INSTITUTE OF ECONOMICS
UNIVERSITY OF COPENHAGEN
STUDIESTRÆDE 6
DK-1455 COPENHAGEN K., DENMARK
TEL. 45 1 91 21 66

21st March 1989.

Dott. Tommaso Padoa-Schioppa
TELEFAX 009-396-47923514

Dr. Günther Baer
TELEFAX 009-49-61-238507

Dear Tommaso and Günther,

Please find enclosed a copy of my letter to the President. I am not sending the three pages of amendments to the Annex, since you already have them.

Best regards

Niels Thygesen

INSTITUTE OF ECONOMICS
UNIVERSITY OF COPENHAGEN
STUDIESTRÆDE 6
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TELEX XXXXXX 45 1 91 21 66

21st March 1989.

Monsieur Jacques Delors
President
Commission of the European Communities
200, rue de la Loi
B-1049 Bruxelles
Belgien.

Dear President,

At the end of our meeting on March 14 you asked members of your Committee to submit any amendments to the March 2 draft report to the rapporteurs within a week to enable them to produce a new draft by the end of the month. Though Governor Ciampi's letter of March 20 may already have served that purpose, I would like to make it clear that I wish to maintain my amendment to para. 69 (on the monetary aspects of stage two), submitted in my letter of March 9 to you with a copy to our colleagues. We did not in our last meeting get that far in the text of Part III, so I would find it natural if the rapporteurs retained the text of their earlier draft to await the discussion in April, while retaining my proposal as an amendment.

In both versions of para. 69 (and in a few other places in Part III) there is a reference to the Annex circulated by the rapporteurs on March 9. I believe this Annex is a useful and concise summary of the main proposals submitted to the Committee, though not all members appear to appreciate this, in my view necessary, effort. Since the Annex in its present version refers almost exclusively to stage two, its status in relation to our report should be settled in our discussion of para. 69 (or its equivalent) at the next meeting. It would not, in my view, be a satisfactory alternative envisage publication of several contributed papers under individual names and even, as Governor Hoffmeyer suggests, "in other places". A complete abdication from specificity, even for illustrative purposes, as regards the operational content of monetary policy beyond the present framework of the EMS would be discrediting to our Committee and, in particular, to the central bank governors who could be expected to have a special responsibility for lending concreteness to our report. Rather than accepting the dislike of some members for the illustrative ideas presently in the Annex as sufficient grounds for rejecting an Annex altogether, my preferences would be that those members be encouraged to submit supplementary ideas for inclusion. I have approached President Pöhl in this spirit.

Prior to the last meeting I had prepared - and have left with the rapporteurs - an extension of the Annex to show how an operational framework for an integrated monetary policy might gradually be applied beyond stage two by developing a federal funds market in ecu, see the enclosed suggestions for paras. 28-34 of an extended Annex. I do not wish to complicate discussion of the basic ideas by trying to insist on such an extension, but I believe that para. 33 of my suggested amendments would serve a useful purpose even in an Annex confined to operational arrangements for stage two. The unfamiliarity of exercising monetary control through reserve requirements is more apparent than real.

I have taken the liberty of sending a copy of this letter to the rapporteurs.

Respectfully yours

Niels Thygesen