasized the need for structural reform throughout the French economy to tackle inflation, insisting upon both labour-market reform and the liberalization of prices, controlled by the state since the 1940s, with the aim of increasing competition in a range of sectors to eliminate 'artificial and abusive', and thus inflationary, profits (Barre 1976; Fuerxer 2002: 37*ff*). At the same time, Barre (1978) recognized the social, political and economic dangers of 'brutal deflation', opting instead for progressive and continual disinflation and gradual adaptation.

On budgetary policy, as prime minister, Barre did not seek necessarily to balance the government's books. However, he was concerned about the tendency of French governments to run excessive deficits and called for their reduction and for the need to run budgetary policy in tight coordination with monetary policy (Barre 1981). Control of fiscal deficits was a crucial part of Barre's monetarism (Barre 1981; Fuerxer 2002b: 61*ff*). It placed his thinking squarely in the French credit-counterpart approach to monetarism of Jacques Rueff (Fuerxer 2002b, chapter 4; Daniel 2008), in contrast to the dominant American approach of Milton Friedman which focused singularly on the monetary base. Barre argued that a deficit above 1.5 per cent of GDP would 'be seriously damaging for the French economy' (Barre 1981: 52; author's translation). He regularly challenged the 3 per cent fiscal deficit limit, set by Socialist President François Mitterrand at a 9 June 1982 press conference and defended by subsequent Socialist governments (Seux 2014), as lax and inflationary (Barre 1984; Fuerxer 2002a&b). However, both Barre's and Mitterrand's acceptable maximum fiscal deficit figures were arbitrarily set, although Barre's ensured a more sustainable debt load. That Mitterrand's 3 per cent was accepted by the German federal government as the Maastricht threshold for an EMU project, regularly denounced as deflationary, suggests that Barre was even more cautious on fiscal deficits than the German Christian Democrats.

Barre was a consistent supporter of free trade. Unlike much of the French political class, he saw the European common market and then the single market as stepping stones to gradual international trade liberalization (Fuerxer 2002b: 17*ff*). As the head of the support staff of Jean-Marcel Jeanneney, minister of industry in the Gaullist government of Michel Debré, one of Barre's principal responsibilities was to supervise the abolition of tariffs and quotas, as required under the Treaty of Rome. He later claimed to have taken to this task with considerable 'energetic vigour' (Barre 1984: 178) and repeatedly denounced any return to protectionism as 'extremely dangerous' (Barre 1976). In this way Barre positioned himself in what was, in the French administration and political class of the 1960s and 1970s, a fringe position.

At the same time, Barre did not advocate the kind of unilateral and total trade liberalization upheld by the mainstream trade theory dominant in the English-speaking world. He was not a doctrinal trade liberal in the Frédéric Bastiat tradition in France (Fuerxer 2002a: 18*ff*). In government, he called for 'ordered growth' of trade (Barre, *Le Figaro* 15 September 1977) and accepted state intervention to 'manage' trade in sensitive sectors such as automobiles. Unlike most French academic economists and the financial administrative elite in the Treasury division of the Ministry of Finance, Barre also leaned toward capital liberalization. Again, however, he accepted the need for controls in the context of economic adjustment (Barre 1984: 208).

Barre's views on exchange rates aligned closely with mainstream French academic and political-class thinking from the 1950s onwards and differed markedly from neo-classical economists (Howarth 2001). The currency was not to be seen as a good like any other whose value was determined solely by the push and pull of supply and demand. Rather, its value should be defended in a fixed but adjustable exchange-rate regime. Barre saw exchange-rate stability as crucial to European market integration and the operation of the Common Agricultural Policy (CAP) so dear to President Charles de Gaulle. Given Barre's commitment to capital liberalization and exchange-rate stability, it is reasonable to assume that his thinking might have taken him down the Mundellian route of the triangle of incompatibility, whereby governments can maintain only two of the three following goals at the same time: fixed exchange rates, capital liberalization and monetary autonomy. However, Barre accepted that devaluations were inevitable and even desirable as long as their perverse effects were limited (Barre 1984; Fuerxer 2002a&b).

Barre saw exchange-rate policy as the servant of his monetarism and his drive to root out inflationary elements in the French economy (Maes 2004). However, he did not see a European exchange-rate regime as a straight-jacket at the complete expense of national margin of manoeuvre. In political life, both in government and as a leading opposition politician in the 1990s, Barre's economic preferences were tempered by political realism. Internal devaluations (deflationary policies) were desirable but too rapidly imposed they would result in social and political upheaval. The Exchange Rate Mechanism (ERM) of the European Monetary System (EMS), as initially conceived in the Bremen Accords, provided an appropriate balance between constraint and margin of manoeuvre.

In government and in opposition Barre frequently noted his concern for the French trade and current account deficit, a widespread preoccupation in the French political class (Howarth 2001). Combined with a determined anti-inflationary stance, the trade and current account deficit was an important motivation for the policy of 'competitive disinflation' that took root in government economic policy under Barre from 1976. It became strongly entrenched following the about-face in Socialist government economic policy in 1983, when President Mitterrand took the decision to keep the franc in the ERM and pursue deflation in France.

Barre might be best described in terms of German Ordo-liberalism, given that he wanted France to follow the German model of low inflation and export-led economic growth. In the 1970s and 1980s France was a world leader in the export of manufactured goods and services, falling behind Germany in the former but far ahead in the latter. However, France faced a constant trade and current account deficit while Germany was consistently in surplus.

There were three core economic policy ideas which encouraged support for EMU in elite French political, academic and financial administrative circles, although none provided compelling reasons: competitive disinflation; a largely fixed, but potentially adjustable, exchange-rate mechanism to provide an external constraint; and capital liberalization. Collectively, these policy goals have been labeled by detractors as part of '*la pensée unique*' which in English finds its rough equivalent in Margaret Thatcher's 'there is no alternative.' (Kahn 1996).

Barre is widely known in France for providing both academic and political leadership in promoting these three policies. After having struggled in the wilderness of France's economic policy landscape for over two decades, Barre's plan of 1976 represented the first impetus to '*la pensée unique*'. During the 1980s, this form of argument spread thanks to the conversion of important (but always minority) elements in the Socialist Party and to the brief liberal spurt of the neo-Gaullists under prime minister Jacques Chirac and finance minister Edouard Balladur from 1986 to 1988 (Balladur 1987). By the late 1980s, French academic economic thinking had also shifted. It provided few obstacles to, and considerable support for, these elements, indispensable to the move to EMU. However, it needs to be stressed that few proponents of the core elements of *la pensée unique*, in academic or political circles in the 1980s, were proactive on monetary union and very fewcampaigned on the matter prior to 1988. Barre certainly did not.

On 'competitive disinflation', Barre argued from the 1950s that monetary laxity risked weakening the competitiveness of French industry. The spiral of inflation, devaluation and then even greater inflation, threatened to develop beyond the control of policy-makers. In the context of an increasingly open economy, devaluation became increasingly ineffective and even harmful. Barre (1984) argued that France should follow Germany in the pursuit of low inflation, along with domestic structural reform and microeconomic reforms, to increase the competitiveness of French industry in relation to its main trade partners. Although a fringe position in the 1970s, by the late 1980s 'competitive disinflation' became fully entrenched as unquestionable French government economic doctrine on the centre Right and on the centre Left, which was then in power (Fitoussi 1993). The pursuit of 'competitive disinflation' made it easier for French officials to accept the inclusion of the convergence criteria in the Maastricht Treaty, which constitutionalized the goal of price stability. However, there was considerable disagreement about the extent to which EMU was necessary to achieve this goal. It was advocated as a necessary step only by Bank of France officials and a few academics who saw the project as the ultimate guarantee of entrenching anti-inflationary monetary policies in a country, the politicians and public of which were still prone to excess (Howarth 2001).

Yet, on the issue of exchange-rate stability, Barre saw problems with the growing consensus around the EMS from the mid-1980s as a system of fixed rates (Barre 1984; Fuerxer 2002a&b). He stood in opposition to the Socialist minister of finance in the late 1980s and early 1990s, Pierre Bérégovoy, who refused to accept German demands after reunification for the realignment of parities within the ERM in order to permit the revaluation of the D-Mark vis-à-vis the franc and certain other currencies (Howarth 2001). Barre had never been of the opinion that permanently fixed exchange rate were desirable (Fuerxer 2002a&b). Further, the move from a system of fixed but adjustable rates to EMU was not, for Barre, an intellectually necessary one.

Barre in Brussels

In early 1967, Barre succeeded Robert Marjolin as Commissioner responsible for economic and financial affairs (DGII) and as vice-president. His five-and-a-half years in Brussels corresponded to considerable international monetary upheaval, menacing the recently completed European customs union. Barre arrived in Brussels during a pound sterling crisis, followed swiftly by a French franc crisis. He left two months prior to the German government's decision to float the D-Mark, forcing the European 'snake' exchange-rate system from its US dollar tunnel.

Barre was the Commissioner responsible for monetary policy during the demise of the Bretton Woods System, the first round of intensive discussions on European monetary integration in the Werner Committee meetings, and the creation of the European exchange-rate mechanism, the 'snake'. The sea change in Member-State preferences on European monetary cooperation during this five-and-a-half years impressed him. When Barre arrived at the Commission, he later claimed that Member-State governments had no real understanding of monetary cooperation and 'refused' to see monetary problems as problems of common interest (Barre 2004: 19). He pointed out that many French policy makers saw his first two-page memorandum on monetary cooperation of February 1968 as unacceptable, covering matters beyond the jurisdiction of the EEC treaty.

Barre left his mark on monetary integration most ostensibly through his memorandum of 1969 which informed discussions both among government leaders at the Hague Summit of December and in the Werner Committee and led directly to concrete initiatives on monetary policy cooperation. He met bilaterally with French President Georges Pompidou, German Chancellor Willy Brandt and Jean Monnet prior to the Hague summit. Barre (2004: 16) claimed that each of them confirmed that he would intervene personally to launch discussions on monetary cooperation. The Commission was represented on the Werner Committee by Ugo Mosca. However, Barre (2004: 17) followed Committee meetings closely.

De Gaulle's appointment of Barre to the Commission was of importance – politically, symbolically, as well as in terms of economic direction. During the 1950s and 1960s, there was a real threat that French governments might resort to safeguard clauses to block EEC trade liberalization. The French ‘empty-chair’ crisis of 1965 and the subsequent ‘Luxembourg compromise’ were fresh in all minds. Maes (2006) notes that influential French officials occupied many of the crucial Community-level positions involved in an assessment of national economic situations. Thus Alain Prate was secretary of the EEC Monetary Committee; Robert Marjolin was Commissioner; and François-Xavier Ortoli was the director-general responsible for the internal market. This careful placement of French officials was intentional and designed to avoid EC economic policy recommendations that would annoy President de Gaulle (Lequesne 2010). Barre’s views on the economy differed from most of these French colleagues and, in particular, from Marjolin, his predecessor at the head of DGII, notably in terms of his more critical appraisal of Keynesian economic theory and his monetarist focus on low inflation. Early in his half-decade term at the Commission, Barre manifested a cautious and critical approach to monetary integration. His focus was on low inflation and exchange-rate stability.

Lequesne (2010) and others insist that Barre’s influence in Brussels, and over both French and other Member-State politicians and officials, was considerable because he demonstrated impressive economic expertise, intelligence, and efficient administrative skills. His economic pragmatism and ‘un-French’ views would have been very welcome to officials from other Member States. Thus Barre had little enthusiasm for the CAP, which was sacred to de Gaulle, and saw it as something of a time-wasting burden (Soutou 2010: 78).

Soutou (2010: 73) argues that Barre played a central role, during his time in Brussels, in shifting the opinions of French political leaders away from a return to the gold standard, the solution proposed by de Gaulle in 1965, towards a more moderate reform of the international monetary system, one that limited the exorbitant privilege of the United States (see also Guindey 1973). Similarly, Barre encouraged French political leaders to accept the need for European monetary cooperation when an acceptable reform of Bretton Woods appeared unlikely. Supported by Giscard d’Estaing, the former French finance minister, and the Germans, notably federal finance minister Helmut Schmidt, he argued that a return to the (largely) fixed exchange rates of Bretton Woods was no longer possible and that a joint float of European currencies in relation to the US dollar was necessary (Soutou 2010). This shift to greater exchange-rate flexibility in the thinking of the French political leadership amounted to what some have described as a ‘cultural revolution’ (Soutou 2010). It opened the way, under Barre’s leadership, for closer Franco-German monetary cooperation. Some see in the ideational approximation of Barre, Giscard and Schmidt on monetary and macro-economic questions an important reason behind Barre’s appointment as prime minister in 1976 (de Saint Périer 2008).

Barre claims that his time in Brussels resulted in changes to his thinking on the economy and the desirability of European monetary cooperation. He claims that in being exposed to the economic views of German officials, both in the Commission and in the German federal finance ministry, he began to examine even more critically the ‘interventionist’ approach of the French administration, its ‘certain lack of understanding of the market’ and its tendency toward protectionism (Barre 2000: 19). Barre (1984: 208) came to appreciate and concur with the views of his German interlocutors on capital market liberalization – and notably on the ineffectiveness of capital controls. Well before EC agreements on capital market liberalization, Barre made clear his views on the subject and noted the importance of German thinking in the development of his own views. In his subsequent writings and interviews, he made clear his leanings. In his final report as Commissioner to the Council of Finance Ministers (ECOFIN) in 1972, Barre underlined the serious inflationary tensions appearing on the horizon and proposed a series of necessary measures to shield Member-State economies. He noted that, of the members of ECOFIN, only the German federal finance minister, Schmidt, showed his agreement (Barre 2004: 25).

Barre brought about administrative changes in DGII which also reflected his economic views (Maes 2006). On his arrival, the existing DGII directorates of 'national economies and business cycle', 'monetary matters' and 'structure and development' reflected the macro-economic policy preoccupations of Commission officials, many of them French. 'Structure and development', in its focus on medium-term forecasts, sectoral analyses and structural programmes, took inspiration from the French Planning Commission. To these, Barre added a fourth directorate to focus on 'budgetary matters', reflecting his preoccupation with fiscal deficits and their contribution to inflation. Barre also reanimated the Committee of EEC Central Bank Governors with the active support and collaboration of the then governor of the Banque de France, Bernard Clappier (James 2012). As the chapter by Seidel points out, this committee had been created by Marjolin. However, Barre claimed that it had barely functioned when he arrived in 1967. Clappier was intimately familiar with the European Communities. He had been the head of Robert Schuman's support staff from 1951 to 1953. As the head of the external relations office of the ministry of finance from 1951 to 1963, Clappier was one of France's leading negotiators on the Treaty of Rome (Badel 2005). During Barre's half-decade tenure at the Commission and subsequently when he worked at the Banque de France, he attended regularly the monthly meetings of the Committee of EEC Central Bank Governors which took place after the governors' Bank for International Settlements meeting in Basel.

Barre's criticism of French administrative economic thinking did not apply to senior Banque de France officials. After Barre's departure from Brussels, he became a member of the council of the Banque de France. In meetings at the bank, and in the Committee of EEC Central Bank Governors, he noted that central bankers were in full agreement on most matters but that governments tended to ignore them (Barre 2004). For Barre, the best mechanism for European cooperation – especially with the demise of Bretton Woods – was the Committee of Governors. In France, Barre (2004: 25), the independent economist, regularly sided with the central bank against the all-powerful French Treasury. However, the Treasury kept the central bank on a short leash, with limited opportunity to express opinions on monetary policy (Mamou 1988).

In the aftermath of the May 1968 riots and strike action in France, inflationary wage increases and speculation against the franc, the French government made use of the EEC treaty safeguard clauses and adopted protectionist measures. Some have argued that Barre played a crucial role in convincing President de Gaulle to avoid devaluation in November 1968 and to make use of the exchange rate as an external constraint to help rein in inflation (Aglietta and Baulant 1993; Lequesne 2010: 61). Barre (2004: 25) was opposed to the 11.1 per cent devaluation of the franc in August 1969 under

President Pompidou – whom Barre describes as 'inflationist'. He argued that it further undermined the Bretton Woods fixed exchange-rate system. Barre (ibid: 15) claimed that he was very much opposed to the unilateralism of the French devaluation, which was announced without any prior communication with the German government. The revaluation of the D-Mark in October 1969 further confirmed the beginning of the end of a system which had provided two decades of relative monetary stability in Western Europe. Barre (1984) saw this 20 per cent realignment as worsening an inflationary disequilibrium between France and Germany that persisted for most of the following two decades. The European Commission saw exchange-rate instability and macro-economic imbalances as a direct threat to European market integration. French governments also perceived a direct menace to the operation of the CAP (Howarth 2001). The principal Commission response was to improve policy coordination and monetary cooperation.

The Barre Plans, 1 and 2

While Barre saw exchange-rate stability as a desirable goal, his views on European monetary and economic policy cooperation were also tinged with a heavy dose of pragmatism. Given the economic conditions of the late 1960s, he recognized the need to drop the former insistence upon fixed exchange rates, opting instead for parity changes by agreement. Maes (2006: 235) writes of a brief, two-page, memorandum presented to the Council in February 1968 (EC Commission 1968). In this the Commission called for prior mutual consent to precede exchange-rate adjustments, the elimination of fluctuation margins, the introduction of a system of mutual assistance, the establishment of a single European unit of account and concerted action in international monetary institutions. These Commission proposals reflected French thinking on monetary integration and the voluntarist ideas of Robert Triffin which had dominated DGII economic thinking under Marjolin. However, they had little chance of making headway in the face of German and Dutch opposition. Such a 'one-sided monetary approach made no sense' (Szász 1999: 11).

With a two-sided approach, focused on both improved economic and monetary policy cooperation, Barre adopted a position on monetary integration that was a pragmatic and deliberately strategic approach, one which could help reconcile the monetarist (French) and economist (German) approaches to monetary integration and EMU. However, it is important to emphasize that this two-sided approach also conformed better to his economic vision. Barre was arguably one of the few Frenchmen who could achieve some level of reconciliation between the French and German vision on acceptable monetary cooperation. He moved DGII away from Triffin's European Reserve Fund idea, which was unacceptable to the Germans, towards a mutual assistance system consistent with Article 108 of the Treaty of Rome. Barre promoted 'financial solidarity', mechanisms offering financial support to weak currency Member States under pressure to devalue in the face of speculative financial attacks. This solidarity was also to come in the form of financial carrots designed to facilitate the introduction of structural reforms, thus potentially extending Commission influence. Community mechanisms were presented as more effective to see off speculation than isolated national measures. Barre defended the economist approach of the German and Dutch governments: economic convergence was essential to ensure stable exchange-rate parities; and monetary union was the 'crowning' of economic union. Also, he was willing to make statements that would have ruffled feathers in Paris, arguing vaguely for example, that, for EMU to be successful, a stronger European political authority was needed (Barre 1968: 17). But, in doing this, he was expressing his scepticism about the probability of EMU rather than advocating further European integration.

At the same time Barre's vision of European monetary cooperation fitted well with some elements of the French Treasury and French government position. This was notably the case with regard to the need for monetary policy cooperation, specifically cooperation on interest-rate policy, and for support mechanisms. As Commissioner, Barre also promoted, albeit briefly, a single European unit of account, a French demand since the mid-1960s. However, he dropped this demand in the face of German opposition (Fuerxer 2002a). In the 1980s, he was a keen supporter of measures to promote the European currency unit (ECU) (Balleix-Banerjee 1999). Barre (2004) himself insists that he maintained close relations with French governments during his time in Brussels, with regular monthly (even weekly) visits to Paris and regular meetings with the foreign minister, presidents de Gaulle and Pompidou, and the secretary-general of the Elysée. These meetings helped to reduce the likelihood of friction between his policies at the Commission and French policies. By his own account, he bypassed the French permanent representation in Brussels (Barre 2004).

Barre sought to build a consensus around a two-sided approach to monetary integration that pragmatically combined German and French positions. This approach was outlined in the so-called Barre Plan or Memorandum presented to the Council in February 1969 (EC Commission 1969). The plan was far more modest and pragmatic than the Commission's Action Programme of 1962. It was also more balanced than the memorandum of February 1968. The Barre Plan called for a progressive narrowing of the margin of fluctuations among EEC currencies; convergence of medium-term economic policies; the coordination of short-term economic policies; and support mechanisms. Barre blended the medium-term approach of French planning with the German insistence upon economic convergence. Thus convergence was to be focused on inflation rates and also pn national economic growth rates and balance of payments situations. Maes (2006: 236) notes an important shift in Commission thinking on inflation, reflecting heightened concern over disparities in prices and costs in Member States. This shift almost certainly reflected Barre's presence at the Commission, given his longstanding pre-occupation with inflation. On the coordination of short-term economic policies, Barre proposed the reinforcement and more effective application of existing consultation procedures and a system of 'early warning' indicators.

The 1969 Barre Plan had a direct impact on policy. Following a French government initiative, in July 1969 the Council agreed to the extension of a May 1964 obligation to consult on exchange-rate changes to cover all economic policy measures having an impact on other Member States. On support mechanisms, the plan called for both unconditional short-term monetary support and conditional medium-term financial assistance. While the position of EEC central bank governors on the Barre Plan was mixed, with the Germans, Dutch and Italians openly hostile, the plan's proposal led to an arrangement among national central banks to create in February 1970 a Community Mechanism for Short-term Monetary Assistance. The Council also agreed to create (in March 1971) a medium-term financial assistance facility to assist countries suffering from balance of payments difficulties. However, Germany, the Netherlands and Italy refused to move beyond limited central bank swaps (Dyson 1994: 65-71).

Following the Hague Summit, Barre set to work on a communication that was presented to the Council on 4 March 1970 (EC Commission 1970). This communication – often referred to the Second Barre Plan – reiterated the elements of the February Barre Plan. Specifically, it placed emphasis on the convergence of national guidelines that should go hand in hand with ‘concerted action in the field of economic policy’. However, it also proposed three main steps and a ten-year working calendar for the move to an ‘Economic and Monetary Union’. The Second Barre Plan focused on ‘attempts to offset the imbalances created by separate action by Governments and to make for some degree of coordination’. However, it failed to spell out the permanent instruments for common policies (Dell’Amore 1970; Danescu 2012). Furthermore, it called for the harmonization of national fiscal policies – again without precision. Barre also proposed – as in the February 1968 memorandum – the creation of a common, not a single, currency. Effectively then, the Second Barre Plan contained the key elements of both the European Monetary System of 1979 and the Single European Act of 1985.

The role of the Barre Plan in the history of European monetary integration, and thus Barre’s role as an architect, must also be seen in terms of sequencing. The first plan was Barre’s arguably more realistic response to Pierre Werner’s far more ambitious proposals for monetary union. Indeed, in important respects, the Werner Committee followed Barre more closely than Werner’s preceding plan. Barre (2004: 21) claimed that the Werner Committee followed his memorandum closely: ‘the work of the Werner Committee stems directly from what we put in the Commission memorandum’ (author’s translation). Werner made clear his support for the memorandum (Lequesne 2010; Danescu 2012).

Specifically, the Werner Plan insisted upon the parallel development of both economic convergence and monetary integration. On the former, coordination was reinforced and Member States with higher inflation were required to bring this down. On the latter, the Werner Plan called for the creation of a fixed but adjustable exchange-rate mechanism — later, the ‘snake’ — and the reinforcement of centralized funds to be drawn upon to support weak currencies hit by speculation. The Werner Committee similarly followed the ten-year working calendar for the creation of EMU outlined in the Second Barre Plan (Danescu 2012).

If the Werner Plan of October 1970 is to be considered the founding act of EMU, then the Barre Plans should be seen as the conceptual genesis of monetary integration, adopted with pragmatism and with full awareness of the difficulties of realizing EMU (Lequesne 2010). Barre knew what was necessary to keep the French government interested in negotiations on EMU: cooperation and support mechanisms. At the same time he understood German sensitivities and knew that a committee inspired explicitly by the work of a Frenchman, even one as credible as Barre, would be suspect (Lequesne 2010). Danescu’s chapter in this volume credits Barre with the decision to appoint Pierre Werner to chair the committee.

In the context of his liberal inter-governmentalist analysis of European integration, Moravscik (1998) describes the Barre Plan as narrow, conservative and redundant. However, he dedicates very little attention to the content and logic of the Barre Plan. The facts that it led directly to policy changes that were substantiated later by the provisions of the Werner Plan and that it set out for the first time the route to Franco-German compromises on monetary cooperation make the application of the term 'redundant' inappropriate, to say the least. Lequesne (2010), De Boissieu (2010: 24) and Danescu (2012) all stress the Werner Plan's *direct* inspiration from the Barre plans.

Barre in Power

Barre is the only French member of the European Commission to date for whom the posting was a stepping-stone to a successful political career in France. His competence as Commissioner was essential for his appointment as prime minister, given his non-participation in party politics and his negligible experience in government. He had been minister for trade for little more than six months.

For Barre (1981 and 1984), the clear lesson to be drawn from the economic developments of the first half of the 1970s was that Keynesian stimulation and devaluation were not effective tools to achieve sustainable economic growth. During this period, French governments experimented unsuccessfully with various schemes to shield domestic interest rates from international markets through credit rationing (Loriaux 1991). While contributing to short-term stability, capital controls were eventually circumvented and in any event reduced the confidence of international investors. A risk premium began to be charged on francs, and French domestic interest rates began moving toward and then above world market rates. French business complained and called for financial liberalization (Loriaux 1991).

In order to deal with France's inflationary problem, Barre advocated two disciplines for the French economy: exchange-rate stability and a lower rate of short-term economic growth than that of France's principal trading partners (de Ménil 2010). His policy of stabilization was only in part a success. The franc strengthened, rising 10 per cent between 1979 and 1981, while at the same time a surplus in the balance of payments was achieved for the first time in many years in 1978 and 1979, and for the last time until the 2000s. But inflation remained stubbornly high and austerity was eased in the year leading to the 1981 presidential elections.

Barre's reform efforts targeted the inherently inflationary and debt-ridden domestic 'overdraft' economy (de Ménil 2010; Loriaux 1991). The French economy was characterized by a high degree of dependence on institutionally allocated credit, the so-called 'treasury circuits'. In 1976, 85 per cent of all finance provided to firms and households was provided by banks or some other financial institutions, which received most of their funding from the Bank of France. The generous provision of credits resulted in excessively casual cash-flow management in both firms and banks which led to a high level of indebtedness of firms to banks, and of banks to the Bank of France. Alternative sources of finance were severely underdeveloped, meaning the virtual nonexistence of a financial market in the mid-1970s.

The 'overdraft' economy was the product of successive governments' unwillingness to tackle the political legacy of postwar growth-oriented industrial policies (Loriaux 1991). It created structures and patterns of financial behavior that increased the difficulty of achieving monetary stabilization in France and were politically difficult to change. It relied upon the '*encadrement du crédit*' or 'tightening of credit' — a clumsy tool of economic policy — to combat domestic inflation. Moreover, monetary policymakers of the 1950s and the 1960s attributed endemic inflationary pressure in the economy to fiscal deficits — as did Barre — and sought to use fiscal policy to fight it. While the 'overdraft' economy could be tolerated during periods of low-inflationary economic growth, the inflationary impact of the Grenelle wage accords of 1968 and the rise in oil prices during the 1970s underlined its structural weakness.

Barre brought about both financial innovation and liberalization, beginning the reform of the '*encadrement de credit*' system that Socialist finance ministers Jacques Delors and Pierre Bérégovoy subsequently broadened. The Monory Act of July 1978 offered tax incentives for the development of the stock market: mutual funds were created in July 1979 and new types of short-term assets in September 1981. By early 1983, Delors pursued further liberalization so that, by the time the Right returned to power in 1986, the financing of the largest French companies from capital markets, stocks and bonds had risen to around 75 per cent, up from less than 25 per cent at the start of the decade.

Barre's reform efforts were supported by the big business community in France, with keen support from the CNPF (*Conseil National du Patronat Français*), but from few others. His discourse focused on adapting France to the changing conditions of the world economy (Barre 1981 and 1984). However, Barre was isolated politically, opposed by Keynesians not only on the Socialist Left but also on the Gaullist Right. The combination of the failure of the previous Gaullist government of Jacques Chirac to keep the franc in the 'snake' mechanism, the devaluation of 1975, the surge in inflation and stagflation emboldened Barre as prime minister. It created a brief window of opportunity for alternative policies. As a result of his reform efforts, Barre was, by the early 1980s, an unpopular prime minister, so much so that Giscard d'Estaing pushed him aside entirely in the 1981 presidential elections (de Saint Périer 2013: 118).

Barre's support for the EMS was not about the inherent merits of European monetary integration. President Giscard d'Estaing was pre-occupied with Franco-German relations and France's position in Europe and the world. However, in the case of Barre there are no indications in any of his writings from the period or since that he saw the EMS in terms of broader European or international geo-strategic goals *or even* in terms of further European economic integration. Barre appears not to have shared the view, which was widespread in French policy making circles, that European monetary integration through the construction of a more symmetric EMS, or later a single currency, could be a mechanism to contain German monetary and economic power (Howarth 2001).

Barre's appointment as prime minister was significant in that, while Gaullist in his reflexes on national sovereignty with a preference for intergovernmentalism at the European level, he was less under the yolk of a sovereignty-minded neo-Gaullism. Indeed, he was the first non-Gaullist or non-neo-Gaullist prime minister of the post-

1958 French Fifth Republic. This factor gave him a certain intellectual margin of manoeuvre at both the national and European levels. Amouroux (1986: 98) quotes Barre on his time in Brussels:

> … and I let it be known that if I was European, I was not a supra-nationalist, and that if I was Gaullist, my views were not determined solely by Gaullism (author's translation; see also Soutou 2010).

More importantly, Barre saw in the EMS a crucial external constraint to achieve domestic economic objectives: microeconomic austerity and renewed competitiveness for French firms; and macroeconomic discipline to keep inflation down and public spending under control (Aglietta and Baulant 1993). If France was to become 'the best student' of Germany — an expression frequently and often critically applied to Giscard and the Barre Government — Barre was the teacher's top assistant (Howarth 2001). Barre sought to increase French competitiveness through a strong currency, as the Germans had done, and by encouraging less price-sensitive, higher technology export industries such as electronics, automobiles, aerospace and transport. A stronger currency would assist with domestic efforts to rationalize traditional industries, such as telecommunications and steel, and force contraction in price-sensitive, labour-intensive sectors. The aim was to emulate the German austerity of the early 1970s that had successfully prevented inflation in that country (Ludlow 1982).

While the focus of historians working on the origins of the EMS has been on the central position of Giscard and Schmidt, Barre also played a significant role in the discussions and negotiations leading to the Bremen Accords. He met Chancellor Schmidt on several occasions in 1977 and 1978 to discuss reinforced monetary cooperation (Soutou 2010). Henri Froment-Meurice (1998), the director of economic affairs at the ministry of foreign affairs at the time, outlined Barre's role in detail. Barre was committed to the creation of the EMS, but he was also cautious about the need for gradual adjustment for the French economy. He would have preferred four or five years more to reform the domestic economy and liberalize industrial prices prior to the launch of the EMS. The need for readjustment to ease the burden for France reinforced his longstanding preference for 'fixed but adjustable' exchange rates.

While previously a trenchant opponent of British entry into the EEC, Barre was nonetheless very energetic in his efforts to encourage British participation in the EMS. His aim was to dilute what he saw as the inevitable asymmetry of the system with the D-Mark as the anchor currency, although he never specifically used the term asymmetry (Soutou 2010: 77). When these efforts to encourage British participation failed, he nonetheless accepted the EMS 'such as it was' (*ibid*.: 77).

Barre was very much aware that EMS membership meant for France the pursuit of considerable reform over the long term and macro-economic convergence with Germany (Soutou 2010). Nevertheless, the Bremen Accords corresponded in large part to the aims of the first and the second Barre plans and subsequently to the broad thrust of French policy on monetary cooperation. This correspondence was apparent in the insistence upon greater symmetry in European monetary arrangements than under the 'snake' both through more generous support mechanisms and through mutual realignments and the commitment of strong-currency national central banks to preserve exchange-rate parities. However, for Barre, the creation of a more symmetric ERM was definitely not about relaxing the French push on austerity and about burden-sharing with the Germans, as it was for many other French policy makers in the 1980s (Howarth 2001). It was about facilitating reform by decreasing the pain of the external constraint.

Barre's Contribution and Legacy

Of all the architects examined in this volume, Barre was almost certainly the least supra-nationalist and his interest in European monetary integration was the most driven by purely domestic economic considerations. Nonetheless, Barre merits entry into the pantheon of EMU architects, despite his cautious views regarding EMU and his failure to demonstrate any public support for the adoption of a single currency prior to the Maastricht European Council in December 1991. Barre came out strongly in favour of the single currency only after the Maastricht Summit of December 1991 (Barre 1992).

Crucially, as a rare Frenchman of influence, favourable to the German economist approach to EMU, Barre was able to forward a consensual vision of European monetary cooperation. The Barre plan of 1969 set the agenda for discussions in the Werner Committee. It also led directly to the creation of short-term and medium-term EEC support mechanisms which facilitated French support for European exchange-rate mechanisms. Barre was one of the earliest French policy makers to see a European exchange-rate mechanism – the 'snake' and then the ERM – as a useful disciplinary device that would help to enforce necessary anti-inflation reforms in the face of the resistance of influential domestic interests. In this way, Barre sought to increase government control over the domestic economy by surrendering some margin of manoeuvre over monetary policy. While the extent of reform was limited during the Barre government itself, this motive was nonetheless important in determining his support for the EMS. More significant reform had to wait until a Socialist government began its serious restructuring of domestic financial markets in 1984. Barre was, from the late 1960s, an ardent supporter of capital liberalization, another ideational import from his experience at the European Commission. Although he did not achieve full capital liberalization during his five years as prime minister, the French government adopted a range of liberalization measures which facilitated its agreement to the OECD and EC engagements on full liberalization in the 1980s.

Barre's focus on low inflation and a strong currency, combined with microeconomic reform to improve the competitiveness of the French economy, put him at odds with most of the French political class in the 1970s. However, these ideas formed the bedrock of the ideational consensus of the late 1980s and 1990s that allowed France's participation in an EMU project, the design of which was largely dictated by German macroeconomic preferences.

Despite Barre's crucial role in monetary integration history, the claim of several observers, including de Boissieu (2010: 24), that EMU was 'at the heart of the Raymond Barre project' is highly contestable. This claim is at worst ahistorical or at best relies on a very loose – indeed pre-Maastricht French – understanding of EMU, certainly one very different from the project that was finally agreed. Rather, European monetary cooperation served clear domestic economic objectives that dominated Barre's policy making even during his five and a half years at the Commission.

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