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The Werner Report of 1970 – a blueprint for EMU in the EU?

Abstract

At the Hague Summit (1st - 2nd December 1969), the decision was taken to explore the possibilities of progress towards an economic and monetary union. An ad hoc committee of experts was set up and, at the request of the EC Council, Pierre Werner (Prime Minister and Finance Minister of Luxembourg) was chosen as chairman. The work of this committee began on 20 March 1970 and resulted in the Werner Report - presented on 8 October in Luxembourg.

The Werner Report offered a full definition of EMU, which was to be established in three stages over a decade (1971–80). The ultimate aim was to achieve irreversible convertibility between the currencies of the Member States, the complete liberalization of capital movements, the irrevocable fixing of exchange rates, and even potentially the replacement of national currencies by a single currency as a natural and desirable further development of monetary union. From an institutional viewpoint, the report called for the creation of two new steering bodies: a 'centre of decision for economic policy', independent of governments and placed under the democratic control of the European Parliament, to be elected by universal suffrage; and a 'Community system for the central banks'. Also, EMU would serve as a 'leaven' for the development of a political union. Two main principles underpinned the Werner Report: gradual realization of EMU (a step-by-step approach); and parallelism between economic convergence and transfer of powers to the supranational level. The Report ran into a series of international crises (which led to the collapse of the IMS), culminating to its de facto suspension in 1974. Three decades later, the Delors Report was to give the Werner Report the credit due to it, by appropriating its overall philosophy and structure. Both reports define monetary union in almost identical terms, but in some respects the Werner Report goes further and is more clear cut than the Delors Report.

Based on the previously unpublished Werner family archives and on original interviews, this paper aims to analyze why the Werner Report marked a crucial stage in the process of European integration and was offered a blueprint of EMU in the EU. It will be also highlighted Pierre Werner's personal contribution to the Werner Report (as chair of the Werner Committee, in terms of substance —a parallel approach, a balanced final outcome, and the external dimension of EMU—and the forging of a political consensus).

Key words

Pierre Werner, the Werner Report, economic and monetary union, euro, Economists vs Monetarists, economic thought, elite networks, Luxembourg.

1. INTRODUCTION

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) 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[1]. This was followed by liberal economic policy measures implemented by the Federal Minister for the Economy, Ludwig Erhard, 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.[2] 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, he

[1] 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.

[2] 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.

recommended opening the economy up to competition, despite the fact that the Common Market was only in its early days.[3]

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.).[4] 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 EMU in the Community, also known as the Werner Report.

2. THE HAGUE SUMMIT AND THE NEW EUROPEAN INTEGRATION GOAl: EMU

The Hague Summit, a decisive moment in the process of European integration, took place on 1 and 2 December 1969 under the auspices of the completion – enlargement - deepening triptych. Completion (of the Common Market) meant resolving the differences over the common agricultural policy. A compromise was found which allowed for the adoption of the financial regulations relating to agriculture, as requested by France, and an increase in the European Parliament's budgetary powers, which the other parties, especially Italy, wanted. The Six also agreed in principle to a financial regulation on the Community's own resources.

[3] '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.

[4] 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.

Under the heading of Community deepening, two aspects stand out: economic and monetary cooperation and political cooperation.[5]

The first aspect recommends establishing an EMU, of which the preliminary outlines would be traced out in a plan (by stages) which the Council, working in close collaboration with the Commission, proposed drawing up in the course of 1970. The first Barre Plan, which the Vice-President of the European Commission had presented on 12 February 1969, served as preparatory work. Looking into the question of EMU, the memorandum indicated ways of preparing the ground for Community action on economic policies and monetary support. It called for consultation on medium-term economic policies, coordination of short-term policies and the establishment of a Community mechanism to provide automatic monetary support. Why did economic and monetary integration occupy such a prominent place at the Hague Summit? There could be various factors to account for it, 118 starting with the completion of the Common Market, which, after a 12-year transitional period, was preparing to move into its final stage on 1 January 1970. That result, and especially that positive momentum, had to be safeguarded and consolidated. It thus became clear that on top of the customs union there had to be an EMU.[6] It thus became clear that on top of the customs union there had to be an EMU.[7] Then, because of the monetary disturbances in 1969, monetary cooperation began to seem both 'absolutely essential and virtually impossible'.[8] First came the sterling crisis, then that of the French franc, which, after ten years of stability, had been weakened by the effects of the events of May and June 1968. Its devaluation (by 11.2 %), followed by the revaluation of the Deutschmark (by 9.29 %), caused widespread anxiety. These currency adjustments affected the common agricultural policy, based as it was on single prices expressed in units of account which presupposed monetary stability. Other monetary upheavals and fresh exchange rate instability put the balance of the Common Market at risk and could have led to the dissolution of the customs union and the end of the common agricultural policy. Lastly, considering the role of the US dollar and its pivotal position in the Bretton Woods system, the idea of asserting the Community's external personality more forcefully took an increasing hold. The Member States considered equipping themselves with a 'European monetary entity in international relations'.[9]

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[5] See Point 15 of the final Communiqué from the conference: '[The Heads of State or Government and the Foreign Ministers of the Member States of the European Communities] agreed to instruct the Ministers for Foreign Affairs to study the best way of achieving progress in the matter of political unification, within the context of enlargement. The Ministers would be expected to report before the end of July 1970. Ibid. *Bulletin*, No 1/1970.

[6] See Maes, Ivo, 'Projets d'intégration monétaire à la Commission européenne', in Bussière, Eric; Dumoulin, Michel (Ed), *Milieux économiques et intégration européenne en Europe occidentale au XXe siècle*, Artois Presses Université, Arras, 1998, pp. 35–50.

[7] 'Aide-mémoire from the European Commission to the Conference of Heads of State or Government (19 November 1969)'. Ibid. *Bulletin des Communautés européennes*, No 1/1970, p. 17.

[8] See Magnusson, Lars; Strath, Bo (Ed), *From the Werner Plan to the EMU. In search of a Political Economy for Europe*, PIE-Peter Lang, Brussels, 2001.

[9] This was an idea dear to the French, and in particular to Georges Pompidou, who was in favour of creating a ‗European monetary entity [...] provided it was possible to leave it'. See Bossuat, Gérard, 'Jean Monnet et l'identité monétaire européenne', in Bossuat, Gérard; Wilkens, Andreas (Ed), *Jean Monnet, l'Europe et les chemins de la paix*, Publications de la Sorbonne, Paris, 1999, p. 380. Maes, Ivo, Ibid., p. 43. Bloomfield, A, 'The

The aim of the second aspect was to define the progress which could be made in the area of political unification. Thus, a committee began to take shape, consisting of the political directors of the six foreign ministries, chaired by Étienne Davignon of Belgium; its task was to hammer out proposals on foreign policy issues. These diplomats worked to bring the Member States' points of view closer together and, if possible, to define common standpoints. Their proposals, which were very cautious, were imbued with the sensitivities of France, which, unlike its five other partners, championed the intergovernmental method. The Davignon Report (adopted on 27 October 1970) recommended the setting up of a mechanism for political information and consultation through half-yearly meetings of the Foreign Ministers and quarterly meetings of the political directors. A European correspondent was appointed in each ministry to ensure that information circulated more effectively between the Member States' administrations. In other words, there was provision for political cooperation outside the Community framework. To ensure that political union was properly grounded in democracy, there was to be an informal symposium every six months attended by the ministers and the European Parliament's Political Affairs Committee. The Commission, in turn could be consulted on certain matters. There was also provision for a special institution for political cooperation (a political secretariat based in Brussels, with the right of initiative and intended to contribute to the drafting of general guidelines). This endeavour came to nothing owing to France's refusal to step outside the intergovernmental framework.

The Member States agreed to the enlargement of the Community through the accession of four countries: Denmark, the United Kingdom, Ireland and Norway. The candidates had to accept the Treaties and their political finality, the decisions taken since the entry into force of the Treaties and the options made in the sphere of development. Following the Hague Summit, the Six agreed on a transitional period (of five years) during which the candidates had to progressively adopt the existing body of Community legislation in all fields (with the possibility of variations in respect of more difficult issues). The link between deepening and enlargement was stated in the following terms: before any enlargement of the Community, integration must first be stepped up, to facilitate governance. The Commission thought of deepening in a broader way, looking ahead to the development of powers and the strengthening of the Community institutions. But the 'Five were not keen to expand the areas of cooperation in the short term, in order not to place more difficulties in the way of British accession'.

There is no doubt that two figures who came to power almost at the same time left their mark on moves to relaunch European integration at the end of 1969: Georges Pompidou in France and Willy Brandt in Germany. Pompidou, who was close to the United Kingdom and to financial and industrial circles and had a much more flexible view of Atlantic questions

Historical Setting', in Krause, Lawrence B.; Salant, Walter S. (Ed), *European Monetary Unification and its Meaning for the United States*, Brookings, Washington, 1973, p. 11.

than that of his predecessor, wanted to break France for good out of its diplomatic isolation within the Community and thereby give a fresh impetus to European integration[10]. To keep his election promises and return to a consistent dialogue with his European partners, he proposed 'a summit meeting of Heads of State of the Europe of Six, to hold a debate on the triptych of completion, deepening and enlargement' – the Hague Summit. This initially aroused scepticism from the other Member States (Belgium, Netherlands, Italy), and also from the Commission and Parliament. France was suspected of wanting to delay enlargement by creating numerous prerequisites and the 'Gaullist' connotations of the summit made the Member States even more wary that France was trying to replace the Community institutions with an intergovernmental structure. The Commission was reluctant to the holding of a summit, but once the Council adopted this principle it wanted to be involved to the preparations.[11]

The new German Chancellor Willy Brandt was keen to go down the path of active diplomacy, and punctilious cooperation with France was a vital element in his foreign policy. He considered that a Franco-German understanding would constitute the critical basis for the further development of the Community. In a letter from November 27th 1969, Brandt informed Pompidou of his view on the Hague summit objectives: agreement in principle on a final settlement of the question of financing the agricultural policy, a common decision on the negotiations over British accession, and the setting up of a —European Reserve Fund. The Chancellor believed that the fund was vital to stability and solidarity in the Community and that setting up a genuine monetary dimension was a way of deepening the process of Community integration. Germany's Minister for Economic Affairs had a different view of the matter and did not share the Chancellor's enthusiasm. What lay behind this personal initiative was the fact that 'Brandt was a staunch European federalist and very much in favour of EMU, just like Gaston Eyskens of Belgium and Pierre Werner of Luxembourg. He was a member of Jean Monnet's Action Committee for the United States of Europe and consulted him before preparing for the Hague Summit, and Monnet called on Triffin, who drew up the proposal for a European monetary fund.' [12]

Before the Hague Summit, Pierre Werner, who saw the monetary aspect as a priority for European integration, set out the official position of Luxembourg, which central focus was monetary cooperation. 'The conditions for economic union cannot be met unless economic planning and short-time economic policy planning are developed. The achievement of these

10 The French attitude led to a number of crises which were instrumental in slowing down the process of European integration: the empty chair crisis at the EEC in 1965, France's monetary difficulties, the rejection of the UK's application to join the EEC and the empty chair affair at Western European Union.

11 Pompidou finally suggested inviting the Commission to give a presentation on Community issues as part of a technical working session. But the Commission's diplomatic offensive with other member States ensured its participation at the forefront of the Hague Summit. See Dumoulin, Michel (Ed), *La Commission européenne, 1958–1972: Histoire et mémoires d'une institution*, Office des publications officielles des Communautés européennes, Luxembourg, 2007, pp. 138–139.

12 Maes, Ivo, 'Projets d'intégration européenne à la Commission européenne au tournant des années 1970', in Bussière, E.; Dumoulin, M.; Schirmann, S. (Ed), *Milieux économiques et intégration européenne en Europe occidentale au XXe siècle*, *La relance des années quatre-vingt (1979–1992)*, Comité pour l'Histoire Économique et Financière de la France, Paris, 2007, p. 38

goals is often seen as preceding monetary integration. […] If we refuse to accept a measure of monetary discipline at the Community level, it is highly probable that coordinated short-term economic policy will never come about. […] EMU, far from attempting to impose uniformity and rules on all the practicalities of a defined policy, should essentially be based on an acceptance of fundamental forms of discipline which ensure that the interests which all partners share are taken into account.' [13] According with Werner, making positive progress towards monetary union would not mean that the national sovereignty of the Community countries would have to be encroached on, since, as 'the history of confederations and federations has amply demonstrated, the last bastion of national sovereignty is not the currency but tax, as the distributor of national income.' Until the objective of a European reserve currency was attained, quasi-fixed exchange rates between the European currencies should be maintained. At the same time, the European unit of account enshrined in the Treaty must come into general use as a common denominator for transactions among the Six. Werner suggested a concerted Community stance at the international level and proposed the setting up of a European monetary fund to manage mutual assistance operations and monetary credit granted to non-Community countries. 'However that may be, the Luxembourg delegation would be happy to see a reference made in our communiqué to our wish to establish monetary union within a period of time to be determined, by successively setting up the appropriate understandings, mechanisms and bodies, relying on coordination of the economic policies which it will be their task to stimulate.'[14]

The final outcome of the Hague Summit was positive and it opened up new prospects for the building of a united Europe which gave the forward march of the Community new momentum. At the end of the summit, the Vice-President of the European Commission Raymond Barre warned against the difficulty of the road ahead, emphasising that 'even though we can be pleased that we are ready to display greater political will, we mustn't get carried away; we must realise exactly what the gradual creation of EMU actually entails'.[15]

Before the committee of experts started its work, several governments put forward proposals for the implementation of EMU. Memoranda came out from Belgium (published on 27 January 1970), Germany (published on 17 February 1970) and Luxembourg (published on 23 February 1970).[16] The Vice-President of the Commission, Raymond Barre, put forward

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13 Werner, Pierre, Statement to the conference of Heads of State or Government, The Hague, 1 December 1969. In Documentation bulletin No 14 of 10 December 1969, Luxembourg: Information and Press Service, Ministry of State, Grand Duchy of Luxembourg, December 1969, pp. 3–7.

14 Ibid.

15 Barre, Raymond, *Perspectives de la construction européenne après La Haye*, in *Bulletin of the European Communities*, Vol. 2/1970, pp. 9–14, cit. p. 11.

16 The German plan, or Schiller Plan – 'Stufenplan zur Verwirklichung der Wirtschafts- und Währungsunion in der EWG' [Stage-by-stage plan for the achievement of EMU in the EEC] (Bonn, 22 January 1970), in *Währungsstabilität für Europa. Beiträge, Reden und Dokumente zur europäischen Währungsintegration aus vier Jahrzehnten*, Nomos, Baden-Baden, 1996, pp. 88–94. The Belgian Plan, or Snoy Plan - 'Un plan de solidarité monétaire européenne en trois étapes 1971–1977'. [A three-stage plan for European monetary solidarity, 1971–1977], Ministry of Finance, Brussels, 27 January 1970. The Luxembourg Plan or the first Werner Plan – 'Un plan de solidarité monétaire européenne en trois étapes 1971–1977' [A three-stage plan for European monetary solidarity, 1971–1977], Ministry of Finance, Brussels, 27 January 1970. In Werner, Pierre, *L'Europe en*

his own Barre Plan II at the beginning of March 1970.[17] When the European Commission compared these four monetary plans, two basic features are to be found in all of them: a preparatory stage, regarded as ending in 1975, and a final stage, during which the Community structures vital to the smooth running of an EMU would come into being. The Commission defined two landmark positions: firstly, the Werner Plan, which took the most purely monetary approach, and, secondly, the Schiller Plan, which put most stress on the role of the measures to be undertaken in the various spheres of economic policy.

3. THE ESTABLISHMENT AND THE WORK OF THE ADHOC COMMITTEE. WHY WERNER?

On 6 March 1970, the EC Council decided on the composition of the ad hoc group. There were three main reasons for the choice of members. First, responsibility for examining the issues raised by the Hague Summit had to be in the hands of officials in charge of economic and financial policy in the Member States. Second, the figures concerned had to have a special commitment and considerable experience in the European integration. Lastly, any solution put forward had to have the widest possible support at government level. The group was formed of the leaders of the various specialized committees of the EEC, who also held high national office. The experts were supposed to exercise their role on the committee in an individual capacity and in full independence. However, their behaviour increasingly reflected the positions of their governments. The composition of the group was such that Luxembourg was the only one of the Six not to be represented. The initial idea was for the committee to be jointly chaired by Luxembourg and the European Commission, and a Franco-German proposal put forward the name of Bernard Clappier as representative of the Commission. Clappier suggested that he should withdraw in favour of Hubert Ansiaux. It was at this point that Werner's name was put forward by Barre, who proposed that Luxembourg should chair the committee on its own. Baron Snoy on behalf of Belgium launched the official proposal, drafted and published the diplomatic document, and worked to secure the agreement of the three partners. But it was thanks to Karl Schiller, who managed to bypass the double-dealing by France and bring the Netherlands on board, that the initiative came to fruition.[18]

Werner's appointment as chair of the group was not just a highly political choice but a considered act in favour of a man with a strong reputation for forging a consensus. At the same time his 'monetarist' approach and his close involvement in the group's work gave rise to reservations. Ultimately, even those who had previously harboured reservations now came out in support of Werner. At the Council meeting, the Dutch prime minister, Joseph Luns, stated: 'I regard [this] proposal that the prime minister of Luxembourg be invited to

route vers l'Union Monétaire, in Documentation bulletin No 1 of 28 February 1970, 26th year, Luxembourg: Information and Press Service, Ministry of State, Grand Duchy of Luxembourg, 28 February 1970, pp. 5–12.

[17] 'Communication from the Commission to the Council on the development of a plan by stages for an EMU', 1970, *Bulletin of the European Communities*, Brussels, Supplement 3/1970.

[18] See Danescu, Elena. 'A Rereading of the Werner Report of 8 October 1970 in the Light of the Pierre Werner Family Archives'. Source: www.cvce.eu

assume the chairmanship of the ad hoc group as very timely, since, aside from his many other qualities, Mr Werner has had a great deal of quite specific experience in this field; what is more, the importance of the office which he holds will make a definite contribution to the work of the group'[19].

The ad hoc group held a preliminary meeting in Luxembourg on 11 March 1970 and started its work on 20 March, again in Luxembourg. The main purpose of these first meetings was to approve the working method. It was agreed that there would be a quorum if at least five of the seven members were present. Decisions would be taken by simple majority. The group would do its best to present unanimous conclusions. Discussions were considered to be confidential and would only be minuted briefly. The experts decided to deliver a preliminary report by the end of May and to conclude their work by the end of July 1970. These early debates brought out the fundamental thinking of the committee. Priority issues were the pooling of the Six's reserves and the establishment of a Community central bank. The experts adopted a three-point analysis: a description of the starting point, the final goal, and the alternative routes that could be followed in carrying out the plan. They decided to focus on defining the first stage of EMU.

The task of drafting the report was delegated to the assistants, who met on 6 and 8 May under the chairmanship of the Belgian central banker Mertens de Wilmars. On 11 May their draft was ready and on 20 May the committee finally managed to reach agreement on a joint position. Werner presented the interim report to the ECOFIN meeting on 29 May in Venice, stressing that further work needed to be done on certain priority areas and emphasizing the need to achieve parallel progress in the monetary and economic fields. On 9 June in Luxembourg, the Council of Ministers approved the interim report and agreed that the committee should continue its work.

The deepening of the Werner Committee's work was carried out between June and October 1970. The preliminary draft of the final report was reworked in a select group including Tietmeyer, Looijen, Bloch-Lainé and Mosca. The Werner Committee concluded that the establishment of EMU must be embarked on in an evolving, gradual manner, building on the measures already adopted to enhance the coordination of economic policies and monetary cooperation. While aware of the need for economic and monetary policies to be developed centrally, the committee stated straight away that it was not in a position to make proposals regarding political structures. The subsequent criticism of the final Werner Report for its failure to offer a detailed analysis of the architecture of the Community institutions has to be seen against the background of the initial decision of the group to remove this matter from the scope of its reflections.

On 7 October, the 'plan by stages for the establishment of EMU' was approved following a last-minute compromise. The next day, Werner presented it publicly in Luxembourg. Of the fourteen official meetings of the committee held from March to October 1970, nine took place in Luxembourg (consolidating its reputation as a permanent capital of the

[19] Proceedings of the 105th session of the Council of 6 March 1970, reel No 2385, direction 1—OJ 8 and 12, p. 2/Pierre Werner family archives (PWLux).

Communities), three in Brussels, one in Paris, one in Rome, and one in Copenhagen on the sidelines of the annual meeting of the IMF and the World Bank.[20] The Werner Committee met for the final time in this configuration at the Council of Ministers on 8 February 1971.

On 29 October, the EC Commission published its own proposals which were inspired by the report. Although they had similar aims, the proposals reflected different views. The German government voiced its dissatisfaction with the Commission's proposals, which were considered too limited and as not going far enough. More ominously still, the Werner Report elicited harsh criticism from orthodox Gaullists because of its supranational elements. Under pressure, the French government changed its policy, which led to the proposals being 'watered down'.

In line with the European Commission's proposals, the Six adopted a political resolution—albeit one with no legal force—on 22 March 1971, committing them to establishing EMU.[21] However, developments in the international monetary system and the decision by US President Richard Nixon on 15 August 1971 to suspend the convertibility of the US dollar into gold were to thwart the shared ambition set out in the Werner Report, which had already been weakened by the absence of any real political will.

4. THE WENER REPORT

The speeches, discussions and exchanges which took place at the preliminary meeting in Luxembourg on 11 May 1970 and the first two working meetings (on 20 March in Luxembourg and 7 April in Brussels) helped the Werner Group define the main points of its future common position and set up the framework for the report in its successive forms and stages. The various monetary integration plans put forward by some of the Member States and the Commission were merely rough outlines, while the measures suggested for the period covered by the stages were set out in the form of extremely general indications — although there was no ambiguity about them. Taking these factors into account, and out of a desire to hammer out some practical solutions, as they had been instructed to, the members of the group decided to make as coherent a summary as they could of the various features of these plans and then try to make them specific or fill in the detail.

4.1. The concepts underlying the Werner Report

To give them a clearer view of the outlines of EMU in the plan by stages, the members of the Werner Group agreed that they should define a number of basic objectives and then try to identify and clarify the conditions to be met so that they could be achieved.

[20] Danescu, Elena. 'Summary of the Werner Committee's Schedule and the Main Issues Addressed (6 March 1970–22 March 1971). In 'A Rereading of the Werner Report of 8 October 1970 in the Light of the Pierre Werner Family Archives'. Source: www.cvce.eu.

[21] 'Resolution of the Council and the representatives of the Governments of the Member States of 22 March 1971 on the achievement by stages of EMU in the Community', 22 March 1971. Official Journal of the European Communities (OJEC), 27 March 1971, C 28.

The basic objective of the plan by stages was to ‗bring into being an area within which goods, services, people and capital would move freely while monetary transactions carried out by businesses would not be hindered in any way or exposed to exchange-rate risks'.[22] Joint action in the field of economic policies — simple coordination, more sustained harmonisation, common policies — stands out as another very fundamental objective, designed to help hold the whole construction together more tightly and enable it to achieved sustained growth against a background of stability. The concept of common policies entailed the idea of shared risks and therefore the need for common solidarity.[23]

EMU implied a common currency, 'though it would hold together just as well, to begin with, if there were a system guaranteeing that the exchange rates between the Member States' currencies were fixed irrevocably. It also involved setting up a capital market at the European level and a sufficient degree of tax harmonisation.' If the exchange rates between Community currencies were irrevocably fixed, it would be impossible to devalue or revalue any one of the currencies on its own; but their exchange rate as a bloc could always be changed. Irrevocably fixed exchange rates and solidarity between Community currencies would be backed up by the Community's foreign exchange reserves, which would have to be available to meet all settlement requirements involving external parties, according to practical arrangements to be decided on jointly. The easiest way of achieving this aim would be through a European reserve fund.

It was also agreed that in international monetary relations the Community would speak and act as an entity in its own right.

Another common conclusion from the Werner Group was that there needed to be some transfer of decision-making powers on economic policy from the national to the Community level, particularly as regards budgetary matters, and centralisation in the field of monetary policy.

4.2. The interim Report – debates and arguments[24]

[22] Draft minutes of the first meeting of the ad hoc ‗plan by stages' group, 20 March 1970, European Communities, secretariat of the 'plan by stages' group, Brussels, 31 March 1970, ORII/22/70-F. In the Pierre Werner family archives, ref. PW 048.

[23] 'In the event of a serious imbalance in one of the Member States, due, in particular, to a grave, unforeseeable mishap, the end result could be that the Member State concerned might be forced to take all requisite corrective steps and it might be necessary for Community solidarity to come into full play.' See Verbatim account of speeches. Meeting of the ad hoc ‗plan by stages' group on 7 April 1970. Brussels, 10 April 1970, Confidential, ref. ORII/28/70F. In the Pierre Werner family archives, ref. PW 048.

[24] The French title of the summary the Werner Group submitted for discussion at the meeting of Finance Ministers in Venice on 29 May 1970 was *Rapport **intermédiaire*** [intermediate report] *sur l'établissement par étapes d'une Union économique et monétaire* (published in Bulletin 7/1970, Supplement, Official Journal of the European Communities, No C94 of 23 July 1970). In the group's work, in the minutes of its meetings, in the press reports at the time and then in the specialist literature the term *rapport **intérimaire*** [interim report] was widely used. Both forms of words entered common parlance, with the same meaning. In English, however, there was not this distinction; the published report was headed *Interim report on the establishment by stages of EMU*.

The interim report, the product of the first five meetings of the Werner Group (from 11 March to 20 May 1970) — and the outcome of a great many clashes, frequent arbitration, 'not to mention the odd incident from time to time'[25] 295 — was submitted to the Finance Ministers' meeting in Venice on 29 May 1970 for discussion. On the basis of an analysis of the suggestions from the governments, the Commission's Communication to the Council and the ideas and proposals from the group of experts, the interim report sought to work out the basic options for the establishment of EMU by stages. As the introduction put it, '[the report does not reflect] the separate and individual preferences of the members of the Working Party: [it] tries to provide a joint reply despite the fact that on certain points opinions still differ. The ideas in it are put forward solely on the individual responsibility of the members of the Working Party.'[26]

From the outset, the group of experts had agreed to start by examining the initial situation, so that the 'point of departure' could be accurately defined. Without seeking to devise an ideal system which would, more than likely, be doomed to remain purely theoretical, the group also identified the ‚ultimate goal', whose main merit was that it was attainable and would thus bring together the features essential to the existence of full EMU. Alternative routes for linking the two points together were looked at, with special attention being given to the basic principles and certain specific positions so that, during the first stage, the process which was to lead the Member States to EMU could be embarked upon.

This three-point working method, based on point of departure, final goal and alternative routes, a very basic feature of the plan by stages, came from Pierre Werner, who — probably inspired by the method used for the establishment of the Common Market — had suggested it at the preliminary meeting of the group held on 6 March 1970 in Luxembourg. It was, in fact, the approach underlying the drafting of the 'Luxembourg plan for European monetary integration', submitted to the meeting of Finance Ministers held on 24 February 1970 in Paris.

The final goal was seen as complete economic and monetary union , which could well take a different form under the pressure of circumstances and of policy desiderata. A zone would be set up in which goods, services, persons and capital would be able to move freely and without distorting competition, yet without causing any structural or regional imbalances. Implementing such a union should heighten well-being in the Community on a durable basis and enhance its contribution to the global economic and monetary equilibrium. For this to happen, the various interests active in the economy and society would have to do their bit to help, so that through the combined effect of market forces and policies devised and deliberately implemented by the authorities responsible, satisfactory growth, high levels of employment, stability, a lessening of regional and social disparities and environmental protection would be achieved.

[25] Werner, Pierre, *Itinéraires luxembourgeois et européens. Évolutions et Souvenirs: 1945–1985*, 2 volumes, Éditions Saint-Paul, Luxembourg, 1992, Volume 2, p. 125.

[26] 'Interim report on the establishment by stages of EMU', Document 9.504/II/70-D. In Bulletin 7/1970, Supplement, Official Journal of the European Communities, No C94 of 23 July 1970, Luxembourg, p. 5.

As regards institutional reforms, EMU called for the establishment and/or adaptation of a number of Community bodies, to which powers previously exercised by the national authorities should be transferred. This process was of fundamental political importance, involving as it did the gradual development of political cooperation in the various fields. In the interim report, the group of experts '[preferred] not to submit detailed proposals at the present time as to the form the various Community agencies should take', while emphasising that it was 'important that these agencies should be able to work effectively in compliance with democratic rules, and that they should have clearly defined responsibilities and an effective power of decision'.

Set clearly and specifically by the Werner Group, EMU was an irreversible process. Between the point of departure and the end goal, a whole host of operations on a range of fronts would have to be carried out successfully: the setting of overall economic guidelines, the coordination of short-term economic policies by means of currency and credit, budgeting and taxation and incomes policy, and the adoption of Community policies on structures. In all these fields, the steps to be taken would be interdependent and mutually reinforcing; in particular, movement towards monetary unification would have to be dependent on adequate progress being made in regard to the coordination and then the unification of economic policies.

4.2.1. The first stage of EMU and the establishment of an exchange stabilisation fund

To bind the Member States closer together in the conduct of their monetary relations, an exchange stabilisation fund should be created. It could also make it easier to move through the various stages of monetary unification in a harmonious balance between monetary progress and economic progress. The idea of an exchange stabilisation fund was agreed to by all the members of the Werner Group.

Opinions differed, however, as to when it should be set up. Some members of the group (Pierre Werner, Baron Ansiaux and, to some extent, Gaetano Stammati) thought the fund should be set up in the first stage. Others (in particular, Johann-Baptist Schöllhorn, with support from G. Brouwers) felt that neither an institutional narrowing of the margins for fluctuation nor the establishment of an exchange stabilisation fund were desirable in the first phase. The interim report expressly recorded both these viewpoints which had emerged during the debates in the Werner Group.

Supporters of the fund's being set up during the first stage believed that it would be 'a powerful adjunct to co-operation between central banks'. It would help to harmonise their policies on managing reserves and make it possible to reduce the over-dependence of the Member States on the dollar by facilitating the settlement in Community currencies of payment imbalances within the Community and encouraging the adoption of common stances in monetary relations with the United States. There would also be clear political and psychological advantages to setting up the fund, and bringing it into effect would supply the

Community with 'an effective weapon in the drive to ensure balanced development of the economic and monetary union.' 307 To narrow the margins between European currencies, a 'European exchange rate' would be established as a result of close cooperation between the stabilisation fund and the central banks. 308 An agreement of this kind would symbolise the determination of the Member States to introduce their own currency unit in due course.[27]

The other members of the group took the opposite view, believing that it would not be advisable to set up an exchange stabilisation fund or institutionally narrow the margins of fluctuation during the first stage. They felt that major Community monetary policy measures could only be considered when, as a result of effective progress in the harmonisation of economic policy, certain conditions which would guarantee the equilibrium of the economy as a whole throughout the Community had been created.

This other school of thought within the Werner Group wanted swift movement towards the abolition of the margins and guaranteed, fixed exchange rates. The arguments they put forward emphasised that 'guaranteed exchange rates, without bands, are an important objective of the economic and monetary union', but they believed that this aim could be achieved on a lasting basis only if there were a genuine policy of equilibrium throughout the Community. A strengthening of economic policy harmonisation was the key to Community cohesion during the first stage. Such a convergence of economic policies would of itself bring about a narrowing of the variations in exchange rates between European currencies.

The opinion of these members was that 'the establishment of an exchange stabilization fund during the first stage […] would [not] be the best way of achieving the ultimate objective of a European central bank.' There was no doubt that in the final stage the Community would have to be given an independent central body similar to the United States Federal Reserve Board. To make the establishment of such an institution possible, it would be necessary to prepare, during the first stage, for a revision of the Community treaties.

4.2.2. Conclusions of the interim report

Moving beyond certain opposing points of view and the different slants given to the points at issue, the Werner Group adopted a set of unanimous conclusions.

These would be added to the 'road map' for further discussions and would form the backbone of the final report. The group affirmed that economic and monetary union meant that the main decisions on economic policy would be taken at the Community level. For this purpose, the presumption was that the requisite powers would be transferred from the national to the Community level. 'The ultimate goal could be the adoption of a single

[27] The experts in the Werner Group who supported the establishment of the fund during the first stage considered that this structure would create, through the operation of a credit mechanism similar to that of the former EPU, a sense of shared interest which might work in favour of economic harmonisation, and would help those involved prepare for the possibility of a widening of the fluctuation margins in the international monetary system.

currency, which would ensure that there was no going back on the decisions taken.' Most of the steps to be taken between the point of departure and the final goal would have to be carried out in parallel and progressively on several fronts. Substantial progress could be made within the framework of the existing provisions of the Treaty of Rome, but amendments would have to be made to it to make sure that some of the proposed measures were a success. Measures to prepare the ground for these amendments would therefore have to be adopted in the first stage.

The first stage should begin on 1 January 1971 and be carried out within a predetermined period of time, which the Werner Group put at three years from the point of view of the technical measures to be implemented. In the course of that period the Community instruments would be made more and more operational and the Community would begin to assert its individuality within the international monetary system. In no sense would the first stage be equivalent to a complete process of economic and monetary integration, but it would be a vital stage on the path to the final objective.

With regard to the initial stage, the group was unanimous in recommending a strengthening of consultation procedures (according to methods which were still to be determined). It was also emphasised that the Member States should conduct their budgetary policies in line with Community objectives, that there should be some degree of harmonisation in the fiscal field, that currency and credit policy should be tightly coordinated and that the integration of the financial markets should be stepped up. In international monetary relations with non-Community countries and with financial organisations operating at the international level, the Community should gradually adopt common positions. Particular attention was placed on exchange relations between the Member States. To safeguard their stability, the Community should not avail itself of any provisions allowing for a slackening of the international exchange system.

As for the advisability of equipping the Community with a special exchange arrangement, and the means of doing so, during the first stage, the options remained open. Some members of the group argued for a reduction, even a limited one, in fluctuations of the exchange rates between Community currencies. The setting up of an exchange stabilisation fund and coordinated intervention by central banks on the foreign-exchange markets could make it possible to achieve that aim. The establishment of the fund would be of value in itself, even if there were no narrowing of the margins. Other members, in contrast, considered that monetary solidarity must come after the harmonisation of economic policies and situations and 'not be derived from specific monetary measures, which they feel would be both premature and too risky in the first stage'.

5. THE FINAL REPORT[28]

The interim report was given the backing of the meeting of Finance Ministers in Venice and

28 'Report to the Council and the Commission on the realisation by stages of economic and monetary union in the Community (Werner Report)', Luxembourg, 8 October 1970, Bulletin Supplement 11/1970,

then became the main item for discussion on the agenda for the Council of Ministers' meeting in Luxembourg on 8 and 9 June, which gave approval for the Werner Group to continue its work.[29] In his capacity as chairman of the group of experts, Pierre Werner explained the thinking behind the plan by stages, presented the interim report and ended by stressing that further work needed to be done, focusing on certain priority areas.

On the basis of the interim report and the themes mentioned above, the experts set to work drafting the final report, holding six meetings between 24 June and 8 October 1970. The discussions were animated, with frequent lively clashes; but the interests at stake fostered a concern to hammer out a consensus on a common position, and doctrinaire and political pride was set aside. This spirit would not last long, however, as France was already beginning to severely criticise the report.

5.1. Details regarding the final objective for EMU and the institutional aspects

While keeping the same structure and the strong points singled out in the interim report (the starting point and final objective for the plan by stages), the final report, which contained more material and went into greater detail, did nevertheless clarify additional points, offer new solutions and set forth new methods of achieving them in practice.

The final objective — and therefore what EMU at the first stage involved — was defined in greater detail, as was the transitional period leading to the final objective. With an eye to the introduction of a common currency and to monetary solidarity in the international arena, and to back up the measures to be put into effect during the first stage, the Committee of Governors of the Central Banks — urged on by Pierre Werner and following the strategy devised with Baron Ansiaux — issued a technical opinion on particular monetary topics. This opinion was an integral part of the final report, while still continuing to be a separate paper.[30]

Although the assessment of the starting point was very similar to what was said in the interim report, the final objective — economic and monetary union — was defined in summary form as having seven features. It had initially been planned that the Community currencies should be completely and irreversibly mutually convertible, without any exchange rate fluctuation and at permanently fixed rates of parity. It was deemed preferable for these currencies to be replaced by a single common currency. The creation of liquidity throughout

[29] 'With a view to the implementation of its decisions and in order to clarify, as soon as possible, certain institutional and technical aspects of the agreements reached, the Council asked the ad hoc group chaired by Mr Werner to submit its final report to it at the beginning of September 1970. It gave it a clear mandate, instructing it, in particular, to work out in specific terms the practical arrangements for the first stage.' See the Communiqué drawn up by the Belgian Presidency following the Council of Ministers, Luxembourg, 8–9 June 1970. In the Pierre Werner family archives, ref. PW 048, case entitled ‗Intégration monétaire de l'Europe. Le Plan Werner: 1970' [Monetary integration of Europe. The Werner Plan: 1970].
[30] Annex 5: Report transmitted by the Committee of Governors of the central banks of the EEC on questions put by the ad hoc Committee presided over by Mr Werner, and annexes, in 'Report to the Council and the Commission on the realisation by stages of economic and monetary union in the Community (Werner Report)', Luxembourg, 8 October 1970, Bulletin Supplement 11/1970, pp. 39–68.

the zone and monetary and credit policy should be conducted in a centralised fashion. Monetary policy vis-à-vis the outside world would be a Community responsibility. The same would apply to the basic data in all official budgets and, in particular, to variations in their volume, the size of balances and the methods of financing or using these. The Member States' policies on capital markets would be unified. Regional and structural policies would no longer be exclusively a matter for the Member States. Lastly, there would be routine, ongoing consultation of both sides of industry at the Community level.

Establishing EMU would require institutional reforms, i.e. the creation or conversion of certain Community bodies to which powers exercised by the national authorities would have to be transferred. Achieving this objective would require the gradual development of political cooperation; it was noted that 'economic and monetary union thus appears as a leaven for the development of political union, which in the long run it cannot do without'.

Detailed proposals regarding institution building were not made, but the Werner Group did say it was imperative that two supranational bodies seen as vital to mastering economic and monetary policy within the union should be set up: a centre of decision for economic policy and a Community system of central banks. The centre of decision for economic policy would act in the Community's interests and, operating independently, would exercise a crucial influence over the Community's overall economic policy. It should, therefore, be able to influence budgets, since the part which the Community budget could play as an instrument of short-term economic policy would not be sufficient.[31] Changes in the parity of the single currency or all the national currencies would also be a matter for the decision-making centre. To ensure that there was the requisite link to overall economic policy, its responsibilities would extend to other fields of economic and social policy which would have been transferred to the Community level.

As the Werner Group saw it, the transfer to the Community level of powers hitherto exercised by national bodies would go hand in hand with the transfer of corresponding parliamentary accountability from the national level to that of the Community. The centre of decision for economic policy would be politically answerable to a European Parliament, which would have to be given a status commensurate with the expansion of the Community's business, not only as regards the extent of its powers but also as regards the election of its members.

The second Community body seen as essential would be a Community system of central banks. In setting it up, a structure such as that of the United States' Federal Reserve System could be taken as a model. In line with the demands of the economic situation, this Community institution would be empowered to take decisions on internal monetary policy. Its areas of competence would relate to liquidity, interest rates and the granting of loans to the public and private sectors. In the field of external monetary policy matters, it would have authority to intervene on the exchange markets and to manage the Community's monetary reserves.

[31] The decision-making centre was seen as having a particularly important part to play with regard to the level and purpose of the balances and the methods of financing deficits or using up surpluses.

As regards the transfers of national powers to the Community level, the Werner Group drew attention to a number of political problems associated with the relationship between the centre of decision for economic policy and the Community system of central banks, and between the Community bodies and the national authorities. 'While safeguarding the responsibilities proper to each it will be necessary to guarantee that the Community organ competent for economic policy and that dealing with monetary problems are aiming at the same objectives.' [32]

5.2. After stage one, what transition to the final objective?

Stage one would be followed by a later stage for which the Werner Group laid down the main lines. The plan was that there should be still more vigorous coordination of national policies, after which they would be harmonised by means of common directives or decisions, leading eventually to the transfer of responsibilities from the national authorities to the Community authorities. As this progress was achieved, Community instruments would be set up to take over or supplement the work of national instruments.

The coordination of economic and monetary policies, the basic features of which would have been put in place, should be bolstered by taking the common interest into account to an increasingly forceful degree. This should apply first to short-term economic policy. To this end, the points at which national policies clashed or converged should be identified so that strategies could be worked out with an eye to achieving the optimum solution for the Community (which would not necessarily involve merely combining the optimum solutions at the national level). At the same time, the definition and general thrust of economic policy should be made progressively more binding and there should be a proper harmonisation of monetary and budgetary policies.

Medium-term economic policy programmes should be focused more and more towards achieving Community objectives. As regards budgetary policy, comparable instruments developed during stage one would gradually be applied in common. By sweeping away miscellaneous obstacles and harmonising financial structures, it should be possible to attain a real common market in capital through the gradual interpenetration of national markets. In parallel with the measures to achieve overall balance, thought should be given to measures addressing certain structural aspects closely associated with the implementation of this process. Here, Community measures should basically be concerned with regional policy and employment policy. Carrying them out would be made easier by an increase in the financial aid granted at the Community level. Action should also be taken to work out, progressively, a Community line on industrial policy and policies on transport, energy, housing and regional development.

With regard to monetary issues, the Werner Group advocated a strengthening of intra-Community ties so as to make the transition towards economic and monetary union easier. Balance between the Member States' economies would be ensured by the free movement

[32] 'Report to the Council and the Commission…', p.13.

of production factors and by financial transfers in the public and private sectors. During stage two, with the progress already achieved in the area of economic and monetary policy convergence, the Member States should no longer need to resort independently to changing the parity rate as an instrument of policy. When the time came to proceed to the final stage, independent changes in parity rates would be ruled out completely.

For the preparation of the final stage, a 'European monetary cooperation fund', under the authority of the central bank governors, should be set up as soon as possible. If the techniques for intervening on the exchange markets scheduled for stage one worked as planned, and if an adequate degree of economic policy convergence were achieved, the fund could perhaps be set up in stage one. It would certainly have to be brought into effect during stage two. The fund should absorb the mechanisms for short-term monetary support and medium-term financial assistance. In line with progress towards economic and monetary union, the fund would gradually become a Community-level reserve management body, until it was incorporated, at the final stage, into the Community system of central banks which would be set up at that time. Furthermore, action would have to be taken to harmonise the monetary policy instruments to make it easier to strengthen Community policy in this area.

6. THE WERNER REPORT - FOCUS ON SOME KEY PLAYERS AND CONTROVERSIAL ISSUES

6.1. The Committee of Governors of the Central Banks and the Werner Report

The establishment of a European monetary cooperation fund was a principle very dear to the heart of Pierre Werner. He raised the idea as early as 1962, and in a more sustained manner from May 1967, in European political and economic circles by sketching out the idea of such an institution and giving it the name it was later to bear. In January 1968, and subsequently in the 'Luxembourg plan for monetary integration', he described the structure, role, functions and powers of the fund and set out how they would gradually be put in place as from the first stage of the implementation of economic and monetary union.[33]

Pierre Werner and Baron Ansiaux, chairman of the Committee of Governors of the Central Banks, took the same view of the main points at issue in relation to the exchange stabilization fund and the reserve fund, and their thinking was on the same lines when it came to their ideas, their objectives and the strategies they thought should be adopted; this, indeed, was what was behind the emergence of this committee as a budding monetary authority for the Community and of the EMCF, as the work on the drafting of the Werner Report showed. In the group, their collaboration had already borne fruit in guiding the debates; in April 1970, Baron Ansiaux, at Werner's request, had already submitted his thoughts on the functioning of an exchange equalisation fund — highlighting the questions

[33] Werner, Pierre, 'L'Europe en route vers l'Union monétaire', Documentation bulletin No 1, 26th year, Luxembourg: Information and Press Service, Ministry of State, Grand Duchy of Luxembourg, 28 February 1970, pp. 5–12.

surrounding the stabilisation of exchange rates between Community currencies — as well as on the SDRs.

As the group pressed ahead with its work, Pierre Werner kept up an ongoing and often confidential dialogue with Baron Ansiaux, which ensured that he was always in close consultation with the Committee of Governors of the Central Banks. Following an exchange of letters between them from 3 to 12 June 1970, Werner asked Ansiaux to get the Committee of Governors — which was seen as having a vital part to play in the establishment of the exchange stabilisation fund — to give its views on several subjects. The first of these was the exchange system and, in particular, a narrowing of the margins between the currencies of the Common Market countries. The advantages and drawbacks of an exchange stabilization fund in the first stage were also raised, mentioning the need to clarify what would have to be done during the first stage to bring the Member States' monetary policies closer together.

With the Council Decision of 9 June 1970 endorsing the opinion of the Committee of Governors of the Central Banks, Pierre Werner sent a letter three days later to the Chairman of the Committee of Governors, in line with a strategy the two men had devised, asking him to give his opinion on certain technical and economic aspects of the setting up of an exchange system specially for the Community. On 16 June, Baron Ansiaux replied to Pierre Werner's letter with an undertaking to deliver an opinion by 15 July focusing ‗on the advisability of harmonising monetary policy instruments and effectively bringing the Member States' monetary policies closer together'.[34] Detailed study of the measures to be adopted, on the other hand, was postponed until the last quarter of the year, as and when the information received would make it possible to draw specific conclusions. The approach was a very cautious one, not only in the sense of the natural reluctance of the central bankers to pronounce on the subjects on which they were being asked for their views, but especially because their approaches and positions were at variance — as Pierre Werner's private archives make plain. Baron Ansiaux quickly convened the committee of experts, whose inaugural meeting took place on 25 June 1970.[35] After five further meetings, the committee gave its opinion on 1 August 1970. This document was annexed to the Werner Report.

The experts mandated by the central bankers concluded that it would be technically possible to plan for a gradual process, which presupposed 'that sufficient progress would at the same time be made in the harmonization of economic policies'.[36]335

[34] Letter from the Chairman of the Committee of Governors of the Central Banks, Hubert Ansiaux, to Pierre Werner, President of the Government, Finance Minister, Brussels, 16 June 1970. In the Pierre Werner family archives, ref. PW 048.

[35] The committee of experts of the Committee of Governors of the Central Banks consisted of Baron H. Ansiaux in the chair, E. Blumenthal and G. Jennemann of the Deutsche Bundesbank; J. Mertens de Wilmars and F. Heyvaert of the National Bank of Belgium; M. Théron and R. Floc'h of the Banque de France; F. Masera and F. Frasca of the Banca d'Italia; P. C. Timmerman, A. Szasz and J. A. Sillem of the Nederlandsche Bank; F. Boyer de la Giroday, H. Wortmann and A. Louw of the Commission of the European Communities; G. Morelli and G. Lermen of the Secretariat of the Werner Committee; A. Bascoul and R. Gros of the Secretariat of the Committee of Governors.

[36] Report transmitted by the Committee of Governors of the central banks, p.61

The first step the central banks should take towards establishing a special exchange system for the Community would be to act together to limit the fluctuations between their currencies 'de facto'. This objective would be achieved by concerted action on the dollar. As a second stage, a narrowing of the margins would be announced, followed by concerted action on the dollar, possibly supplemented by intervention in Community currencies at the limits of the margins. The addition of intervention in Community currencies at the limits and within the margins to the concerted action on the dollar could be considered at a later stage.

The taking of these steps could be facilitated by using an 'agent', which could be the Bank for International Settlements. The task of this agent would be to record the balances on transactions on the Community Member States' markets, to total them and to notify each central bank of them daily, with suggestions for transfers which could be made in Community currencies and in dollars. If the central banks agreed to allow each other bilateral credits, clearing operations in dollars could then be carried out within the same framework.

If there were more effective coordination of economic policies, the technical operations referred to above should function smoothly and without a hitch, and the transition to a new stage, involving the establishment of a fund, would thus be possible. 'The experts think that the study in depth of the conditions of creation and operation of this Fund is worth undertaking, in conjunction with other studies, notably those aimed at the harmonization of monetary policies.'

As regards further work on the aspects to be studied by the experts, Baron Ansiaux mentioned three main lines of research: a network for direct communication between central banks, the harmonisation of monetary policy instruments, and the terms for the establishment and operation of a 'fund'. A new group of experts from the Committee of Governors would be set up to work with the Monetary Committee on harmonising monetary policy instruments and then give its attention to the 'fund'. As for the system for communication between central banks, it was unanimously agreed to launch the requisite technical and organizational procedures.

The same restraint was to be seen when it came to the calendar for any gradual process that might be proposed. Cecil de Strycker reminded that the deputies had considered the question and had not wished to propose that the governors give the Werner Group any specific dates. It was clear to the experts that the first stage — consultation between the central banks — should begin as soon as the Council so decided and that it was important that the requisite technical studies should have been carried out by that time. Baron Ansiaux and Bernard Clappier then put before the meeting a paper 'for which they both bore responsibility […] not having had an opportunity to discuss it with their associates'.[37] This

[37] Minutes of the 43rd sitting of the Committee of Central Banks of the Member States of the European Economic Community, held in Basel on Saturday, 12 September at 2.30 p.m. and Sunday, 13 September at 10.00 a.m. Confidential, text revised and approved on 8 November 1970. European Commission, Committee of Governors of the Central Banks. In the Pierre Werner family archives, ref. PW 048, p.7.

was a paper dated 4 September 1970 on stepping up the coordination of monetary and credit policy during the first stage, ‗which will not be incorporated into the Werner Report but supplies ideas which can be taken up'. Thus, there were proposals for developing and widening the consultations already taking place between the Committee of Governors and the Monetary Committee (procedure, bodies, topics discussed). In fact, as Ugo Mosca was to say during the discussions, the paper was a response to a request Mr Werner, the chairman, had previously sent on refining the definition of the functions of the Committee of Governors during the first stage, and for this reason Baron Ansiaux urged his peers to give thought to specific, practical means and methods. As the Monetary Committee was not an ‗action body' — unlike the Committee of Governors — the central bankers proposed that a special body be set up to prepare the ground for the work to be done in common and the Monetary Committee agreed to steer its work in the direction of the action taken by the Committee of Governors. As Vice-Chairman of the Monetary Committee, Otmar Emminger opposed this view, believing that his committee was the best placed to set up within itself a group to prepare the Committee of Governors' work, since representatives of the central bankers sat on the Monetary Committee.

The group consisting of these representatives could to some extent be institutionalised, its sittings could be held before those of the Committee of Governors, and it would serve as a guarantor of effective coordination between the Committee of Governors and the Monetary Committee. Bernard Clappier, who took a different view, put a stop to this new discussion and the meeting, which was supposed to have cleared up certain points and made them more specific before the Werner Report was finalised, ended in disagreement. This 'sensitive' issue was diplomatically postponed until a later meeting.

On 8 October 1970, Pierre Werner, chairman of the committee, publicly presented the final report from his group, on which he had secured consensus from all those present. The document gave an outline of a comprehensive plan for the establishment of economic and monetary union in three stages, on the principle of 'parallel movement in practice'.[38] This principle applied in three areas: parallel movement in progress towards economic policy convergence and the imposition of additional monetary constraints; parallel movement in the imposition of monetary constraints and the transfer of powers over economic policy (monetary and credit policy) to the Community; parallel movement in the development of Community powers and the corresponding development of effective European institutions (strengthening the role of the European Parliament, the Commission and the system of central banks).

During the first stage, then, an effort was to be made to ‗coordinate' and 'harmonise' budgetary policies and, as an experiment, limits were to be placed on the fluctuations in exchange rates between Community currencies. We should remember that, institutionally speaking, the Werner Plan advocated, for the final stage, setting up a 'centre of decision for economic policy', which would be politically answerable to the European Parliament, and a ‗Community system of central banks'. Economic and monetary union seemed to the Plan's

[38] Tietmeyer, Hans, ‗L'union économique et monétaire au centre du débat politique', in *Hefte*, Institut für Wirtschaftspolitik, Cologne, No 1/1971

authors to be an 'objective realizable in the course of the present decade', and the culmination of the process was supposed to be the _irrevocable fixing of parity ratios' or, better still, a 'single currency' by 1980.

6.2. Economists vs monetarists — agreements and clashes in the drafting of the Werner Report

The work of the Werner Committee, the debates and negotiations in the group of experts, and the ensuing agreements and arguments about the points at issue gave rise to clashes over the idea of currency as the principal vector for the integration process. There were generally two opposing points of view, two contrasting ways of thinking.

On one side, there were the 'monetarists' (whose standard-bearers were the countries with weak currencies), who argued for 'institutions'. To their way of thinking, the priority should be to set up institutions and lay down requirements to be met. After that, there would be a coordinating of economic policies, driven forward by concerted action on the single currency which would already exist. The 'monetarists' thought that the only way to give any credibility to the prospect of monetary union and influence the behaviour of players in the economy was to set a timetable and lay down some rules of conduct. On the other side were the 'economists' (the countries with strong currencies). According to them, a convergence of economic policies — monetary and budgetary policies — was vital and must come before the setting up of institutions. A single currency would come only at the end of the process, as the 'finishing touch' to a harmonisation which would already have been carried out.

In the Werner Group, economist positions were supported by the Germans — in particular, Finance Minister Karl Schiller, who tabled several documents on behalf of his government, including a 'German plan for monetary integration'published on 12 February 1970 — and the Dutch.[39] They were joined by the Italians, whose position on economic and monetary union, influenced by both economist and monetarist views, evolved over time.[40] They thought that 'the fact that the word *economic* comes before the word *monetary* in the expression *economic and monetary union* proved that monetary union should come after economic union'.[41] The French and the Belgians (Baron Ansiaux) sided with the monetarists in

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39 Tsoukalis, Loukas, *The Politics and Economics of European Monetary Integration*, Allen & Unwin, London, 1977. The author sees Italy as one of the 'economist' countries, alongside Germany and the Netherlands; one particular example mentioned is its opposition to the EMCF. But the Italian representative on the Werner Committee (Gaetano Strammati, Chairman of the Budgetary Policy Committee) was seen as siding with the 'monetarists'. See Werner, Pierre, *Itinéraires*, Vol 2, p. 124.

40 See Maes, Ivo and Quaglia, Lucia, 'France and Italy's Policies on European Monetary Integration. A Comparison of —Strong and —Weak States', in *Comparative European Politics*, Palgrave Macmillan, Volume 2, Number 1, April 2004, pp. 51–72. According to the authors, when the Werner Committee began its work, Italy adopted a nuanced, central stance, positioning itself between Belgium, Luxembourg and France on the one hand (seen as being 'fervent optimists'), and Germany and the Netherlands on the other (seen as 'positively cautious').

41 Tietmeyer, Hans, 'L'union économique et monétaire au centre du débat politique', in *Hefte*, Institut für Wirtschaftspolitik, Cologne, No 1/1971, p. 18

considering that the economy is led by deliberate monetary decisions. For them, therefore, the priority was quick decisions on the margins for fluctuation between European currencies, concerted monetary action and the establishment of a reserve fund.[42] Through his earlier public speeches and writings, Pierre Werner had tended to side with the monetarists. In discharging his duties as chairman of the group of experts, however, Werner chose to remain neutral, advocating a parallel approach to economic cooperation and monetary coordination as the underlying principle for the group's reflections.

These different views on the method of achieving economic convergence and thus promoting integration actually hid the divergences between France and Germany. The approach of the 'French monetarists' was the exact opposite of that of the 'German economists' as regards the political objectives to adopt. The perception supported by France was that of an economic and monetary union which, at the monetary level, guaranteed a fixed-rate Community system while allowing countries to hold onto national sovereignty over economic and financial policy. In such a system, 'the formal maintenance of national autonomy means little since, because of the mechanism acting at the short-term, monetary level, what happens is […] a forced alignment at the average level dictated by the economic climate at the time'. This kind of forced harmonisation was against the interests of countries moving towards stability, such as Germany, which was convinced that monetary union without economic harmonisation was doomed to fail or to fall by the wayside. Germany also believed that countries going through balance of payments problems, like France, acted in favour of monetary union 'so that they would be able to solve their problems without reforming their economic policies and by relying on European reserves which would basically be German reserves'.[43]

Another sensitive point which was argued over was the existence of a supranational decisionmaking body for economic and monetary policy. During discussions in the Werner Committee, the German Minister for Economic Affairs and Finance, Karl Schiller, advocated strong coordination of domestic budgetary policies at the European level, which meant a political authority alongside the future Central Bank. France was fiercely opposed to this, as it wished to avoid national sovereignty being too severely truncated in this area.

The clashes between economists and monetarists among the Six had started to emerge long before the Werner Group started its work, as the debates around the first Barre Plan and the attitudes to it clearly show. Following the recommendations in the Barre Plan for greater integration of the economies and the need for convergence, the Community countries

[42] See Maes, Ivo (National Bank of Belgium) and Verdun, Amy (University of Victoria), 'Small States and the Creation of EMU: Belgium and the Netherlands, Pace-setters and Gate-keepers'. In *Journal of Common Market Studies*, 2005, Volume 43, Number 2, pp. 327–48.

[43] Lefèvre, Sylvie, 'Les ministères de l'Économie et des Finances allemand et français dans la mise en place de la CEE: politiques et compétences', in *Le rôle des ministres des Finances et de l'Économie dans la construction européenne (1957–1978)*, Comité pour l'Histoire économique et financière de la France, Volume I, Paris, 2002, pp. 73–84 . See also Dyson, Knneth. and Quaglia, Lucia:. *European Economic Governance and Policies: Commentary on Key Historical and Institutional Documents*. Oxford: Oxford University Press., 210.

reached agreement with the Council of Ministers' decision of 17 July 1969.[44] The Germans advocated ongoing, parallel development and medium-term policy coordination. The Belgians, the Dutch, the Italians and the Germans agreed on non-automatic short-term support. The Luxembourgers took a balanced, middle course. The Benelux countries also adopted a common position, calling for the veto on British accession to be lifted before any negotiations on further European integration. The representatives of the central banks had serious reservations about monetary cooperation, though they were finally won over to the view of the Monetary Committee and suggested monetary solidarity through the establishment of medium-term support and flexible exchange rates.

During the course of 1969, the debate was fanned on one side by the monetary difficulties caused by the floating of the franc and the West German mark, and on the other by the almost simultaneous change of leadership in France and Germany. The French view on economic integration was that the argument now is not only between economic coordination and monetary cooperation but between accepting a little flexibility and monetary cooperation. The option now is a minimum scenario leaving countries a wide margin for manoeuver.

The German Chancellor — who was in regular touch with Jean Monnet — was convinced that setting up a real monetary dimension was a way of deepening the process of Community integration. The German Minister for Economic Affairs and Finance, Karl Schiller, took a different view of the matter and did not share the Chancellor's enthusiasm. What is more, Brandt regarded the deepening of the EEC — especially in economic and monetary terms — as being less important than its enlargement.[45] This lack of domestic consensus caused the German Government to adopt a sceptical attitude to the feasibility of European economic and monetary projects. It was against this backdrop that Pompidou's proposal for a meeting of the Heads of State of the Europe of Six to discuss the 'completion, deepening and enlargement' triptych was made and the resulting summit meeting at The Hague was held on 1 and 2 December 1969. That meeting tasked the Council, working closely with the Commission, with looking into ways of making progress towards economic and monetary union by stages. A group of experts — the Werner Committee — subsequently came into being. Going beyond their opposing views and differences over doctrine and political action, 'at the beginning of the 1970s, the Franco-German duo therefore thought that Europeanising the common market through expansion should be the priority and that economic and monetary Europeanisation should be a secondary issue.'[46] The main challenge

[44]This type of discussion had actually taken place at the economic and monetary conference held in London in 1933 and the Congress of Europe in The Hague in 1948. See the article by Clavert, Frédéric, 'Expérience économique de l'entre-deux-guerres et projets européistes', in Guieu, Jean-Michel; Le Dréau, Christophe (Ed), *Le Congrès de l'Europe à La Haye (1948–2008)*, PIE-Peter Lang, Collection: Euroclio — Volume 49, Brussels, Berne, Berlin, Frankfurt-am-Main, New York, Oxford, Vienna, 2009. 427 p.

[45] Wilkens, Andreas, 'L'Allemagne et le projet d'union économique et monétaire (1969–1972)', in Bossuat,Gérard; Wilkens, Andreas (Ed), *Jean Monnet, L'Europe et les chemins de la paix*, Publications de la Sorbonne, Paris, 1999, 540 p., p. 468.

[46] Frank, Robert, 'Pompidou, le franc et l'Europe 1969–1974', in *Georges Pompidou et l'Europe. Colloque 25 et 26 novembre 1993*, Association Georges Pompidou (Ed), Complexe, Brussels, 1995, p. 349.

was to pave the way for an area of consensus, an understanding between two diametrically opposed ways of seeing economic and monetary affairs.

The Werner Report as written bears the imprint of this superficial Franco-German agreement on a monetary deepening of European integration. National stances heavily pervaded the attitudes of the Werner Group members. After seven months of work, horse-trading and reversals, a consensus was hammered out in the group of experts and the Werner Report was approved. The compromise which made approval of the Werner Plan possible was very probably a precarious compromise, obtained by opting for the lowest common denominator. The guiding principle behind the devising of the plan by stages — an evolving plan in three stages over a ten-year period — leading to the establishment of an economic and monetary union, was 'real parallel movement' on economic policy and monetary policy.

In Germany, the Werner Plan was seen as serious and well-balanced and, all in all, reactions to it were positive. Speaking in the Bundestag in 1970, Chancellor Brandt described the plan for economic and monetary union by stages as 'the European Community's new Magna Carta'.[47]

In a letter to the German Finance Minister, Karl Schiller, a few days after the public presentation of the plan by stages, the Chancellor made clear that he was aware of how important it was to the cause of European integration and said he believed that its final adoption by the Council — if possible, by the end of the year — would 'very probably [be] the most important decision since the signing of the Rome Treaties'.[48] Karl Schiller was on the same wavelength: a staunch supporter of the plan by stages, he regarded it as the 'leaven in the mix which would lead to political union'.[49] Schiller also stressed the need to remain true to the objective of stability as 'the indispensable condition for the transition from the first to the second stage' of the Werner Plan.

The Bundesbank, although it was in favour of a movement towards economic and monetary union by stages, was primarily concerned with safeguarding monetary stability during this process. The discussions of this issue in the Bundesbank's *Zentralbankrat* centred on two demands in relation to the system proposed by the Werner Plan. Firstly, margins for fluctuation should not be reduced until after there had been genuine harmonisation of economic and financial policies. Secondly, the future council of the chairmen of the central banks should, from the outset, be responsible for laying down monetary policy guidelines, independently of the Council of Ministers, though they should nevertheless take the

47 'Declaration on European policy, 6 November 1970', in Brandt, Willy, *Reden und Interviews*, Vol. I, p. 238

48 Letter from Willy Brandt to Karl Schiller, 21 October 1970. Historical Archives of the Bundesbank, N.2, Vol. 156. Quoted by Wilkens, Andreas, ‗Une tentative prématurée? L'Allemagne, la France et les balbutiements de l'Europe monétaire (1969–1974)', in du Réau, Élisabeth; Frank, Robert (Ed), *Dynamiques européennes.Nouvel espace. Nouveaux acteurs. 1969–1981*, Publications de la Sorbonne, Paris, 2002, pp. 77–103, p. 87.

49 Schiller, Karl, ‗Speech before the Bundestag, 6 November 1970', in *Deutscher Bundestag. Stenographische Berichte*, Deutscher Bundestag, 6th legislature, pp. 4294–4297

Council's guidelines for economic policy into account. The Bundesbank's leaders firmly believed that future monetary policy should be the responsibility of Europe's central bankers collectively. What made the German Central Bank's view especially important was that the Bundesbank was expected to serve as the model for the future European Central Bank.[50] Both the minister and the Bundesbank were critical of statements by the Commission, which seemed to want to favour the monetary cooperation aspects at the expense of economic harmonisation and to be attacking the autonomy of the national central banks right from the first stage of the establishment of economic and monetary union. [51]

In France, discussions on the Werner Plan focused on different issues. President Pompidou did not think that transferring vital powers over monetary matters to the Community institutions — as planned for the second stage — was either realistic or desirable. To him, only economic and financial cooperation as part of the first stage seemed realistic. As to how this integration would develop in the future, Paris wanted to give as few undertakings as possible, thereby calling the single currency — the very essence of monetary integration — into question. This disavowal of the Werner Report is even more surprising when we consider that it had been drawn up with input from the French representatives, just like the interim report, which had been agreed to by the ministers responsible. We know that President Pompidou expressly gave orders for the negotiations not to be brought to a conclusion, as had been planned, at the Brussels Council of Ministers on 14 December 1970, as a sign of his disagreement with the 'European jokers' whom he believed he had identified, especially among the politicians from the Benelux countries. This is why the French delegation at the Council meetings of 23 November and 14 December 1970 was extremely reluctant to agree to successive transfers of powers to the Community institutions while at the same time rejecting the idea that there should be automatic transition from the first stage to the second. Germany, meanwhile, expressed reservations about the financing clauses as long as there were no tangible achievements to show in relation to policy coordination.

Although the objective of the plan for EMU was medium-term integration, actual agreement between the European partners went no further than the first three-year stage. With hindsight, the idea of setting up economic and monetary union in a decade looks somewhat out of step with the difficult situation in Europe at the time: the approach was probably over-optimistic. Even so, the original plan had the advantage of giving a focus to discussions and marking out a forward-looking vision. The Council of Ministers of the Community officially ratified the plan for economic and monetary union on 22 March 1971. However, developments in the international monetary system, which went into full-blown crisis mode after the US decision on 15 August 1971 to devalue the dollar, would thwart the shared ambition set out in the Werner Report, already weakened as it was by the absence of any real political will.

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50 The Minister for Economic Affairs, Karl Schiller, had undertaken before the *Zentralbankrat* of the Bundesbank ‗to recommend the independent central bank as a model for the future European Central Bank'.

51 See Clavert, Frédéric; Feiertag, Olivier (Ed), ‗Les banquiers centraux dans la construction européenne', in *Histoire, économie et société. La revue d'histoire économique et sociale du XVIe au XXe siècle*, No 4/2011, ISSN: 0752-5702, Éditions Armand Colin, Paris.

7. CONCLUSION

The Werner Report of 8 October 1970 offered a full definition of EMU to be achieved in three stages over a period of ten years (1971–1980). The ultimate aim was to achieve irreversible convertibility between the currencies of the Member States, the complete liberalisation of movements of capital and the irrevocable fixing of exchange rates, and even potentially the replacement of national currencies by a single currency. Monetary policy vis-à-vis the outside world would be a matter for the Community. Only the first three-year stage, due to begin on 1 January 1971 and loosely based on the first Barre memorandum, was clearly defined.

The plan by stages emphasised the pursuit of common policies by the Six, the introduction of greater coordination of national budget policies (centralisation of the size and balance of national budgets and how they should be funded), as well as the harmonisation of fiscal policies (VAT and excise duty rates), including taxation of capital, on which matter it called on the Committee of Governors of the Central Banks to define the appropriate guidelines. For the establishment of Community policies, it would be important to arrange regular consultations with both sides of industry (the 'social partners').

From an institutional viewpoint, the plan advocated the establishment of a 'centre of decision for economic policy' placed under the democratic control of the European Parliament (elected by universal suffrage) and a 'Community system for the central banks' (inspired by the US Federal Reserve System). This system would be preceded by the establishment of a European Monetary Cooperation Fund, based on the proposals of Triffin but more limited in scope. This new institutional architecture would require a revision of the treaties. To achieve this aim it would also be necessary to develop political cooperation.

The Werner Report did have some 'intrinsic weaknesses', which might explain its lack of success in the immediate term.[52] Firstly it was based on a regime of fixed (but adjustable) parities, despite the fact that the first cracks were beginning to appear in the Bretton Woods system. Moreover, to allow for a certain degree of flexibility, in its definition of the second and third stages of EMU, the plan provided only general indications and did not lay down a timeframe. It was also relatively sketchy when it came to the institutional architecture. But could the Werner Group have acted any differently to secure a compromise between 'German economists' and 'French monetarists', who were thought to be irreconcilable? The compromise was finely balanced. It provided for a 'system of central banks' that would be responsible for monetary policy, but it was not specified that this system would be 'independent', as the Germans wanted. But the 'European monetary identity' was not lacking in supranational aspects, as the French would have preferred.

Another weakness of the plan by stages could be seen as its centralist approach, which aimed to resolve the majority of doctrinal and constitutional problems associated with EMU, despite the fact that compatibility between national sovereignty and the Community

[52] See Baer, Gunter D.; Padoa-Schioppa, Tommaso, ‗The Werner Report Revisited', in *Collection of Papers*, Committee for the Study of Economic and Monetary Union, Luxembourg, April 1989, pp. 53–60.

interest was unrealistic at that time. The Werner Report was at the vanguard, making it 'operationally, institutionally and politically incompatible with the constitutional realities of states and of the treaty'.[53]

However, t*he* Werner Report was offered *as the* blueprint for EMU *in the EU*, as the Delors Report and the Maastricht Treaty would confirm 20 years later. This was a result of several founding principles in the Werner Report:

- Its *comprehensive approach*; in other words, no individual element (economic, monetary, social or political) could be removed from the plan without affecting the overall balance.

- *Irreversibility*: once the process had been launched, it would not be possible to turn back.

- *Gradual realisation*, by means of a step-by-step approach which had been deemed to be the only viable approach to EMU.[54].

- ***'****Parallel movement in pra*ctice' [55](Tietmeyer 1971). This principle applied in three areas: parallel movement in progress towards economic policy convergence and the imposition of additional monetary constraints; parallel movement in the imposition of monetary constraints and the transfer of powers over economic policy (monetary and credit policy) to the Community; parallel movement in the development of Community powers and the corresponding development of effective European institutions.

- The *European social model* as a vital dimension of economic integration.

- *Strong macroeconomic governance* introduced by the coordination of budgetary and monetary policies (even if the introduction of a single currency was not expressly stated). The report provided for full financial integration involving *tax harmonisation*, including taxation of capital.

- EMU would serve as a 'leaven' for the development of *a political union* which, ultimately, it would not be able to manage without.

From the outset, the members of the Werner Group were most likely aware of the scope of their work, since the report emphasises that 'the Group has not sought to construct an ideal system in the abstract. It has set out rather to determine the elements that are

[53] Ghymers, Christian. 'Une relecture du plan Werner par rapport à ses antecedents et ses successeurs', in Danescu, E. and Muñoz, S. (eds). *Pierre Werner, une vision pour l'Europe: pensée, action, enseignements*. Actes du colloque international. Luxembourg, 27-28 Novembre 2013. Brussels: PIE Peter Lang, 2015: 183-201.

[54] Scheller, Hanspeter. 'The Werner Plan and the Delors Report: One or Two Approaches to EMU?', in Danescu, E. and Muñoz,S. (eds), *Pierre Werner and Europe: His Approach, Action and Legacy. Proceedings of the International Conference, Luxembourg, 2013*. Brussels: PIE Peter Lang, 2015: 277-298.

[55] **Tietmeyer, Hans.** *Der Werner-Bericht als Wegweiser für die Wirtschafts-und Währungsunion*. In Danescu, E. & Muñoz,S. (eds/dirs). *Pierre Werner and Europe: His Approach, Action and Legacy*. Proceedings of ther international conference, Luxembourg, 27-28 November 2013 **. Brussels: PIE Peter Lang, 2015: 277-298.**

indispensable to the existence of a complete economic and monetary union. The union as it is described here represents the minimum that must be done, and is a stage in a dynamic evolution which the pressure of events and political will can model in a different way'.[56]

[56] WERNER, Pierre. *Statement by Pierre Werner to the Council of Ministers, Luxembourg, 26 October 1970.* In Documentation bulletin, 26th year, No 6 of 26 October 1970, Luxembourg: SIP.