BANCA D'ITALIA

FILIALE
SERVIZIO SEGRETERIA PARTICOLARE

847

1989 M 2 10:44

SUPPORTO PER LA TRASMISSIONE/RICEZIONE DI FACSIMILE DI DOCUMENTI

MITTENTE: PADOA-SCHIOPPA

Numero di telefax 00396-4792 3544

NOTE URGENT CONFIDENTIAL

DESTINATARIO: GUNTER BAER
BRI

Numero di telefax

All'attenzione di

DOCUMENTO: N. pagine 6+1 n. protocollo (eventuale) del 2.3.89

Oggetto/descrizione

TRASMISSIONE: Data 2.3.89 richiedente [redacted] firma [redacted]

Si autorizza: La Direzione [redacted]

Trasmesso il alle ore n. sessione

L'Operatore

RICEZIONE: Ricevuto il alle ore n. sessione

L'Operatore V° La Direzione

CONSEGNA: ☐ Per ricevuta documento originale con «message confirmation report»
☐ Per ricevuta facsimile

firma data ora

New version of para 63

63. In the economic field the Council and the Commission [with some involvement of the European Parliament?] would reinforce their action along three lines.

Firstly, in the fields of the single market and competition policy the results attained through the implementation of the single market programme would be consolidated and, wherever need, completed.

Secondly, an evaluation of the implementation of the "Brussels package" would be made and a new programme of structural and regional actions would be adopted, and provided with enlarged resources for supporting the structural policies of the member states. Community investment programmes in research and infrastructure would be strengthened.

Thirdly, in the area of macroeconomic policy, the provisions set up in the first stage through the revision of the 1974 Decision would be further strengthened by the adoption of guidelines with qualified majority. Within this procedure the Community would:

- set a medium-term framework for key economic objectives with a follow-up procedure for monitoring performances and intervening when significant deviations occurred;
- set progressively more precise - although not yet binding - rules relating to the size of budget deficits and their financing;
- on the basis of its present representation (through the member states or the Commission) in the various fora for international policy coordination, the Community would take a more active role as a single entity in the economic and exchange rate field.

Insert

66. In the economic field the transition to this final stage would be marked by three developments.

Firstly, there would be a further strengthening of structural and regional policies of the Community. Instruments and resources would be adapted to the needs of the economic and monetary union.

Secondly, the rules and procedures of the Community in the macroeconomic and budgetary field would assume a binding character.

In particular,

-8-

equitable distribution of prosperity are therefore an indispensable complement to a single market. Indeed, the need to back up the removal of market barriers by a strengthening of common regional and structural policies was clearly recognised in the Brussels package of measures agreed in February 1988.

12. The success of the internal market programme thus hinges to a decisive extent on a much closer co-ordination of national economic policies, as well as on more effective Community policies. This implies that in essence a number of the steps towards economic and monetary union will already have to be taken in the course of establishing a single market in Europe. It also implies that serious consideration should be given to the limits of voluntary co-ordination. Policy decisions faced by national authorities in the economic as well as in the monetary field are subject to so many pressures and institutional constraints that even the best efforts to choose a course of action that is mindful of international repercussions and influences at times ~~is~~ bound to fail. By giving uncertain or contradictory signals to market participants and by generating divergent trends, a failure in co-operation would weaken the single market and create the danger of negative chain reactions. This is why an entirely voluntary nature of the procedures would be too fragile a foundation to build permanently on in the necessary increase in co-ordination.

are

12.bis

As will be explained in Part II of the Report, an economic and monetary union encompasses a common market for persons, goods, services and capital, a single currency area and a set of arrangements designed to ensure a coherent and effective economic management for the Community as a whole. In this sense economic and monetary union will add to the internal market programme two principal elements. Firstly, it will set up explicitly a policy framework which will replace the present ad hoc procedures for voluntary policy co-ordination by a system defining clearly the distribution of policy responsibilities exercised at the Community and the national levels, and thereby guarantee a consistent economic management. Secondly, it will create a single currency area through an irrevocable locking of exchange rates or the introduction of a single currency, and thereby enhance strongly the potential of the single market.

~~Although in many respects a natural sequence to the commitment to~~ create a market without internal frontiers, the move towards economic and

-22-

Aside from the system of binding rules governing the size and the financing of national budget deficits, decisions on the main components of public policy in such areas as internal and external security, justice, social security, education, and hence on the level and composition of government spending as well as many common measures would remain the preserve of member states even at the final stage of economic and monetary union. Only if the provision of major public goods constituting the bulk of public sector activity were to a large extent attributed to the Community level would the Community budget be significantly enlarged.

However, an economic and monetary union could only operate on the basis of mutually consistent and sound behaviour by governments, unions and other economic agents in all member countries. In particular, unco-ordinated and divergent national budgetary policies would not only undermine monetary stability, but would also generate imbalances in the real and financial sectors of the Community and render it impossible to pursue appropriate macro-economic policies for the Community as a whole. Similarly, strong divergences in wage levels not justified by different trends in productivity would produce economic tensions and pressures for monetary expansion.

To some extent market forces would exert a disciplinary influence because financial markets, consumers and investors would respond to differences in macro-economic developments in individual countries and regions, assess the budgetary and financial position of different countries, penalise deviations from commonly agreed fiscal guidelines or wage settlements, and thus would exert pressure for sounder policies. However, experience suggests that market perceptions do not necessarily provide strong and compelling signals and that access to a large capital market may for some time // facilitate the financing of economic imbalances. Rather than leading to a gradual adaptation of borrowing costs, market views about the creditworthiness of official borrowers tend to change abruptly and result in the closure of access to market financing. The constraints imposed by market forces might either be too slow and weak or too sudden and disruptive. This is why countries will have to accept that sharing a common market and a single currency area imposes policy constraints.

// even

In the general macro-economic field, an overall assessment of the short-term and medium-term economic developments of the Community should be

-34-

it would be essential that market participants become better acquainted with the ecu and that, as a result of a market-determined process, the use of the ecu in financial and commercial transactions would spread throughout the Community. As far as the official ecu was concerned, the Committee felt that, apart from increasing the operations in official ecus within the EMS and enlarging the group of third holders, the official ecu could possibly be employed as an instrument of monetary policy co-ordination at an advanced stage of integration. As far as the private ecu was concerned, a number of promotional measures could be envisaged which would encourage its use in private markets.

The Committee's conclusions and proposals regarding this important subject are to be found in several parts of the Report. They concern both the final phase and the intermediate stages of the economic and monetary union. For expositional convenience the conclusions are summarised here in four propositions.

49. Firstly, the Committee was of the opinion that the ecu should develop into the future currency of the Community. Although a monetary union does not necessarily imply a single currency, [redacted] economic, political and psychological reasons suggest that a single currency would be a natural and desirable feature of a monetary union. A declaration that the ecu should develop into the future currency of the Community is desirable. It would assure private agents that there would be no discontinuity between the present ecu and the single currency of the union and that ecu obligations would be payable at face value in ecu if the transition to the single currency had been made at the time of the maturity of the contract.

50. Secondly, the Committee considered the possibility of adopting a parallel currency strategy as a way to ~~force~~ the pace of the monetary union process. According to this approach the definition of the ecu as a basket of currencies would be abandoned at an early stage and the new fully-fledged currency, called ecu, would be created autonomously and issued in addition to the existing Community currencies. The new ecu would be a parallel currency in the sense that it circulated alongside national currencies and competed with them. The proponents of this strategy ~~maintain~~ that the gradual crowding-out of national currencies by the ecu would allow to circumvent the institutional and economic difficulties of establishing a

accelerate

expect

on a Treaty, as well as a set of concrete measures aimed at effectively enhancing policy co-operation and co-ordination.

55. The second stage could begin when the Treaty has come into force. This would involve the construction of the institutional framework of the economic and monetary union and, where envisaged, a gradual transfer of operational functions to the Community institutions. This stage ~~would be~~ as described below, is conceived as a period of transition to the final stage and thus ~~be~~ is characterised primarily by a training process leading to a collective decision-making, without, however, yet abandoning the ultimate responsibility for policy decisions at the national level.

If stage two were conceived as a situation in which the Community had to stay for a long time or if it were enacted without a clear understanding to subsequently move to the complete union, its provisions would have to be designed in a different way.

56. The final stage would commence with the move to irrevocably locked exchange rate and the attribution of those monetary and economic competences to Community institutions that have been described in Part II of the Report. In the course of the final stage the national currencies would eventually be replaced by the ECU as the Community's sole currency.

ok

- 47 -

7. The principal steps in stage three

Insert

A

65. In the institutional field there would be the full attribution of competences to Community institutions, as foreseen in the Treaty.

[illegible] the Council of Ministers and the Commission (in co-operation with the European Parliament) would have the authority to take directly enforceable decisions, i.e.:

- to impose constraints on national budgets to the extent to which this is necessary to prevent imbalances that may threaten monetary stability;
- to make discretionary changes (through a procedure to be defined) in Community resources to supplement structural transfers to Member States or to influence the overall policy stance in the Community;
- to propose discretionary changes (through a procedure to be defined) in the level of harmonised taxation rates;
- to apply some form of conditionality to existing Community structural policies and to Community loans (as a substitute for the present medium-term loans facility);

[illegible]

Thirdly, the Community would assume its full role in the process of international policy cooperation and a new representation would be adopted to this end,

[illegible]

67. In the monetary field the irrevocable locking of exchange rates would come into effect and the ESCB would fully [illegible] its responsibilities as foreseen in the Treaty and described in Part II. In particular:

assuming

transition to a single monetary policy would be made, with the

- concurrent with the announcement of irrevocable fixing of parities between the Community currencies, the [illegible] formulation and implementation of monetary policy in the Community would be ~~attributed to the ESCB Council~~

entirely conducted by the ESCB, with the Council and Board exerting all their statutory functions;

- [illegible] exchange market interventions in third currencies would be made entirely under the responsibility of the ESCB Council in accordance with Community exchange rate policy; the execution of interventions ~~would be entrusted to [one or ?] national central bank~~;

- technical and regulatory work would be done to prepare the transition to the ECU as single currency of the Community.

The final transition to the ECU as single currency would take place during this final stage.