

3rd. meeting of DeLong Committee

Chair → - in future a 13.30

- thank Gov. LP for his letter

↓

and by your error,

note was not summoned, recorder of the meeting.

- thank Hoffmeyer; circulated revision table;

- thank Dickinson for his paper

wants to discuss the first stage; have discussed final stage,
for me → > Pohl principles

ab. Gov. meeting, encouraged about speaking up the completion

1) ask Cooleman for lesson for future from works of EDS

first stage in the table without ^{be able to} strengthening Committee of Gov.
must be given under pressure, to give the other recommendations;
otherwise in i

X Cooleman → what can next stage for future →
see last page

- after a new Board of ERM purchase
that difficult to believe and when appears
Pohl secret, even can give out of the
problem for a number of years

on multilateral steps, not a Euro. A. final; not
given up the way EMU; ^{remains visible but to be} _{reformed}
reformed; aim of ^{reformed} _{reformed} of present very effect

Content of the text:

text - Barth-Dybing agreement;

as multilateral steps

1) ex-ante coordination

2) pre-coordinated arrangements; for instance the
little what banks can only take the bigger
ones what had been decided in ant. coord.
agreement

3) approximation of monetary exchange

↳ more frequent Rayon

monthly, foreign ex. market report
+ monetary report (Raymond
+ Delpla - Gours)

4) next program → identification of members in
central bank, with limitations & rules
conditions defined in respect of capital flows,
monetary, that BBK should hold other currencies
in addition, possible for a long-term
holding

Summary

a) same thing with

b) inst. as new Barth-Dybing package

↓
1) ... 4)

Pöhl → in procedure → not talking on technical adjustment in EMS, can be made proposals in next three months to the, to be decided by governments;

there are serious etc. on heads of central banks, not subject here

Goelaens → can be held public opinion what we as central banks are doing; to be less involved of our message

Report 3 parts

- final objective, what does it mean, conditions
- achievements
- what we can do, maintain what is in our competence; propose what gov. should do

Pöhl → approaches the paper → can make a report that questions are open, an answer clarification, summarizing
↓
it is what
know → what we aim for; think about

3rd chapter → next three; decided by gov.-s;
☞

Chair → report in 3 parts → agreed

de Larosière → in his committee problems, first steps; approach
taken in his paper is to give a description, extremely
specific, of first steps leading to EMU; agrees with
Toll, not Kohlmann (point is not to say that we
can overcome Bork's Myths)

must think of constitutional steps → if legal
problems, how solve them, do legal adjustment, head
of state are responsible to prepare those to parliament

Proposals

- must be capable of holding head of state of, if that what they
want to reach, that that is what they have to do
- that must be a first institutional step; general
beginning of a process starting off from an embryo (psychological
effect, co-operation of countries, management of
small pool (attracting it), working together; creates synergy →
since there are links between administration & external relations)
then, do what is the essence of central banking

first would be first recapitulation, from clear blueprint
basis and then give more responsibility, the mechanism
measures

system of variable planning → start with something
simple; e.g. with some limit mech. effort to control
in the EMU, consider arrangements in social arrangements
or dis. a. c. as their own;

in first stage there is nothing that is fundamentally
inhibitive about pursuing ^{in our view} monetary stability, minimal
impact on ex. r. + monetary conditions - but will bring
us closer together. then determine conditions which allow us

to move to stage 2 and 3;

to particular importance attached to the market orientation aspect, ^{which can use what exists in EMU;} but, ^{not to be misunderstood,} institutional + in-depth cooperation are closely linked, thus institutional not to play second but to promote cooperation.

Hoffmeyer → no so big difference between Coakman & Delors; how to define fiscal EMU; how to coordinate monetary + fiscal (and other) policies.

what steps can lead to that? Money, but discretionary, what can be done without treaty and what requires a treaty.

if money treaty idea, how to be clear to have 2 parts → monetary + other policies;

if treaty → you cannot believe in gradualism; all central bank acts have to be changed; constitutional requires separate fiscal policy;

therefore have to make clear distinction between what can be done + not done with treaty

Coakman → agreement between his & Delors, depends on what you can do + not with treaty; more symbolic value without treaty? ~~not~~

Clapham - Pappas → agrees some with Coakman, his suggestions should be part of the report → cannot have the practical effect of making progress even if host of other ideas? agree

The point at which institutional change has to be done, before that we have to get used to what is going on in Botswana - they need some kind of market work

to have flexibility about M1 + how to get there;

Money demand not really that absolutely necessary

Can take important things → ex-ante coordination

an ideal paper → not absolutely essential to have a
learning process; should not create part-time
central bank;

- have to set up const. framework, when
there is political will + central bank,

- at what point does decentralized institution work +
approach adopted earlier?

- will the ideal institution work alongside not central
central bank; perhaps, even force (if always, have
learned anyway) if not, can be taken to ERM which
leads to conflict; if no conflict + some union

Compatibility → first practical step → its main objective should be
to ensure some kind of ex post control (not operational ex ante
control) to ex-ante coordination on monetary policy +
ex. market intervention

both are interconnected; both have to be dealt

with some consistency;

If this is the objective of 1st step, then → with what degree
of inst. set-up? Next stage will be arrangements. Of course,

Com. of Gov. could do it, but not practical & not credible;
also differs from other policy makers (imagine):

Therefore need for inst. →

but what kind of inst. mean by
how to respect national autonomy

difference between monetary policy coord. process & ex. v.
inst. process

example → parameter development, degree of centralization,
some favour monetary centralization;
how to do that? One not to limit,
others not too little.

could be ill-considered & reversed upon for a period of 3-4 months

an ex. v. → don't know what I will do; assistance
cannot be an impossible

that with monetary policy → to take coordination process
less demanding; need some institutional weight behind;
has a view; brought to the attention of national authorities

an ex. v. make conditions → much more difficult;
because, although inst. approach of EC has image effect
& many powers, various technical questions.

of technical with important practical implications:

- if possible, what do central banks get in exchange?
answer has impact on working of institution.
- working of public net loan mechanism, how to
share them out

not impossible, but have to be thought out

b) Harmonisation - making process; compliance of managers in area of substructure:

- possible issues & substructure operations in agencies function (in instruction from central bank);

above function of technical aspect of substructure making decision → who takes what decision with what speed?

when

- (ambiguity to find in substructure?)

like questions → immediately affect in domestic monetary policy

or for small amounts → what is the purpose of the operation

difficult to find answer, although instructed by the process of institutional approach

Public focus of d.c. paper has 4 advantages

a) there is a political decision to be taken in legal framework; helps us to see the problem; inherent change in coordination procedures.

b) what does it mean to create an authority at the European level; can go gradually, but Gov. have to decide; central banks have to operate in ex. market

c) relationship between national currencies & European currency; if problem in system, change in Bank of Spain has nothing to say; here to say

What framework we will have.

The ERM gave rise to political, technical & policy problems, but this means we have to tackle the problems through the step by step approach.

Duisenberg → EMU is final objective, agreed! in this context an 'institution' → internal & external stability

now → how to get there.

a) step approach → ↑ number of practical instruments. In the medium term, interest rates partially by central banks

b) increase centralisation of decision-making on monetary & ex. v. policy, so far only ex-ante only ...

and fiscal not to obstruct what central banks can do

not in favour of a) because:

- it is impossible to make intervention in decisions on interest rates by anybody else but central banks because of influence on interest rates, hence effect on monetary policy and thus on price stability

no split between ex. v. & mon. policy

- gradual transfer of monetary & some interest policy → ^{central bank} ^{coordination} medium plan has much emphasis on ex. v. stability & not internal stability; fiscal change as long as core remains + ex. v. not completely fixed, the European authorities should be able to

it principal objective of price stability.

not only centralisation of power,

ex. bank + lending coordination also requires

institutional changes → in all 3 (biggest) countries
changes in domestic decision-making structure; at
present ex. bank coord. not possible

requires them

ex. bank → by institutional body or change
in domestic laws

again with law / power & institutionalisation of work
in Committee of Gov.

X the Committee → not so much of a gap between Pöhl's
+ his other; not thinking of large autonomous institutions
which could export domestic monetary conditions;

excess → shocks; in addition to international
anchorage by central banks, can be practice on the basis
of an anchoring, to make marginal interventions to go
on the same objective of that of central banks.

not export monetary conditions; goal not change.
finds out a message; helpful to have an embargo;
Comm. questions right; at the beginning the ERM history and
very careful but helps to come of how to work together
if anything left to Com. of Gov. you run into difficulties,
see Pöhl's handwriting;

~~difficult~~ in Goussaux / Pöhl's / etc. L you
cannot always see institutional problems, so why not
include them at the outset;
while exercise perspective

- Collyns → Discussion should not be flawed down by
 - problem of institutional changes
 - then sketch out what we want to, structure things,
 then ask what inst. changes are required
 - cannot not a new Basel-III type agreement but
 much more ambitious, therefore look into inst.
 problems

should therefore discuss the content of the papers:
 there is no divergence between Dornbusch + de L (say);

what Dornbusch says, has been found by Gov. in their
 (assessm.), often perceived and the risks of four capital
 measures; centralisation (it also?) is essential

what two effects are not alternative:
 first, Dornbusch then move on to
 de L proposal

strong that are already an institutional step, or
 playing steps

Boyer → ^{in support} ~~collaboration~~ technical improvements are not so important, but
 have to say that we are unable to face the challenges
 on the future (capital measures cannot be fought
 by improvement of conditions).

what can we do? → ERT, problem of responsibility
 what who cannot
 be avoided;
 not the problems we
 would have with Europ.
 central banks

ERT \rightarrow central bank do we have to say what the consequences are?

Principles agreed:

(partial transfer of instruments is vital! it means you avoid going through things?)

ERT General steps; it has to go further?

if 1st step leads necessarily to 2nd + 3rd, then you have to foresee 2nd + 3rd and think of European central bank?

Even on 1st step some responsibilities given; ^{transferred} then some (authorities) given to this body; means legal changes, (showing the authority of existing national central banks) will take a long time;

Thygesen \rightarrow describes his paper

four objectives given by the central bank:

- ^{stability} ensure overall monetary union (price stability); but
- links of instruments \rightarrow remain separate
- instruments against 3rd countries
- authority to intervene to correct imbalances within the C
- to make essential adjustments

who should implement \rightarrow elected officials, Gov. committee also question of centralization

Andriessen \rightarrow - expect to draw up what can be done under present circumstances

- what can be done only with inst. changes

Commitment to present context, would be minimalist approach

- prepared for qualitative jump? or progressive growth

- have to choose practice → price stability

→ there are no parameters

to
with exchange? takes

has thought into what area

↳ practical transfer, or centralized decision-making?

a few steps or numerous steps?

↳ as that appears to happen.

depends on model to which ultimately.

on Lamfalussy question → what to do if members are hesitant?

Pohl →

Hoffmeyer raised the most important question:

2 distinct models:

a) treaty (legal framework); both old

& Thygesen proposals falling here;

then a set up of steps by steps not

conceivable, can change laws every three

years; unrealistic; not desirable,

cannot come up with small body, cannot

be

ie, Pohl is

if treaty (in favour of this) it should

show all the features of the European

Central bank; some time in the future;

not possible today;

the need with technical changes in fiscal field

b) what can be done before

- à la Godeaux, falls into the competence of Gov. or Finance Ministers to coordinate; could be discussed but does not have to be proposed to the levels of state

- without treaty (very difficult, 2 classes of members?), strengthening the existing institution (Council of Gov., set up in 64, by resolution of Council

- tasks are defined; could that not be achieved by resolution of Council, without law and leaving the authority with central banks

↓

tasks →

- management of ex. r. mechanisms

could upgrade the Committee, give it symbolic

- fiscal policy coordination → sending a letter to Finance Ministers expressing views on fiscal policy.

- institutional; don't need Fund; → any difficulty, what other choices? ...

but if institution discussed w-e-u's 3rd

Committee; could express majority views on what to do,

- could give advice on ex. r. votes → if more stability in ex. r. mechanisms can emerge; but developments are still needed; central bank power could come to the view that institutional came

only threaten to be in conflict with monetary policy, can ask to change ex. rates.

In de L proposal many problems → legalised voting rights; i.e. only EMU can be member of Fund + decision-making process; but political & physical

in his (Pöhl's) proposal this problem doesn't arise:

but legal question:

- can the G7 decide (see accumulation, law secretariat)

he assumed that without formal changes in legislation; in theory it was possible within the existing legislation

Pöhl → proposes paper on this!

de Larosière → understands that his concept is not compatible with gradualism, but with gradualism:
- correct that inst. changes required on proposal are intended to be completed by further inst. changes towards full integration
But the different steps have to be staggered + each step have to be object of unanimous agreement of all members concerned

↓
This could mean you step a preliminary steps, be incomplete

→ understands what Pöhl wants to do in setting up the Law of Law; not precisely what de Larosière has asked to do; it does not raise legal + political issues → we were asked by heads of States to make some

personal on how to reach EMU; this is a historical opportunity to discuss that question; if we don't solve problems we have done our job.

X Pöhl → but you forget my first part (treaty)

X Delors → that is utopian world; but if we have part of substance let's look at the legal question

in his paper institution of profound change in relation between governing bodies of EC & Ministers; would like to see this

are two categories of countries → capital analysis of situation; difficult to see how others could participate; it is a very political decision for them to be left out but to participate in ERM

● Chair → recalls parts of report:

what does the part look like?

- 1st stage should not cause const. changes, for others it should
- also we don't get const. changes every few years → has to be left perhaps.

2 issues

there are look for visible steps

↓ possible without const. changes?
or possible only with "

What would be a significant 1st step? Also behind us experience of EMU. → to find calendar in tens of years

Plans → have been asked how to get to EMU, have to say to create a mechanism for common + binding objectives under objective of price stability + changes in currencies

It says on this road that this is the right road (a political decision); the political part of agenda, sequencing should be made clear.

Common objective can be implemented through early steps; narrow interventions, market rules etc.

how to start it?

↓

gradual narrowing of band

fixed target → to calendar date → but if parties are stable fixed → an enabling provision to do it.

Mechanism of common decision → (an. of. Gov.? approaching not enough; should not offer it in the report.

real road has political implications, should be made aware of personal, visible, but could they shall + possible.

Conclusion → one step? No, pass through existing central banks (decision making process) + narrow

Leigh-Pemberton → cannot propose him scale, more practical
steps normally more institutional, because can be
far off as the he will face at a later stage

can take Pöhl / Godeaux proposal as first step

Tavares → concrete proposals are needed; before as 2 approaches;
one an alternative as complementing? joining institutional +
non institutional approaches; he is directed between the 2 proposals;
was attracted by the proposal, wanted take a long time to get
positive approval, still a pragmatic first step

but to what extent realistic to strengthen the powers
of Com. of Law; might cause political difficulties

an early proposal → risk of 2 groups of countries being more & more
divided; important to help other countries to overcome
their reluctance to cabinet exp

parallel proposals needed in other areas to
have convergence

proposal 1st step should outline also

what are the following steps, conditions + provisions

Chair → if we took first step à la Pöhl in monetary area;
then parallel step is to develop 2nd step in an emergency!

Doyle → discussion assumed unconsciously that we want to go to EMU;

but the real point is EMU; last discussion concerned EMU

an arrangement that EMU had been in place; today, EMU not under

the assumption that EMU in place; far from, unacceptable that EMU
before EMU before EMU; EMU can be made from day 1, but EMU aspects
will not work from day 1 → the measure will take years + years to take

effect, therefore EU must to have a headstart!

some to take non-memb. steps, time; but if seen in the context of EU the political problems will be seen in the proper context.

if Pöhl approach \rightarrow essentially a political problem, because on parallel we have to tell what the Ministers should do in EU ^{requirements}
Therefore in favour of del proposal \rightarrow leave the political problems non-handled, movement on both fronts (EU + MEU)

Report should make clear that we cannot avoid political problems; they should face them from the outset; these problems have to be solved in both fields

Charitiera \rightarrow gradual process in building up both bodies; ??
agrees with Meijdam

approach \rightarrow extend responsibilities of Com. of Gov
in policy making + implementation
(members + ex. n.)

the more important is ec. policy coordination; cannot proceed on basis of existing framework; ~~transfer~~ transfer ~~proposals~~

ERB \rightarrow does not have priority for coordination of policies;
practical issues raised by Com on ERB important;

- sense of accountability not discussed

Geffroyer \rightarrow what would define exact results in practice? Yes;
that means that the implications of EMU
have to be ~~spelled out~~ spelled out;

on steps only would also be clearing! We agree that
the final objective has to be presented.

del → discuss final stage (on a text, heads);
then make a first step, the first implementation,
then other steps more fuzzy; but make clear
that other steps will follow

in the heads the aspects of ec. + m. union,
from the outset the politically responsible are faced
with their task

↳ don't let the politicians to get away

cheaply

Hoffmeyer →

Chav → would it be possible to have a larger meeting next time?

Prum → shall immediately offer EC- Gov. meeting?
as soon as it is over?

Chav → 3 components of outside framework

- June 75 intergovernmental conference (lasted 6 months);
June 85 amend the Treaty of Rome was done quickly

- in Luxembourg heads of states all agreed to go on
the direction of ERM; difference in transfer of sovereignty
- Giscard / Schmidt (arrange that if the other was
around, would the heads of states be accept the
treaty & then the blanks would be filled in.