



Chair:

stock of paper submitted

- went to Pöhl on possible
- Thy on European central bank
- Godeaux EMS
- de Larosière suggestion on a Fund

recalls points of the last meeting

- Jeens → political feasibility, important
- Prinkey → too much emphasis has been placed on debt
- Boyer → steps by steps
- Hoffmeyer →
- Thygesen → employment, ECU + debt

note:

- bocker EU before or after, as go hand in hand with the
- Godeaux → independence of central bank
- de L → Gov. should be more involved from the outset

- Rebio + Mariani → no rigid timetable
- Ciampi → necessary to define final objectives

Stemantaker that we are not in the upstart, still in process of developing with perspective

what problems might be raised by ec-union

embarked on a dynamic process, while P, Single Act, next meeting → de L; Thygesen paper

in Dec. → steps

in Jan → draft passages of discussion parts

today → what EU imply, the problem it raises
look at mechanisms;

on problems → assume parameters: fixed ex. rates
implying higher coordination of policies

concerning assumption → EMU experience

question → whether ex. r. are an appropriate
adjustment mechanism;

but so far assumed that ex. r. are fixed;

with ex. r. fixed 3 questions

- convergence of economies, yes, but on the
basis of whose model; not calling into
question of price stability;

different models are necessary →
these have to

- accompanying & how far policies are needed; ^{to achieve convergence}
monetarist & monetarist concepts; the role
of GERM. leads a different view → within a
fixed structure (rather than macroeconomic policies in
the states; others want to shift it to the C;
what is the required minimum? what should

be the minimum size of C budget, what size of transfer; but also question → accompanying policies are such as more financial transfer policies but technical assistance & partnerships in C, regions! go beyond financial transfer, need less money

- many theoreticians only see the handicaps of less favoured regions; can we not see the advantages of these regions; look at production costs & labour mobility; e.g. PT in Spain has been considerable

EU and ec. policies;

cannot not really be based on national policies; but independence will impose an policy; there have to work on programme adjustment; members to take compliance; a badly working out at appropriate guidelines; budgetary policy important, but not the only factor; taxation problems well known, we are here on a pre-crisis track

what are the parameters → question to examine but don't neglect the large market, prospects result in adjustment of national markets & convergence (the this can be a chess competition policy, not policy) → structure of taxation of social contribution; extremely complex; here focus on adjustment of structure; less on content & income; should we examine these issues

→ Estimation of national budget objectives;
Can they be achieved & how can they be financed; size
of C budget &

→ Impact of production costs; not
only wages (direct & indirect cost), also ext. solar inputs

To simplify things → don't underestimate effects of large market;
then can make an budget subjects
& production costs
then institutional role of ECU

↓
Institution X to make ECU work
" Y " " " " "

→ The volume of European system of central banks

might arise out of an independent Y;

X could become effective force; shall
be effective then? X character is like an
ec. politician; more power than ECU

~~ca~~

Start in money with problems, policy, inst.

problems \rightarrow of EMU; working assumption \rightarrow fixed ex. r.

what consequences consequences?

Confidence \rightarrow ^{on what basis} behaviour of private markets can take care of adjustment problems;

\rightarrow experience with EMS indicates it cannot be supplanted into system of fixed ex. rates; not a matter of degree but kind;

fixed exp. \rightarrow consistent a policy by limiting nominal ex. r. movements \rightarrow but despite that, diff. rate & wage rates were different

\downarrow
that put system with fixed rates

what acts as a containing force in EMU today, reluctance to change position; political but with clear consequences, which countries want to avoid, take measures in man., fiscal & soc. policies

in a system without EMS mechanism, you don't have flexibility, countries work in a different way; but gaps becomes inevitable; a country will feel structural changes, monetary, unemployment \rightarrow that is a major consequence but

market participants will react differently; adjustment pressure needs to be more slowly, adjustment pressure has to be borne more by private market participants than gov (as fear of ex. r.)
 how private market participants will respond or not depends on the end year, but a long period of adjustment (EMU requires it)



- system of transfer + local adjustment policies will (on a fairly large scale will have to be built in) needed;

imbalances not only result of local market participants (early labor case) but ^{also} ext. shocks with changes in comp. positions (from newly ind. countries); they is difficult to ~~not~~ deal with.

- Thus unavoidable → transfer mechanism, on the same sort of the pressure over time) in order to force adjustment behavior

a different problem → budget deficits of member countries, some degree of harmonization desirable;

also → not for ext. purposes we need a policy mix, because they can create a crowding out;

if countries cannot ^{not} handle adjustment of an engine countries by large deficit, we're in trouble with crowding out of private investment; who should be allowed the

much thought of harmonisation procedures, but
what does it mean to harmonise budget balances?

can you do it as a negotiated process; for
macro ec. policy you need a central budget, much
easier than negotiation

Thygesen → priority of ex. r. needs
• replacement a adjustment mechanism

- minimal flexibility of wages
+ prices (some what unlikely to
work)

- factor mobility (also unlikely to
function on major scale, except
for capital)

- transfers (could not be imposed,
minimum agreement of principles)

thus alternatives not very promising possibilities;
thus left with adjustment problems which may
not accept possible advantages of EMU

perhaps ~~more~~ better to ask what ex. r.
is expected to perform as back → free:

- 1) allow for differences in sensitivity to ex. r. shocks
(oil), as EMU likely without flex. ex. r.
but asymmetrical transfer paid to difference in
inflation schemes and production structure

2) allow for differences in purchasing power parity
currency movements

ppp difficulty affected? less clear now than
earlier, but capital flows this asymmetry
is to become less

3) difference in inflation performance

substantial narrowing, standard of low inflation in 12
1) other mobile target for other countries within block

4) countries with large public sector deficits
need an inflation tax, otherwise real
i' to high

the volatility given from seigniorage are small,
power to manipulate dollar not really available

5) difference in l-t elasticity of goods to
income

empirical studies do not agree that ex-v.
are suitable for adjusting in the field;
non-price factors are needed.

role of ex-v. is smaller + shrinking, becomes
much more modest, can without fiscal
coordination, fixed ex. rates are possible

also unrealistic

fiscal coordination unnecessary, if discipline on market works;

structural imbalance in countries + within a union not the result of fixed ex. r.

market mechanism not too weak? No umbrella for central bank borrowing; no other (wants) parameter left; then sufficient;

Can → 6th possible function? Prudential when nominal wage adjustment rigid, then a shock due to way of public pressure on downward adjustment of real wages? Is that not an important function?

They → true but there are other mechanisms, the ex. r. demand will affect wages

Laam → not affected concerned by They, market discipline as fiscal practice then's case

in transition from market arrangement to EMU, the ex. r. condition no longer way a stable set of policies

market discipline for export

EMU in respect → ex. r. + long contract would B, F, have been able to operate things have avoid in policy? True was no lack of financing;

little leeway in budget, margin for political action is small, thus in a C- with coordination, the margin is small!

and margin is politically needed;

in budget deficit a serious problem.

Oliver → why do we believe that with fixed ex. rate we assume that existence of surplus & deficit disappears?

KL → fixed rate, don't take away constraints? No; there is an additional constraint, no adjustment;

Law → true; fixed rate don't reduce constraints; but the desirable result of policies are not met, even the monetary discipline;

Hoffmeyer → discipline & constraints must be provided; with that you have to discipline politicians & market participants

IM would probably not discipline politicians; there is no discipline within the country; invisible for local communities; there is no type of discipline; lack of Canadian experience; they can balance abroad (use of their rights)

input of difficult option on how early it is to discipline politicians; and there is no other

system of better politicians to prevent deficit; a big battle with local community in UK

- can you discipline market apart; if you can't what happens then? In fact, propensity to inflate differs in Europe; not possible in case of UK to impact the common discipline;

can you tell those markets that ex. r. are irrevocably fixed;

↓ put it in the Constitution, what

does it mean?

↓ will market really then respect the irrevocable ex. r.

if they don't you come to adjustment problems; capital can move freely, but labour? experience the market can be very small, (despite the language barriers) despite large differences of money wage

if adjustment more difficult, you have to do something in the → transfer → but this is not a market mechanism + interferes with market mechanism; how do we justify that; how do you make decisions on that?

Thus, Mkt cannot be expected to exert
such strong discipline

Barro → if fixed → eventually fixed, you need a
political union (as Pöhl says)

if fixed, what would be the new
constraint? By union in institution A,
i.e. Finance Ministers discuss diff. budgetary
positions,

would imbalances with fixed ex. r. come
through more slowly, what would be the
signals?

de C → in F, the local authorities (elected) have
never produced budget deficit politics; thus
not the same in all countries;

Why not in F? there is a tradition
of a wary eye of the state kept on the budget
of local authorities, which in a centralised state
have little power;

if centralism, slow discipline and at
end perhaps worse, but to be avoided, thus →
an new local authority discipline to balance the
books has to be imposed;
thus if this, the broader rules of discipline
to be agreed on local (member govts)

Bayes → irreversibly fixed rates taken literally,
 no ex-ante adjustment, can only work
 if adjustment through of convergence;
 if not;
 imbalances in form of income, employment
 man. capital

→ unless a very feasible management of markets +
 high growth & efficiency and differences it is inconceivable
 to ~~find~~ think that this would work

should we not concentrate on transition
 to flexible stage → should we not look at
 left EU as stage as way to ERM

have to look at practical problems within
 shorter time frame, ~~an attempt at fixed ex. rate~~
 better to have a more flexible system, don't
 concentrate on fixed rate, but it only be distant
 future

Cham → have to know what ECU + EMU means

Leigh-Pemberton → security assumption of fixed rates,
 then big transfer payments; at present
 when structure is the system, the effects is felt by the
 country itself (where it is a means to adjust long run
 wage & price)

with regional transfers, by countries, the
employment country if made more cohesive;

the demonstration effect then → the tax
paying in other countries might question that
policy.

if moved to fixed ex. r., workers might
agree that their ~~taxes~~ wages should be more
- be the highest level in Europe (car workers)

↓
this can be observed in UK, where there
is pressure for universal rules geared towards the
highest level

↓ to wage tracking
distinction in the way cannot be serious!

• Germany → wages have effect on ex. markets

experience great believer in government
discipline, if ex. r. are irreversibly fixed;
positive effect on markets + governments;
see EMU experience in IT.

• pro-competitiveness → full autonomy for countries
policy, ~~from~~ not to prevent public sector deficits!

having elected an explicit liberalization, does
that not imply further steps regarding markets +
budgetary policy?

full implementation of 1992 terms, worried, if not some progress in harmonization of monetary & budgetary policy.

if common, will we be able to go through such 1992 commitments?

on transfers -> have to be thought out in context of Europe; have to have judgment on transfer policy in the light of what has happened in the

- idea; (policy on transfer encourage professionalization in law making the funds; education for regions receiving the funds

free markets must be coordinated with government intervention.

- Pöhl -> perhaps not a good idea to start with abolition of fixed rate, rather perhaps to change conditions for abolition etc.

- need common monetary policy
- no large internal differences (if system is credible)

discipline of the system on budgetary policy a function of the one transfer policy -> if transfer policy very tight, it ~~will~~ have some real effect on real incomes

thus consequences can only be minimized, if we do from the point of monetary policy perspective in the

if conservative monetary policy, you need
a high degree of fiscal harmonization, because
countries with conservative harmonization need not put
pressure on permissive harmonization

↓
as a result where high monetary
policy does not allow Germany to
borrow excessively

perhaps in next meeting

what we can do in monetary policy &
fiscal policy leading us to the system of M & ECU

Challenges → extent of discipline might be
made, make to achieve objectives,
- depends on structural characteristics of
labor markets
- but also degree & type of gov. interventions;
in declining areas the gov. do not take
appropriate measures to change structures, usually
maintain existing things, though not viable structures

- This is the case in all countries, also at
C-level should help to structure; appropriate

less
developed
countries

→ policy is to try to exploit their advantages
from single market

- countries with large fiscal imbalances, will
face higher costs of financing their debts,
that may increase the budget deficit;

difficult to discipline politicians through higher cost of borrowing.

This need at C level action to mitigate imbalances, to help the weak areas; but that is not enough → also need a Centre for ec. policy to oversee national fiscal policies

even if we assume that market forces work, what are their effects? Unwarranted away different countries; neg. employment effects on structurally weak countries;

these effects may be much worse than wage coordination at highest level; danger of expectation of increasing ~~wages~~ wages after completion of market is great.

main thing → create this soft stage appropriate conditions (as Pöhl suggested).

Mitterberg → but it part of an ec. union;

fixed ex. r = one currency; → one monetary policy;

apart from market mechanism, more needed?

Yes; not a fully centralized budgetary power, there can be some borrowing in individual countries; but binding central rules might be needed;

at present, tradition of weekly strong budgetary
policies + programs

have to define the system + the rules
for budgetary policies:

↓
e.g. balanced current expenditures
freedom on investment exp.

also the system of indicators of standards in
Austria

Question of how rules can be enforced
centrally.

Doyle → fixed means fixed in the definition;
put the card before the horse; panel agreement
Council table an outcome of that;

↓
known from mechanical guidelines → my line
a clear transfer of power ^{from periphery} to the centre

the framework of EC + DM, 2 separate
comparisons; can we do what came first? can we do
from about interdependent market forces (there
probably for different structures being comparable
but that is not the only details part; how
to get to a more clear structure? Experience with
transfer in EEC has not to come to cope with this
problem → on some differences have to be defined;

EU + DM must join the same prospects for
income + employment in the periphery of
as in the centre

Regional problems are the result of fixed ex. r.
and notably number of breaking up currency areas.
No → look at F, where cities have a few
hundred years at par with Paris.....

• don not believe that locking of ex. r. solves
many problems → certainly income + employment problems

on transfers → ~~set~~ solve reduction of real incomes
or mitigate it;

but real wages movement is an
adjustment mechanism → right in theory, but Pol.
has a long history of lower real wages without the
inflow of capital

• transfers by themselves don't meet the problem;
the main means at their disposal solve the problem, labour
& form of subsidies don't solve problem; these
transfers which create conditions which allow that
regions (by means of infrastructure, communication,
education) to catch up with the rest

wages may in fact put labour out, makes
problems worse

Pöhl → desirable to have less wage differentiation as final objective? Not a desirable objective; in G it is in the Constitution; ~~an ex. v.~~ would help to with harmonized wage settlement
 must no wage differentiation;
 lower wages in less developed areas are important, should not be abolished;

market forces must be allowed to do the job; too much of regional transfers would impede the working of the market forces;

Doyle → agrees, but point is a political issue → lower wages may be economically acceptable, but not politically acceptable ~~if the wages are too~~ to have migration for reason of wage differences;
 point → lower wages have not proved to attract investment;

Boyer → ^{the point was} ~~the~~ differences in wage may not be large enough to generate the necessary growth; wage differences will not offset differences in productivity, but that does not generate enough growth of productivity → for this to be the case wages are not sufficiently differentiated

on transfer → 2 types of problems:
 a) transfer in C may not be as large as inter-national transfer policies; that may not generate healthy growth

the
for
is
the
more
+
have

Amount of banks that would be
agreed; volume would have to be enormous,
and acceptable to taxpayers

Coche → for it to st keep unbalanced character
in Belgian economy despite our currency;
for the ex. r. mechanism to wash away
unions away from inflation;

fixed ex. r. by itself not enough to discipline
producers; but since 1992 much progress;
imposed by the release of the ^{incentives} effectiveness
of the ex. r. rates;

on p 3 first time?

this is the heart of the matter, one currency
on policy; will discuss this

Motive

The current response with a high degree
of coord. of other policies, esp. fiscal policies &
taxation;

↳ danger of manipulating taxes as instrument of competition

without harmonization, it is likely that progress on
monetary policy, attack on independence of monetary
distribution;

some progress in macro-ec. policy; our countries
might be modelled policies → macro ec. policies

taking into account the situation of each country, that would avoid conflicts

In fiscal p. e.g. that the countries with a more comfortable position can follow a more liberal policy and vice versa

cannot rely too much on market mechanism; too many structural differences, complementary measures & mechanisms needed; financial support to finance infra structure & education;

Chair → 3 areas identified

- flexible ex. r. adjustment → how can it be balanced among the states? They released his views, & consequences

- fixed ex. r., a common & strong monetary policy & strict framework for budgetary policy, and with labour & capital moving freely, we have to look at changes of distribution in the final scheme (what does of maintenance for at national level)

- different situations between member states & within the states, what factors would allow us to make an balance variable; not everything will be made equal; think of structural problems, member states will look at pros & cons; Europe will be more diversified;

in pushing the measures

practical constraints → if nothing happens, does liberalisation happen if nothing is seen moving? If no, we have to say what should happen!

looking ahead of ec financial and social movement; in 1992

the single market will not happen with other changes

AFTER NOON

Chair → think of the advantages of fixed ex. rates change not any more equal effect; the work & objectives, which seem to also change pressure.

- fixed rates needs strong ec policies and maybe at least a framework for budgetary policies; gradual pressure, perhaps along the line of Mitterrand

- question of imbalances between states; difficult time; not only question of flexibility of production cost

Can/Policy → fixity of ex. r. should impose constraints on budgetary policy (cannot be a union by monetary policy alone);

How can we reach the anchored mark
2 cases

- centrally agreed, binding constraints on budget policies as % of GDP, not enforceable, but have to make clear techniques and of enforcing it (that is the objective)

- market mechanisms → to what extent can we expect that mechanisms impose constraints on budgetary policies → through markets? by changing the lending?

Should technical papers on historical experience to show how much constraints were or not worked

Can →

US → NY case

EC countries → Germany, Italy to see how it has worked;

Can has double, weak "rule" effect, then change to lending!

Stoffmeyer: transfers → structural problems between countries if a country gets out of line under fixed rules, then this might necessitate transfers, but that are different transfers;

second part → discipline on fiscal policy;

→ a country with public sector surplus in S should have a budget deficit

- if balance on budget, private sector has no effect on policy (Bibik position on Berlin);

Legal - Proposals: explains (Lansan position);

budgetary constraint by treaty as budgetary constraint? Does that include (specification on what is a reasonable level?)

Can → No

right, there must be a strengthening power!

UK, CN, etc

on fed. system there is a chamber for budgetary policy for the regional authorities; fed. authorities has considerable central power to effect a limit regional positions; but this is not the case in the C.

the experience, submitting reactions by local authorities

but some degree of lock-in, esp. in smaller countries;

but also be alert about overseas borrowing; the institutionally higher fiscal policy coord. needed than at present, with obligations and not voluntary

Recher: doubts, whether it makes sense to go beyond

have issues concerning budgetary policies, don't they too they, too far from reality. We don't know how things work out; impossible to reach real conclusions;

discussion has academic; can argue other ways;
we can have agreement on the need to coord.
budgetary policy, that is a sufficient basis
for discussing pretty soon what is to happen
now into the future!

Chair → will be practical, but when Europ. Council accepted
the White Paper perhaps bold;

- in context of construction of Europe
what decision taken, will soon be taken

- what ec. & m.u. can be; should not
goal governments but not lie to you.

- that is the first step that we can take;
whether additional steps open?

Andriessen → 2 things:

- a) regional imbalances, agrees with Hoffmeyer;
distinction between wishing imbalances
and those from divergent policies; difference
to do so they remain, in period,
but to have to distinguish also for political
reasons; ~~transfer of structural funds~~

have to take stock of what we are doing; perhaps not any economical what we do in

// paper → distinction between transfers and what is done in market state of present

an budgetary discipline → coord. is not necessarily binding; has to be structured to avoid conflicts which can be envisaged; trust in market forces → so that certain arrangements between member states needed; possibilities of manipulating markets should be kept in mind; should be clear

an optimal situation → C policy should be strong and be applied against particular interests

- Chair → in what framework would EU + EMU operate; regulatory → cannot rely on equalising function from market, cannot be pursued effect in 2 ways;
 - 2 ways to take this further
 - by breaking (like stabilization clause in Germany)
 - create institution X, → four open:
 - to be part of Commission
 - as have the Power then - could last 2 weeks to Brussels

what way? treaty perhaps too rigid, things
can fall apart; inst. & more adaptable, but
could collapse into powerlessness;

in this context of question of mechanisms
that make policies more transparent

de L → time of reference of groups → how to achieve them;
how to discuss what happens when fixed ex. r.;
cannot answer this; implies → one main policy!
* from 2 main things → have to show how
that one main policy can be achieved (as
at least any close coord.)



lead to question of treaty →

treaty could not fix the stages leading
to monetary union;

but could describe stages → I must be:

protection of human, common
independence

i) coordination of
policy toward main objectives

ii) when implement the markets

but not an actual draft treaty; more
from phase to phase with uncertainties;
must set out the principles

the must involve a certain parallelism
in budgetary policy; ← have to compare; esp. with
market structure; cannot take;

// act. requirements to describe growing constraints
 in budgetary field; Durieux, can
 but should not be too rigid;
 must be flexible, but framework
 must be there;
 like Franco-France in Africa;

must create a central source of power
 + discipline; not only left to the Commission,
 not left to Council of Ministers;
 treaty has to talk about a logical currency;
 must have a sketch of what all that
 means

must have an autonomous central bank, but
 only meaningful if constructed budgetary policy;
 all that might have to be decided clearly

Drinking → agrees with de Larosiere; with common
 monetary policy → have to set out the tasks,
 objectives + responsibilities of inst. by
 treaty to supersede national laws

→ concept of 2 speeds; can only be
 understood by Gov.; if under fixed ex. r.
 more emphasis on transfer + if there is
 a 2 tier approach, then have to point out
 the consequences for transfer mechanism as
 it works today;

Chair →

concept of 2 speeds has a preparation meaning outside; sometimes there; up to now we have had 2 speed mechanisms, but all wanted to have full part in ec. life of C; only provisions for transition;

it should not study in report the possibility of ^{some} certain not participating in ERM; only possibility of all participating in fundamental decision but if not all can go immediately all the way;

Not the point should it be!

need an institution that brings about an ex-ante coordination → make 1974 convergence decision

Hoffmeyer →

has a bible which includes whether you do certain certain policy instruments can be used administratively, or change the legal framework;

ask Hoffmeyer to go through the list and find it to be done

→ that shows whether we can make advances without a treaty or not

Pohl →

in D, any change in the process of decision making, on monetary policy, a change in law required;

or Art. 230 of Treaty required; the same → parliamentary approval required;

Pöhl → information + consultation in
institutions (Basle, G-7, Green - French
Council) not possible at once,

has to tell the Council, that clear
coordination needs legal changes

our future work: how to proceed:

3 parts:

negotiations
prepare
&
draft:

1) Description of final stage; what is
the final objective

- free int. market
- stable price, sufficient growth...
- relations with outside world; what
ex. v. policy → price stability, volume
ex. v. stability
- common objective of fiscal harmonization
- federal, decentralized system
- common monetary policy, also
desirable to have a common
European central bank system

2) How far have we developed in this
direction: have made a lot of progress;
high degree of market integration, esp. in EC;
progress in monetary system, stable ex. v.;
convergence in ec. policies + results

3) Concrete steps:

what is needed;
what we are aiming for → price stability, growth,
convergence of macro-e. policies; stability
agreement on budget,

structural policies, regional policies;
mechanisms for transfer of resources have to
be improved; budget not only an monetary
policy

budgetary policies → budgetary packages
certain criteria → limits on budget deficits
in relation to GDP, savings;

ex. rate mechanisms → EMS is still
incomplete; either complete it, or have 2 systems
liberalization; price decision important;
agrees that it should be implemented as
soon as possible;

an monetary policy → strengthening of
Committee of Gov.; but allocate, which the
heads of Gov. to have more power; but what
alternatives → thus where should it be done
(not in Monetary Committee)? FEEDM, not the
right body; Committee of Gov. the right body;
but that needs change in legislation, in D,
but also perhaps in other countries; the strengthening
is necessary if we want to have a new quality of
coordination → coming to common decisions;

de Larosière Open with Pöhl; but for very practical reasons
wishes to see the monetary plan
It is III; no reliable description of
final stage but should see the gradual
transition with emphasis on first stages

On institutional aspects → should there be an
institution?

in the monetary structure, we have to be clear
about the responsibilities

Chair: Last a different order of things; 2 before 1;
should show the sceptics of what has already been
achieved in the way

3 major elements by Canal; accompanied
by concrete steps; have social partners to
check independently

Boyer → on basis by Pöhl is satisfactory, should be
the basic approach: with respect to final stage;
key matters, national key, to what extent?
That goes too far?

Shouldn't we consider objective a final stage?
Some countries cannot transfer sovereignty; some
can but will have to make central banks more
independent; final stage should not be a
decision to reject everything; not everything should
be checked against the final stage

Chair: not overly rigid in the schedule,

work programme in the light of direction:

→ worried about how concept; if some countries
draw too much capital from others, Hoyerans

20 page document in Dec. as skeleton of report;

for Nov. → look at Pflü, hours of 2 papers;
Cocheaux paper, Thy paper

Comm → Thy paper → central bank as final stage,
or look at it in an
evolutionary way?

Chair → Distribution → parallel currency

today & needs:

- Ceylan's paper on ECU; after the skeleton stage

- Hoffmeyer's bible

expert → How do we assess budgets of central banks
member states, how do exp. + revenue regulated?

Stol → experience with

- paper on (convergence of) regional imbalances;
expert advice needed on this! a process, behind
policy rules accord; Chastang's national law Community experience

That body must exist in one authoritative ~~body~~
institutions; in the monetary sphere we need
authorities:

Chen → that could be put into an accompanying
letter

agrees on legal basis of Art. 235

• Ciampi → what Pöhl said, agree with it; the
actions consistent with what has been said;

agrees that report should start with final
stage for monetary policy + central bank;
the stage should be the central part!

should undertake checks the commitment that
budgetary policies have to accept; monetary
stability cannot be achieved without
monetary policy, fiscal p. + incomes
policy
↓
alone is not enough;

Finance Min. of each country, who presents
budget to national Parliaments, must have
accepted central, commitments agreed;

manage in respect on income policies to
the two sides of social partners; very important!

Budgetary policy → disagreement that Gov.
fulfill commitment of fiscal harmonization
in context of 92; very important
change of the will to fulfill the target

Coops
// Cini → understood the paper on EMU?
parallel situation, spontaneous developments,
perhaps with arrangements
ready in Dec.

• Doyle → discussion has shown a lot of common ground
on institutional things, but an agreement
to treaty change;
whole program in mind, fiscal & income
policy important, what is needed is the will,
monetary policy coordination has advanced, first step,
there is an institution,

not so clear on other policy area; so
need for new inst. but should try to enable
the existing institution to operate like Committee of
Gov. power to permit the type of sanctions given
during the
sanctions
mechanisms;
worry in monetary policy; not the same
members to coordinate fiscal policy unless they
can permit the institution which leaves them less
flexible;
in treaty!

That means progress requires freedom
// arrangements → closes the possibility for escape;
consequences of decision (in the treaty) will have
to be lower;
the

Chair → good question, let's look at this at the end; a country might refuse final stage but accept some steps;

Long - Pappas

Boyer → shall we not think through stage by stage; the validity of each stage

Ciampi - Pappas → whether a country ~~will~~ will not accept final EMU, or to speed up that something to be determined by the Committee? No!

Chair → of an idea in the first phase, are many cases that some countries might need more harmonization

Roll → if not all in EMU, progress only with some

Chair/Chair → on harmonization → in final stage: budgetary policy, we need a subtitle ~~stage~~ dealing in the Treaty, which specifies elements but that Gov. at least the table + discuss macro-ec. policy

on monetary policy → no coordination needed, but one monetary policy; in pre-negotiations; constitutional stage by stage; need a body to take study decisions

When do experts come from?

on imbalances → expert article of Commission
on how other countries have tackled
the problems ^{in money} (- experience
by ^(senior official) someone in Commission;

Hoffmeyer → could no each of participants produce
10 lines?

the Committee → not have European to conduct national
legislation, but what lesson we can draw from it;
what would be → some countries ^{can} have regional
powers as a result of ~~structural~~ EMU;
what needs

Chair → impossible to go in this direction, by putting numbers
on a paper which would make it difficult to get
agreement (4% of GDP for regional exp. ?); Rather
on how money is used, experience with EMU!

expert asked

- how much money
- what is the experience

Jones → in first chapter → technical advantages of final
stage; collective decision
may not necessarily increase welfare.

paper of the Chancellor of the Exchequer

Chair →

~~Poster~~ experience for Portugal trip!
not too much anticipation re Brussels!

de Larosiere →

paper on local budgets to be published;
what is the ^{scope of} deficit, of what are the
harmonising policies, what are the tax
provisions, copying;
if + questionnaire, national
services can answer that

Pohl →

all should prepare a note? in Annex, yet of
or come later to Kérench

~~Chair~~

Boyer →

look at what we want to derive from checks
of imbalances, some expert has to draw
lessons from members given by national authorities;

de Larosiere →

also look at int experience

Problems arising from the context of EMU, if any
in place and the implications for policies & institutional
arrangements

Problems except presence of fixed rates, i.e. the rules are irrevocably
fixed

a) adjustment problems

less favoured regions should also be taken to
account; look at production costs. (Gardner p 3)
appropriate policies should encourage the less favoured countries
to exploit their advantages (Chollet p 15)

question -> in what way can private markets take care
of adjustment problems. EMS experience cannot
be ~~repeated~~ applied in a system of fixed
ex. r.

Case p 5

not a matter of degree but of kind;

in EMS contracting force is the reluctance
to change parties; thereby change in
monetary, fiscal & income policies

need for adjustment
not only from
market participants
behaviour, but also
ex. shocks

without EMS mechanism, no fear of abolition;
contracts work in a different way -> int. exp
becomes inevitable and lack of competitiveness
will be felt in industrial structure, energy markets;
adjustment pressure works much more slowly,
with adjustment coming more from private market
participants than government policies

the L p 12 imbalances to be developed slowly, shifting,
and at that time

The need for the
change may have declined
because distribution of
inclusion shares + conversion
has reduced the difference
in utility to sub. stocks
that causes concern.

The fixity of ex. r. means the need for an alternative adjustment mechanism

Thy p 7

2 problems

(nominal wage + price flexibility; not likely)

(factor mobility; unlikely to work)

(transfer; can not be imposed; minimum agreement)

all are not providing substitutes; may outweigh the advantages of the

But \Rightarrow how much ex. r. ~~change~~ change is required? Perhaps less than thought

- to allow for differences in sensitivity to ex. r. shocks; function of industrial structure + production structure
- to allow for differences in sensitivity to third currency movements; not a comparison
- inflation performance
- budget deficits (not really to compare)
- (E) elasticity of trade to income

role of ex. r. flexibility + stability, less important, even without fiscal harmonization; fiscal coordination inadequate + unnecessary if market discipline works

\hookrightarrow Godeaux (p 11) impressed with this reasoning

Scepticism over this argument \rightarrow James, Lane (ex. r. adjustment by volume change in real wages)

(Lane \rightarrow fixed rates ~~do~~ do not remove competition but make them less visible and the immediate reaction does no longer work

But what would be the signals for emerging imbalances?

Chen p 11

de L (p 12) harmonization rules need to be imposed on budgetary behavior

Hoffmeyer \rightarrow higher cost of borrowing than not this explained politicians' behavior (p 16)

scepticism also Boyer (p 13) → fixed rates only if

state of convergence much advanced;
only if very flexible management of
exchange + in the event of high growth
the central bank

Frankfort position
Boyer p 13: ^{not} (conclude on
how much to remove step; perhaps
look at soft ECU, look at
practical problems, work within
flexible blue frame

Andriessen p 25: should whether central
to go beyond bank issues; too far from
ECU, from an immediate perspective
they

L-P → transfer bank experience from
ex-v. adjustment, demonstrated
effect, unacceptable to tax payers
in other countries

also with fixed rates pressure
for shipping wages with those
highest level

not so sceptical Ciampi (p 14), fixed rates will have positive
effects on markets + governments; precaution → (as Thy) → mechanism
for monetary policy and public sector to finance public sector deficits

Pöhl (p 15/16) fact: description of an budgetary policy a function
of the market policy, which if right, would
put pressure on monetary harmonization.

throughout probably inadequate, depends on structural characteristics of labour
market Chalvière p 16; need system + rules for budgetary policies
(Andriessen p 14);

were that market mechanism work probably determined by
belief that structures are similar (Boyer p 14), not the case;

Coolden p 21 fixed ex. rates within Belgium did not prevent large
imbalances from arising.

Moravia p 21 are cannot ship them with a high degree of coordination
of other policies; cannot rely on ^{horizontal} market mechanisms
too many structural differences
in the case of the negotiators

ECU are would work in an environment in which we cannot rely on
signal function from market (p 27) (Chair)

budgetary

- within a federal structure what is a minimum?
macro-policies implemented at subfederal? shift then to C level
what is minimum size of budget (Chair p 5)

- to enable macro-policy, avoid crowding out (Chair p 6)

- in France there is a habit that the central authorities
keep an eye on the budget of local authorities; this
as / local authorities discipline has to be imposed, rules
governing how local authorities' budget behaviour are needed;
sh C p 12

- need centre for ec. policy to oversee national policies
(Cholbiac p 17)

- not a fully centralised budgeting policy needed; there can
be some imbalances for individual countries, but binding rules
could be needed (Preston p 17); for this the system & the
rules have to be improved e.g. balance of payments; how
can rules be enforced centrally (p 18)

- macro policies should try to be secret of variations in exchange
rates (Mansueto p 22)

- what degree of centralisation in fiscal shape, what room for
manoeuvre at national level (Chair p 22)

central government be reached by discussion on distribution of
funds for budgeting policies needed (Chair p 23)

budgeting

policy of ex. r. cannot be revised by monetary policy;
how can authorities work? 2 courses: - mutually agreed
binding constraints, perhaps limits of deficits or % of GDP;
- market mechanisms;
through markets, by changing eff. of taxes? (Lam p 24)

ambitious limits ^{or by} ~~the~~ not always give a reasonable level;
there must then be discretion (Lyle Proposals p 25); in
federal system such discretion exists, but then central budget
Lyle; not in C; also some ^{esp.} abstract v for smaller countries
needed. Also limits on overseas borrowing; these obligations
needed as framework for budgeting policies.

coordination of budgeting policies has to be binding and to avoid
conflicts which can be managed (Andriessen p 22)

a framework for budgeting policies must exist; but not too
rigid, ~~and~~ flexibility required (Lyle p 29)

Politics:

not willing to hand over national policies, but
negotiation will negotiate a policy choice; progressive
negotiation on the basis of a minimum ex-ante
coordination; heads guidelines

Chair

31

large market will lead to convergence + integration
of national markets (comp. policy, ext. policy

social dimensions, adjustment of structures

budgetary policies → can national budget deficits persist,
how can they be financed; size of C budget

Chair
p 6

with long period of adjustment through market forces,
local adjustment policies + financial transfer needed;

budget policies need some degree of harmonisation;
unbalanced budgets create problems for policy mix
but also crowding out

Hoffmeyer
p 11

transfer is not a market mechanism, how can be
with market mechanisms; how do we make decisions
on ~~market~~ transfers

transfers

- not only payments, but also quality + terms (technical assistance, on the basis of partnerships) Chavre p 3
- transfers mitigate ex. differences but in doing so they interfere with market mechanisms (Hoffmeyer p 10)
- transfers, taking the place of adjustment (the effects of what we felt by the currency constraint), make the recipient country wealthier, which has a demand-side effect and helps in a currency market function that policy. (L-P, p 14)
- transfers can be strengthened in Europe, policy to be judged on light of present experience what was good (planned professionalisation, education to regions) Cramer p 15
- government interventions to deal with regional disparities do not change but rather maintain unstable structure p 16 ¹⁷ Stabilität
- experience with transfers show that it has not helped to make structures more even; transfers help to mitigate reduction in real wages, but cannot deal with by themselves to not help to bring about structural adjustment (Doyle p 18), transfers don't solve the problem of long term or multiple income disparities, but should be directed at infrastructure, communication, education.
- too much reliance on transfer payments to solve wages is not helpful; would impede the working of the market mechanism (Pöhl p 20)
- wage differences should not affect productivity differences (Boyer p 20)

Transfers

two types of problems:

transfers in C may not be as large as inter-national transfers;

transfers would have to be very large, unacceptable to tax payers (Boyer p 20/21)

the transfer problem is more difficult than incentives & budgetary harmonization

transfers to deal with a country getting out of line? difficult task of transfers from these structural & structural differences! (Choffray p 24)

distinction between imbalances from policies and structures, also most difficult during initial period especially, also for political reasons; (Andriessen p 26)

Institutions

It needed to make the work, make sense out of an unorganized &

It creates extra on ec. policies (Chap p 4)

how to organize the national budget policies.

- can only be a negotiated process (Chap p 7); for macro policy need a central budget, must have

Chap 27 within EU - we cannot not only an market system, need additional ~~referrals~~ building stones: 2 possibilities

- Excesses (like stability pact in Germany)
- create a common money market (which law is open: behind framework of Commission, or have national budgets Prime Ministers meet frequently in Brussels)

breaks two aspects, ~~can~~ could fall apart; redistribution & some policyholder but could fall into powerlessness

fixed ex. v. implicitly are monetary policy; how can that be achieved? leads to question of treaty

- but could not fix on tracks
- they leading to all;
- but ~~cannot~~ ^{cannot} create structure stages
- (such as (problem of access, common instruments
- coordination of monetary policy towards monetary growth
- intervention in market

tracks should set out the principle, under four phases to phase with monetary (Chap p 24), central involve certain revolution

central source of power & discipline must be created; not only left to Commission or Council; treaty must ~~have~~ replace the capital committee, sketch out what all that means (Chap 28)

must have an autonomous central bank; but only meaningful if coordinated budgeting policy (Chap 28)

pro, liberalism

with common member policies have to set out
the task, objectives & limitations of distribution by
a binding hypothesis method law (Duisenberg p 28)

concept of 2 speeds

if more emphasis on transfer than
have to point out consequences for transfer
transfer mechanisms (Duisenberg p 30)
report should not discuss & speed but
discuss the possibility of all participants
having ^{unhindered} discussion although not all
may be able to go all the way. (Chair p 30)

any change in common in process of decision making on
member policy requires a change in law or use of Art. 230
in each case parliamentary approval required (Voll p 30)
as it is the Convention possible