

# A TALE OF TWO TREATISES: THE WERNER AND DELORS REPORTS AND THE BIRTH OF THE EURO

Ivo Maes

In the process towards European economic and monetary union, two reports played crucial roles. The 1970 Werner Report argued for both a supranational monetary pillar and a supranational economic pillar, while the 1989 Delors Report focused on the monetary pillar, and there was scepticism about discretionary fiscal policy. A background paper to the Delors Report, *The Werner Report Revisited*, identified four weaknesses of the Werner Report: absence of internal momentum, institutional ambiguities, insufficient constraints on national policies and an inappropriate policy conception – issues that remain very much on the European Union agenda today.

BRUEGEL ESSAY AND LECTURE SERIES





# A TALE OF TWO TREATISES: THE WERNER AND DELORS REPORTS AND THE BIRTH OF THE EURO

Ivo Maes

BRUEGEL ESSAY AND LECTURE SERIES

BRUEGEL ESSAY AND LECTURE SERIES

A tale of two treatises: the Werner and Delors Reports and the birth of the euro

Ivo Maes

© Bruegel 2024. All rights reserved. Short sections of text, not to exceed two paragraphs, may be quoted in the original language without explicit permission provided that the source is acknowledged. Opinions expressed in this publication are those of the author alone.

Edited by Stephen Gardner

Layout by Hèctor Badenes Rodríguez

Bruegel

33, rue de la Charité, Box 4

1210 Brussels, Belgium

[www.bruegel.org](http://www.bruegel.org)

ISBN 978-9-07-891057-2

The author would like to thank all those who contributed to this essay, especially Grace Ballor, Marco Buti, Zsolt Darvas, Jacques de Larosière, Stephen Gardner, Emmanuel Mourlon-Druol, Francesco Papadia, Lucio Pench, André Sapir, Anthony Teasdale, Nicolas Véron, Jeromin Zettelmeyer and the participants in the Bruegel Research Meeting and the April 2023 conference 'Economic Thought and the Making of the Euro' (European University Institute).



# CONTENTS

Foreword	3
1. Introduction	5
2. The golden sixties: high days of Keynesian economics and european integration	9
3. The Werner Report	13
4. Economic debates and growing divergencies in the early 1970s	17
5. The stagflation of the 1970s and the rise of a new economic paradigm	22
6. The European Community in the 1980s: from Eurosclerosis to a new dynamism	29
7. The Werner Report Revisited	37
8. The Delors Report	39
9. The Maastricht Treaty: a new economic governance framework	44
10. Conclusion	51
References	57





## FOREWORD

A well-known cliché about European integration runs like this: European countries are divided by language, preferences and national rivalries. They are also united by a shared history that demonstrates the destructiveness of these rivalries. The European project seeks to overcome these and realise the enormous gains from cooperation. But full integration is too big a step. With governments committed to national interests first, the European project remains a halting and piecemeal affair. Big leaps occur only at moments of crises, when the costs of failure to decide collectively and cooperatively are overwhelming.

There is more than a grain of truth to this cliché. But as Ivo Maes demonstrates in this splendid short history of the euro, it is also incomplete, missing a critical element: the power of economic ideas and their ability to rationalise what happens to be feasible. Maes focuses on the ideas underpinning the drive to economic and monetary union (EMU) and explains why they either fell flat (the Werner Report) or became a driver of integration (the Delors Report).

Consensus around economic policy evolves through a process in which schools of economic thinking enter the

minds of policymakers, dominate for a while, and eventually fail. The consensus then moves on. This process is largely supranational, driven by shared common experience: the Great Depression, postwar recovery, stagflation, currency instability, the Great Moderation, the Global Financial Crisis, lowflation, COVID-19, the invasion of Ukraine.

The essential insight of the essay is that the leap to the euro was made possible when the economic consensus converged on viewing independent monetary policy as essential and monetary-fiscal coordination as irrelevant, if not outright harmful. At that moment, economists had justified a construct that European politicians were capable of delivering: a common currency without a common fiscal policy. The euro was born because the pillar of EMU that was out of reach – common fiscal policy – was temporarily viewed as unimportant.

The result was a great step into a woefully incomplete architecture. Can we do better? Perhaps to the extent that the evolving economic consensus highlights new areas of collective gains that turn out to be feasible. Will this address the structural handicap of the euro, the political and fiscal fragmentation of its membership? I am not sure.

Ivo Maes has given us a gift that helps us celebrate – or at least reflect on – the euro’s twenty-fifth birthday: thought-provoking, wise and highly readable. Enjoy.

Jeromin Zettelmeyer  
Director of Bruegel, February 2024

# 1 INTRODUCTION

Economic and monetary union in the European Union was informed to a great extent, at its beginning a quarter of a century ago, by two documents of great significance: the 1970 Werner Report and the 1989 Delors Report. These reports very much shaped Europe's debates on economic and monetary union (EMU) and as such have historical significance. But they can also help understand present policy issues and debates.

Economic and monetary union was not one of the objectives of the Rome Treaties of 1957, which established the European Economic Community alongside the European Atomic Energy Community. EMU was put on the European agenda in 1969 at the Hague summit of heads of state and government, where the objective of EMU was adopted officially. To move it forward, an expert group, chaired by Luxembourg prime minister (and finance minister) Pierre Werner, was established. The group's report, commonly known as the Werner Report, specified both a vision of EMU and a path towards it.

Europe started on the path indicated in the Werner Report. However, little progress was made in the

economically and politically turbulent 1970s and EMU disappeared from the agenda. Only in the second half of the 1980s did the EMU goal resurface. At the 1988 Hanover summit of heads of state and government, the objective of EMU was reaffirmed. That summit established another expert group, comprising the central bank governors and chaired by Jacques Delors, then-president of the European Commission. The resulting Delors Report played a central role in the subsequent EMU debates and shaped very much the 1992 Maastricht Treaty, the basis for Europe's economic and monetary union.

Though the Werner Report and the Delors Report both presented visions of EMU and a path to get there, their approaches differed significantly. The Werner Report argued for an EMU with both a supranational monetary pillar (a European System of Central Banks) and a supranational economic pillar (a centre of decision-making for economic policy), reflecting the dominating Keynesian paradigm with a belief in discretionary fiscal policy. The focus of the Delors Report meanwhile was on the monetary pillar (an independent European System of Central Banks, with price stability as the objective of monetary policy), while there was scepticism about discretionary fiscal policy.

The Delors approach reflected a new consensus, as policy-makers and academics had by then moved away from active demand-management policies and towards a medium-term orientation, with price stability as the fundamental aim of monetary policy. Moreover, the new consensus emphasised structural, supply-side oriented policies, which had become popular with the Reagan administration in the United States and the Thatcher government in the United Kingdom. Major

elements included the deregulation of product and labour markets, and privatisations. This new paradigm facilitated agreement on EMU. As the perceived room for discretionary economic policies was more limited, it implied a more limited transfer of sovereignty (focused on monetary policy), than envisaged in the Werner Report.

In this essay, we pay particular attention to one of the background papers written for the Delors Report, *The Werner Report Revisited*, authored by the Delors Report's two rapporteurs, Gunter Baer and Tommaso Padoa-Schioppa. Their paper showed how the Delors Committee took on the lessons from the experience of the Werner Report. The analysis in this essay is partly based on original archival research in the Padoa-Schioppa archives at the European University Institute. The Baer and Padoa-Schioppa paper identified four intrinsic weaknesses of the Werner Report: absence of internal momentum, institutional ambiguities, insufficient constraints on national policies and an inappropriate (Keynesian) policy conception. The Delors Report was clearly more successful than the Werner Report as it was on the basis of the Delors Report that EMU was realised. However, Europe's sovereign debt crisis in the twenty-first century showed that this Delors Report-based EMU was incomplete and that a strong economic pillar, as envisaged in the Werner Report, was missing. Moreover, the issues of the lack of constraints on national policies and an appropriate policy conception remained very much open questions.

In discussing EMU, it is important to keep in mind that decisions about monetary integration have always been taken at the highest level, by heads of state and government, as they

involve crucial decisions about sovereignty. EMU has then been 'high-level politics,' with a special role for the Franco-German engine, not least Georges Pompidou and Willy Brandt at the 1969 Hague Summit, François Mitterrand and Helmut Kohl in the Maastricht Treaty process, and Angela Merkel and Nicolas Sarkozy during the euro-area debt crisis.

The aim of this essay is not to offer a comprehensive history of the EMU process. With its focus on the Werner and Delors Reports, the aim is to capture some key ideas and debates. As the Werner and Delors Committees were composed of senior economic policymakers, it also focuses very much on the main technocrats in the EMU process. We also take the European Union's decision to go ahead with EMU as a starting point and we do not go into the question of whether Europe was an 'optimum currency area.'

The essay follows largely a chronological pattern, providing an overview of Europe's EMU process. After a short overview of the 1960s, we go into the Werner Report, the turbulent 1970s and the rise of the new, stability-oriented paradigm. After that the focus is on the new dynamism in the European Union in the second half of the 1980s and the Delors Report. This led to the Maastricht Treaty, which offered a new framework for economic governance in the European Union. In the last sections we go into the functioning of EMU in the twenty-first century.

## 2 THE GOLDEN SIXTIES: HIGH DAYS OF KEYNESIAN ECONOMICS AND EUROPEAN INTEGRATION

At the beginning of the 1970s, economic thought among European policymakers was dominated by the experience of the golden sixties: strong economic growth, stable prices and the success of Keynesian demand management. European economic integration also thrived in the 1960s, especially with the successful completion of the customs union, a key element of the Rome Treaty project (the common agricultural policy, the other main ambition of the Rome Treaty, was a more difficult issue). The launching of the monetary union project at the 1969 Hague Summit – on the basis of which the Werner Report was written – reflected this optimistic atmosphere.

The Keynesian economic orthodoxy of the postwar period emphasised very much budgetary policy. One of the foremost historians of Keynesian economics, Alan Coddington (1983), argued that the distinctive trait of Keynesianism is an utilitarian view of the public finances. A prerequisite for taking such a utilitarian perspective of the public finances is that there must be a systematic, reliable connection between fiscal policy and effective demand in the economy, so typical

for hydraulic Keynesianism, which dominated mainstream economic thinking in the postwar period.

Very influential in policy circles was a report, *Fiscal Policy for a Balanced Economy*, produced by the Organisation for Economic Cooperation. It was commonly referred to as the Heller Report (after the chair of the committee that produced the report, Walter Heller, a former Chair of John F. Kennedy's Council of Economic Advisers). In line with a utilitarian view of public finance, the Heller Report defined the role of fiscal policy as, "*not to balance the budget of the public sector, but to balance the economy as a whole*" (OECD, 1968, 15). According to the Heller Report, fiscal policy was the most important instrument for managing both the level and the composition of global demand in the economy. Monetary factors were not considered to be of great importance. Leijonhufvud (1969, 13) described this period, especially the mid-1940s and extending into the 1950s and 1960s, as the Keynesian Revolution's "*Anti Monetary Terror*" (see Maes, 1986).

In the Keynesian view, fiscal policy was the main instrument to steer aggregate demand in the economy. For fiscal policy to influence the level of real activity, a stable and reliable relationship between prices and output is necessary. This was found in the Phillips curve, showing a negative relationship between changes in prices and unemployment (Samuelson and Solow, 1960; Leeson, 1997). According to the (simplified) Keynesian framework, the main task of policymakers was to determine the preferred trade off between unemployment and inflation. Demand management, especially budgetary policy, would then be used to reach the preferred trade off. Consequently, every country had then a preferred national inflation rate.



In December 1969, at the European Community summit in the Hague, an ambitious programme to relaunch European integration was established, comprising both a widening of the Community (enlargement to include the United Kingdom, Ireland and Denmark) and a deepening (economic and monetary union). Several factors contributed to the change in atmosphere that placed economic and monetary union in the spotlight and made it one of the Community's official objectives. During the 1960s the customs union project, with the abolition of tariffs and quotas, was realised. At the end of the 1960s there was consideration of new projects. Moreover, unease with the Bretton-Woods system was growing. French President Charles De Gaulle had always criticised the central position of the US dollar in the Bretton Woods system. During the second half of the 1960s, French officials, in order to attain a more balanced international monetary system, developed ideas about a European monetary identity (Haberer, 1981). A key element was a type of exchange rate mechanism, to tie European currencies more closely together<sup>1</sup>. At the end of the 1960s, doubts about the future of the fixed exchange rate system became widespread, especially with the devaluation of the French franc in 1969 and the vulnerable position of the US dollar. The countries of the Community feared that further exchange-rate instability would lead to the disintegration of the customs union and the demise of the common agricultural policy.

Moreover, new political leaders had come to power. In 1969 de Gaulle resigned. His successor, Georges Pompidou,

1 This contrasted with German analyses of the Bretton Woods system, which focused on the threat that intervention obligations in the foreign exchange markets posed for price stability (Emminger, 1977, 53).

was more open to new European initiatives. In Germany, a new government was formed by the Social Democrats and the Free Democrats with Willy Brandt, a pragmatic but convinced pro-European, as Chancellor. The Brandt government proposed the EMU project. Foreign policy motives were crucial. Germany wanted to demonstrate its European credentials, also to counterbalance its new Ostpolitik (developing relations with the Soviet Union and the communist countries of central and eastern Europe, with the recognition of the German Democratic Republic as a key element<sup>2</sup>). One can observe here a notable similarity with the late 1980s, when the Kohl government favoured both German unification and advances towards European integration with the Maastricht Treaty.

2 Given the reluctance of German economic policymakers (the Bundesbank and the economy and finance ministries did not want to prepare a proposal on the lines Brandt wished), Brandt turned to Jean Monnet, who asked Robert Triffin to elaborate a memorandum for Brandt (Maes with Pasotti, 2021).

### 3 THE WERNER REPORT

After the Hague Summit, a committee, under the chairmanship of the Luxembourg prime minister (and finance minister) Pierre Werner, was set up to elaborate a plan for the creation of an economic and monetary union. The members of the group were the Chairmen of the main economic policy committees of the European Community: the Monetary Committee (Bernard Clappier, French treasury), the Committee of Governors of Central Banks (Hubert Ansiaux of the National Bank of Belgium), the Short-term Economic Policy Committee (Gerard Brouwers of the Dutch economics ministry), the Medium-term Economic Policy Committee (Johann Baptist Schölnhorn of the German economics ministry, with Hans Tietmeyer as his alternate), the Budget Policy Committee (Gaetano Stamatì of the Italian finance ministry) and Ugo Mosca (representing the European Commission). As one can see, with the chairmen of these policy committees, all the countries of the community were represented, except for Luxembourg. Having a prime minister as its chair reinforced the weight of the Werner Committee (Danescu, 2016).

The Werner Committee submitted its final report in October 1970 (Council Commission of the European

Communities, 1970, hereafter referred to as the Werner Report). This report formed the basis for further discussions and decisions. It contained a programme for the establishment, by stages, of an economic and monetary union by 1980 (Danescu, 2018). In the Werner Report, attention was first focused on the final objective of economic and monetary union. Thereafter, the realisation by stages was elaborated.

Looming over the Werner Report was a basic ambiguity concerning the crumbling Bretton Woods system. Unease with the Bretton Woods system was one of the driving forces for European monetary integration. However, the European attempt to narrow exchange rate fluctuations took the framework of the fixed exchange rate system of Bretton Woods for granted.

The Werner Report first presented a very general picture of economic and monetary union: “*Economic and monetary union will make it possible to realise an area within which goods and services, people and capital will circulate freely and without competitive distortions, without thereby giving rise to structural or regional disequilibrium*” (Werner Report, 9). The Report also offered a definition of a monetary union (which reflected very much a Bretton Woods perspective): “*A monetary union implies inside its boundaries the total and irreversible convertibility of currencies, the elimination of margins of fluctuation in exchange rates, the irrevocable fixing of parity rates and the complete liberation of movements of capital. It may be accompanied by the maintenance of national monetary symbols or the establishment of a sole Community*

currency”<sup>3</sup>. However, the Report favoured a single currency: “From the technical point of view the choice between these two solutions may seem immaterial, but considerations of psychological and political nature militate in favour of the adoption of a sole currency which would confirm the irreversibility of the venture” (Werner Report, 10)<sup>4</sup>.

To ensure the cohesion of economic and monetary union two elements were necessary: transfers of responsibility from the national to the Community level and a harmonisation of the instruments of economic policy in various sectors. On the institutional plane, this implied the establishment of two new, supranational Community institutions: a centre of decision-making for economic policy and a Community system for central banks (very much like the Federal Reserve System in the United States)<sup>5</sup>.

The Werner Report took then a symmetric vision of EMU, with both a strong monetary and a strong economic pillar. The centre of decision-making for economic policy

3 While the free movement of capital was an indispensable element of a monetary union, the Werner Report also underlined that it was an essential element of a common market (with the four freedoms: free movement of goods, services, labour and capital).

4 The report further argued that only the balance of payments with the external world would be of relevance for the monetary union, “*Equilibrium within the Community would be realized at this stage in the same way as within a nation's frontiers, thanks to the mobility of the factors of production and financial transfers by the public and private sectors*” (Werner Report, 10). It is a somewhat strange statement. It reflects very much optimum currency area theory (like the Mundell criterion on factor mobility as well as the importance of transfers). The euro area's debt crisis showed the importance of the balance of payments also inside an (imperfect) monetary union.

5 The Werner Report did not mention the notion of central-bank independence. Discussing the relations between the different institutions, it mentioned “*safeguarding the responsibilities proper to each*” (Werner Report, 13). According to Tietmeyer (interview, 18 December 2001), this implied the independence of the central bank.

would exercise “*a decisive influence over the general economic policies of the Community*” (Werner Report, 12). A key responsibility would be budgetary policy. While the Werner Report admitted that the role of the Community budget would remain limited, it emphasised that the centre of decision-making for economic policy should have a significant role in steering national budgetary policies: “*the essential features of the whole of public budgets, and in particular variations in their volume, the size of the balances and the methods of financing or utilizing them, will be decided at the Community level*” (Werner Report, 12).

Given these substantial transfers of sovereignty to the Community level, the Werner Report argued that there should also be a corresponding transfer of parliamentary responsibility from the national to the Community level. The centre of decision-making for economic policy would be responsible to the European Parliament. This implied a fundamental reform of the European Parliament, “*not only from the point of view of the extent of its powers, but also having regard to the method of election of its members*” (Werner Report, 13). However, the Report did not enlarge very much on these new institutional structures (it did “*not consider that it will have to formulate detailed institutional proposals as to the institutional form to be given to the different Community organs*”; Werner Report, 12). The Werner Report underlined the fundamental political significance of transfers of responsibility to the Community level and came out in favour of a political union: “*Economic and monetary union thus appears as a leaven for the development of political union, which in the long run it cannot do without*” (Werner Report, 12).

The Werner Report also paid attention to structural

and regional policies. It expressed an awareness that differences in the economic structures of countries might cause problems for the functioning of EMU. Structural and regional policies were then important, also at Community level: *"In an economic and monetary union, structural and regional policies will not be exclusively a matter for national budgets"* (Werner Report, 11). In this context, it raised the issue of environmental problems, which should be *"treated at Community level under their various technical, financial and social aspects"* (Werner Report, 11).

Concerning financial issues, the Werner Report argued for a true European capital market. This implied the free movement of capital and financial services. The Report further noted that: *"The financial policy of the Member States must be sufficiently unified to ensure the balanced operation of this market"* (Werner Report, 11). It did not further discuss this, nor did it discuss financial stability issues (banking and financial crises were not really an issue during these years).

To reach economic and monetary union, the Werner Report proposed a three-stage plan. This gradualist approach towards economic and monetary union was laid down by the heads of state and government at the Hague Summit and was typical for the process of European integration.

The Werner Report did not lay down a precise timetable for the whole of the plan. Rather it wanted to maintain a measure of flexibility, while concentrating on the first phase. It proposed that the first stage would start on 1 January 1971 and would take three years. The main elements were: (a) a reinforcement of procedures for consultation and policy coordination; (b) a further liberalisation of intra Community capital movements and steps towards an integrated European

capital market; (c) a narrowing of exchange-rate fluctuations between Community currencies (compared to the Bretton Woods framework). On the second stage, the Werner Report was vague. The main element was “*the promotion on a number of fronts and on ever more restrictive lines of the action undertaken during the first stage*” (Werner Report, 28). The Report also proposed establishment of a European Fund for Monetary Cooperation. However, it was left open whether this would be in the first or second stage. The third stage would then be the establishment of economic and monetary union.

Of fundamental importance in the Werner Report was the concept of “*parallel progress*”. This notion formed a compromise between the so-called ‘monetarists’ (emphasising greater exchange rate stability and European exchange rate support mechanisms, with France as an important advocate) and the ‘economists’ (emphasising the coordination of economic policies and economic convergence, led by Germany). This notion enabled the Werner Group to present a unanimous report (Tsoukalis, 1977, 101).



## 4 ECONOMIC DEBATES AND GROWING DIVERGENCIES IN THE EARLY 1970S

The Werner Report triggered intense discussions among policymakers and in academic circles. A major issue was the feasibility of economic and monetary union. Many eminent economists expressed their scepticism with respect to the feasibility of the proposals contained in the Werner Report.

Macroeconomic discussions in the early 1970s typically took place in a "*Phillips curve world*" (De Grauwe, 1975), which assumed a stable relationship between inflation and unemployment. Differences in inflation between countries could then be traced to three main factors: (a) the position of the Phillips curves (trade union aggressiveness, structural factors affecting unemployment, etc.); (b) the rates of productivity growth; (c) the preferences of governments in relation to unemployment and inflation. Every country has then a "*national propension to inflation*" (Magnifico, 1972, 13). The economic policy choice of the government is of crucial importance. In this type of world, inflation rates between two countries will only be equal by accident.

Naturally, differences in inflation rates would lead to balance-of-payments imbalances, which were incompatible with

fixed exchange rates. As observed by Fleming (1971, 467): “*The principal danger involved in participating in a fixed rate area arises from the certainty, in the absence of perfect competition in product and factor markets, that developments would occur from time to time that pushed the relative cost levels of the participating countries out of line*”. Monetary union would then force a country to accept a trade off between unemployment and inflation that it considered suboptimal. The country would be forced to sacrifice its internal balance for exchange-rate unification.

Europe’s monetary union project quickly ran into significant difficulties. The proposal for supranational European institutions was not well received in France. Immediately after its publication, Pompidou got angry at reading the Werner Report, while Maurice Schumann remarked: “*Il ne faut pas compromettre l’union économique et monétaire des Six par un fatras institutionnel prématuré*” (“*The economic and monetary union of the Six must not be compromised by a premature institutional mix-up*”; Werner, 1991, 132). However, the removal of these institutions in subsequent Commission proposals was not well received in Germany. Moreover, the new European exchange rate system quickly turned into a *de-facto* German mark zone. The European Commission asked a group of experts, chaired by former Vice-president Robert Marjolin, to make an assessment of the situation. The 1975 ‘Marjolin Report’ was very hard and described the situation as a “*failure*”. It summarised the overall development between 1969 and 1975 as: “*if there has been any movement it has been backward*” (CEC, 1975, 1).

An important factor behind these difficulties was that the international environment had become very hostile with the collapse of the Bretton Woods system and the first oil shock. The breakdown of the Bretton-Woods fixed exchange rate system

implied that economic policies, especially monetary policy, no longer had to be geared in function of the exchange rate against the dollar. This implied that policymakers had to find a new nominal anchor for their policies. Moreover, it contributed to a growing indebtedness in the world economy, as there were fewer constraints on economic policies (de Larosière 2018). The first oil price shock of October 1973 challenged Western dominance in the world economy – it can be regarded as a first manifestation of the so-called ‘Global South’.

The severe turmoil in the world economy contributed to a serious worsening of Europe’s economic performance in the 1970s. Inflation and inflation divergence between countries rose, and economic growth slowed significantly. Europe’s stagflation crisis had started. With growing inflation divergence, the European exchange rate system quickly ran into problems and several countries had to leave the system. An important factor was that Europe’s governments reacted very differently to the crisis, especially the increase in oil prices. For German policymakers, the oil shock was essentially an inflationary shock, to be contained with restrictive policies. The French considered, in the first instance, that this might lead to a recession (as the French economy became poorer due to the deterioration of the terms of trade, it might lead to a reduction in demand) and pursued more expansionary policies. So, divergence in inflation rates soared, making fixed exchange rates unsustainable. The European exchange rate system had then a turbulent existence: there were several realignments of parities and many currencies dropped out. From January 1974, after the French departure, it was generally considered as a *de-facto* German mark zone (notwithstanding a return of the French franc from July 1975 to March 1976).

## 5 THE STAGFLATION OF THE 1970S AND THE RISE OF A NEW ECONOMIC PARADIGM

While Keynesian economics was still dominant in the 1960s, a new economic paradigm had been gaining in importance. In the academic world, the so-called 'Monetarist Counter Revolution' had already questioned the Keynesian framework. One might distinguish three stages in these academic controversies. In the first stage, discussions centred around the determination of nominal demand, with monetarists, such as Milton Friedman (1973), emphasising the money supply and not budgetary policy as the main determinant of effective demand. In a second stage, attention shifted towards the functioning of the labour market with monetarists attacking the Phillips curve, arguing that the curve shifted when workers adjusted their inflation expectations (Friedman, 1968). The Phillips curve did not provide then a stable relationship between prices and unemployment. In the third phase, the formation of expectations became the focal point, with the rational-expectations hypothesis, implying that a change in policy could alter the behaviour of economic agents (Lucas, 1976).

Gradually then, a new policy conception emerged,

in which monetary policy was geared principally against inflation and inflationary expectations. While, after the breakdown of the Bretton Woods system, smaller countries continued with exchange-rate pegs, bigger countries started using the money supply as an intermediate target of monetary policy, in line with monetarist ideas.

In Europe, the Konstanz Seminars played an important role in the spread of monetarism, also in the transmission of monetarist ideas to policymakers. The first seminar was organised in June 1970 at the University of Konstanz by Karl Brunner, one of the most eminent monetarists (even if he is less well known than Milton Friedman). Among the participants was Helmut Schlesinger, a future president of the Bundesbank (Neumann, 1972, 30). The Bundesbank, where Schlesinger became president, set its first money-supply target in December 1974, for the year 1975.

Among policymakers, especially in France, the oil shock of 1973 and the ensuing stagflation were of fundamental importance, leading to changes in their conceptions of economic policy. The crisis showed very clearly the openness of the economy and its vulnerability to external developments. The oil shock was a, more or less fatal, blow to the French planning experience. French policymakers became more and more aware that there were limits to activist policies, and that France had to take into account the external constraint. During the second half of the 1970s, under the prime ministership of Raymond Barre, French economic policies became more stability oriented. The exchange rate was a crucial element in the strategy to instil discipline in the French economy. Barre also pushed through measures to liberalise prices. This reorientation of French economic policy was an

important reason why German policymakers consented to the creation of the European Monetary System (EMS) in 1979. The EMS can then be considered as a case of 'parallel progress' towards exchange-rate stability and stability oriented policies, as requested in the Werner Report.

The stagflation of the 1970s gave rise to substantive discussions among economic policymakers, also at the world annual economic summits, which were initiated in 1975, and at the European level. At the Group of Seven (G7) summit in Bonn in May 1978, a coordinated macro-economic strategy at global level, pushed by US president Jimmy Carter, was drawn up. It led to the so-called 'concerted action', through which Germany agreed to boost its economy with a budgetary package of 1 percent of GDP. It showed that the golden sixties, with its strong economic growth performance associated with Keynesian demand management policies, remained an important reference framework against which many policymakers still approached the economic problems of the 1970s.

However, the more expansionary budgetary policy in 1979 and 1980 coincided with an economic recovery, working pro-cyclically. This created a severe trauma, especially in Germany (which was confronted with a balance-of-payments deficit), and in international institutions including the Organisation for Economic Co-operation and Development and the European Commission, which were important advocates of policy coordination. The failure of the budgetary stimulus raised the issue of the efficiency of economic policy and made economists much more sceptical about possibilities for fine tuning policy. The failure of macro-economic policy coordination at the end of the 1970s then

became an important element leading to a reformulation of the strategy of economic policy in the early 1980s.

An example of the reflections and discussions among policymakers after the failure of the concerted action can be found in the 1980 Annual Economic Report of the European Commission, which marked a break compared to earlier studies (Maes, 1998). At the centre of the report was the shift in economic policy orientation, away from active demand management policies and towards a more medium term orientation, emphasising structural, supply side oriented policies. The new policy orientation was clearly set out in the report's introduction: "*While in the past economic policy was often perceived as a problem of demand management, in a world based on the assumption of unlimited supply of energy and raw materials, the importance and critical value of supply constraints and structural adjustment problems are now evident*" (CEC, 1980, 9). The break with the past, and the medium term orientation of economic policy, was further illustrated and elaborated: "*The concerted response to the present general economic situation should be based on the right strategic mix of demand and supply policies and notably the right balance in their application to short- and medium term problems. Short term adjustments should be more moderate than at times in the last decade, and a heavier weight has to be given to reducing medium term inflationary expectations and improving supply conditions in the economy*" (CEC, 1980, 13, original emphasis). This implied a shift away from discretionary demand management in favour of a medium-term orientation with an important role for monetary aggregates, as well as a focus on improving the growth potential of the economy, with attention paid to the structure of public expenditure, taxation and regulation.

The report further offered a thorough analysis of the limits of demand-management policy. Several elements were analysed, starting with the external constraint and time lags. Moreover, behind the new policy orientation was a new view of the functioning of the economy, moving away from the mechanical Keynesian paradigm. Policymakers were influenced by debates in the academic world. A first element concerned the Lucas critique (that a change in policy could alter the behaviour of economic agents) and rational expectations. This implied that economic agents were not responding in a mechanical or 'Pavlovian' way to changes in economic policy. Policymakers had to be aware that markets would anticipate policy measures. This further undermined the belief in the possibility of fine tuning the economy and led to a greater emphasis on medium term policies. Moreover, monetary policy was, in the long run, not independent of budgetary policy, via the financing of public deficits. This was very much the experience of the 1970s, when stagflation contributed to increasing budget deficits, which, to a great extent, were financed by money creation (an experience that would haunt the Delors Committee).

The changes in economic policy conceptions were further supported by new advances in economic theory. Building on monetarist and rational expectations theories, the literature on time-inconsistency pointed further to the inflationary bias of a discretionary monetary policy (Barro and Gordon, 1983). To retain flexibility, while dealing with the inflationary bias of a discretionary policy, central-bank independence quickly topped the research agenda (Fischer, 1994). Moreover, empirical studies indicated that central-bank independence went together with better inflation performance (Grilli *et al*, 1991).



Central-bank independence became a key theme not only in German ordoliberalism, but also an important element of mainstream economics.

The Phillips curve disappeared from the debates. The way then to improve the trade off between inflation and growth was to take measures on the supply side of the economy. A major element of these supply-side policies was privatisation, which started in Europe with the Thatcher government in the United Kingdom in 1979. In France, when Mitterrand came to power, he implemented a large-scale nationalisation programme. Privatisations began in France during the first 'cohabitation' (a socialist president sharing power with a Gaullist government), with Balladur as finance minister in 1986.

Multilateral forums, including the European Union, the OECD, the Bank for International Settlements and the International Monetary Fund, contributed greatly to the dissemination of these new ideas on stability-oriented policies. Senior French and German officials met regularly, not only bilaterally, but also in these international settings. This contributed to the growth of a kind of epistemic community. Policymakers met often, sometimes also with academics, and their debates would be prepared by their research departments, so that academic ideas were also taken up by policymakers. This contributed to a growing consensus on 'sound money' policies.

The emergence of this consensus on stability-oriented policies also took the heat out of the old debate about the sequencing of the monetary integration process: whether priority should be given to exchange-rate stability or policy coordination. Parallel progress, as requested in the Werner

Report, became natural. Policymakers in both Germany and France followed stability oriented policies. For French policymakers the exchange rate, the 'franc fort', became an important anchor for their economic policies.

So, at the end of the 1970s a shift occurred in Europe from a more activist policy towards a strategy based on medium term stability, market oriented policies and emphasis on measures enforcing the supply side of the economy. The shift was apparent in all major European countries. The clearest break was in the United Kingdom, with the election victory of Margaret Thatcher in 1979. In Germany, a more conservative government was formed in 1982 under Helmut Kohl. However, a major change in fiscal policy had occurred already in 1981 under his socialist predecessor, Helmut Schmidt. In France the change occurred somewhat later, given the election victory of Mitterrand in 1981. After 18 months of a rather disastrous experiment in policy activism, the socialists reoriented their economic policy in a much less interventionist way.

## 6 THE EUROPEAN COMMUNITY IN THE 1980s: FROM EUROSCLEROSIS TO A NEW DYNAMISM

The early 1980s was a time of morosity in the European Union: the economy was in the doldrums and the integration progress was stalling. Europe's economic performance in the early 1980s was disappointing: economic growth was low and unemployment was increasing strongly, while inflation was high and declined only stubbornly. An important factor was certainly the second oil shock in the autumn of 1979, which acted as a stagflationary shock to Europe's economy. But the European performance contrasted also markedly with the situation in the United States, where the recovery, from 1983 onwards, was very strong and unemployment started declining, something that observers associated with President Reagan's supply-side economics. "*Eurosclerosis*" was the term used to characterise the economic situation in the Community (Giersch, 1987).

The European integration process was also in the doldrums. The dominant issue in the European debate in the first half of the 1980s was the British contribution to the European budget, crystallised in Mrs Thatcher's famous

phrase, "*I want my money back*". A solution was only reached at the Fontainebleau summit in June 1984, clearing the way for the European Community to concentrate on projects that would further integration. The appearance of morosity in the European Community was further reinforced by the rather lacklustre performance of the Thorn Commission (1981-1984), which did not take noticeable initiatives to further the European integration process.

The main impetus to the integration process came from the European Monetary System (EMS), which was founded in March 1979 (Ludlow, 1982). In the mid-1970s, European monetary integration languished after the unravelling of the exchange rate system, while discussions about the place of the United Kingdom dominated the European scene. Roy Jenkins, then president of the European Commission, tried to revive the monetary union project, especially in a famous speech in Florence (Jenkins, 1977). The following year, the French president Valéry Giscard d'Estaing and the German chancellor Helmut Schmidt played a crucial role in the relaunch of the monetary integration process with the creation of the European Monetary System. The European Monetary System was agreed by the heads of state at the Brussels summit in December 1978. Formally, the EMS started in March 1979. However, the European Monetary System was an intergovernmental agreement (Delors, 2006). It was also a more modest project, when compared to the ambitions of the Werner plan (it is noteworthy that the free movement of capital was absent from the EMS). Moreover, the first years of the EMS were very difficult: there was a lack of convergence of economic policies and performances, especially inflation, and there were several realignments (Mourlon-Druol, 2012).

The development of the EMS was one of the main preoccupations of economic policymakers at the European Commission. Tensions in the EMS were exacerbated from May 1981, when Mitterrand, the new French President, followed an isolated Keynesian policy strategy. This led to a loss of competitiveness of the French economy, capital outflows and speculative pressures against the French franc, leading to several realignments. After the March 1983 realignment and the change towards more orthodox economic policies in France, the EMS came into calmer waters.

Things would change in January 1985 with the Delors Commission, which developed several projects to reinvigorate the European economy and the integration process. Of special importance was the internal market project. Before Jacques Delors became president of the European Commission, he toured the member states, discussing ideas to relaunch European integration. A renewed campaign for a European internal market emerged as the most favoured option, as it fitted in with the general tendency towards deregulation. A single European financial market was a key element of this (Maes, 2007). It comprised the free movement of capital, which had always been a crucial German condition for progress in the area of monetary integration.

The Community adopted the single market programme. It became a Treaty obligation with the adoption of the Single European Act, the first major revision of the Community's founding Treaties. The Act extended greatly the scope of the Community and simplified the decision making process (with qualified majority voting instead of unanimity for most of the internal-market measures). The Act constituted an early and crucial triumph for the single market project, and further

contributed to the renewed momentum of the Community.

The internal market programme was also part of the Commission's more general economic policy strategy, which aimed at strengthening the foundations of the economy (Mortensen, 1990, 31). Other important elements of this strategy were wage moderation, budgetary consolidation and increasing the flexibility of markets. During these years, a new view on industrial policy also took shape (Maes, 2002). Industrial policy figured prominently on the policy agenda of the Community in the 1970s, focused on supporting sectors confronted with problems, such as the steel industry. In the 1980s and 1990s, the emphasis shifted towards a more horizontal industrial policy, with the creation of a favourable environment for firms, and towards competition policy. This also contributed to the reinforcement of the internal market.

Delors requested a report by a study group, chaired by Tommaso Padoa Schioppa, on the implications of the internal market for the future of the Community, which was published with the title *Efficiency, Stability, Equity* (Padoa Schioppa, 1987). Padoa Schioppa had been a director general of DG II (the economic service of the Commission) at the end of the 1970s and the early 1980s (Maes, 2013). During that period, he got to know Delors, who was then chairman of the European Parliament's economic and monetary committee. After his stay in Brussels, Padoa Schioppa returned to the Banca d'Italia, but remained in close contact with Delors.

The title of the report, *Efficiency, Stability, Equity*, referred to the classic work of Richard and Peggy Musgrave (1973) on public finance, which distinguished between the three main tasks of fiscal policy: improving the allocation of resources, contributing to greater (macroeconomic) stability,

and improving the income (and wealth) distribution. The Padoa-Schioppa report contained a warning that the single market (with not only the free movement of goods, but also the liberation of capital movements), was inconsistent with the prevalent combination of exchange-rate stability and national autonomy of monetary policy (a thesis Padoa Schioppa called “*the inconsistent quartet*”; Masini, 2016).

The European Community continued with the internal market momentum. At a summit in Hanover in June 1988, economic and monetary union was brought back on the agenda. The heads of state and government decided to set up a committee with the task of studying and proposing concrete steps leading towards economic and monetary union. This committee, mainly composed of central-bank governors and chaired by Jacques Delors, produced its report in April 1989 (Report on Economic and Monetary Union in the European Community, Committee for the Study of Economic and Monetary Union (1989), hereafter referred to as Delors Report).

As observed by Alexandre Lamfalussy, a member of the Delors Committee and later the first President of the European Monetary Institute, the central-bank governors were not in favour of a monetary union: “*There never would have been a single currency if the decisions had been left to the central banks. Never. [...] The motivation was political, and one man who played a very important role in persuading people was Jacques Delors*” (Lamfalussy *et al*, 2013, 134). Delors convinced the heads of state and government not only to establish the committee with the central bankers on it, but also to limit the mandate of the committee to the means of achieving EMU. As Lamfalussy further observed, Delors had got the European Council to “*task a group dominated*

*by central banks with preparing the way for the bankers' own suicide. It was absolutely inspired"* (Lamfalussy *et al*, 2013, 135). One of the first studies for the Delors Report was a paper on the Werner Report titled *The Werner Report Revisited*. As observed by James (2012, 242), it was part of a "*carefully planned strategy*" by Delors.



## 7 THE WERNER REPORT REVISITED

Besides its members, four persons played important roles in the work of the Delors Committee: the two rapporteurs – Gunter Baer and Tommaso Padoa-Schioppa – and two close collaborators of Delors, Joly Dixon and Jean-Paul Mingasson. As mentioned, Padoa-Schioppa was an old friend of Delors and he later became a founding member of the European Central Bank Executive Board and Italian finance minister. Gunter Baer was a German who worked with Lamfalussy at the Bank of International Settlements. Joly Dixon, a British citizen, was a member of Delors's private office, where he was responsible for the EMU dossier. Mingasson, a French citizen, was a Deputy Director General at DG II, where he was responsible for the monetary directorate (which reported directly to Delors)<sup>6</sup>.

In the Padoa-Schioppa archives there is a copy of the Werner Report with the annotations by Padoa-Schioppa (hereafter TPS, with the archive referred to as TPSA). These

6 It shows Delors's interest in the EMU dossier from the moment he became president of the Commission. He would attend the meetings of the Committee of Central Bank Governors (Maes, 2006). It is also noteworthy that Delors started his career at the Banque de France.

notes show very well some of TPS's main ideas about EMU and the process for getting there. TPS considered as critical that the growing interpenetration between the economies would limit the autonomy of national business-cycle policies (TPSA-184, WR, 8). For the quantitative orientations (or policy guidelines) which were foreseen for budgetary policy in the Werner Report, he noted "*nessun vero vincolo*" (no real constraint) (TPSA-184, WR, 8). Concerning the technical harmonisations for policy coordination with respect to the financial markets, he wrote "*vago! vago!*" (vague) (TPSA-184, WR, 22). Concerning the narrowing of exchange rate fluctuations, he noted "*non si sa quando*" (one does not know when) (TPSA-184, WR, 24). The remarks already show some of the main lines of *The Werner Report Revisited*.

The preparatory work for the Delors Committee started quickly after the Hanover summit. Dixon produced a first note on the Werner Report on 14 July, followed by a note by Mingasson on 18 July and a new note by Dixon on 22 July. This last note identified four "*intrinsic weaknesses*" of the Werner Report: a lack of institutional ambition; an excessively mechanical conception of policymaking; an over-emphasis on the importance of the harmonisation of policy instruments; and a lack of clarity over the independence of the conduct of monetary policy (TPSA-184, fax from Dixon to TPS, 26 July 1998). On 28 July, Dixon produced a new note (of seven pages) with the title *The Werner Report Revisited*.

On 2 August, TPS sent a four-page note with comments. He emphasised that the main message of the paper should be that stages one and two of the Werner Report had been implemented but that "*if the results had not been as good as hoped*", three elements were important: lack of institutional

change; lack of a dynamic element; and an unfavourable economic environment. A key argument of TPS was that: "*The Werner approach is essentially 'coordination and recommendation' rather than 'institution and decision'*" (TPSA-184, fax from TPS to Dixon, 2 August 1998). The paper went through some further drafting sessions and was discussed at the first meeting of the Delors Committee in September 1988.

*The Werner Report Revisited* is divided in four sections: 'Main features of the Report', 'Follow-up to the Report', 'An assessment' and 'The post-Werner period.' Already in the first section the tone was set with two key messages: the Werner Report did not pay attention to the process of achieving EMU and did not consider much the institutional structure of EMU (Baer and Padoa Schioppa, 1988, 53). In the assessment section, the paper highlighted, besides the difficult international environment, four significant weaknesses of the Werner Report:

(a) "*Insufficient constraints on national policies*". The Werner Report was too much based on voluntary agreements and guidelines: "*insufficient constraints on national policies*" was one of the Werner Report's main flaws: "*These guidelines had the character of recommendations and there was no provision to ensure their observance. Such an approach could work only as long as there was a sufficiently strong policy consensus and willingness to cooperate. However, once that consensus began to weaken, more binding constraints on national policy would have become necessary*" (Baer and Padoa-Schioppa, 1989, 57);

(b) "*Institutional ambiguities*". It was not always clear who was responsible for which decision;

(c) "*Inappropriate policy conception*". The Werner Report

was based on a very high degree of confidence in the ability of policy instruments to affect policy goals in a known and predictable way. *“This over-optimistic view of the efficacy of economic management gave rise to a rather mechanistic and relatively rigid approach to policy coordination (especially in the budgetary field)”*. This was typical for the, then dominant, hydraulic Keynesian paradigm;

(d) *“A lack of internal momentum”*. The Werner Report did not envisage an interactive process in which the implementation of certain steps would trigger market reactions that in turn would necessitate further steps towards economic and monetary union.

The paper further emphasised that significant progress had been achieved in the European integration process and that a new policy consensus had been established. It observed that, while at the end of the 1960s there was an agreement on *“medium-term planning and fine-tuning”*, the stagflation of the 1970s had led to a paradigm change: *“a new consensus had developed in which attention has shifted towards medium-term financial stability, the supply side of the economy and structural policies”* (Baer and Padoa Schioppa, 1988, 58). In the conclusion, the paper further emphasised that *“the full potential of the single market will only be realized with satisfactory monetary arrangements”* (Baer and Padoa Schioppa, 1988, 60).

## 8 THE DELORS REPORT

The Delors Report played a crucial role as a reference and anchor point in further discussions, just as the Werner Report had nearly two decades earlier. It was an important milestone on the road to the Maastricht Treaty, which provided the constitutional framework for Europe's economic and monetary union (Dyson and Featherstone, 2000). Like the Werner Report, the Delors Report revolved around two issues: first, which economic arrangements are necessary for a monetary union to be successful; and, second, what gradual path should be designed to reach economic and monetary union.

Initially, the relationship between Delors and Karl-Otto Pöhl, the President of the Bundesbank, was rather tense. However, Delors's main aim was to finalise a unanimous report (Maes and Péters, 2020). So he took a low profile and focused on seeking consensus in the committee. As observed by Dixon, Delors "*took it very gentle. We started with history; we went back to the Werner Report; we went very very gentle*" (JDI, 11). Delors also asked Pöhl to sketch out his vision for a future EMU, something Pöhl could not refuse. As observed by Lamfalussy, with that manoeuvre, Delors rendered Pöhl and the Bundesbank "*captive*" (Lamfalussy *et al*, 2013, 136).

In his contribution, Pöhl took a ‘fundamentalist’ position and emphasised the new monetary order that had to be created: “*Above all agreement must exist that stability of the value of money is the indispensable prerequisite for the achievement of other goals. Particular importance will therefore attach to the principles on which a European monetary order should be based*” (Pöhl, 1988, 132). He argued for price stability as the prime objective of monetary policy, which had to be conducted by an independent central bank. Pöhl further emphasised the “*indivisibility of monetary policy*”, that decisions should be taken either at the national level or by a common central bank. In defining the necessary conditions for a monetary union, the Delors Report referred to the Werner Report. On the institutional level, the Delors Report proposed the creation of a “*European System of Central Banks*”.

Pöhl’s fundamentalist approach was deeply influential in the Delors Report and inspired a number of principles that also figured prominently in the Maastricht Treaty (Padoa-Schioppa, 1994, 9). The Delors Committee took great care to work out first its view on the final stage of EMU, especially the monetary pillar. This was a major contrast to the Werner Committee. The Delors Report’s European System of Central Banks was to be responsible for the single monetary policy, with price stability as the ultimate aim. In the discussions on the independence of the central bank, Pöhl received valuable support from Jacques de Larosière, for whom the Delors Committee presented an opportunity to increase the independence of the Banque de France (Maes and Péters, 2021).

During the second meeting, Lamfalussy raised the crucial

issue of whether the necessary fiscal discipline could be left to market forces. He questioned strongly whether one could rely on the financial markets to “*iron out*” the differences in fiscal behaviour between member countries. With his experience as a commercial banker and having lived through the Latin American debt crisis, he questioned whether the interest premium to be paid by a high-deficit country would be very large. Moreover, even if there was a premium, he doubted that it would be large enough to reduce significantly the deficit country’s propensity to borrow (James, 2012, 249).

In a paper on the coordination of fiscal policies, which he prepared for the committee, Lamfalussy (1989) not only went into the economic theory, but also provided an overview of the experiences of federal states. He concluded that fiscal policy coordination was a “*vital component for a European EMU*” (Lamfalussy, 1989: 93). The two aims of coordination should be a European fiscal policy stance that was appropriate for the European and international environment, and avoiding tensions from excessive differences between national fiscal policies. Lamfalussy observed that “*misalignments*” between national fiscal policies could, in principle, be remedied in two ways: via the community budget or by limiting the scope of national discretion in budgetary policies. In a footnote, Lamfalussy (1989: 95) referred to the classic work of Musgrave and Musgrave (1973) on public finance. He noted that, given the difficulties in coordinating economic policies, the academic literature typically argued for giving the stabilisation function to the federal level.

During the discussions in the committee, Lamfalussy argued for a “*Centre for Economic Policy Coordination*”. This idea was, however, not taken up in the Delors Report. The

report argued for “*both binding rules and procedures*” in the area of budgetary policy (Delors Report, 28). The economic pillar of EMU remained a difficult issue<sup>7</sup>.

It is further interesting to note that, during the discussions in the Delors Committee, Lamfalussy (and Wim Duisenberg, the President of the Dutch central bank) also argued in favour of giving the European Central Bank a role in the area of banking supervision (Minutes of the fourth meeting of the Delors Committee on 13 December 1988, DCA). However, they did not really pursue this issue and the Delors Report only mentioned that the new system “*would participate in the coordination of banking supervision policies*” (Delors Report, 26).

To attain economic and monetary union the Delors Committee proposed three stages. In contrast to the emphasis by the Werner Report on the first stage, all three stages were worked out in the Delors Report in considerable detail. These stages implied, from an institutional and legal point of view: the preparation of a new Treaty (first stage), the creation of a new monetary institution (European System of Central Banks, second stage), and the transfer of responsibilities to this new institution (third stage). From an economic and monetary point of view, these stages implied increased convergence and closer coordination of economic policy. However, the committee underlined the indivisibility of the whole process: “*the decision to enter upon the first stage should be a decision to embark on the entire process*” (Delors Report, 31).

7 In a later report, the European Commission (CEC, 1990) emphasised three aspects of (national) budgetary policies in EMU: autonomy (to respond to country-specific problems), discipline (to avoid excessive deficits) and coordination (to assure an appropriate policy-mix in the Community).



In a note for Belgian finance minister Philippe Maystadt, Edgard Van de Pontseele, the Director of the Belgian Treasury, went into the significance of the Delors Report. In his view, this was not in the intellectual contribution of the report nor in its proposal for the path towards EMU. For him the main novelty was the unanimity with which the central-bank governors had accepted the report (*Verslag over de economische en monetaire eenheid in de Europese Gemeenschap*, sd, BSA). He emphasised two elements: it would be the governors who would lose their powers with the establishment of a European Central Bank; and the argument that the project was technically not sound had become invalidated.

The European Community followed the path indicated in the Delors Report. The first stage started in July 1990 and the intergovernmental conference on economic and monetary union, along with another on political union, opened in Rome in December 1990. Meanwhile, the broader European scene was changing dramatically with the breakdown of the iron curtain and German unification, contributing to the speeding up of the process of European monetary integration. The German government's policy line could almost be summarised in Thomas Mann's dictum: "*Wir wollen ein europäisches Deutschland und kein deutsches Europa*" ("We want a European Germany and not a German Europe"; Schönfelder and Thiel, 1996, 12).

## 9 THE MAASTRICHT TREATY: A NEW ECONOMIC GOVERNANCE FRAMEWORK

The intergovernmental conferences reached their climax at the Maastricht Summit in December 1991. The Maastricht Treaty marked a step forward for the European Community in the same way that the Treaty of Rome had done. It created a so-called European Union, based on three pillars (Maes, 2007). The first pillar had at its core the old Community but carrying greatly extended responsibilities with it. The main new element was economic and monetary union. The second pillar was for foreign and security policy. The third concerned cooperation on topics such as immigration, asylum and policing. The new Treaty also extended the powers of the European Parliament.

Economic and monetary union had a kind of asymmetrical structure. Monetary policy was centralised. It was the responsibility of the European System of Central Banks (ESCB), composed of the European Central Bank and the national central banks, which are all independent. The primary objective of monetary policy is price stability. Without prejudice to the objective of price stability, the ESCB must support the general economic policies in the Community.

This part of the Treaty went quite smoothly through the intergovernmental conference. The preparations in the Delors Committee and the Committee of Central Bank Governors certainly contributed to this. The prominence of the German institutional model was also evident. Several factors contributed to this: the sheer size of Germany and the Deutsche mark; strong theoretical support, based on a blend of German ordoliberal and mainstream economics ideas; the successful history of German monetary policy; the strong bargaining position of the German authorities and the unique federal structure of the Bundesbank. However, with the anchoring of price stability and central bank independence in a treaty, the Maastricht Treaty went further than the German situation, giving these principles a constitutional status – “*a pre-eminence unparalleled in legal history*” (Herdegen, 1998, 14).

The responsibility for other instruments of economic policy, including budgetary policy and incomes policy, remained basically decentralised, resting with the national authorities. However, member states had to regard their economic policies as a matter of common concern and coordinate them accordingly<sup>8</sup>. However, as history would show, there was a repeat of “*insufficient constraints on national policies*” as *The Werner Report Revisited* had warned.

During the Maastricht Treaty negotiations, there were hard negotiations on a European economic government. However, the topic was divisive and the transfer of sov-

8 Important elements in this coordination process were the Broad Economic Policy Guidelines, the multilateral surveillance process and the excessive deficit procedure (with two reference values: 3 percent of GDP government deficit and 60 percent of GDP for government debt). There was also the no-bail-out clause – that countries remained solely responsible for their debts.

ereignty for economic policy was not acceptable for the member states. The consequence was an EMU with a well-developed monetary pillar but a weak economic pillar (Maes, 2004). The different characteristics of monetary union and economic union reflected the limits of the willingness of the member states to give up national sovereignty. As Bordo and Jonung (2000, 35) observed, EMU is quite unique in history, being a monetary union while countries retain political independence.

The budgetary policy coordination process and the responsibility for exchange-rate policy were the topics of some of the tensest discussions during the intergovernmental conference. France proposed a '*gouvernement économique*', whereby the European Council would provide for broad guidelines for economic policy, including monetary policy. This provoked a strong clash with Germany, for which the independence of the European Central Bank was not negotiable. However, the Germans were also convinced of the necessity of coordination of other economic policies, especially budgetary policy, as they determine the environment in which monetary policy must function<sup>9</sup>. Agreement was only reached after intense negotiations, including secret bilateral discussions between the French and the Germans (Dyson and Featherstone, 1999).

An important topic in the later EMU negotiations was the Stability and Growth Pact (SGP). Discussions were launched with the proposal by Theo Waigel, the German

9 Senior German policymakers admitted that there was a kind of contradiction in the German negotiation position, with Germany being against a '*gouvernement économique*' but in favour of restraints on national budgetary policies. Waigel's political problems in Bavaria were mentioned as an explanatory factor.

finance minister, in November 1995, that a ‘Stability Pact for Europe’ should be concluded<sup>10</sup>. This would tighten the rules on budgetary behaviour for the EMU participants and should include potential sanctions. After long and extended negotiations, a political agreement was reached at the Dublin Summit in December 1996. The SGP introduced two complementary pieces of secondary EU legislation: a ‘preventive arm’, which aimed at ensuring prudent fiscal policies with, as an objective, a government budget close to balance or in surplus; and a ‘corrective arm’, aiming to correct gross policy errors (with the possibility of sanctions).

The first decade of the euro was, with hindsight, relatively quiet. There was however a crisis around the SGP, with the European Commission taking Germany and France to the EU Court of Justice. It led to the first reform of the SGP in 2005, making the rules more flexible and giving the Council a greater degree of discretion.

The euro’s second decade was much more tumultuous, with the Great Financial Crisis (starting in 2007 with problems in the US subprime mortgage market) and the euro-area debt crisis. These went together with vivid economic debates (see Brunnermeier *et al*, 2016, and Buti, 2021). To counteract the deflationary consequences of the Great Financial Crisis, policymakers adopted expansionary budgetary and monetary policies, which marked a return to Keynesian economics. The sovereign debt crisis became a watershed in the process of European integration. The crisis showed the limits of Europe’s

10 For German economic policymakers, the Italian debt situation was one of their main preoccupations in the EMU negotiations. The Waigel initiative came around the same time that Italian policymakers showed their interest in being among the first group of countries to adopt the euro. Was it a *quid pro quo*?

incomplete EMU, with a well-elaborated monetary pillar, but a weak economic pillar. European economic policymakers responded with a range of measures, not just emergency assistance, fiscal consolidation programmes and non-conventional monetary policy, but also substantial reforms to European economic governance, taking steps towards a more 'symmetric' EMU, as advocated in the Werner Report.

In the first instance, especially given the major budgetary derailments in Greece, the focus was on a strengthening of fiscal sustainability. Three legislative packages were particularly important: the 'six pack', 'two pack' and the new 'fiscal compact'. A primary aim was to tighten fiscal discipline by reinforcing the SGP, both the preventive and corrective arms. A further objective was to increase national ownership and transparency in the area of budgetary policy, especially with the creation of independent national fiscal councils. Moreover, major competitiveness imbalances and asset boom-bust cycles were major factors behind the crisis. This was clearly shown in Ireland and Spain, where the lower interest rates that came with EMU led to a booming economy, especially in the real-estate sector. This also led to significant wage increases, which hampered the competitiveness of these economies. When interest rates rose, the boom in the real-estate sector collapsed, leading to banking crises in these countries. This showed that asymmetric shocks could not only originate in the public sector (the focus in the Delors Committee), but also in the private sector. Consequently, a new Macroeconomic Imbalances Procedure was set up. The aim was to create a system of *ex-ante* surveillance of macroeconomic risks and competitiveness positions. The European Union also set up new financial stabilisation mechanisms

to provide for financial solidarity, especially the European Stability Mechanism. Significant steps were also taken to establish a banking union. Setting up the Single Supervisory Mechanism (SSM) was a significant step in the European integration process, probably the most important since the introduction of the euro (Véron, 2015). That the SSM was entrusted to the European Central Bank was a sign of confidence in the ECB and its institutional set-up. But the completion of the banking union remains to be done.

The COVID-19 pandemic, which swept through Europe in 2020, also had significant economic consequences. The European Central Bank set up a Pandemic Emergency Programme, a major asset buying programme, aimed at preserving access to affordable funding for persons and firms. But there was also a strong consensus that a Keynesian type of budgetary impulse was necessary to avoid a depression. The SGP was suspended in 2020. Moreover, new funding initiatives at the EU level were launched, especially SURE (Support to mitigate Unemployment Risks in an Emergency) and the post-pandemic recovery plan, NextGenerationEU (with, at its centre, the Recovery and Resilience Facility, a vehicle for EU borrowing and the provision to member states of grants and loans). The aim was not only to boost aggregate demand but also to support the most hard-hit countries (a form of ex-post insurance for countries that were impacted most by the pandemic) and to strengthen the economic growth potential of the EU (with a focus on the green and digital transitions). However, the 'whatever it takes' fiscal policy contributed to significant government deficits and increases in government debt in several countries, raising the issue of fiscal dominance. In summer 2021, inflation started to rise again. It led to

a debate among policymakers and academics about whether this rise would be temporary or not. The inflation turned out to be higher and more persistent than the forecasts of about all institutions.

With the end of COVID-19 as a pandemic, the issue of a normalisation of policies also came to the forefront. The shortcomings of the SGP led to significant debates (see, eg Arnold *et al*, 2022), and the European Commission launched proposals for a new reform of the Pact. Also, the former president of the European Central Bank, Mario Draghi (2023), raised the issue of fiscal union. A well-designed ‘central fiscal capacity’ would relieve pressure on national fiscal policies, making it easier for national fiscal policies to follow a rules-based path. It could further provide for the provision of European public goods (for instance related to a common defence policy). Such reforms would bring Europe’s EMU closer to the type of EMU that was advocated in the Werner Report, with both a strong monetary and economic pillar.



## 10 CONCLUSION

During the second half of the twentieth century, there was a major shift in economic paradigms, both in the academic community and among policymakers. While in the 1960s Keynesian economics dominated, with a belief in discretionary economic policy, in the second half of the 1980s, there was a broad consensus on medium-term stability-oriented policies. This shift towards a more stability oriented stance of economic policy was clearly reflected in the EMU debates in Europe. In both the Delors Report and the Maastricht Treaty, price stability was emphasised as the overriding goal of monetary policy, which had to be carried out by an independent central bank.

These ideas were not really mentioned in the Werner Report when monetary policy was discussed. The Werner Report also proposed the creation of a supranational centre of decision-making for economic policy, which would exercise "*a decisive influence over the general economic policy of the Community*" (Werner Report, 12), while the Delors Report emphasised binding rules for budgetary policy. The emphasis on budgetary discipline went together with proposals for a limited budget for the European Community. In a 1993 report

for the European Commission, an EU budget of 2 percent of Community GDP was considered capable of sustaining economic and monetary union (CEC, 1993, 6). This contrasted with the earlier MacDougall Report, which considered that an EU budget of 5 percent to 7 percent of GDP was necessary for a monetary union (CEC, 1977, 20). The lower figure reflected a different economic paradigm, with a more limited role for the government in economic life. A smaller Community budget was also a more realistic option, given the attachment of national states to their sovereignty.

Of crucial importance for the development of the European Union was the way that a further push towards integration fitted into this new (neo-liberal) conceptual framework. The completion of the internal market, with its elimination of the remaining barriers to a free flow of goods, services, persons and capital, was compatible with the deregulation strategy being pursued in the various European countries. Macroeconomic policy in the countries of the European Community became more stability oriented, as policymakers became convinced of the illusory nature of the trade off between inflation and unemployment. This orientation fitted in with a policy of stable exchange rates and a move towards EMU. But it would become an EMU with a strong monetary pillar and a weak economic pillar. This proved to be a weakness when the euro area was confronted with severe challenges in the twenty-first century.

On 1 January 1999, EMU effectively started with eleven countries. One might ask why this attempt at EMU was successful, in contrast to the fate of the Werner plan in the 1970s. Two types of factors can be distinguished: first, long-term structural developments which created a favourable back-

ground (a greater degree of economic and financial integration, a greater consensus on policy objectives and an increasing underlying political will to achieve European integration, as exemplified in the Kohl-Mitterrand tandem) and, second, the dynamics of the process of European integration in the 1980s and 1990s. This was the period when history accelerated, with the fall of the Iron Curtain and German unification, creating a window of opportunity, which has been skilfully exploited with the help of appropriate policy decisions and meticulous preparations. However, on numerous occasions the project could have derailed, especially during the 1992-1993 crisis of the European Monetary System. It could therefore be argued that the achievement of EMU should not be taken for granted.

The transfer of sovereignty over monetary policy to the European level was certainly not an easy decision from a German perspective. German economic policymakers, and the Bundesbank, were comfortable with how the European Monetary System functioned. This transfer of monetary sovereignty was part of a political project. For Kohl it was a step towards a United States of Europe, a recurring theme in his speeches. He knew that France would only accept this if monetary union was part of it. But the transfer of monetary sovereignty was the limit of what could be accepted. Giving up monetary sovereignty was also easier as countries had de facto lost their monetary autonomy in the EMS and it were the central-bank governors who would lose power, not the politicians. However, countries did not accept further significant transfers of economic policymaking. It made for an EMU with a strong monetary pillar, but a weak economic pillar, a stark contrast with the vision of the Werner Report.

We have paid considerable attention to a background study for the Delors Report, *The Werner Report Revisited*. This study highlighted four “*intrinsic weaknesses*” of the Werner Report: absence of internal momentum, inappropriate policy conception, institutional ambiguities and insufficient constraints on national policies. An interesting question is how these issues have played out in the Maastricht Treaty framework.

With the realisation of EMU, it is clear that policymakers succeeded in creating internal momentum, with a positive dynamic between policy initiatives and the working of market forces. Maybe there was also some luck involved<sup>11</sup>, but there was certainly also a strong political will and leadership. However, the momentum to go towards a ‘complete’ EMU is clearly lacking.

As regards an inappropriate policy conception, one can only observe that, during the last few decades, the world has gone through several paradigm changes. With the Great Financial Crisis and the COVID-19 pandemic, there has been a return to Keynesian economics and discretionary budgetary policies, followed by a return of inflation. It shows a certain relativity of economic theory. It is then important for policymakers to take an instrumental approach to economic theory and to identify the most appropriate economic theories, given the policy challenges. A broad and pluralist approach towards economics can help in this. It is important to select theories that highlight the relevant features of reality. The great Austrian economist, Joseph Schumpeter (1954: 15), approvingly referred to Henri Poincaré’s observation,

11 It is said that Napoleon asked of his generals that they were lucky.

*“tailors can cut suits as they please; but of course, they try to cut them to fit their customers”.* An historical perspective can offer insights into the relative strengths and weaknesses of economic theories. Moreover, for policymakers, the policy regime is of crucial importance. Sometimes, one tends to take the policy regime as given, rather ignoring that a change in regime will affect economic events and policy outcomes. At other moments, on the contrary, there are heated discussions about the policy framework. A broad historical approach, which can offer distance and a wider variety of experiences, can be helpful.

Regarding institutional ambiguities, the picture is mixed. For the monetary side of EMU, a strong institutional pole has been created with the European Central Bank and the Eurosystem. A testament to this is that the tasks of the ECB have been extended, with important responsibilities for banking supervision. However, EMU has remained incomplete, with economic policy competences still mostly at national level. Given the absence of a significant central fiscal capacity at the EU level, rules for budgetary policy have to take into account the different roles that national budgetary policies have to play (not only sustainability but also stabilisation of the national economy). As more discretionary fiscal policies had to be adopted during the twenty-first century crises, the absence of a strong economic pillar of EMU, as advocated in the Werner Report, turned out to be a serious shortcoming of Europe’s EMU.

*The Werner Report Revisited* highlighted very much the *“insufficient constraints on national policies”* in the Werner Report. However, regarding the Maastricht Treaty framework and the Stability and Growth Pact, the situation is not much

better. One could argue that the phrase, "*the Werner approach is essentially 'coordination and recommendation' rather than 'institution and decision'*" also applies to the economic pillar of the Maastricht Treaty framework. Why this weakness has not (yet) been corrected raises some fundamental political-economy questions about the conception and implementation of a sound economic governance framework. These are not only issues of concern for national sovereignty but are also related to the multidimensional aims of fiscal policy (with the Musgravian triad of allocation, stabilisation and redistribution) and the need to keep the public finances sustainable.

# REFERENCES

## Archives

BSA – Bernard Snoy Archives,  
Bois-Seigneur-Isaac

DCA – Delors Committee  
Archives, European Central  
Bank, Frankfurt am Main.

JDI – Interview with Joly Dixon  
by Ivo Maes, 2 March 2017,  
HistCom3, Historical Archives of  
the European Union, European  
University Institute, Florence

TPSA – Tommaso Padoa-  
Schioppa, Historical Archives of  
the European Union, European  
University Institute, Florence

## Bibliography

Arnold, N., R. Balakrishnan,  
B.B. Barkbu, H.R. Davoodi,  
A. Lagerborg, W.R. Lam ... J.  
Zettelmeyer (2022) 'Reforming  
the EU fiscal framework:  
Strengthening the fiscal rules  
and institutions', *Departmental  
Paper 2022/014*, International  
Monetary Fund

Baer, G. and T. Padoa Schioppa  
(1988) 'The Werner Report  
Revisited', in Committee for  
the Study of Economic and  
Monetary Union, *Report on  
Economic and Monetary Union*,  
Luxembourg

Barro, R. and D. Gordon (1983)  
'A positive theory of monetary  
policy in a natural rate model',  
*Journal of Political Economy*  
91(4): 589-610

- Bordo, M. and L. Jonung (2000) *Lessons for EMU from the History of Monetary Unions*, IEA Readings 50, Institute of Economic Affairs
- Brunnermeier, M., H. James and J.-P. Landau (2016) *The Euro and the Battle of Ideas*, Princeton University Press
- Buti M. (2021) *The Man Inside. A European Journey through Two Crises*, Milan: Bocconi University Press
- CEC (1975) Report of the Study Group "Economic and Monetary Union, 1980" (Marjolin Report), Commission of the European Communities, Brussels
- CEC (1977) *Report of the Study Group on the Role of Public Finance in European Integration*, Commission of the European Communities, Brussels
- CEC (1980) 'Annual Economic Report', *European Economy* 7: 5-29, Commission of the European Communities
- CEC (1990) 'One Market, One Money: An evaluation of the potential benefits and costs of forming an economic and monetary union', *European Economy* 44, Commission of the European Communities
- CEC (1993) 'Stable Money – Sound Finances', *European Economy* 53, Commission of the European Communities
- Coddington, A. (1983) *Keynesian Economics. The Search for First Principles*, London: Allen & Unwin
- Committee for the Study of Economic and Monetary Union (1989) 'Report on Economic and Monetary Union in the European Community', Delors Report, Luxembourg
- Council Commission of the European Communities (1970) 'Report to the Council and the Commission on the Realisation by Stages of Economic and Monetary Union in the Community', Werner Report, Luxembourg



- Danescu, E. (2016) 'Pierre Werner: A Visionary European and Consensus Builder,' in K. Dyson and I. Maes (eds) *Architects of the Euro. Intellectuals in the Making of European Monetary Union*, Oxford: Oxford University Press
- Danescu, E. (2018) *Pierre Werner and Europe. The Family Archives Behind the Werner Report*, Cham: Palgrave Macmillan
- De Grauwe, P. (1975) 'Conditions for Monetary Integration – A Geometric Interpretation,' *Weltwirtschaftliches Archiv*, 634-645
- de Larosière, J. (2018) *50 Years of Financial Crises*, Paris: Odile Jacob
- Delors, J. (2004) *Mémoires*, Paris: Plon
- Draghi M. (2023) 'Europe's economic challenges,' *The Economist*, 6 September
- Dyson K. and K. Featherstone (1999) *The Road to Maastricht*, Oxford: Oxford University Press
- Emminger, O. (1977) 'The D Mark in the Conflict Between Internal and External Equilibrium 1948-75,' *Princeton Essay in International Finance* 122, June
- Fischer S. (1994) 'Modern Central Banking,' in F. Capie, S. Fischer, C. Goodhart and N. Schnadt (eds) *The Future of Central Banking*, Cambridge: Cambridge University Press
- Fleming, M. (1971) 'On Exchange Rate Unification,' *Economic Journal*, Sept.: 467-488
- Friedman, M. (1968) 'The Role of Monetary Policy,' *American Economic Review* 58: 1-17
- Friedman, M. (1973) 'The Quantity Theory of Money: a Restatement,' in A.W. Clower (ed) *Monetary Theory*, Harmondsworth: Penguin
- Giersch, H. (1987) 'Eurosclerosis. What is the Cure?' *European Affairs* 4: 33-43
- Grilli V., D. Masciandaro and D. Tabellini (1991) 'Institutions and Policies,' *Economic Policy* 13: 341-392

- Haberer, J.-Y. (1981) 'Les Problèmes de l'Identité Monétaire Européenne,' *Statistiques et Etudes Financières*, 3-16
- Herdegen M. (1998) 'Price Stability and Budgetary Restraints in the Economic and Monetary Union: The Law as Guardian of Economic Wisdom,' *Common Market Law Review* 35: 9-32
- James, H. (2012) *Making the European Monetary Union. The Role of the Committee of Central Bank Governors and the Origins of the European Central Bank*, The Belknap Press of Harvard University Press
- Jenkins, R. (1977) 'Europe's Present Challenge and Future Opportunity,' *Bulletin EC* 10: 6-14
- Lamfalussy, A. (1989) 'Macro-coordination of Fiscal Policies in an Economic and Monetary Union in Europe,' *Collection of Papers. Committee for the Study of Economic and Monetary Union*, Luxembourg
- Lamfalussy, C., I. Maes and S. Péters (2013) *Alexandre Lamfalussy. The Wise Man of the Euro*, Leuven: Uitgeverij LannooCampus
- Leeson, R. (1997) 'The Political Economy of the Inflation-Unemployment Trade-Off,' *History of Political Economy* 29(1): 117-156
- Leijonhufvud, A. (1968) *On Keynesian Economic and Economics of Keynes*, Oxford University Press
- Lucas R. (1976) 'Economic Policy Evaluation: A Critique,' *Journal of Monetary Economics*, 104-129
- Ludlow, P. (1982) *The Making of the European Monetary System*, London: Butterworth
- Maes, I. (1986) 'Did The Keynesian Revolution Retard the Development of Portfolio Theory?', *Banca Nazionale del Lavoro Quarterly Review* 159: 407-21

- Maes, I. (1998) 'Macroeconomic Thought at the European Commission in the 1970s: The First Decade of the Annual Economic Reports,' *Banca Nazionale del Lavoro Quarterly Review*, Dec.: 387-412
- Maes I. (2002) *Economic Thought and the Making of European Monetary Union*, Cheltenham: Edward Elgar
- Maes I. (2004) 'On the Origins of the Franco German EMU Controversies,' *European Journal of Law and Economics* 17(1): 21-39
- Maes I. (2006) 'The Ascent of the European Commission as an Actor in the Monetary Integration Process in the 1960s,' *Scottish Journal of Political Economy* 53(2): 222-241
- Maes, I. (2007) *Half a Century of European Financial Integration: from the Rome Treaty to the 21st Century*, Brussels: Mercatorfonds
- Maes, I. (2013) 'Tommaso Padoa-Schioppa: Macroeconomic and Monetary Thought, and Policy-Making at the European Commission,' *History of Economic Thought and Policy* 2: 21-43
- Maes I. with I. Pasotti (2021) *Robert Triffin. A Life*, Oxford: Oxford University Press
- Maes I. and S. Péters (2020) 'Niels Thygesen: An Academic in the Making of European Monetary Union,' *History of Economic Thought and Policy* 1/2020
- Maes I. and S. Péters (2021), 'Interview of Jacques de Larosière: In search of a better world financial order,' *History of Economic Thought and Policy* 2/2021
- Magnifico, G. (1972) 'European Monetary Unification for Balanced Growth: A New Approach,' in G. Magnifico *European Monetary Unification*, London: Macmillan
- Masini F. (2016) 'Tommaso Padoa-Schioppa: EMU as the Anchor Stone for Building a Federal Europe,' in K. Dyson and I. Maes (eds) *Architects of the Euro. Intellectuals in the Making of European Monetary Union*, Oxford University Press

- Mortensen, J. (1990) *Federalism vs. Co ordination. Macroeconomic Policy in the European Community*, Brussels: CEPS
- Mourlon-Druol E. (2012) *A Europe Made of Money. The Emergence of the European Monetary System*, Cornell University Press, Ithaca
- Musgrave R. and P. Musgrave (1973) *Public finance in theory and practice*, McGraw-Hill
- Neumann, M. (1972) 'Konstanzer Seminar on Monetary Theory and Monetary Policy', *Kredit und Kapital*, Beihefte, 10-30
- OECD (1968) *Fiscal Policy for a Balanced Economy*, Organisation for Economic Co-operation and Development
- Padoa Schioppa, T. (1987) *Efficiency, Stability, Equity*, Oxford University Press
- Padoa-Schioppa T. (1994) *The Road to Monetary Union in Europe*, Oxford: Clarendon Press
- Pöhl K.-O. (1988) 'The Further Development of the European Monetary System', *Collection of Papers. Committee for the Study of Economic and Monetary Union*, Luxembourg
- Samuelson P. and R. Solow (1960) 'Analytical aspects of Anti-inflation policy', *American Economic Review* 50(2): 177-94
- Schönfelder, W. and E. Thiel (1996) *Ein Markt - Eine Währung*, Baden-Baden: Nomos
- Schumpeter, J. A. (1954) *History of Economic Analysis*, New York: Oxford University Press
- Tsoukalis, L. (1977) *The Politics and Economics of European Monetary Integration*, London: Allen & Unwin
- Véron, N. (2015) *Europe's Radical Banking Union*, Essays and Lecture Series, Bruegel
- Werner, P. (1991) *Itinéraires Luxembourgeois et Européens*, Luxembourg: Editions Saint-Paul



**Ivo Maes is a Visiting fellow at Bruegel and a Professor and Robert Triffin Chair at the Université catholique de Louvain. He has been a visiting professor at Duke University (USA), the Université de Paris-Sorbonne and the Università Roma Tre. He retired as a Senior Advisor in the Economics and Research Department of the National Bank of Belgium in 2021. From May 2015 to June 2018, he was President of the Council of the European Society for the History of Economic Thought.**

© Bruegel 2024. All rights reserved. Short sections, not to exceed two paragraphs, may be quoted in the original language without explicit permission provided that the source is acknowledged. Opinions expressed in this publication are those of the author(s) alone.

Bruegel, Rue de la Charité 33,  
B-1210 Brussels  
(+32) 2 227 4210  
info@bruegel.org  
www.bruegel.org